



## Report of the General Manager and Chief Financial Officer

### **Building Better Together: 2022 Housing York Inc. Business Plan and Budget**

#### **Recommendation**

The Housing York Inc. Board of Directors approve:

1. The 2022 Housing York Inc. Business Plan (Attachment 1).
2. Housing York Inc.'s 2022 Budget (Attachment 2).

#### **Summary**

This report seeks Housing York Inc. (HYI) Board approval of HYI's 2022 Business Plan and Budget.

Key points:

- The 2021 to 2024 HYI Strategic Plan sets strategic priorities to expand the housing portfolio, build inclusive communities and successful tenancies and ensure financial sustainability to help address York Region's housing challenges
- The business plan outlines commitments for 2022 to operationalize the second year of the strategic plan, including advancing projects in planning and development stages, conducting resident surveys to understand levels of satisfaction and identify areas of needed improvement, and establishing a baseline for components to reduce life-cycle cost

#### **Background**

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

In [November 2017](#), the Board of Directors (the Board) 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, an 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.

**The Board approved a new strategic plan for Housing York Inc.**

In [November 2020](#), the Board approved the 2021 to 2024 HYI Strategic Plan. The strategic plan positions HYI to respond to the changing housing landscape, while continuing to offer residents quality homes in inclusive communities. The plan allows HYI to be innovative in expanding the housing portfolio while supporting residents' diverse needs and ensuring financial sustainability. The strategic plan sets ambitious four-year targets, including doubling the rate of growth for HYI's portfolio, recognizing that HYI must do more to support residents in need of affordable housing options. The plan's strategic priorities are presented in Figure 1.

**Figure 1  
2021 to 2024 HYI Strategic Priorities**



Each strategic priority has specific four-year goals, actions to deliver results, and key performance indicators and targets to measure success. To operationalize these commitments, annual business plans, including more specific actions and targets, are developed for each individual year of the strategic plan. Budgets that are developed each year enable the execution of the annual business plans.

**Actions completed in the first year of the strategic plan set the foundation to increase the supply of affordable housing, support residents and ensure financial sustainability**

In [December 2020](#), the Board approved the 2021 HYI Business Plan, which operationalized the first year of the strategic plan. A number of initiatives are now underway or completed that support HYI to advance towards its four-year goals. To enable HYI to double the rate of growth, two sites have been identified for redevelopment through a public-private partnership, Armitage Gardens in the Town of Newmarket and Nobleview Pines in the Township of King, exceeding the 2021 target of one site. A modular housing project is underway for the development of 18 prefabricated units on the Leeder/Porter Place site in the Town of East Gwillimbury, as well as eight conventionally-constructed units on the Sutton Youth site in the Town of Georgina.

To build inclusive communities and successful tenancies, in 2021, five communities were identified to participate in diversity and inclusion activities to help combat behaviours of discrimination and bias. Of these, four (80%) have participated in diversity and inclusion activities, significantly exceeding the target of 20%. For households facing hardships and experiencing arrears, payment plan options and supports continue to be offered. As of Q2 2021, 100% of tenancies have been preserved, exceeding the 2021 target of 97%.

HYI has also been successful in supporting residents throughout the COVID-19 pandemic and will continue to provide services that promote housing stability through the changing economic environment.

To ensure financial sustainability in new developments, draft proformas have been completed for the Unionville project in the City of Markham and the project in the Town of Whitchurch-Stouffville that reduce the reliance on Regional subsidies while maintaining a 70/30 subsidized/market split.

## Analysis

### To continue advancing Housing York Inc. towards its four-year goals, the 2022 Business Plan outlines additional actions and targets to support an accelerated rate of growth, strengthen tenancies and realize operational efficiencies

The 2022 Business Plan (Attachment 1) outlines the specific actions, lead program areas and targets to operationalize the second year of the strategic plan. Reflecting the strategic plan's commitment to portfolio expansion beyond the normal rate of growth, the business plan includes actions that continue advancing projects in the planning and development stages, including Unionville Commons in the City of Markham, Stouffville affordable housing project in the Town of Whitchurch-Stouffville, East Gwillimbury Transitional Housing in the Town of East Gwillimbury, Sutton Youth Transitional Housing in the Town of Georgina and 62 Bayview Parkway in the Town of Newmarket. New actions also support non-profit organizations interested in developing affordable housing and work to intensify an HYI site through a public-private partnership.

