

2019 to 2022 HOUSING YORK INC. **BUDGET**

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Housing York Inc. at a Glance

Housing York Inc. (HYI) is The Regional Municipality of York's housing corporation. HYI was formed in 2003 through amalgamation of the York Regional Housing Corporation and the Region of York Housing Corporation. HYI has 35 housing properties with approximately 2,600 units and is home to over 4,000 tenants across all nine local municipalities in York Region.

Our Vision

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

and

Mission

As a responsible and caring landlord, we work with our residents and partners to deliver housing programs and services that are important to our communities.

Housing York Inc.'s 2017 to 2020 Plan: Achieving New Heights Through Innovation and Sustainability

In November 2016, HYI's Board of Directors approved the 2017 to 2020 Plan: [*Achieving New Heights Through Innovation and Sustainability*](#). The plan sets the course for future growth and sustainability through the following five strategic directions:



Strengthen community health

- Residents are engaged in their communities and connected to supports that enable them to maintain successful tenancies.



Build long-term financial sustainability

- HYI is in a strong financial position to meet the housing needs of our residents.



Effectively manage assets

- Residents enjoy well-maintained and sustainable buildings that optimize expected building life cycles and costs.



Provide good governance and strengthen organizational capacity

- A workplace that continuously innovates to improve business practices and resident services.



Inform and implement Regional housing initiatives

- HYI provides leadership for new housing initiatives for the broader housing sector in York Region.

In 2019, HYI will focus on implementing the following actions:

- Develop a plan to support diversity and inclusion for residents. The Region's Diversity and Inclusion Charter was endorsed by the HYI Board of Directors in September 2018. The Resident Inclusion Plan will support HYI in advancing the Charter's vision of York Region as a welcoming and inclusive community and HYI's vision to build inclusive communities that everyone would be proud to call home.
- Develop a portfolio management strategy that optimizes the number of quality affordable homes. The portfolio management strategy will review each of the sites owned by HYI looking at operational efficiency, future rehabilitation needs and development potential. The strategy will identify future action for each site including retention, divesture and redevelopment as well as indicate potential timelines. This will guide affordable housing development initiatives and inform a future Affordable Housing Master Plan.
- Create an energy and utilities management plan aligned with the corporate energy plan. HYI previously invested in energy management initiatives that have resulted in annual savings of over \$140,000 and an annual reduction of 266 tonnes of greenhouse gas emissions. The energy and utilities management plan will guide the next wave of energy initiatives with the aim to mitigate rising utility costs, reduce greenhouse gas emissions and maintain resident comfort.
- Create a performance management framework that encourages efficiency and measures operational effectiveness. As part of the framework, key performance indicators will be developed in the areas of asset management, program compliance, financial and risk management and tenant relations. These key performance indicators will improve performance, support informed decision making, strengthen risk management and allow for continuous improvement. Once developed, the key performance indicators will be presented to the Board on a regular basis.

- Implement an emergency housing framework. Since HYI now owns and operates all emergency facilities, a standardized approach for the funding and operation of this portfolio has been created and will be implemented in the first quarter of 2019.

HYI's Long-Term Fiscal Plan

In [November 2017](#), HYI's Board of Directors approved a new long-term fiscal plan for the corporation. 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 reserves
- A new Operating Surplus Policy that establishes a framework for the allocation of operating surpluses
- An updated Investment Policy to ensure prudent management of HYI's working capital and reserves

The reserve strategy will ensure HYI can effectively and efficiently respond to capital and operating needs. A significant change in the strategy was consolidation of the Capital Repair and Replacement Reserve to fund planned capital repairs for the entire HYI portfolio. As a result, spikes in demand for capital reserves and capital funding requests needed from York Region have been eliminated.

Under the consolidated reserve fund, reserve contributions for newer buildings will be used to fund more immediate capital expenses needed for older buildings, smoothing pressures on the reserve over time while ensuring that funds are available in the future as the newer buildings age. Capital expenditures could be higher than contributions in a specific year; however, each program will contribute enough funding to cover all of its capital needs over the long-term. The strategy is supported by detailed analysis of each programs capital repair needs and reserve contributions over the next forty years.

