

THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
April 14, 2010
Report of the
General Manager

INFORMATION TECHNOLOGY SYSTEM UPGRADE

1. RECOMMENDATIONS

It is recommended that:

1. The Board authorize the General Manager to make a one time request for funding to The Regional Municipality of York, as the Service System Manager for up to \$500,000 to complete a system upgrade of the Yardi property management software system.
2. The Board authorize the General Manager to enter into an agreement with Yardi Systems Canada Inc., on the basis that as an upgrade this is an appropriate sole source procurement, subject to approval of funding from The Regional Municipality of York and the completion of risk assessments, information technology endorsements, and legal review.

2. PURPOSE

This report identifies the need for Housing York Inc. (HYI) to upgrade its main software application and seeks funding for the project from the Region, in its capacity as Service Manager under the *Social Housing Reform Act, 2000*. This report seeks Board approval for a one time request of up to \$500,000 in Regional funds for this project.

3. BACKGROUND

HYI uses a property management software application known as Enterprise provided by Yardi Systems Canada Inc. The technology provides integrated data bases that manage tenant data, maintenance work orders and financial reporting.

The software was acquired by HYI in 2000 during the download of social housing to municipalities. It was the recommended software by the Ministry of Municipal Affairs and Housing to manage the portfolio owned by the legacy housing company, York Regional Housing Corporation.

In 2002, the Region's non-profit portfolio was added to the system in anticipation of the incorporation of HYI. Deficiencies in the system became apparent as the accounting and reporting requirements for this portfolio are more sophisticated. There were significant limitations in vacancy management and accounting capabilities. Manual processes using spreadsheets were put in place to meet business needs and minimal standards for performance reporting.

Housing York Inc. has grown beyond the capacity of the current system

Since then HYI has added five buildings (282 units) to its portfolio and has expanded its program delivery. It now manages multiple funding formulas, unique building depreciation models, several reserves, and various types of investments. At the same time there is increasing demand for tenant demographic information and corporate performance reporting. To accomplish information requirements, HYI currently relies heavily on other applications besides Enterprise. These supplemental software tools carry various degrees of risk relative to reliability, accuracy, and long term viability. All of them have become labour intensive, inefficient, and difficult to maintain.

4. ANALYSIS AND OPTIONS

Enterprise with its limitations cannot meet HYI's increasing business needs

Working with Regional staff in a branch-wide technology review in 2009, it was concluded that Enterprise has reached the end of its economic life. There were increasing deficiencies that were affecting all parts of the Corporation, such as:

- Only one person at a time can use HYI's vacancy management system. This severely limits the ability to organize resources and permit multiple users for delivering housing services.
- Tenant notices related to unpaid rent or other legal matters are generated outside the system which increases the time required to perform the activity.
- Enterprise financial functions are too basic to meet HYI's complex service delivery. This has resulted in many customized spreadsheets being produced by staff to meet essential functions such as budgets, forecasting, arrears reports, Municipal Property Assessment Corporation submissions and financial statements. Many municipal housing providers have chosen Yardi as their software of choice.

The review team then assessed other software solutions as potential alternatives to Enterprise.

There is limited choice in the market place for social housing property management software

There is no internal Regional systems software that can accommodate social housing multi-residential tasks.

In the social housing provider sector there are limited options available for a robust property management product. It was not possible to identify another product from other housing providers and therefore a market search was conducted.

Three alternatives were evaluated; the assessment included product demonstrations by the software suppliers:

1. New Property Management software application
2. Customized Property Management software application
3. System upgrade – Yardi Voyager

Table 1 summarizes the evaluations of the three alternatives.

Table 1
Summary of the Three Alternatives

Option	Pros	Cons	Conclusions
1. New Property Management software application	Addresses some technology gaps	- Higher cost due to conversion, training and workflow redesign - Software has limited presence in Ontario	Not recommended
2. Customized Property Management software application	- Growth capacity evident - Addresses technology gaps	- Customized for one large housing provider in Ontario - Additional implementation time required due to customization	Not recommended
3. System upgrade – Yardi Voyager	- Upgrade addresses technology gaps - Proven product in Ontario social housing - Reduced cost because less implementation time and builds on existing staff knowledge and work flow practices - Integrates with waiting list software		Recommended

System Upgrade – Yardi Enterprise to Yardi Voyager

Voyager is a web-based solution that addresses most of HYI's challenges through more sophisticated property management technology along with solid social housing intelligence. Voyager optimizes tenant related tasks, streamlines workflows, and has a flexible financial suite that would satisfy HYI's needs. Comprehensive reporting capabilities are also available. The following observations were also noted:

- Moving from Enterprise to Voyager is a software upgrade rather than a conversion to an entirely new software application thereby facilitating an easier implementation.
- HYI and York Region have a long standing relationship with Yardi Systems Canada Inc. The Housing Access Unit has used the Voyager Co-ordinated Access module for several years.
- Yardi Systems Canada Inc. dominates the social housing market in Ontario and has invested heavily in Voyager to be their premier social housing product.