A number of 2022 actions focus on surveying residents on measures such as participants who feel the right services are available in their HYI community, resident satisfaction with referral services and satisfaction with major repairs. The business plan also continues advancing commitments to reduce life-cycle cost through enhanced preventative maintenance, leveraging the new preventative maintenance modules in Yardi, HYI's technology system.

Examples of actions and targets for 2022 under each strategic priority are outlined in Table 1.

**Table 1**  
**Examples of 2022 Business Plan Actions and Targets**

Strategic Priority	2022 Action	2022 Target
Priority 1: Expanded Housing Portfolio	Continue advancing projects in planning and development stage	480 units
	Engage potential non-profit partners to explore opportunities to support conceptual plans and/or connection to funding streams, land lease opportunities or other resources	3 conceptual plans with total of 100 units
	Complete development concept and feasibility assessments for public-private partnership for Nobleview Pines in the Township of King	Concept and feasibility assessment complete
Priority 2: Inclusive Communities and Successful Tenancies	Conduct 2022 resident survey, evaluating measures including the percent of residents satisfied with referral services	80%
	Continue to offer payment plans and support referrals to all households at risk of eviction due to arrears	97% of tenancies at risk for rent arrears preserved

<b>Strategic Priority</b>	<b>2022 Action</b>	<b>2022 Target</b>
Priority 3: Financial Sustainability	Using Yardi's advanced preventative maintenance module, establish baseline for selected components to reduce life-cycle cost	Annual cost tracking implemented for selected components to establish baseline
	Establish competitive rates for market units for Unionville development based on average market rents	Market rates established based on 125% average market rent

**The 2022 budget enables execution of actions identified in the 2022 Business Plan, as well as enhancements to existing preventative maintenance programs**

To implement commitments identified in the business plan, HYI's 2022 Budget is presented to the Board for approval alongside the plan (Attachment 2). The budget impact of 2022 actions is \$274,000 to support resident engagement activities, including multiple surveys, the configuration and deployment of the Yardi Advanced Maintenance Module project which began in 2021 and \$169,000 for 26 transitional housing units being installed on existing HYI emergency housing sites in the Town of East Gwillimbury and Town of Georgina. The costs associated with these new units are fully funded by Social Services.

The operating budget also includes \$497,000 for maintenance program enhancements. To improve services, reliability and life expectancy, HYI anticipates an increase to contracted elevator service with procurement focusing on value for money rather than low bid.

**The 2022 budget also includes a \$10,000 threshold for capital expenditures**

To ensure capital reserve funds are preserved and available for large component replacements such as roofs, windows and ventilation systems, a new capital expenditure threshold is being introduced. Review of HYI's capital expenditures over the last few years indicated not all expenditures being charged to the capital reserve met the definition of a capital expenditure, such as flooring replacement in individual units. A \$10,000 threshold was introduced to charge these types of expenditures to the operating budget. The 2022 operating budget includes an increase of \$500,000 to implement a \$10,000 threshold for expenditures to be considered capital.

HYI's 2022 operating budget summary is presented in Table 2.

**Table 2**  
**HYI 2022 Operating Budget Summary**

	<b>2021 Budget (\$000)</b>	<b>2022 Budget (\$000)</b>	<b>2022 Budget Variance (\$000)</b>	<b>%</b>
<b>Revenue</b>				
Market rent	9,091	9,355	264	2.9%
Subsidized rent	14,146	14,171	25	0.2%
Non-rental revenue	1,365	1,426	61	4.4%
Regional subsidies	17,471	20,054	2,583	14.8%
<b>Total revenue</b>	<b>42,074</b>	<b>45,006</b>	<b>2,932</b>	<b>7.0%</b>
<b>Expenditures</b>				
Salaries and benefits	8,185	8,263	78	1.0%
Administration	1,934	1,851	(83)	-4.3%
Facilities	5,822	6,843	1,021	17.5%
Utilities	4,072	3,918	(154)	-3.8%
Property taxes	3,508	3,606	98	2.8%
Mortgage/debentures	9,361	9,321	(40)	-0.4%
Mandatory contributions to reserve	8,812	10,930	2,118	24.0%
<b>Total expenditures</b>	<b>41,694</b>	<b>44,732</b>	<b>3,038</b>	<b>7.3%</b>
Operating surplus before contributions	380	274	-106	-27.9%
Contributions to reserve	380	274	-106	-27.9%
<b>Net surplus/(deficit)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>

Note: Numbers may not add due to rounding

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 December 2021. The HYI budget is subject to final approval of the Region's budget.