HYI's Capital Repair and Replacement Reserve will be funded from a variety of funding sources including:

- An annually budgeted allocation from HYI's operating budget
- Regional subsidies
- Fifty per cent of annual operating surpluses
- An annual draw of \$3.6 million from the Regionally Owned Housing Reserve

New Developments

Woodbridge Lane

York Region is redeveloping an affordable housing site located on Woodbridge Avenue in the City of Vaughan. The new 162 unit affordable housing building will replace a 32 unit seniors' building and a 14 unit family building that required extensive capital investment. The six story building will include one, two, three and four bedroom units, including some that are accessible, for seniors, singles, couples and families with a mix of incomes. It will also offer a street front commercial or community space and incorporate sustainable, green building practices and features that consider the natural environment.

Building features

- On-site underground resident and commercial parking and surface parking for visitors

- Indoor and outdoor amenity spaces
- Playground and children's play room
- Green/energy efficient building systems
- Street front commercial or community space

Construction began in early 2017 and is anticipated to be completed in 2019.

Unionville Senior's Affordable Housing Development

York Region is developing an affordable rental building for seniors as part of a redevelopment of the Unionville Home Society, located in the City of Markham. The new HYI building will have approximately 260 apartments for seniors, as well as a ground floor hub offering seniors-focused services to the community.

Building features

- On-site underground resident and visitor parking, with some short-term surface parking
- Ground floor hub offering seniors-focused services to the community
- Indoor and outdoor amenity spaces for residents
- Green/energy efficient building systems

Preliminary construction activity began in 2018 with construction in full swing in 2019 and an expected completion date in 2021.

2019 Operating budget

2019 Operating Budget Overview

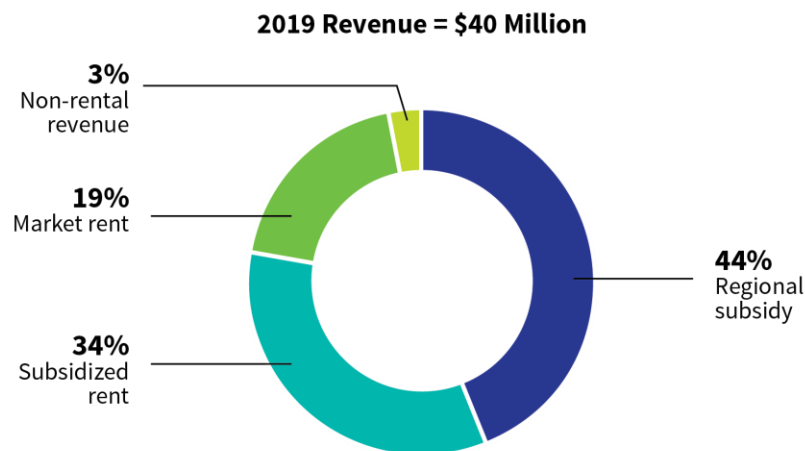
HYI's 2019 budget reflects a surplus of \$481,000 before contributions to reserves. The budget enables HYI to implement strategic directions, manage increasing service demands and maintain existing service levels. HYI's 2019 budget summary is presented in Table 1 below. The details of the operating budget are shown in Appendix 1.

Table 1
2019 Operating Budget Summary

	2018 Budget	2019 Budget	2019 Budget Variance	
	(\$000)	(\$000)	(\$000)	(%)
Rental revenue	20,030	21,041	1,011	5.1%
Non-rental revenue	1,033	1,192	159	15.4%
Regional subsidies	17,312	17,718	406	2.3%
Total revenue	38,375	39,951	1,576	4.1%
Operating expenditures	37,242	39,470	2,228	6.0%
Operating surplus before reserve contributions	1,133	481	(652)	-57.5%
Contributions to reserves	1,133	481	(652)	-57.5%
Net surplus/(deficit)	0	0	0	0.0%

Revenue

Total revenue is projected to be \$40 million in 2019. Rental revenue from residents make up more than half of total revenue, with the remainder coming from Regional subsidies and a small portion from non-rental revenue. Revenue also includes income from the new Woodbridge Lane development. Upon completion, HYI will assume operations of the building. New developments are expected to be financially sustainable, requiring no operating or capital subsidies from the Region. All revenue in the budget related to the Woodbridge Lane development is prorated based on fall 2019 occupancy.



