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October 23, 2020

Ann-Marie Norio, Regional Clerk
Niagara Region
1815 Sir Isaac Brock Way
Thorold, ON L2V 4T7

Dear Ms. Norio,

At their October 23, 2020 meeting, the Niagara Regional Housing Board of Directors approved the attached report NRH 15-2020 and recommended this report be forwarded to the Budget Review Committee of the Whole for consideration.

Your assistance is requested in moving report NRH 15-2020 through proper channels to the Budget Review Committee of the Whole.

Sincerely,

A handwritten signature in black ink, appearing to read 'Walter Sendzik', followed by a long horizontal line extending to the right.

Councillor Walter Sendzik
Chair

Subject: Proposed 2021 Operating Budget

Report to: Board of Directors of Niagara Regional Housing

Report date: Friday, October 23, 2020

Recommendations

1. That the Niagara Regional Housing Board of Directors **APPROVE** the Proposed 2021 Operating Budget increase of \$566,901 or 2.0% over the 2020 operating budget prepared in accordance with the 2021 budget planning framework, with a net levy impact of \$28,911,582 before indirect allocations and;
2. That this report **BE REFERRED** to the Budget Review Committee of the Whole meeting on December 10, 2020 for consideration as part of the 2021 operating budget deliberations.

Key Facts

- The purpose of the report is to seek approval for the proposed 2021 Operating budget for NRH.
- Niagara Region's Financial Management & Planning staff presented to Budget Review Committee of the Whole (BRCOW) Report CSD 41-2020, dated June 25th, 2020, respecting the 2021 Budget Planning. On July 23, 2020, Regional Council received a budget strategy not to exceed Core CPI at 2%, before addressing the impacts of COVID-19, for Regional Departments, ABC's and Rate programs.
- Given the increasing demands of capital and the significant capital levy funding gap for 2021, the strategy presented and received by Council is that the 2% be shared equally with 1% to operating costs and 1% to support capital renewal costs. See appendix 1 for business case to support the capital budget contribution request.
- Incremental costs due to COVID-19 of \$412,457 are budgeted for increased cleaning, PPE and security at owned units; incremental provider subsidy of \$192,062 is budgeted to address the impact of the Provincial rent freeze that passed in October 2020. The proposed budget allocates \$412,457 of Municipal Safe Re-start funding to offset one-time costs associated with COVID-19. The rent freeze impact requires sustainable funding and is accommodated within the 2% proposed budget without the use of the re-start funding.
- The 2021 operating budget request for NRH includes a \$1.3 million increase in the annual contribution to the capital program to reduce NRH's reliance on the Niagara Region's funding sources for capital in the future.

Financial Considerations

NRH Staff drafted the 2021 operating budget under the strategy received by Council which outlined that the 2% increase be shared equally with 1% to operating costs and 1% to support capital before addressing the impacts of COVID-19.

Recognizing the capital needs of NRH on a go-forward basis and the existing capital-funding gap that exists for the Niagara Region, the 2021 budget includes a transfer to capital reserves that represents 4.2% increase. The capital funding gap was highlighted in September Capital Budget Board report and this increased contribution will reduce reliance on Regional sources of capital financing (reserves & debt) in the future. This increase in transfer to capital reserves can be accommodated within a 2% overall increase by rightsizing other budget lines, primarily the Non-Profit and Co-op subsidy budget for reasons outlined in the analysis section below.

The 2021 budget was prepared based on maintaining current service standards. There were no program changes to the 2021 proposed operating budget for NRH. Additional one-time costs associated with COVID-19, are proposed to be funded with Municipal Safe Re-start funding, with the rent freeze impact accommodated within the 2% net budget increase.

The 2021 proposed operating budget is as follows:

	2020 Approved Budget	2021 Proposed Budget	\$ Change	% Change
Gross Expenditure	\$ 58.13	\$ 60.23	\$ 2.10	3.6%
Gross Revenue	\$ (29.78)	\$ (31.31)	\$ (1.53)	5.1%
Net Expenditure (Revenue) before Indirect Allocations	\$ 28.35	\$ 28.91	\$ 0.57	2.0%
Staff Compliment	2020 Approved FTE	2021 Proposed FTE	# Change	% Change
Full-Time Permanent Employees	51	51	0	0.0%
Full-Time Temporary Employees (Ministry-funded / pilot programs)	9	9	0	0.0%
Total FTE Count	60	60	0	0.0%

Analysis

The following highlights the changes in the proposed 2021 Operating budget as compared to the 2020 approved budget.

Compensation:

- *Increase* in Compensation of \$69 thousand (1.3%) is driven by corporate compensation guidance and benefit related costs. There are no proposed changes to employee FTE compliment for 2021.

