



Report of the General Manager and Chief Financial Officer

2019 Housing York Inc. Annual Report, Property Management Highlights, Financial Statements and Annual Information Return

Recommendations

1. The Board of Directors receive this report and approve the accompanying Housing York Inc. 2019 Highlights (Attachment 1) as part of Housing York Inc.'s Annual Report for submission to York Region, as Service Manager and sole shareholder of the Corporation.
2. The Board approve the 2019 Financial Statements and Notes for Housing York Inc. and submit them as part of Housing York Inc.'s Annual Report to York Region, as Service Manager and sole shareholder of the Corporation (Attachment 2).
3. The Board approve the 2019 Annual Information Return for the Housing York Inc. Provincial Reform Program and submit it to York Region, as the Service Manager and sole shareholder of the Corporation (Attachment 3).

Summary

The Amended and Restated Shareholder Direction, approved by the Region in [June 2018](#), requires the Housing York Inc. (HYI) Board of Directors to approve an annual report and audited financial statements for submission to the Region as Service Manager and sole shareholder of the Corporation, along with the 2019 Annual Information Return, a housing program report mandated under the *Housing Services Act, 2011*. There is also a requirement for annual reporting of tenancy management activity in accordance with the Tenancy Management Policy, approved by the Board in [December 2017](#).

This report highlights HYI's 2019 property management activities and fulfills the requirement for annual reporting of tenancy management activity.

Attachment 1 to this report is the publication shared with residents and proposed for submission to the Shareholder as the 2019 HYI Annual Report, along with the 2019 Financial Statements and Notes for HYI (Attachment 2) and the Annual Information Return, included as Attachment 3. HYI has engaged KPMG to perform the audit of the financial statements and to review the Annual Information Return. KPMG is prepared to issue an unqualified opinion of the 2019 financial statements.

Background

Property management activities include building operations, tenancy management and implementation of the [Resident Inclusion Plan](#)

Building operations include preventative maintenance and repair activities, as well as work done in response to resident requests. Major repair and retrofit initiatives are completed as part of the capital repair program, as reported in the 2019 Financial Statements (Attachment 2) and Annual Information Return (Attachment 3).

Tenancy management encompasses all aspects of HYI's relationships with individual resident households. As a responsible and caring landlord, and in accordance with the Tenancy Management Policy, HYI works with residents to connect them to support services, holds residents accountable to fulfill their tenancy obligations, and leverages the enforcement provisions of the *Residential Tenancies Act, 2006* as needed.

In [May 2019](#), the HYI Board approved the Resident Inclusion Plan. The plan supports HYI's vision:

A leader in affordable housing, building inclusive communities that everyone would be proud to call home.

HYI undertakes a variety of activities to respect the diversity of residents and to foster inclusion.

Housing York Inc.'s financial statements comply with Regional and legislative requirements

HYI prepares annual audited financial statements that are consolidated with the Region's financial statements. HYI's audit is performed concurrently with the Region's audit, by the same external auditors, ensuring that related-party transactions, such as subsidy transfers and payroll costs, are fully examined at the corporate and shareholder level.

In addition to the financial statements, the auditors review the Annual Information Return which is required under the *Housing Services Act, 2011*. The Annual Information Return is a summary of the financial, operating and statistical information of HYI's Provincial Reform portfolio. The Region, as Service Manager, uses this information to verify subsidy entitlement, assess compliance with the *Housing Services Act, 2011*, and for forecasting and budgeting purposes.

Board approval of the financial statements is required prior to submission to the Region, as Service Manager.

Analysis

PROPERTY MANAGEMENT

Housing York Inc. operates 2,762 rental units, located in more than 36 properties across the Region as well as the Region's five emergency and transitional housing facilities

The rental portfolio is comprised of 36 properties, with seven family townhouse properties and 29 apartment buildings, 23 of which are dedicated to seniors. HYI also operates five condominium units acquired through agreements with the City of Richmond Hill under Section 37 of the *Planning Act, 1990*.