This option emerged as the best solution to HYI's technology needs.

Proposed HYI purchase of the Yardi Voyager software upgrade meets the criteria applicable to a sole source purchase under the HYI Purchasing Policy

Under the terms of the HYI Purchasing Policy, HYI may sole source the procurement of an upgrade to its information technology system where compatibility with existing equipment, facilities or service is the paramount consideration. The analysis of the three alternatives in Table 1 confirms that HYI will realize unique benefits by proceeding with a software upgrade rather than contracting for a new off-the-shelf or custom software solution. Given that the software upgrade is only available from Yardi, staff consider that the sole source purchasing criteria are met, and recommend the sole source purchase of the upgrade from Yardi.

Voyager Property Management is recommended for implementation in two phases; estimated project costs \$500,000

About two-thirds of the \$500,000 budget relates to professional services from Yardi and one-third represents HYI project management costs.

While upgrading to Yardi was viewed to be the most manageable option, it is a significant undertaking for the organization and would therefore be managed in two phases. The 2010 phase essentially transfers all existing unit, tenant and financial functions from Enterprise to Voyager. The second phase in 2011 would introduce enhanced features that are not currently available in Enterprise.

Both phases of the upgrade would be handled by a project team comprised of staff from Yardi and HYI with additional supports from other Regional groups where needed.

Funding for these kinds of expenditures is required from the Service Manager for the project implementation

HYI's opportunity to request additional funds and corresponding Regional authority to provide funding is prescribed in section 111 of the *Social Housing Reform Act, 2000*

The subsidy funding formula recognizes the ongoing need for maintaining buildings but it does not recognize technology needs to support the corporation as an entity. It is particularly difficult for large providers such as HYI to maintain administrative functions where complex business processes require highly developed software.

Housing providers, including HYI, may from time to time request additional funds of the Region, in its capacity as Service Manager under the *Social Housing Reform Act, 2000*, for specific purposes. These requests are evaluated based on the strength of the supporting business case and the financial situation of the applicant. In this instance, the business case supporting HYI's request is specific to the complexity and size inherent in HYI's structure as an entity delivering multiple programs.

If Board and Regional approval are obtained, HYI will work with the Region to complete subsequent steps in the project planning process. This would include finalizing the scope, resource requirements, costs, and implementation strategy of the proposed software upgrade. It is anticipated that the Region, as Service System Manager, would fund the project and incremental license fees via a subsidy adjustment to HYI.

Voyager will allow staff to have better control over tasks, streamlined workflows, and up-to-the-minute reports

Voyager was assessed to be the best, most fully integrated solution available to HYI into the foreseeable future.

The upgrade would essentially eliminate HYI's reliance on fragmented business processes and numerous spreadsheets and data bases. There would be more reliable procedures for leasing and subsidy management, legal forms, arrears tracking, and various financial and performance reports. It will facilitate enhancement of HYI's capacity to respond to information needs of our funders and our community, enhancing the profile of the corporation.

This initiative is a major undertaking. The project will be designed in such a way that program delivery will be maintained during the upgrade, making it seamless to HYI tenants and partners. However, staff will be challenged by the pace of the project as it is necessary to complete the upgrade before operationalizing several planned new buildings in 2011.

5. FINANCIAL IMPLICATIONS

HYI is estimating that project management and first year licensing fees will be approximately \$500,000, most of which would be spent in 2010. HYI cannot accommodate this investment within the current funding model and therefore seeks Board support for a one-time funding request to the Region.

Annual license fees applicable to the second and subsequent years will increase by approximately \$50,000 per year. Project costs in excess of the approved funding, including increase in the annual licensing fees, would be managed through the Housing York Inc. operating budget.

Annual licensing fees will go up proportional to the upgrade and expansion of services. These will be managed through revenue growth and future budget processes.

6. LOCAL MUNICIPAL IMPACT

Enhancing technology will allow HYI to better serve its tenant communities and partners through stronger customer service. The Corporation will also be better positioned to manage the operational and administrative start up of planned new buildings.

7. CONCLUSION

HYI's growth and increasing financial complexity will result in our existing property management software no longer meeting the business needs of the corporation. Enhancing the software to a more sophisticated version will allow for integration with the centralized wait list software, streamlining of workflows and improved financial reporting capabilities.

Implementing Yardi Voyager software would satisfy HYI's information technology requirements for years to come.

For more information on this report, please contact Sylvia Patterson, Assistant General Manager at Ext. 2091.

The Senior Management Group has reviewed this report.

Recommended by:

Approved for Submission:

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