Occupancy and Infrastructure:

- *Increase* in Occupancy and Infrastructure of \$844 thousand (5.3%) which is driven primarily by the following:
 - \$147 thousand driven by an increase in repairs and maintenance costs based on historical trending
 - \$160 thousand increase in property taxes for owned units before including property taxes associated with acquiring a housing provider explained below
 - \$231 thousand net decrease in utility costs based on 2020 trends. This relates primarily to recent upgrades at owned units for K3D heat control systems and upgrades to hot water systems.
 - \$223 thousand for increased cleaning at owned units due to COVID-19
 - \$140 thousand for increased security patrols at certain owned units due to COVID-19
 - \$390 thousand in occupancy and infrastructure increases as a result of acquiring a housing provider property and operations as follows; \$195 thousand for property taxes, \$120 thousand for repairs and maintenance, and \$75 thousand for utilities. These costs are funded by repurposing the subsidy previously provided to the housing provider.

Community Assistance:

- *Decrease* in Community Assistance of \$442 thousand (1.4%) as follows:
 - \$384 thousand (11.6%) increase in Rent Supplement Regular for rent geared to income subsidy to landlords. The 2021 budget includes a 1.5% legislated increase over 2020 for rent supplement and it includes an incremental subsidy for additional units due to End-of-Operating Agreements (EOA) to cover rent-supplement costs formerly funded by the Federal government.
 - *Decrease* to the Non-Profit and Co-op subsidy of \$1.4 million (6.7%) driven primarily by the following:
 - \$1.1 million *decrease* due to alignment with 2020 actual subsidy payments and expected RGI subsidy trends
 - \$500 thousand *decrease* as a result of acquiring a housing provider as the subsidy previously provided to the housing provider has been repurposed to fund operating costs as an owned unit in 2021

- \$192 thousand *increase* as a result of the provincial rent freeze. Subsidy will increase as the rent freeze means that as an increase in market rents that normally would be available to offset operating costs will not be available in 2021.
- *Decrease* in Federal Program subsidy of \$117 thousand (10.9%) as a result of EOA
- *Increase* in housing provider capital grant of \$375 thousand for 2021, fully funded by reserve. This represents the grant portion of a loan provided to support a provider with urgent repairs in advance of the Loan & Grant program implementation in 2022
- \$532 thousand (12.8%) *increase* in Ministry funded program assistance which are 100% funded by Provincial/Federal dollars. Any new funding announcements received in the 2021/2022 years will be adjusted in year. The following increases and decreases by program are listed below:
 - IAH-E Rent Supplement *decrease* of \$216 thousand to \$0 as program ended in 2020
 - IAH-E Housing Allowance *decrease* of \$186 thousand to \$0 as program ended in 2020
 - SIF Rent Supplement *increase* of \$40 thousand to \$580 thousand in 2021
 - SIF Housing Allowance *remains* at \$1.0 million in 2021
 - OPHI Homeownership *increase* of \$180 thousand to \$280 thousand in 2021
 - OPHI Niagara Renovates *increase* of \$106 thousand to \$652 thousand in 2021
 - OPHI Rent Supplement *remains* at \$800 thousand in 2021
 - OPHI Housing Allowance *increase* of \$95 thousand to \$352 thousand in 2021
 - COCHI Repairs *increase* of \$480 thousand to \$986 thousand in 2021
- *Decrease* of \$100 thousand for the Homeownership program funded by the revolving loan fund to \$100 thousand in 2021

Financial Expenditures:

- Increase in Financial Expenditures of \$203 thousand (10.3%) is driven primarily by the following:
 - *Decrease* to the NRH/LHC-Debenture expense of \$157 thousand (9.2%) due to debt reduction owed to the province as three agreements have expired
 - *Increase* in debt servicing costs of \$365 thousand due to assuming the mortgage of a housing provider on acquisition of the property. The subsidy previously provided the housing provider has been repurposed to fund these costs.

Transfers to Reserves:

- *Increase* Transfer to Reserve of \$1.3 million (42.7%) as follows:
 - \$1.3 million increased transfer to the NRH Owned Units reserve to support the capital program in order to reduce NRH's reliance on the Niagara Region's funding sources for capital (total transfer to reserve of \$2.9 million).
 - Increase of \$1.2 million to support the NRH-owned units capital program. This increase will allow NRH to raise its contribution to its annual gross budget requirement from approximately 17% to 30%. This increase exceeds the recommended 2021 contribution amount outlined in the budget planning strategy to go towards supporting capital.
 - Increase of \$125 thousand for a restricted reserve contribution related to the acquisition of a housing provider's property. The subsidy previously provided to the housing provider has been repurposed to fund this transfer to sustain the property.
 - The total transfer maintains existing internally restricted reserve contributions of \$81 thousand for 527 Carlton Street, \$72 thousand for Jubilee Drive, \$89 thousand for Fitch Street East, and \$17 thousand for Roach Avenue.
- \$1.5 million transfer to the NRH reserve from Housing Program to support programs for housing providers, primarily the Loan & Grant Program, has been maintained. The project NRH reserve balance, which takes this base reserve transfer and funds returned as a result of ending provider surplus sharing, is sufficient to fully fund the Loan & Grant program when it is implemented in 2022. See Board Report 20-188-4.3 NRH Capital Loan and Grant Program which outlines the financial implications of the program in detail.

