

THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
March 9, 2011
Report of the
General Manager
and
Treasurer

HOUSING YORK INC. 2011 BUSINESS PLAN AND BUDGET

1. RECOMMENDATION

It is recommended that:

1. The Housing York Inc. 2011 Business Plan and Budget be approved.

2. PURPOSE

This report presents the 2011 Business Plan and Budget of Housing York Inc. (*see Attachment 1*) for the Board's review and approval. It includes the operating and capital expenditures for the 2011 budget year and two outlook years, and the planned objectives and key work initiatives for Housing York Inc.

Additionally, the Business Plan and Budget incorporates Year 4 of the five year energy management strategy, as well as planned expenditures on various specified-purpose reserve accounts.

3. BACKGROUND

Housing York Inc. (Housing York) annually seeks Board approval of its Business Plan and Budget. The 2010 budget is used as the basis for calculating the 2011 budget. Revenues and expenses are determined using historical trends and economic changes. The preliminary results for 2010 suggest that Housing York met its budget objectives and will generate an operating surplus as planned.

In addition to using the 2010 budget as the basis for calculating the 2011 budget, the annualization process has been used to arrive at the total 2011 budget. The annualization is necessary due to part-year activity of two new buildings under development, Mapleglen Residences and Kingview Court expansion.

2011 Business Plan focuses on three areas: growing communities, asset management and performance

The 2011 Business Plan is consistent with Housing York's Statement of Principles. Goals are structured in the following business areas:

- Growing communities – capital investments, new buildings, customer service.
- Financial Accountability, Performance and Asset Management – budget and operational goals, sustainability, energy management.

In 2011, the focus shifts from the intensive investment in building renovations of the last two years, funded through economic stimulus funds, to the start-up of two buildings under development.

2011 budget assumptions are based on social housing benchmark revenue and cost factors

Housing York's budget is a formula driven calculation based on revenue and cost indices provided by the Ministry of Municipal Affairs and Housing, through our service manager, The Regional Municipality of York.

Construction of two new buildings will be completed in 2011. Therefore, the 2011 budget is annualized to reflect the part-year activity of these buildings to the overall budgeted results.

Revenue and operating expenses are projected to increase by 1.4% and 1.5% accordingly, based on 2010 base year versus 2011 annualized year.

The budget outlook for 2012 and 2013 operating revenue and costs are estimated using an escalation factor of 2.0%. Major repairs/replacement expenditures are based on the 10-year capital replacement plan or other program requirements.

4. ANALYSIS AND OPTIONS

GROWING COMMUNITIES

2011 focus is on operationalizing two new properties

2011 presents an opportunity to provide additional affordable housing with two new properties. Mapleglen Residences in Vaughan will provide 84 apartments for seniors and the Kingview Court expansion in King is adding 39 apartments for seniors. Both developments are projected to open in fall 2011. Each will require significant effort to rent-up each property and support the residents in settling into their new community.

The financial impact from the addition of the two new properties is a projected revenue increase of \$817,000 and an estimated increase in expenses of \$762,000.

FINANCIAL ACCOUNTABILITY, PERFORMANCE AND ASSET MANAGEMENT

Financial performance expected to remain solid

The 2011 budget is annualized to account for the two new properties, Mapleglen Residence and Kingview Court expansion.

2011 budget pressures are noted for both revenues and expenses, which results in a nominal budget surplus of \$17,000 after annualization.

Housing York has not been immune to the economic recession and revenues are under pressure. Also, the 2011 funding formula indices, provided by the Province, are still reflective of the economic recession and are lower than the actual cost increases that Housing York is experiencing. For the third consecutive year, costs are escalating at a rate higher than the funding formula recognizes.

The \$50,000 budgeted for strategic projects in the 2010 budget was not used because a project was deferred to 2011. The funds have been added to the 2011 budget.

The proposed operating surplus for the 2011 budget is compared to the 2010 budget in Table 1.

Table 1
2010 Operating Surplus Comparisons
(\$000s)

	2010 Budget	2011 Budget	2011 Budget vs. 2010 Budget	
Total Revenue	\$23,216	\$23,536	\$320	1.4%
Total Expenditures	23,119	23,469	350	1.5%
Operating Surplus before Strategic Projects	97	67		
Strategic Projects	50	50		
Economic Contingency	230	-		
Operating Surplus after Strategic Projects	\$ -183	\$ 17		

Modest increase of 1.4% revenue due to portfolio growth

Tenant rent makes up two thirds of the total revenue stream. Budget assumptions call for a 0.7% rent increase in market units affecting 27% of the portfolio. Rent- geared-to-income is forecasted to be 0.5% higher. Interest income is expected to remain at 2010 levels.