Through the emergency and transitional housing program, HYI provides property management and capital repair services to the Region's facilities for men (Porter Place, Town of East

Gwillimbury), women (Belinda's Place, Town of Newmarket), youth (Richmond Hill Hub, City of Richmond Hill and Sutton Youth Shelter, Town of Georgina) and families (Leeder Place, Town of East Gwillimbury) experiencing homelessness. The Region contracts with community agencies that deliver client services in these facilities. HYI's emergency housing program operates on a Regionally funded, cost recovery basis in support of the Region's homelessness service programs. Highlights are reported through Regional, rather than HYI processes.

Housing York Inc.'s building operation programs ensure that all properties are in a good state of repair and compliant with applicable safety regulations

In addition to planned and preventative maintenance work, HYI responds to resident requests for maintenance services. During business hours, residents can call to request service or submit a written maintenance request. For after-hours assistance with urgent matters, residents can call HYI's emergency maintenance telephone line. In addition to routine operations, HYI undertook a number of service enhancements and other achievements in 2019, as highlighted below.

- HYI introduced a web-based process to enhance market rent unit leasing. Interested applicants can now view properties with market units and indicate their interest in receiving email information about future vacancies. Applicants are responding positively to the new process. HYI is also benefiting from operational efficiencies with the reduction in paper-based processes to track market applicant interest.
- Woodbridge Lane in the City of Vaughan achieved substantial completion in November 2019, with work on total completion continuing throughout December. During this period, HYI took possession of the building and supported returning households who had been temporarily relocated due to redevelopment. For the first time, HYI began using the web-based subscription list to contact prospective market tenants. Woodbridge Lane is the first building in the HYI portfolio to charge market rents based on market potential rather than funding program rules.
- HYI supported residents through major improvements at multiple properties, including five elevator modernizations, 291 bathroom and 66 kitchen replacements, building envelope modifications and a parking deck rehabilitation. HYI worked with residents to minimize disruptions, addressed specific community concerns and ensured resident engagement by holding onsite, interactive information sessions about the planned work. Meetings were followed with communication packages that provided details that included project timelines, how and where the work would happen, contractor and staff contact information, potential resident impacts and frequently asked questions.
- HYI ensures all properties are consistently and professionally maintained to make them attractive to residents, their guests and the surrounding community. Enhancements in 2019 included interior and exterior lighting upgrades, new intercom systems, keyless entry systems, automatic door openers to increase accessibility, upgraded air conditioning systems in common rooms, and interior design updates to public spaces. Some front entrances were updated to include park benches and hardscaping to divide green space, and address seasonal salt damage around sidewalks.
- HYI initiated a program to enhance safety by removing window air conditioners and prohibiting new installations above ground level. HYI assisted 161 residents at ten properties with removal of their window mounted air conditioners. In exchange for these window air conditioners, HYI offered a \$400 credit or a portable floor model air conditioner as an alternative. Over 110 residents chose to accept portable air conditioners and have received delivery of the new units.

The Tenancy Management Policy guides Housing York Inc.'s rent collection and enforcement efforts

Most HYI residents have stable, successful tenancies. At year end, 88% of HYI resident households had paid their rent and related charges on time and in full, consistent with the 87% of residents in good standing at the end of 2018. In accordance with the Tenancy Management Policy, HYI uses the Landlord and Tenant Board (LTB) process to support residents in maintaining their tenancies. There are many steps in the LTB process before eviction. If a tenant brings their account up to date at any point before an eviction is enforced by the Sheriff, the process stops. Throughout the LTB process, HYI continues to work with residents to preserve their tenancies, referring them to support services and other resources as needed.

HYI's experience is that prompt initiation of LTB processes preserves tenancies by encouraging residents to restore their rental accounts to good standing.