## **Financial Considerations**

### **Housing York Inc.'s revenue increases are driven by capital funding approved under the Investing in Canada Infrastructure Program and an increase in Regional subsidies**

Total revenue is projected to increase by \$2.9 million or 7% over 2021. This increase is due to higher market and non-rental revenue, and additional Regional subsidies.

- Market rent is projected to increase by \$264,000 or 2.9%. This increase is based on the 2021 annual market rent forecast plus an increase of 1.2% based on the 2022 Ontario Rent Increase Guideline
- HYI generates non-residential rental revenue through parking charges, coin laundry and rental of commercial space. Non-residential rental revenue is projected to increase by \$61,000 or 4.4%. This increase is mainly due to the rental of commercial space at Woodbridge Lane

- Regional subsidies are projected to increase by \$2.6 million or 14.8% largely due to:
  - Increase of \$1.9 million in funding approved through Investing in Canada Infrastructure Program. This program was designed to provide capital funding to community housing providers to address challenges brought on by COVID-19. This funding will offset capital projects identified under the Energy and Utilities Management Plan and upgrades to HYI sites to meet enhanced health and safety protocols
  - Increase of \$169,000 in subsidy for emergency housing related to the 26 units installed on existing HYI emergency housing sites located in the Town of East Gwillimbury and the Town of Georgina
  - Increase of \$393,000 in the provincial reform portfolio based on benchmark indices released by the Ministry of Municipal Affairs and Housing
  - An inflationary increase of \$87,000 in the public housing portfolio

**Housing York Inc.'s increase in expenditures is primarily driven by projects to support the implementation of enhanced preventative maintenance programs and the addition of a capital expenditure threshold**

Total expenditures are projected to increase by \$3.0 million or 7.3% over 2021. The main drivers are:

- Salaries and benefits are projected to increase by \$78,000 or 1.0%. The methodology of preparing the salaries and benefit budget has changed for 2022. For the 2022 budget, salaries are budgeted at current rates plus a cost of living increase and an allowance for vacancies. In prior budgets, salaries and benefits were budgeted based on the top of the salary grid for the position. The change in methodology will minimize the impact of three additional full-time positions being requested in 2022 (Building Superintendent, Tenant Services Coordinator and Program Manager, Maintenance Programs). These positions are needed to support the 362 units being added to the HYI portfolio, including 265 units in 2022 at Unionville Commons in the City of Markham and 97 units in 2023 for the Whitchurch-Stouffville affordable housing development in the Town of Whitchurch-Stouffville. To align costs with the addition of Unionville Commons, the budget reflects 25% of the Building Superintendent and 50% of the Tenant Services Coordinator positions being requested in 2022. The 2023 budget will reflect 100% of the cost for these positions
- Administration expenses are expected to decrease by \$83,000 or -4.3%. This decrease is due to:
  - The temporary decrease of \$190,000 in office lease charges related to the move from 1091 Gorham Street to 17150 Yonge Street in the Town of Newmarket
  - This decrease is offset by \$30,000 in consulting fees for software upgrades and \$75,000 for multiple surveys included in HYI's Strategic Plan
- Facility expenses are projected to increase by \$1.0 million or 17.5%. This increase is related to:
  - An inflationary increase of \$140,000 or 2.8%

- A \$497,000 increase for enhancements to the existing preventive maintenance programs. These enhancements build on HYI's existing preventative maintenance program to increasingly shift operations to more proactive maintenance practices that reduce the occurrence of preventable incidents and expensive repairs while extending the life of building assets. The enhancements include:
  - Plumbing stack cleaning to reduce emergency blockages, backups and unit clean-up costs associated with backups
  - Dryer vent cleaning to mitigate the risk of fires in townhouse units
  - Preventative maintenance for electrical distribution and switchgear to optimize the life-cycle resilience of each building's electrical system
  - An increase to contracted elevator service with procurement focusing on value for money rather than low bid
- A \$500,000 increase due to the implementation of a \$10,000 threshold for expenditures to be considered capital
- A \$70,000 increase related to the 26 transitional housing being constructed on existing HYI emergency housing sites located in the Town of East Gwillimbury and the Town of Georgina. As noted above, this cost is fully funded by an increase in the subsidy received from Social Services
- The above increases are offset by \$200,000 for the designated substance survey that was included in the 2021 budget as a one-time expense
- Utilities are projected to decrease by \$154,000 or -3.8%. This decrease is due to the 18.9% Ontario Electricity Rebate program established by the Ontario Government in May 2021
- Property taxes are projected to increase by \$98,000 or 2.8%. This increase is based on the 2021 annual forecast plus a 2.04% annual inflationary factor provided by the Region
- Mortgage/debenture payments are projected to decrease by \$40,000 or 0.1% due to one mortgage expiring in November. Two mortgages will be renewing in 2022 and the budget assumes they will be renewed at the same rate
- Budgeted contributions to capital reserves are projected to increase by \$2.1 million or 24% due to the following:
  - HYI will receive \$1.9 million in Investing in Canada Infrastructure Program funding to offset capital projects identified under the Energy and Utilities Management Plan and upgrades to HYI sites to meet enhanced health and safety protocols
  - An inflationary increase of \$79,000 in the public housing and provincial reform portfolios
  - An increase of \$56,000 to the emergency housing reserve related to the new 26 transitional housing units installed on existing HYI emergency housing sites located in the Town of East Gwillimbury and the Town of Georgina. This cost is fully funded by Social Services