The part-year addition of the two new developments totalling 123 units or 6% of 2010 portfolio will bring in enough revenue to offset the decrease in subsidies and drive a revenue increase of 1.4% in 2011.

Subsidy requirements are lower by \$801,000, in large part due to 2010 subsidy being significantly increased (\$600,000) to fund the Fairy Lake Gardens pond rehabilitation project.

Table 2 provides comparative summarized revenue information.

Table 2
2011 Revenue Budget Comparisons
(\$000s)

	2010 Total Budget	2011 Total Budget	2011 Budget vs. 2010 Budget	
Tenant Rents	\$13,696	\$14,817	\$1,121	8.2%
Subsidy – York Region	8,201	7,400	-801	-9.8%
Subsidy - Federal	1,319	1,319	-	-
Total Revenue	\$23,216	\$23,536	\$ 320	1.4%

Total expenditures to increase 1.5% due to portfolio growth

Total operating costs are \$350,000 or 1.5% higher than 2010, as a result of adding the two new properties in 2011.

Budget pressures are noted across all cost categories. Insurance costs continue to rise at a rate higher than inflation. While utility rates are forecasted to increase as well, costs are controlled due to our energy retrofit program reducing overall energy demand.

With the addition of the two new properties, operating costs are incurred prior to rent revenue being generated. Therefore, costs initially track modestly higher than revenue.

Public Housing capital costs are lower than 2010 by 40%

Capital budget for the Public Housing Program is 40% lower than 2010, mainly due to a one- time, \$600,000 single environmental project at Fairy Lake Gardens that was initiated last year.

Table 3 summarizes year-over-year operating costs.

Table 3
2011 Operating Expense Comparisons
(\$000s)

	2010 Total Budget	2011 Total Budget	2011 Budget vs. 2010 Budget	
Operating Expenditures	\$21,239	\$22,346	\$1,107	5.2%
Public Housing Capital	1,880	1,123	-757	-40%
Total Expenditures	\$23,119	\$23,469	\$ 350	1.5%

Major repairs and replacement budget lower due to wind down of stimulus funding

Housing York is submitting a lower major repair budget than 2010 as the two-year Social Housing Renovation and Retrofit Funding Program will wind down with residual activity until June as shown below in Table 4.

Table 4
2011 Major Repairs Comparison
(\$000s)

	2010	2011
Funding from Operating	\$1,795	\$1,123
Funding from Reserves	1,275	1,759
Annual Plan Capital Budget	\$3,070	\$2,882
Social Housing Renovation and Retrofit Program Grants	1,900	797
Provincial Social Housing Loan	500	-
Energy Management Strategy	661	914
Total	\$6,131	\$4,593

As is the case with most providers, expenditures from the replacement reserve continue to exceed contributions resulting in a diminishing balance over time. The stimulus funding from the Social Housing Renovation and Retrofit Program helped to extend the life of the mandatory capital reserve by two years and is now estimated to be depleted by 2016.

The energy management budget of \$914,000 represents the fourth year of the five-year energy strategy. The payback period for the fourth year building retrofits is estimated to be 16 years. Some borrowing is expected in 2011 from the \$3,500,000 available for the Energy Management Strategy, under the terms that were previously agreed to by the Board and Regional Council.

Key performance indicator – 2.2% decrease to manageable cost per unit

Manageable Cost per Unit is the most recognized indicator in the housing sector to measure controllable costs. This indicator includes maintenance and administration costs, insurance, and bad debts expense divided by the number of units. Utilities, mortgage payments, and property taxes are excluded from the calculation.

The budgeted Manageable Cost per Unit has been set at \$3,530. It represents a 2.2% reduction from the 2010 budgeted Manageable Cost per Unit of \$3,608. The forecasted 2010 Manageable Cost per Unit is in line with the budgeted Manageable Cost per Unit at \$3,608.

Other indicators reported in the Business Plan include unit turnover and tenant arrears. There is no significant change in unit turnover as the target number of move-outs will remain at 235, however as a percentage of total units will decrease from 11.9% to 11.2% due to portfolio growth. The arrears goal is lowered to 7.8% in 2011 from 8% in 2010.

