



## Report of the General Manager and Chief Financial Officer

### Housing York Inc. 2021 Budget

#### Recommendation

The Board of Directors approve Housing York Inc.'s 2021 budget as summarized in Attachment 1.

#### Summary

This report seeks the Board's approval of Housing York Inc.'s (HYI's) 2021 budget as summarized in Attachment 1.

#### Background

##### **The Board approved a new long-term fiscal plan for Housing York Inc.**

In [November 2017](#), the Board of Directors approved a new long-term fiscal plan for HYI. The fiscal plan was developed to ensure HYI remains fiscally responsible, safeguards its assets and is accountable for effectively managing its resources. The fiscal plan includes a reserve strategy that sets goals and objectives for HYI's reserves, a new Operating Surplus Policy that establishes a framework for the allocation of operating surpluses and an updated Investment Policy to ensure prudent management of HYI's working capital and reserves.

##### **A new Housing York Inc. strategic plan has been developed for 2021 to 2024 based on the approach presented and approved by Housing York Inc.'s Board in January 2020**

In alignment with the Region's [10-year housing and homelessness plan](#), the 2021 to 2024 Strategic Plan for HYI focusses on addressing challenges in the Region's affordable rental supply and seeks innovative ways to work to meet demand and support residents. This plan will ensure HYI is well positioned to respond to increasingly complex challenges over the next four years. The plan identifies three strategic priorities and a broad range of supporting actions. The plan will be presented to HYI Board of Directors for approval in November 2020.

Regional subsidies and requests for permanent staffing in HYI's budget are included in the Community and Health Services budget, scheduled to be presented to Committee of the Whole in March 2021. The HYI budget is subject to final approval of the Region's budget.

## Analysis

### The 2021 budget supports the implementation of Housing York Inc.'s 2021 to 2024 Strategic Plan and additional expenditures related to COVID-19 and a designated substance survey

The 2021 operating budget includes \$448,000 to support the implementation of HYI's new strategic plan, Building Better Together. Nearly half of the funding is to support the configuration and deployment of the Yardi Advanced Maintenance Module. This module will modernize the paper and spreadsheet based maintenance tracking systems to facilitate life cycle costing and stronger asset performance reporting.

The operating budget includes \$228,000 in COVID-19 related expenses. These expenses include the purchase of additional personal protective equipment, professional cleaning services and disinfecting supplies. The budget also includes a 0% increase in rental revenue as the Ontario Government introduced *Bill 204, Helping Tenants and Small Businesses Act, 2020*, intended to freeze residential rents at 2020 levels in order to support families impacted by COVID-19. The proposed rent freeze would end December 31, 2021.

Some timelines may be impacted if it is necessary to change plans in response to COVID-19, or to provide support to other parts of York Region to assist with the COVID-19 emergency response.

Additional funding of \$200,000 is included in the 2021 operating budget for a designated substance survey required under the *Occupational Health and Safety Act*.

HYI's 2021 operating budget summary is presented in Table 1.

**Table 1**  
**HYI 2021 Operating Budget Summary**

|                                    | <b>2020</b>    | <b>2021</b>    | <b>Budget Variance</b> |             |
|------------------------------------|----------------|----------------|------------------------|-------------|
|                                    | <b>Budget</b>  | <b>Budget</b>  | <b>(\$000)</b>         | <b>%</b>    |
|                                    | <b>(\$000)</b> | <b>(\$000)</b> | <b>(\$000)</b>         | <b>%</b>    |
| <b>Revenue</b>                     |                |                |                        |             |
| Market rent                        | 8,474          | 9,091          | 617                    | 7.3%        |
| Subsidized rent                    | 14,407         | 14,146         | (261)                  | -1.8%       |
| Non-rental revenue                 | 1,222          | 1,365          | 143                    | 11.7%       |
| Regional subsidies                 | 17,187         | 17,471         | 284                    | 1.7%        |
| <b>Total revenue</b>               | <b>41,290</b>  | <b>42,074</b>  | <b>784</b>             | <b>1.9%</b> |
| <b>Expenditures</b>                |                |                |                        |             |
| Salaries and benefits              | 7,742          | 8,185          | 443                    | 5.7%        |
| Administration                     | 1,764          | 1,934          | 171                    | 9.7%        |
| Facilities                         | 5,539          | 5,822          | 283                    | 5.1%        |
| Utilities                          | 4,065          | 4,072          | 7                      | 0.2%        |
| Property taxes                     | 3,426          | 3,508          | 82                     | 2.4%        |
| Mortgage/debentures                | 9,351          | 9,361          | 10                     | 0.1%        |
| Mandatory contributions to reserve | 8,545          | 8,812          | 267                    | 3.1%        |
| <b>Total expenditures</b>          | <b>40,432</b>  | <b>41,694</b>  | <b>1,262</b>           | <b>3.1%</b> |