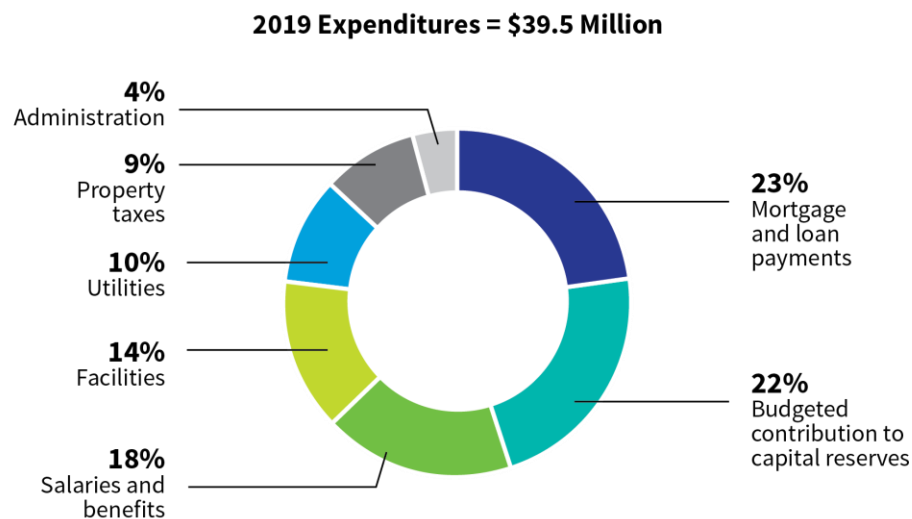
Total revenue is projected to increase by \$1.6 million or 4.1 per cent over 2018. This increase is spread over all sources of revenue, including rental revenue, non-rental revenue, and Regional subsidies. Rental revenue is the portion of rent that is collected directly from residents; this includes market rent and the portion of rent a subsidized tenant pays.

- Market rent is projected to increase by \$375,000 or 5.1 per cent. This increase is largely due to the new market units that will be available at Woodbridge Lane. In addition, the 2019 rental payments for the existing housing units are projected to increase by 1.8 per cent based on the Ontario Rent Increase Guideline.
- Rent for subsidized units is projected to increase by \$636,000 or 5.0 per cent. This is attributed to the subsidized rental income for the Woodbridge Lane development being included in the 2019 budget and higher incomes of current and new tenants for existing housing units.
- HYI generates non-rental revenue through parking charges, coin laundry and rental of commercial space. Non-rental revenue is projected to increase by \$159,000 or 15.4 per cent, due to several factors including laundry and parking revenue estimated to be generated from the Woodbridge Lane development.

- Regional subsidies are projected to increase by \$406,000 or 2.3 per cent largely due to:
 - Increase of \$744,000 in subsidies in the emergency housing portfolio. Starting in 2019, HYI will be responsible for administering the facility operations of Porter Place and Leeder Place (East Gwillimbury). This increase also includes a one-time \$500,000 capital contribution to the emergency housing reserve to ensure sufficient capital reserves to maintain the buildings in a good state of repair.
 - Decrease of \$419,000 in subsidies in the Provincial Reform portfolio as more rent is being collected from subsidized tenants.
 - A 2.5 per cent inflationary subsidy increase of \$81,000 in the Public Housing portfolio to cover operating and capital expenditures.

Expenditures

Total expenditures are projected to be \$39.5 million in 2019. This includes costs associated with the additional 162 new units under development at Woodbridge Lane. All expenses in the budget related to the Woodbridge Lane development are prorated based on fall 2019 occupancy.



Total expenditures are projected to increase by \$2.2 million or 6 per cent over 2018. The main drivers are:

- Salaries and benefits are projected to increase by \$248,000 or 3.6 per cent. There are 3.5 new full-time equivalent positions included in the 2019 budget. This growth is necessary to support the addition of the Woodbridge Lane development and the increased emergency housing responsibilities associated with the additions of Porter Place and Leeder Place. The budget also includes standard salary increases for non-union and union employees, as per collective agreements.
- Facility expenses are projected to increase by \$1.1 million or 25.1 per cent. This increase is due to the inclusion of the Woodbridge Lane development, the addition of Porter Place and Leeder Place, an aging portfolio and inflationary pressures forecasted in building maintenance.