OUTLOOK, CHALLENGES AND OPPORTUNITIES

Strong performance forecasted with increasing service need from diverse tenant population

Housing York is forecasting strong performance within three fundamental areas of finance, asset management and tenant engagement.

Increasing diversity and residents' needs within Housing York properties challenge the effectiveness of traditional communication methods. We will continue to enhance communication vehicles to build a strong relationship with our communities.

Seniors represent 75% of our resident population and with continued emphasis on independent living, there is increasing demand for services to support aging in place. Housing York has numerous relationships and partnerships with seniors support agencies to assist with providing support services.

Plans continue to expand our housing stock to meet the needs of residents. Our goal is to manage operations in a way that is scalable and responsive to growth while maintaining focus on asset management and responding to the complex social needs of our residents is an important objective in our operational planning.

5. FINANCIAL IMPLICATIONS

The 2011 budget has been compiled within the Provincial funding formula guidelines and a \$17,000 surplus is estimated. This is a very tight operating margin on a \$23,000,000 operating budget. We are confident that with effective management of revenues and expenses, a surplus is achievable.

Housing York has been experiencing cost pressures for several years but has successfully managed to work within the budget envelope to meet financial objectives. This year, with lower subsidy eligibility and little opportunity to enhance non-rent revenue flows such as investment income, continued efficiency measures will be pursued. Some relief on cost pressures is expected once new buildings come into service and start generating additional rent revenue. Over the long term, the new buildings also add value to the asset base and financial health of the organization.

Housing York subsidies have been calculated according to Provincial program benchmarks and escalation factors endorsed by the Service Manager. Housing York's subsidy requirement is included in the Region's 2011 budget estimates for the Social Housing Program. Subsidy covers about one third of Housing York's operating costs. Tenant rents along with minor miscellaneous income covers two thirds of Housing York's revenue requirement.

The Region receives federal subsidy in the amount of \$1,319,000 to offset the total subsidies paid to Housing York. A summary of the funding sources (rents and subsidies) is shown in Table 2.

6. LOCAL MUNICIPAL IMPACT

Housing York provides housing services to communities across York Region which benefits all residents. Property taxes are paid on all buildings ensuring that local services relating to these properties are provided.

7. CONCLUSION

A surplus of \$17,000 is estimated. Housing York continues to operate with a very tight operating budget in 2011.

This report recommends that the 2011 Business Plan and Budget for operating and capital expenditures of Housing York Inc. be approved.

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

Recommended by:

Sylvia Patterson
Assistant General Manager

Approved for Submission:

Adelina Urbanski
General Manager

Lloyd Russell
Treasurer

March 1, 2011

Attachment - 1

SP/cc

Report Wizard v.1.2010



2011

Business Plan and Budget



INTRODUCTION

Housing York Inc. (Housing York) is York Region's largest non-profit housing provider and the eighth largest in the province. We own and manage 1,977 units in 32 locations in all nine of York's municipalities.

The Regional Municipality of York provides management services to Housing York. The Region is the sole shareholder of the corporation. Governance is fulfilled by a Board of Directors which is comprised of mayors and regional councilors. The officers are comprised of senior regional staff.

The portfolio offers many types of affordable housing options, including townhouses, low-rise and high-rise apartments. Within these buildings are a range of accommodations, including accessible units for disabled residents. There are 1,395 senior's units and 582 family/single's units. Approximately 73% of the units are rent-geared-to-income and the balance of the portfolio is market rent units.

In 2011, Housing York will experience significant growth with the construction of a 39 unit expansion in King City, and an 84 unit new development in Vaughan. Also, on March 1, 2011, Housing York acquired an existing 101 unit townhouse complex in Markham. Three additional buildings, over the course of ten months, represent a total of 224 extra units or 11% portfolio growth. Another 140 units in Richmond Hill is scheduled for delivery in 2012.

In March 2011, the two-year economic stimulus plan, known as the Social Housing Renovation and Retrofit Program, will wind down with residual activity until June. Over \$4,000,000 in additional funding will have been invested in Housing York buildings when the program concludes. The availability of these additional funds has extended the life of Housing York's capital reserves by approximately two years.