- HYI issued more than 850 "N4-Notice to End your Tenancy for Non-payment of Rent" forms to 319 households. Residents can receive multiple N4-Notices over the course of the year. A relatively small group of residents consistently struggle with timely rent payments, with 51 tenancies accounting for almost a third of the N4-Notices issued.
- If the resident does not pay the rent or negotiate a payment plan after receiving the N4-Notice, HYI applies for a hearing at the LTB. HYI scheduled 73 LTB hearings for rent related matters. Of these, 19 were cancelled because the resident paid the rent or negotiated an informal repayment plan. Of the 55 applications that continued through the LTB process, 28 resulted in mediated payment plans and 26 resulted in eviction orders.
- Although 26 eviction orders were granted, HYI was able to work with 23 of those households to restore their tenancies before the eviction was enforced. In total, HYI only enforced three evictions in 2019.

The 2019 resident survey results inform implementation of Housing York Inc.'s Resident Inclusion Plan

The Resident Inclusion Plan is framed around the expectation that HYI and residents are responsible to "Ask, Listen and Adapt." For HYI, this means making it easy for residents to provide input, considering resident feed-back and adapting business processes to the extent practical in response. For residents, this means letting HYI know if there is a concern and doing their part to contribute to an inclusive community.

HYI recognizes that communities sometimes need support to adapt to changing demographics. As an example, HYI delivered a Masterchef program to build a more inclusive sense of community at a seniors' building adjusting to diversity. Residents brought meals for everyone to taste and shared stories of the origins of their recipes and other wonderful memories. A number of awards were given out, including most creative dish and best dessert. HYI also partnered with the York Region Food Network to provide cooking classes and programs related to the residents' community garden. Residents' positive feedback resulted in series of gardening workshops. These programs have helped the community come together and begin to appreciate the cultural diversity of their community.

As an early deliverable under the plan, HYI conducted a survey to seek resident input on their experience with HYI. The survey addressed a range of topics, including communications, building services and maintenance, and rent programs. It also enabled residents to provide additional comments. The survey was promoted and delivered through HYI's summer student

program. More than 1,000 residents completed surveys, resulting in a response rate of 40%. From a statistical perspective, HYI can be confident that the results are representative.

Overall, survey respondents were very positive about their experiences with HYI; 89% said they would recommend their community if someone they knew was looking for rental housing. Although no overarching concerns were identified, the survey results indicate that a community specific focus is appropriate in some instances. Examples include communities where a significant number of residents prefer to communicate in a language other than English, or where specific aspects of a property, such as garbage and recycling room services, scored lower than other properties. The property management team will follow up at the individual community level to determine next steps.

A key survey objective was to inform future actions under the Resident Inclusion Plan. Attachment 1 provides highlights of relevant survey results and updates on plan-related initiatives.

FINANCIAL STATEMENTS

The auditor's opinion on the 2019 financial statements is free of any qualifications or conditions

HYI's financial statements were prepared in accordance with the financial reporting provisions in the *Housing Services Act, 2011*. KPMG conducted the annual audit in accordance with generally accepted auditing standards. The Auditor's Report reflects KPMG's opinion that the financial statements present fairly, in all material respects, the financial position of HYI as at December 31, 2019.

Housing York Inc. continued to be in a strong financial position in 2019

Table 2 summarizes HYI's balance sheet as of December 31, 2019, with comparative figures for 2018.

Table 2
Consolidated Balance Sheet
As at December 31, 2019

	2018 (\$000)	2019 (\$000)	Variance (\$000)	(%)
Assets				
Current assets	5,020	4,062	(908)	(18%)
Restricted cash and investments	20,061	22,051	1,990	10%
Property holdings	186,523	221,518	34,995	19%
Total Assets	211,604	247,631	36,027	17%

	2018 (\$000)	2019 (\$000)	Variance (\$000)	(%)
Liabilities				
Current liabilities	12,430	17,687	5,257	42%
Building finance	51,482	50,837	(645)	(1%)
Total Liabilities	63,912	68,524	4,612	7%
Equity				
Reserve funds	17,764	19,132	1,368	8%
Shareholder contribution	129,928	159,975	30,047	23%
Total Equity	147,692	179,107	31,415	21%