- Utilities are projected to increase by \$10,000 or 0.2 per cent. Utilities on the existing housing stock are decreasing by \$71,000 to reflect a budget adjustment that was made to bring projected costs more in line with actual costs. This decrease is offset by an \$81,000 increase associated with the inclusion of the Woodbridge Lane development in the 2019 budget.
- Property taxes are projected to decrease by \$51,000 or -1.4 per cent. The 2019 budget was adjusted downward by \$111,000 to reflect lower than anticipated municipal tax rates in 2018. This decrease is offset by the expected property tax increase of \$60,000 due to the Woodbridge Lane development being included in the 2019 budget.
- Mortgage/debenture payments are projected to increase by \$65,000 or 0.7 per cent. This increase is due to the additional \$168,000 in debenture costs associated with the Woodbridge Lane development offset by the \$103,000 decrease in mortgage costs related to Porter Place.
 - In May 2018, the Commissioner, Community and Health Services consented to discharge the Porter Place mortgage. This facility is at the end of its life cycle and removing the mortgage will allow the Region to move forward on redevelopment plans. The discharge of the mortgage has no net impact on the budget since HYI received a subsidy to cover the cost.
- Budgeted contributions to capital reserves are projected to increase by \$887,000 or 11.3 per cent:
 - Beginning in 2018, \$2,000 per unit was contributed to capital reserves for properties in the Regional Housing program. With the addition of 162 new units located at Woodbridge Lane, an additional \$108,000 (prorated) will be contributed to the capital reserves.
 - Staff reviewed the Emergency Housing program capital reserve fund and determined current annual contributions are insufficient to meet long-term capital needs. As mentioned above, a one-time contribution of \$500,000 will be made to the emergency housing reserve plus an increase of \$215,000 related to the addition of Porter Place and Leeder Place.
 - An inflationary increase of \$64,000 in the Public Housing and Provincial Reform portfolios.

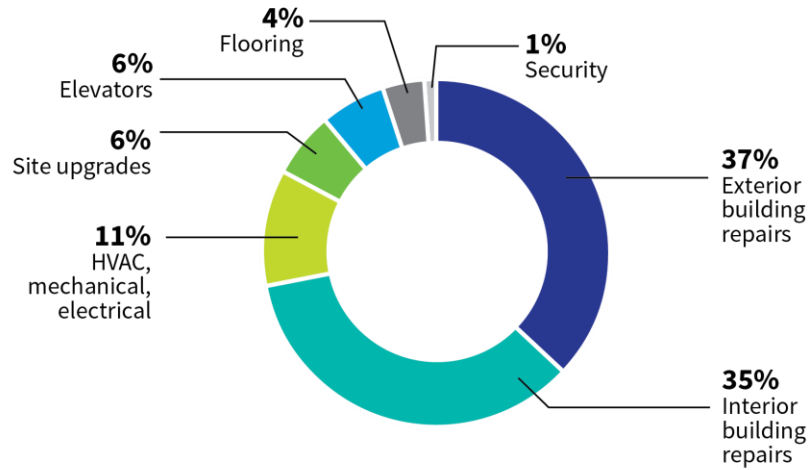
2019 Capital Expenditures

As part of asset management practices, HYI completes building condition assessments and energy audits for all properties. These assessments identify future capital needs for HYI sites and buildings, taking into consideration items such as the age, performance and reliability of building components. From this information, 40-year capital forecasts are created for every property in order to gain a detailed understanding of capital needs and funding. Over the next 10 years, it is anticipated that the portfolio will need approximately \$90 million in capital repairs and upgrades.

Generally, the portfolio is in good condition which is attributable to solid investment in capital repairs and rehabilitation. Many of the buildings and building components are relatively new as there has been significant growth in the portfolio over the past ten years; others are reaching the middle of their useful lives and will require renewal in the upcoming years.

HYI plans to invest \$9.9 million in capital repairs and upgrades during 2019. More than half of the expenditures will go towards window and door replacements, roof replacements, kitchen and bathroom upgrades, and balcony restorations.

2019 Capital Expenditures = \$9.9 Million



2019 Reserves

HYI's 2019 budget projects a net surplus, before reserve allocations, of \$481,000. It is important for HYI to continue to generate surpluses to support long-term sustainability. Table 2 shows how the projected surplus will be allocated to the reserves according to the Operating Surplus Policy. The projected 2019 ending balances for all of HYI's reserves are detailed in Appendix 2.