Housing York's tenant community comes from all walks of life, with diverse cultural and social needs. We support residents with a broad variety of abilities and disabilities, integrating many community services into our neighborhoods.

Also planned in 2011 is a comprehensive strategic plan that will look five years into the future. This plan will align with strategic affordable housing initiatives identified by York Region, and provide an opportunity to establish a roadmap for future programs, activities and business planning.

The 2011 budget is challenging. We will continue to monitor the impact of rising costs across the sector as it pertains to our revenue potential.



BUSINESS DRIVERS

Business drivers are external or internal influences that significantly impact and/or set direction for a corporation. Housing York's drivers, listed below, are embedded in the Statement of Principles and form the basis on which business goals and strategies are adopted.

Regional Housing Strategy - Growing the housing corporation to provide more affordable living options to the residents of York Region.

Shareholder Standards - Maintaining assets to a high standard of repair, providing safe and secure environments for tenants, and delivering a high level of accountability.

Tenant Population - Recognizing the changing diversity of people that make their homes in our communities and responding to their needs.

Economic Conditions and Legislative Impacts – Managing economic pressures in a financially responsible manner, effective risk management and legislative compliance in all aspects of our business.

STRATEGIC AREAS OF FOCUS

During the business plan period, Housing York will focus its goals on growing communities, asset management and financial accountability and performance.

1.0 OUR GROWING COMMUNITY

1.1 Give Emphasis to Growth

The next two years is a period of introducing several new rental properties into the portfolio.

Each additional building requires its own assimilation strategy, engaging all parts of the Housing York organization and our new residents to ensure that:

- Resources are in place to bring additional buildings into service.
- Building systems are commissioned and operating in new developments as designed.
- Creating a positive move-in experience for new residents and ensuring that supports are in place to assimilate the new property into the community.
- Business supports and systems are in place for a smooth transition.



1.2 Concentrate on Customer Service

We want to increase our customer service standards as the portfolio grows. Our approach to service has a dual focus, direct front-line initiatives that our tenants see and appreciate, and indirect administrative objectives that promote efficiency and financial continuity to deliver enhanced programs and services.

Direct Customer Service Initiatives

Introduce new tools for new residents including welcome kits, updated tenant handbooks, posters and resident friendly building signage.

Standardize ongoing communication activities and feedback opportunities about Housing York's customer service, maintenance, and tenant living experiences, with emphasis on turnover standards and move-in activities.

Administrative Customer Service Initiatives

Develop building specific marketing plans to attract and retain tenants in buildings that have a market rent component.

Implement phase two of a technology upgrade to facilitate new budget and forecasting capabilities, and on-line MPAC (Municipal Property Assessment Corporation) reporting.

2.0 OUR ASSET MANAGEMENT PROGRAM

Housing York's existing portfolio has three state-of-the-art energy efficient buildings that contain sophisticated operating systems. Older buildings are being retrofitted over a five-year period to a similar standard. By the end of 2011, our current multi-year energy management strategy will reach 80% completion.

2.1 Spotlight on Sustainability

Housing York will continue to reduce its environmental footprint by lowering its requirement for heating, electricity and water.

Proceed with Year 4 of the energy management strategy by retrofitting five properties, including a family townhouse community where tenants benefit directly from the investment.

Build in capacity during design phase of new buildings for resident-friendly, three stream waste recycling.

Expand Richmond Hill-Rosetown organic waste diversion pilot program to all Housing York properties within the town. Seek opportunities to expand the initiative in other municipalities.



3.0 OUR ACCOUNTABILITY AND PERFORMANCE

This section outlines operating and capital budgets for 2011 to 2013, as well as financial impacts on Housing York's reserves for 2011.

3.1 2011 Operating Budget

The economy is more favourable compared to the last two years but Housing York is not immune to rising costs. A further challenge relates to new buildings where start-up costs are incurred months before any revenue is earned. A nominal surplus is anticipated in 2011.

Conservative assumptions were used for 2011 revenues and costs based on 2010 fourth quarter consumer information and benchmark cost factors. However, for the third consecutive year, costs are escalating at a rate higher than the funding formula recognizes, particularly in administrative areas such as insurance and telecommunications.

The following table compares the 2011 base budget submission to the 2010 budget. For informational purposes, the 2010 estimated results are preliminary. The final results will be identified in the audited financial statements. Any operating surplus generated in 2010 will be allocated to Retained Earnings or the Capital Reserve, as allowed by the Service Manager.