|  | 2020<br>Budget<br>(\$000) | 2021<br>Budget<br>(\$000) | Budget Variance |        |
|--|---------------------------|---------------------------|-----------------|--------|
|  |                           |                           | (\$000)         | %      |
| Operating surplus before contributions | 858                       | 380                       | (478)           | -55.7% |
| Contributions to reserve               | 858                       | 380                       | (478)           | -55.7% |
| Net surplus/(deficit)                  | 0                         | 0                         | 0               | 0.0%   |

Note: Numbers may not add due to rounding

## Financial Considerations

### **Housing York Inc.'s revenue increases are driven by a full year of rental revenue at Woodbridge Lane in the City of Vaughan, and the implementation of the new local eligibility rules related to income and asset limits**

Total revenue is projected to increase by \$784,000 or 1.9% over 2020. This increase is due to higher market and non-rental revenue and additional Regional subsidies.

- Market rent is projected to increase by \$617,000 or 7.3%. This increase is largely due to:
  - Market units being fully occupied at Woodbridge Lane, in the City of Vaughan. In 2020, two months of occupancy loss had been allocated to align with expected move-in dates.
  - The implementation of the new local eligibility rules under the *Housing Services Act, 2011* (HSA) related to income and asset limits. This change resulted in 25 residents transitioning from subsidized rent to market rent.
  - The Ontario Rent Increase Guideline for 2021 of 0%. The Ontario Government passed *Bill 204, Helping Tenants and Small Businesses Act, 2020*, freezing residential rents at 2020 levels in order to support families impacted by COVID-19. The rent freeze ends December 31, 2021. This applies to resident households paying market rents and those paying subsidized rents.
- Rent for subsidized units is projected to decrease by \$261,000 or -1.8% due to:
  - The change in the eligibility rules mentioned above regarding asset and income limits.
  - Offering subsidized rents at the Richmond Hill Hub in the City of Richmond Hill, based on 30% of the residents' income. An increase in market rents at the Richmond Hill Hub has enabled this property to transition from a tiered rent model to the rent model implemented at Woodbridge Lane. The new model is more responsive to reduction in household incomes. The building's overall revenue target will be maintained.
- HYI generates non-residential rental revenue through parking charges, coin laundry and the rental of commercial space. Non-residential rental revenue is projected to increase by \$143,000 or 11.7%. This increase is due to the change in the accounting treatment of investment income. Investment income generated from HYI's reserves was previously attributed to the reserves. The investment income now appears on the Statement of

Revenue and Expenses as an increase in non-rental revenue and an increase in contribution to reserves.

- Regional subsidies are projected to increase by \$284,000 or 1.7% largely due to:
  - The increase of \$79,000 in the Emergency Housing subsidy related to COVID-19 expenditures and an increase in property taxes.
  - The increase of \$57,000 in the provincial reform portfolio. This increase is based on the benchmark indices released by the Ministry of Municipal Affairs and Housing.
  - The increase of \$63,000 in rent subsidies due to lower incomes of current residents. Rent subsidy is the difference between what the resident can afford to pay and market rent.
  - An inflationary increase of \$85,000 in the public housing portfolio.