## **The 2022 capital budget totals \$13.2 million, of which \$11.3 million is funded by Housing York Inc.'s reserves and \$1.9 million is funded under the Investing in Canada Infrastructure Program**

HYI is committed to keeping its assets in a good state of repair and plans to invest \$11.3 million in capital improvements during 2022. A significant amount of the expenditures will go towards bathroom and kitchen refurbishments with accessibility considerations, sidewalks and curbs, roof system replacements, balcony slab and railing restorations, and replacement of mechanical systems. Within the 2022 capital budget, \$570,000 is dedicated towards design of projects for 2023.

In November 2020, the federal government created a new funding stream under Investing in Canada Infrastructure Program to address the challenges faced by communities due to the COVID-19 pandemic. The expanded program takes steps to address the current health crisis and support economic stability. The federal government will be responsible for cost-sharing 80% of project costs and the remaining 20% will be cost-shared by the province. Municipalities will not be required to participate in cost-sharing, to ensure they receive as much fiscal support as possible.

Eligible projects must support public infrastructure, defined as tangible capital assets, including temporary infrastructure related to pandemic response that is primarily for public use and/or benefit. Projects must be completed by December 2023. Through the Region, HYI is the recipient of \$3.75 million with \$1.9 million allocated for 2022. A summary of the projects is provided in Attachment 2.

### **Energy conservation projects received approval under the Investing in Canada Infrastructure Program funding stream**

In [November 2019](#), the Board 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.

Projects totalling \$1.5 million identified under Energy and Utilities Management Plan qualified and received approval under the new Investing in Canada Infrastructure Program funding stream. This amount represents three years of funding for the Energy and Utilities Management Plan to complete work that was planned in 2020 and 2021 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 will be allocated to Housing York Inc.'s reserves**

The projected operating surplus of \$274,000 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 2022 is provided in Attachment 2.

## **Local Impact**

HYI operates 36 housing properties that provide affordable housing to over 4,500 residents. Commitments outlined in the 2022 Business Plan will support residents across all nine local cities and towns, and the 2022 budget provides HYI the fiscal stability and sustainability necessary to continue to provide quality affordable housing to York Region residents.



Local municipalities are critical partners in increasing the supply of affordable housing. The 2022 business plan outlines key actions for HYI to continue working the Region's cities, townships and towns, such as collaborating with municipalities that support the provision of land and ensuring municipal fee concessions are provided to support new growth.

## Conclusion

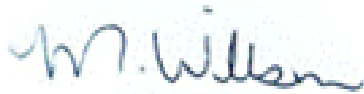
The 2022 Business Plan sets new commitments to operationalize the second year of the 2021 to 2024 HYI Strategic Plan that help increase the supply of community housing and support the diverse needs of residents. The 2022 budget enables execution of these commitments, as well as implementation of preventative maintenance programs and the addition of a capital expenditure threshold.

Overall, the proposed 2022 budget reflects a \$274,000 operating surplus and a \$13.2 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. HYI will continue to operate and manage its housing portfolio in a financially prudent manner throughout the period covered by the proposed budget.

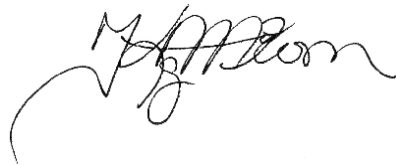
The commitments and related budget for 2022 will continue advancing HYI towards achieving its vision of building communities that everyone would be proud to call home, and its mission of working with residents and partners to deliver services that are important to communities as a responsible and caring landlord.

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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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Attachments (2)  
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