The 2011 base budget forms a comparative picture of the portfolio on a year-over-year basis. The table on page 7 adds the budget for the new buildings, pro-rated for the period of time that they are estimated to be in-service during the 2011 budget year. This part-year budget is called annualization and becomes the 2011 total budget. The total budget becomes the new base budget for 2012.



2011 Base Operating Budget

<u>(\$000)</u>	<u>2010 Total Budget</u>	<u>2010 Estimate</u>	<u>2011 Base Budget</u>
Revenue			
Tenant Rents	13,696	13,705	14,000
Subsidy - York Region	8,201	7,563	7,400
Subsidy - Federal	1,319	1,319	1,319
Total Revenue	23,216	22,587	22,719
Operating Expenditures			
Operating	21,239	20,749	21,584
Public Housing Capital	1,880	1,743	1,123
Total Expenditures	23,119	22,492	22,707
Budget Surplus before Strategic Projects	97	95	12
Strategic Projects ⁽¹⁾	50	0	50
Economic Contingency ⁽²⁾	230	0	0
Operating Surplus after Strategic Projects	-183	95	-38
Capital Reserves (Provincial Reform and Regional Housing)			
Contribution to Reserves	1,190	1,067	1,759
Expenditures	-1,190	-1,067	-1,759
New Funding Programs			
Social Housing Renovation and Retrofit Program (SHRRP Grants) ⁽³⁾	1,900	2,943	797
Provincial Social Loan Revenue	500	0	0
Expenditures	-2,400	2,943	797
Energy Management Reserve			
Contribution to Reserve	661	178	914
Expenditures	-661	-178	-914
Emergency Power reserve			
Contribution to Reserve	0	0	440
Expenditures	0	0	-440

(1) The strategic project planned for 2010 was deferred and is re-budgeted in 2011.

(2) The economic contingency approved for 2010 budget was not used and is not budgeted in 2011.

(3) Timing differences between Yr 1 and Yr 2 budget and actual reporting creates a variance between 2010 budget and 2010 estimate.



2011 Total Operating Budget

<u>(\$000)</u>	<u>2011 Base Budget</u>	<u>2011 Annualization</u>	<u>2011 Total Budget</u>
Revenue			
Tenant Rents	14,000	817	14,817
Subsidy - York Region	7,400	0	7,400
Subsidy - Federal	1,319	0	1,319
Total Revenue	23,719	817	23,536
Operating Expenditures			
Operating	21,584	762	22,346
Public Housing Capital	1,123	0	1,123
Total Expenditures	22,707	762	23,469
Budget Surplus before Strategic Projects	12	55	67
Allocation to Energy Management Reserve Strategic Projects ⁽¹⁾	50	0	50
Operating Surplus after Strategic Projects	-38	55	17
Capital Reserves (Provincial Reform and Regional Housing)			
Contribution to Reserves	1,759	0	1,759
Expenditures	-1,759	0	-1,759
New Funding Programs			
Social Housing Renovation and Retrofit Program (SHRRP Grants)	797	0	797
Expenditures	797	0	797
Energy Management Reserve			
Contribution to Reserve	914	0	914
Expenditures	-914	0	-914
Emergency Power reserve			
Contribution to Reserve	440	0	440
Expenditures	-440	0	-440

(1) The strategic project planned for 2010 was deferred and is re-budgeted in 2011.

The annualized portion of the budget includes part year budgets for buildings acquired mid-year:

Kingview Court expansion	- 4 months
Mapleglen Residences	- 6 months



3.2 2012 and 2013 Outlook Years

The budget assumptions for the outlook years are based on the following:

- Operating revenues and expenses will increase by two percent based on consumer price index forecasts and the annualization impact of two new buildings, comprising 123 units, throughout the period.
- Contributions to and from the capital reserves are based on the 10-year capital plan.
- Energy Management and Social Housing Renovation and Retrofit programs will conclude during the outlook period.