### **Housing York Inc.'s increase in expenditures is driven by projects to support the implementation of the new strategic plan, COVID-19 and a designated substance survey**

Total expenditures are projected to increase by \$1.3 million or 3.1% over 2020. The main drivers are:

- Salaries and benefits are projected to increase by \$443,000 or 5.7%. This increase is related to a cost of living increase, the addition of one permanent full-time accounting clerk position, and two temporary positions (Maintenance Coordinator and Asset Management Specialist) to support the implementation of the Yardi Advance Maintenance Module included in the strategic plan.
- Administration expenses are expected to increase by \$171,000 or 9.7%. This increase is related to the implementation of the Yardi Advance Maintenance Module included in the strategic plan and an increase in insurance costs.
- Facility expenses are projected to increase by \$283,000 or 5.1%. This includes \$228,000 for COVID-19 related expenditures and \$200,000 for a designated substance survey required under the *Occupational Health and Safety Act*. These increases are partially offset by facility cost efficiencies.
- Utilities are projected to increase by \$7,000 or 0.2%. This increase is based on the 2020 annual forecast plus inflationary factors provided by the Region.
- Property taxes are projected to increase by \$82,000 or 2.4%. This increase is based on the 2020 annual forecast plus a 2.35% annual increase factor provided by the Region.
- Mortgage/debenture payments are projected to increase by \$10,000 or 0.1% due to increases resulting from 2020 mortgage renewals. There are no mortgage renewals scheduled in 2021.
- Budgeted contributions to capital reserves are projected to increase by \$267,000 or 3.5% due to the following:
  - A \$220,000 increase due to the change in the accounting treatment of investment income. Investment income generated from HYI's reserves was previously attributed

to the reserves. The investment income now appears on the Statement of Revenue and Expenses as an increase in non-rental revenue and an increase to contribution to reserves.

- An inflationary increase of \$47,000 in the public housing and provincial reform portfolios.

### **Housing York Inc. is committed to keeping its assets in a good state of repair**

HYI plans to invest \$11.5 million in capital improvements during 2021. A significant amount of the expenditures will go towards bathroom and kitchen refurbishments, sidewalks and curbs, roof system replacements, balcony slab and railing restorations, and replacement of mechanical systems. The \$11.5 million capital budget includes \$1.2 million for design for projects to be completed in 2022.

### **\$1 million budgeted for energy conservation initiatives including work deferred from 2020 due to COVID-19**

In [November 2019](#), the HYI Board of Directors approved the Energy and Utilities Management Plan. The Energy and Utilities Management Plan is a five-year plan, which includes approximately seven projects per year. The energy conservation projects will achieve reductions in energy consumption, operating costs and greenhouse gas emissions across HYI's building portfolio by installing proven technologies with a payback of eight years or less. In 2021, \$1 million is budgeted for these initiatives from the Strategic Initiatives Reserve, which was established to fund strategic priorities such as energy conservation initiatives. This budget amount represents two years of funding for the Energy and Utilities Management Plan to complete the work that was planned in 2020 but was deferred due to COVID-19. All incentives paid by third-party funders will be applied directly to the Strategic Initiatives Reserve. Any operating savings will be used to fund other operating pressures or to increase the annual surplus.

### **Operating surplus allocated to reserves**

The projected operating surplus of \$380,000 will be allocated to the reserves according to the Operating Surplus Policy to support long-term sustainability. A breakdown of the projected reserve balances at the end of 2021 is provided in Attachment 1.

## **Local Impact**

HYI operates 36 housing properties in all nine municipalities housing over 4,500 residents. The 2021 budget gives HYI the fiscal stability and sustainability it needs to continue to provide quality affordable housing to York Region residents.

## **Conclusion**

Overall, the proposed 2021 budget reflects a \$380,000 operating surplus and an \$11.5 million investment in capital projects. The operating surplus, if realized, will be allocated in accordance with the Operating Surplus Policy to support HYI's reserves. The proposed budget will enable HYI to implement the first year of the new HYI strategic plan, manage increasing service demands and maintain existing service levels. HYI will continue to operate and manage its housing portfolio in a financially prudent manner throughout the period covered by the proposed budget.

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

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Attachment  
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