Note: totals may not add due to rounding

In 2019, total assets were \$247.6 million, an increase of \$36.0 million (17%) compared to 2018, resulting from:

- An increase in property holdings due to the addition of 275 Woodbridge Avenue, in the City of Vaughan
- An increase in restricted cash and investments due to higher reserve balances

In 2019, total liabilities were \$68.5 million, an increase of \$4.6 million (7%) compared to 2018, resulting from:

- An increase in current liabilities of \$5.3 million due mainly to accounting rules that require the mortgage of Heritage East, in the Town of Newmarket, to be reclassified from a long term liability to a short term liability as it is renewable within 12 months of the fiscal year end
- An increase in building financing of \$10.5 million due to the addition of the \$6.6 million debenture for 275 Woodbridge Avenue, and a one-time restatement to recognize outstanding financial obligations to the Region of \$3.9 million. The one-time restatement relates to the financial statement presentation of the Regional debentures related to two of HYI's buildings, Tom Taylor Place in the Town of Newmarket, and Mackenzie Green in the City of Richmond Hill. When the two buildings were transferred to HYI from the Region, they were reported differently on the balance sheet. For Tom Taylor Place, the Regional debenture was recorded when the building was transferred in 2008, but the annual principal payments were not reflected. For Mackenzie Green, the Regional debenture was not recorded when the building was transferred but was included as a note to the financial statements. The restatement reflects the payments made to date for Tom Taylor Place and the inclusion of the debenture for Mackenzie Green.
- A decrease in building financing of \$11.1 million due to a reduction in mortgages payable of \$5.6 million and the reclassification of Heritage East mortgage renewal to current liabilities

In 2019, total equity was \$179.1 million, an increase of \$31.4 million (21%) compared to 2018 resulting mainly from an increase in shareholder contribution of \$33.9 million for the addition of 275 Woodbridge Avenue.

Housing York Inc. generated an operating surplus of \$2 million in 2019

Table 3 summarizes HYI's Statement of Revenue and Expenditures as of December 31, 2019 with comparative figures for 2018.

Table 3
Consolidated Statement of Revenue and Expenditures
As at December 31, 2019

	2018 (\$000)	2019 (\$000)	Increase/ (Decrease) (\$000)	Increase/ (Decrease) (%)
Revenue				
Rental and other income	21,869	22,596	727	3%
Government subsidies	18,078	18,877	799	4%
Total Revenue	39,947	41,473	1,526	4%
Expenses				
Mortgage	9,397	8,813	(584)	(6%)
Administration and maintenance	12,920	14,064	1,144	9%
Property taxes	2,724	3,182	458	17%
Utilities	3,513	3,524	11	0%
Contribution to reserves	8,814	9,927	1,113	13%
Total Expenses	37,368	39,510	2,142	6%
Surplus	2,579	1,963	(616)	(24%)

Note: totals may not add due to rounding

Total revenues were \$41.5 million in 2019, an increase of \$1.5 million (4%) over 2018. The increase in revenues was due to an increase in government subsidies for capital repairs and upgrades (\$1.2 million) offset by a lower Provincial Reform operating subsidy (\$0.4 million).

Total expenses were \$39.5 million in 2019, an increase of \$2.1 million (6 %) over 2018, resulting from:

- Higher administration and maintenance costs due to higher operating contracts, additional investments in property improvements, and salaries and benefit costs
- An increase in contributions to the capital reserve for capital repairs and upgrades (\$1.2 million)

- Higher property taxes due to a one-time adjustment for the final settlement of the Richmond Hill Hub (\$0.4 million)

Housing York Inc. invested \$9.5 million in capital repairs and upgrades in 2019

Housing York is committed to maintaining properties in a state of good repair. As part of asset management practices, HYI completes building condition assessments and energy audits for all properties on a regular basis. These assessments identify future capital needs for HYI sites and buildings, taking into consideration items such as age, performance and reliability of building components. Generally, the portfolio is in good condition which is attributable to solid investment in capital repairs and rehabilitation.