Operating Outlook

<u>(\$000)</u>	<u>2011 Total Budget</u>	<u>2012 Total Budget</u>	<u>2013 Total Budget</u>
Revenue			
Tenant Rents	14,817	18,986	24,829
Subsidy - York Region	7,400	7,800	8,210
Subsidy - Federal	1,319	1,319	1,319
Total Revenue	23,536	28,105	34,358
Operating Expenditures			
Operating	22,346	26,488	32,229
Public Housing Capital	1,123	1,585	2,116
Total Expenditures	23,469	28,073	34,345
Budget Surplus before Strategic Projects	67	32	13
Strategic Projects ⁽¹⁾	50	0	0
Operating Surplus after Strategic Projects	17	32	13
Capital Reserves (Provincial Reform and Regional Housing)			
Contribution to Reserves	1,759	1,730	1,618
Expenditures	-1,759	-1,730	-1,618
New Funding Programs			
Social Housing Renovation and Retrofit Program	797	0	0
Expenditures	797	0	0
Energy Management Reserve			
Contribution to Reserve	914	377	0
Expenditures funded by Utility Savings or Borrowing	-914	-377	0

(1) The strategic project planned for 2010 was deferred and is re-budgeted in 2011.



3.3 Major Repairs/Replacement (Capital) Program

All capital jobs fall into one of four funding streams. A summary of each for 2011 is as follows:

Summary of 2011 Major Repairs

	<u>(\$000)</u>
Funding from Operating	1,123
Funding from Reserves	1,759
Annual Plan Capital Budget	\$2,882
SHRRP Grants	797
Energy Management Strategy	914
	<u>4,593</u>

Each component of the major repairs/replacement program is discussed below.

3.3.1 Annual Planned Capital Budget

Since 2004, a 10-year capital plan has been used as a managed approach to major repairs. Every budget year the plan is reviewed and adjusted to ensure that rehabilitation is completed on a methodical basis that considers needs and priorities.

The following table summarizes the planned expenditures for 2011 to 2013 that are part of the annual planned capital budget.

2011 Major Repairs by Category

<u>(\$000)</u>	<u>2010 Budget</u>	<u>2010 Estimate</u>	<u>2011 Budget</u>	<u>2012 Outlook</u>	<u>2013 Outlook</u>
Planned Expenditures					
Roofing	430	249	75	0	460
Building	786	722	543	1443	1194
Flooring	387	337	232	224	221
Elevator	0	5	150	9	300
Electrical	84	57	112	0	315
Equipment	157	81	50	117	20
Grounds	901	772	506	523	123
Life Safety Systems	90	67	5	18	100
Heating, Ventilation and Plumbing	235	177	680	235	282
Plumbing	0	16	0	79	42
Minor Capital	0	92	155	155	155
Capital Overheads	0	235	374	512	522
Total Major Repairs/Replacements	3,070	2,810	2,882	3,315	3,734



3.3.2 Social Housing Renovation and Retrofit Program (SHRRP)

The two-year SHRRP program is the result of economic action plans funded by the federal and provincial governments. The grants allocated to Housing York significantly enhance capital investments in our housing stock.

The allocations made available to Housing York over two years exceeds \$4,000,000. The program is winding down in 2011 and planned expenditures are residual costs to finish previously approved capital or renewable energy jobs.

Remaining SHRRP Funding

<u>(\$000)</u>	<u>2011</u>
Social Housing Renovation and Retrofit Program	\$797

3.3.3 Energy Management Strategy

Housing York is investing an estimated \$3,500,000 over a five-year period to undertake energy management retrofits on 25 buildings. The program started in 2008 and will conclude in 2012.

When the program launched, we expected that utility savings, nominal third-party incentives and borrowing would fund the program. The recent availability of SHRRP grants has reduced the borrowing requirement. We are forecasting that by the end of the fifth and final year of the program, the net cost of the program will be less than \$2,000,000.

The following table identifies the buildings that will be retrofitted in 2011.

2011 Energy Management Work Plan

<u>(\$000)</u>			
Year 4 of five year plan			
<u>PROPERTY</u>	<u>2011 ENERGY MANAGEMENT BUDGET</u>	<u>ANNUAL ESTIMATED SAVINGS</u>	<u>PAY BACK PERIOD (YRS)</u>
Kingview Court	21.6	3.2	7
Brayfield Manor *	152.0	10.7	14
Keswick Gardens	116.0	15.5	8
Nobleview Pines	19.1	1.6	12
Fairy Lake Gardens	61.9	5.2	12
Direct Retrofit Investment in Buildings	370.6	36.2	16
Contracted Services and Administration	125.8	0	0
Total 2011 Retrofit Investment	496.4	0	0

* Tenants pay their own utility bills and therefore benefit directly from the retrofit investment.