Table 2
Allocation of operating surplus to reserves

	Surplus Allocation (\$000)
Capital Repair and Replacement Reserve	240.5
Working Capital Reserve	0
Insurance Reserve	25.0
Operations Reserve	0
Strategic Initiatives Reserve	215.5
Emergency Housing Reserve	0
Total	481.0

2019 to 2022 Outlook

The forecast for 2019 to 2022 is based on previously approved strategic directions along with any new initiatives approved by the HYI Board. This financial plan has been developed for both the operating and capital programs based on the forecasted needs. The details of the operating budgets are shown in Appendix 1.

Table 3
2019 to 2022 Outlook

	2018 Budget	2019 Budget	2020 Outlook	2021 Outlook	2022 Outlook
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Rental revenue	20,030	21,041	22,869	25,580	26,723
Non-rental revenue	1,033	1,192	1,309	1,454	1,511
Regional subsidies	17,312	17,718	17,504	17,796	18,096
Total revenue	38,375	39,951	41,682	44,830	46,330
Operating expenditures	37,242	39,470	41,275	44,286	45,871
Operating surplus before reserve contributions	1,133	481	407	544	459
Contributions to reserves	1,133	481	407	544	459
Net surplus/(deficit)	-	-	-	-	-

Revenue

Revenue is projected to increase annually due to the following:

- Rental and non-rental revenue will increase as the Woodbridge and Unionville developments are reflected in 2019 and 2021, respectively.
- Market rents are expected to increase annually by 1.8 per cent based on the current rent increase guideline.
- Regional subsidies assumed to continue at the current calculations/formulas and committed levels.

Expenditures

Operating expenditures are projected to increase annually due to the following:

- Facility costs, debenture payments and reserve contributions will increase as the Woodbridge and Unionville developments are reflected in 2019 and 2021, respectively. Annual reserve contributions for new buildings are based on \$2,000 per unit.
- Annual operating expenditures and utility increases are based on budget assumptions provided by the Region.
- Salaries and benefits will increase as 11.5 new permanent positions are expected. This growth is due to the addition of the Woodbridge and Unionville developments, new emergency housing responsibilities, and after hours maintenance.

Appendix 1

2019 to 2022 Housing York Operating Budget

	2018 Budget (\$000)	2019 Budget (\$000)	2020 Outlook (\$000)	2021 Outlook (\$000)	2022 Outlook (\$000)
Revenue					
Market rent	7,286	7,661	8,977	10,856	11,627
Subsidized rent	12,744	13,380	13,892	14,724	15,096
Non-rental revenue	1,033	1,192	1,309	1,454	1,511
Regional subsidies	17,312	17,718	17,504	17,796	18,096
Total Revenue	38,375	39,951	41,682	44,830	46,330
Expenditures					
Salaries and benefits	6,799	7,047	7,763	8,339	8,605
Administration	1,754	1,753	1,778	1,854	1,905
Facilities	4,332	5,402	5,646	6,013	6,224
Utilities	3,955	3,965	4,370	4,839	5,194
Property taxes	3,567	3,516	3,813	4,232	4,518
Mortgage / debentures	8,959	9,024	9,359	9,999	10,213
Mandatory contributions to reserves	7,876	8,763	8,546	9,010	9,212
Total Expenditures	37,242	39,470	41,275	44,286	45,871
Operating surplus before contributions	1,133	481	407	544	459
Contributions to reserves	1,133	481	407	544	459
Net Surplus/(deficit)	-	-	-	-	-

Appendix 2

2019 Estimated Reserve Balances

	Capital Reserves (\$000)	Working Capital Reserve (\$000)	Insurance Reserve (\$000)	Operations Reserve (\$000)	Strategic Initiatives Reserve (\$000)	Emergency Housing Reserve (\$000)
Projected 2019 opening balance	8,044	3,500	180	500	1,659	2,745
Budgeted contribution	7,848					915
Projected reserve interest income	65					34
Projected expenditures	-9,701		-25			-225
Contribution from operating surplus	241		25		215	
Projected 2019 ending balance	6,496	3,500	180	500	1,874	3,468

Note: Numbers may not add due to rounding