In 2019, HYI had over 60 active capital projects to increase the safety, accessibility and lifespan of its buildings. Projects included exterior building upgrades, parking lot repairs, elevator modernization and kitchen and bathroom renovations. Table 4 provides a list of the major capital projects that were active in 2019.

Table 4
Capital Repair and Replacement Projects Over \$250,000 Active in 2019

Property	Description
Trinity Square, City of Markham	Kitchen and bathroom upgrades
Springbrook Gardens, City of Richmond Hill and Elmwood Gardens, Town of Whitchurch-Stouffville	Window and door replacement
Rose Town, City of Richmond Hill	Bathroom upgrades
Heritage East, Town of Newmarket	Kitchen and bathroom upgrades
Fairy Lake Gardens, Town of Newmarket	Building exterior upgrade
Mapleglen, City of Vaughan	Roof replacement
Thornhill Green, City of Markham	Roof replacement
Dunlop Pines, City of Richmond Hill	Elevator modernization
Heritage East, Town of Newmarket	Elevator modernization
Hadley Grange, City of Aurora	Make-up air replacement

In addition to the \$9.5 million HYI invested in capital, HYI also received an additional \$1.2 million from the federal and provincial governments, and from the Region to address capital needs. Capital projects included installation of gas generators at several emergency housing facilities, roof and parking lot replacements, elevator modernizations, and renovations to the adult day program centre. Additional subsidy is received for these projects which flow through the reserve to offset expenses. By keeping assets in a state of good repair and increasing their safety and accessibility, HYI is striving to maximize the value and life span of all buildings in the portfolio.

Financial Considerations

All property management activities, including building operations, tenancy management and resident inclusion, are included in the HYI operating budget, and the results are reported in the 2019 Financial Statements (Attachment 2) and Annual Information Return (Attachment 3).

Housing York Inc. allocated the \$2 million operating surplus to specific reserves

The 2019 operating surplus was \$2 million. In accordance with the Board-approved operating surplus policy, HYI allocated \$2 million from the operating surplus to reserves. Table 5 shows how the surplus funds were allocated.

Table 5
Summary of Operating Surplus Allocation

	(\$000)
Capital Repair and Replacement Reserve	986
Insurance Reserve	14
Strategic Initiatives Reserve	888
Emergency Housing Reserve	75
	1,963

In 2019, bad debt write-offs totaled \$16,449

Although rent collection activity can continue indefinitely, former resident accounts with no repayment after one year in collections are written off at year-end. Outstanding accounts resulting from the death of a resident, and accounts with a total outstanding balance of less than the minimum value required for acceptance by the collection agency (currently \$100), are written off in the year in which the tenancy ended. In 2018, HYI collected \$4,023 from former residents and wrote off \$20,473 in bad debt.

Local Impact

HYI's buildings are located in all of the Region's cities and towns. Effective property management activities position HYI to be a good neighbour and positive member of the local community.

The Financial Statements and the Annual Information Return have no impact on local municipalities.

Conclusion

This report provides an overview of HYI's 2019 property management activities, including details regarding the implementation of the Tenancy Management Policy approved by the Board in [December 2017](#).

The 2019 Financial Statements reflect the financial results and position of HYI, and are presented in accordance with the provisions in the *Housing Services Act, 2011*.

The 2019 highlights publication (Attachment 1) will be shared with residents and provided to the Region as Shareholder as part of the annual report, which will also include the 2019 audited financial statements and Annual Information Return.

For more information on this report, please contact Kerry Hobbs, Director, Operations at 1-877-464-9675 ext. 72071 or Michelle Willson, Chief Financial Officer at ext. 76064. Accessible formats or communication supports are available upon request.

Recommended by: Michelle Willson
Chief Financial Officer, Housing York Inc.

General Manager, Housing York Inc.

Approved for Submission: Katherine Chislett
President, Housing York Inc.

May 21, 2020
Attachments (3)
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