3.4 2011-2013 Major Repairs/Replacement Projects Greater Than \$100,000

We are pleased to identify the larger jobs that are planned in our communities over the next three years.

Three Year Summary of Jobs Greater than \$100,000

<u>Municipality</u>	<u>Property</u>	<u>Description</u>	<u>(\$000)</u>		
			<u>2011</u>	<u>2012</u>	<u>2013</u>
Georgina	Glenwood Mews	Bathroom upgrade	225,000		
	Keswick Gardens	Partial asphalt resurfacing	220,000		
	Keswick Gardens	Emergency power generators □	440,000		
		Replace apartment incremental units with energy efficient models ◇	150,000		
	Keswick Gardens	Elevator upgrade			200,000
	Keswick Gardens	Solar Wall*	152,077		
	Northview Court	Window/Balcony door upgrade		140,000	
	Northview Court	Bathroom upgrade			160,000
	Northview Court	Bathroom upgrade		130,000	
	Pineview Terrace	Parking lot upgrade-add more parking		160,000	
	Pineview Terrace	Window/balcony door upgrade		150,000	
Markham	Trinity Square	Furnace Replacement	220,000		
	Trinity Square	Window upgrade			365,000
	Trinity Square	Door upgrade			155,000
Newmarket	Brayfield Manor	Playground upgrade/parking lot expansion		120,000	
	Fairy Lake Gardens	Roof repairs			200,000
		Suite and distribution panel breaker upgrade			160,000
	Fairy Lake Gardens	Elevator upgrade			100,000
	Heritage East	Asphalt parking upgrade	220,000		
	Mulock Village	Kitchen upgrade		330,000	
Richmond Hill	Evergreen Terrace	Elevator upgrade cylinder	100,000		
	Rosetown	Preheat water with solar panels*	215,300		
	Rosetown	Water boiler/ storage tank upgrades	115,000		
	Dunlop Pines	Roof replacement			200,000
	Springbrook Gardens	Furnace replacement		200,000	
Total Projects Greater Than \$100,000			2,057,377	1,230,000	1,540,000

- * Jobs have been advanced from 10-year capital plan or energy management strategy to take advantage of SHRRP funding grants.
- ◇ Energy Management Program
- Emergency Power Program



3.5 Management of Reserves

3.5.1 Capital Reserve

The use of our capital reserves differs by program as specified in the legislation or program guidelines that we follow. For presentation purposes, the capital reserves are consolidated but the individual reserves are managed separately. The Public Housing program does not maintain a Capital Reserve.

Most of the capital reserve is invested in the Social Housing Services Corporation's mandatory pooled investment fund for housing providers. While a variable rate of return is expected on investment holdings, a constant yield of two percent is assumed for the budget and outlook years.

Three Year Forecast of Capital Reserve Impacts

<u>(\$000)</u>	<u>2009 Actual</u>	<u>2010 Estimate</u>	<u>2011 Budget</u>	<u>2012 Outlook</u>	<u>2013 Outlook</u>
Provincial Reform and Regional Housing Programs					
Balance, Beginning of Year	5,109	4,706	4,558	3,544	2,676
Contribution to Reserves	725	745	652	799	815
Annual Investment Income	171	174	78	63	54
Annual Capital Expenditures	-1,299	-1,067	-1,744	-1,730	-1,618
Net Activity for the Year	-403	-148	-1,014	-868	-750
Balance, End of Year	4,706	4,558	3,544	2,676	1,926

Because of the additional SHRRP funding that was made available, the longevity of the capital reserve has been extended by about two years to 2016 based on current funding and spending models.

3.5.2 Other Specified-Purpose Reserves

In addition to the mandatory capital reserve required under the Social Housing Reform Act, 2000, Housing York has a number of other internal reserves that have been approved for specific purposes.



Insurance Reserve

This reserve is funded by an annual contribution of operating funds as a way of stabilizing small insurance claims and settlements that are below our insurance policy deductible.

Insurance Reserve

<u>(\$000)</u>	2011 Budget
Balance, Beginning of 2011	\$ 162,629
Annual Contribution from Operating Budget	25,000
Minor Claims Settlement (Estimate)	(25,000)
Net Activity for the Year	<u>0</u>
Balance, End of Year	<u>\$ 162,629</u>

Emergency Power Reserve

This initiative was originally launched in 2004 with an approved budget of \$910,500. The funding source was from Retained Earnings, restricted exclusively for expenditures related to this multi-year plan. In 2011, one key job is to install a generator at Keswick Gardens, in the Town of Georgina.

Emergency Power Plan Reserve

<u>(\$000)</u>	2011 Budget
Balance, Beginning of 2011	\$ 539,541
Annual Capital Expenditures	(440,000)
Net Activity for the Year	<u>(440,000)</u>
Balance, End of Year	<u>\$ 99,541</u>



Fairy Lake Gardens Pond Remediation

The 2010 capital budget included \$600,000 to restore the overflow pond at this Newmarket property. There is an accumulation of silt and minor contaminants that require attention. Housing York has partnered with York Region Environmental Services for this initiative. Environmental and public consultation was completed in 2010 at a cost of \$25,000 and the balance of the budget has been reserved to complete the work in 2011.

Fairy Lake Gardens Pond Remediation Reserve

<u>(\$000)</u>	<u>2011 Budget</u>
Balance, Beginning of 2011	\$ 574,848
Annual Capital Expenditures	(574,848)
Net Activity for the Year	<u>(574,848)</u>
Balance, End of Year	<u><u>0</u></u>

Technology Upgrade

Phase 2 of a significant system upgrade will be completed in 2011 which will enhance Housing York's integrated enterprise-wide software. Incremental funding of \$500,000 was provided to Housing York from the Region in 2010 for this project which is expected to conclude in 2011.

Technology Upgrade Reserve

<u>(\$000)</u>	<u>2011 Budget</u>
Balance, Beginning of 2011	\$ 210,105
Annual Capital Expenditures	(210,105)
Net Activity for the Year	<u>(210,105)</u>
Balance, End of Year	<u><u>0</u></u>



3.6 Key Performance Indicators

We use a variety of internal monitoring indicators to measure successes and potential improvement opportunities. The following indicators are annual measurements in the property management area of our business.

Manageable Cost per Unit - This indicator is comprised of maintenance and administration costs divided by the number of units. Maintenance and administration expenditures include building maintenance costs, regional salaries and benefit costs, and corporate overheads.

Utilities, mortgage, property taxes and major repairs are excluded. Costs that relate to extraordinary circumstances or strategic initiatives are also excluded in manageable cost per unit calculations.

Housing York is expecting expenditure constraint in 2011 due to the revenue pressures caused by lower subsidy funding.

Manageable Cost Per Unit

	<u>2010 Total Budget</u>	<u>2010 Estimated</u>	<u>2011 Base Budget</u>	<u>2011 Total Budget</u>
Housing York Average	\$3,608	\$3,608	\$3,572	\$3,530

Unit Turnover – identifies the number of units where a tenant vacates during the year divided by the total units in the portfolio. The number of move-outs was slightly lower than expected in 2010 which is a positive sign of tenant stability. Turnover estimates for 2011 reflect growth in the portfolio. The increased unit count decreases the turnover ratio slightly compared to 2010 goals.

Total Number of Tenant Vacancies

	<u>2010 Goal</u>	<u>2010 Estimated</u>	<u>2011 Goal</u>
Total Number of Move-outs	235	206	235
As a percent of Total Units	11.9	10.4	11.2



Tenant Arrears – All activities pertaining to collecting tenant accounts follow relevant legislative requirements or Board approved policies. The percentage of Current Tenant Arrears greater than 30 days/Rent Revenue is a measurement to determine effectiveness of collection performance.

Percentage of Current Tenant Arrears

2010 Goal	8.0%
2010 Estimated	7.4%
2011 Goal	7.8%

4.0 BUSINESS PLAN SUMMARY

The key theme of this business plan is growth. The prospect of three additional buildings in 2011 is an exciting, but challenging opportunity. While the incremental units provide affordable housing for many more people, maintaining our standards, programs and tenant relationships will be challenging while we operationalize new properties.

The new buildings add long term value to the financial health of the organization, but in the short term, Housing York incurs cost pressures preparing the new sites well in advance of them generating any rent revenue. This is reflected in this year's operating budget with only a minimal surplus predicted.

The economic stimulus program will wind down and capital expenditures will return to historical trends. The energy management program enters the fourth year of retrofit investments to make the buildings more energy efficient.

Housing York will undertake a strategic planning exercise in 2011 that will set the path for many years to come.