Revenues:

- *Increase* in Revenues of \$741 thousand (2.5%) is driven primarily by the following:
 - Increase in Federal & Provincial grants of \$289 thousand (2.1%) driven by increase in Ministry funded programs, offset with funding reductions driven by scheduled service manager funding schedules due to EOA
 - *Increase* in rental revenue of \$613 thousand (3.9%) based on 2020 actuals, \$385 thousand of the increase is related to full year revenues anticipated for the operations of an aquired housing provider
 - *Decrease* in other revenue of \$100 thousand relating to recognition of revenue from the revolving loan in order to fund the homewonership program for 2021

Transfers From Reserves:

- *Increase* Transfer from Reserve of \$789 thousand is driven primarily by the following:
 - \$375 thousand transfer from the NRH Reserve to fund the housing provider capital grant as explained under Community Assistance, above. This transfer funds the grant portion of a loan provided to support a provider with urgent repairs in advance of the Loan & Grant program implementation in 2022
 - \$412 thousand transfer from the Niagara Region Taypayer Relief Reserve which is acting as a flow-through to facilitate the allocation of the Municipal Safe Re-start funding to offset one-time costs associated with COVID-19

Service Reductions/Increases

- The Ministry of Municipal Housing and Affairs is continuously developing new funding and program models. Since the devolution of housing, NRH has adapted and absorbed numerous new initiatives such as homeownership and home renovation programs, housing allowance programs, portable rent benefit programs, multiple new rent supplement programs and programs to develop increased affordable housing supply in Niagara. NRH continues to incorporate Ministry-funded programs including the OPHI/SIF Rent Supplement, OPHI/SIF Homeownership, OPHI Niagara Renovates and COCHI Repairs into the budget process. Year-over-year these amounts are expected to change to reflect the take-up of funding. NRH intends to identify, secure, and leverage continued funding to support expanding service offerings to meet increasing demands for affordable housing.
- Federal Section 95 Providers agreements are continuing to expire as Federal Housing Provider mortgages mature. Housing Providers are then considered to have met all obligations with the Federal Housing program and are free to stop offering subsidies. To preserve social housing units in Niagara, NRH is working with Federal Providers to find innovative solutions that will protect existing tenants from losing subsidy and to maintain the existing number of units for social housing purposes in Niagara.

Alternatives Reviewed

The COVID-19 impact of \$192 thousand on Non-Profit and Co-op Subsidy associated with the provincial rent freeze requires sustainable funding going forward, and therefore has been accommodated within the budget request of 2% rather than funding with the Provincial Safe Re-Start funding. This cost represent an overall 0.7% net budget impact. If this cost was considered incremental to the 2% base budget request, as opposed to

accommodating it within the 2%, an additional \$192 thousand could be contributed to fund capital reserves.

Given that the proposed budget achieves the goal of significantly increasing transfers to the capital program, management did not treat the COVID-19 impact of the rent freeze as an incremental cost.

At the discretion of the Board, they can identify to eliminate or add programs from/to the budget. If this action is taken, staff request the opportunity to provide impacts/risks with these decisions.

Relationship to NRH and/or Council Strategic Priorities

The 2021 Budget will provide the financial framework to achieve NRH Strategic Priorities.

Other Pertinent Reports

CSD 41-2020 – 2021 Budget Planning

20-188-4.3 – NRH Capital Loan and Grant Program

20-192-4.5 – Proposed Niagara Regional Housing 2021 Capital Budget Submission

IC 20-192.6.1 – Acquisition of Property

IC 20-192.6.2 – Acquisition of Property



Submitted by:

Donna Woiceshyn
Chief Executive Officer



Approved by:

Walter Sendzik
Chair

This report was prepared in consultation with Donovan D'Amboise, Program Financial Specialist and Dan Ane, Manager Program Financial Support.

Appendices

Appendix 1 Capital Financing Business Case

Capital Financing - NRH - 2021 Operating Budget Business Case

Niagara Regional Housing, NRH-01

Initiative Start Date: January 01, 2021

Reason for Business Case: Capital Financing

Description of program change:

This business case is for NRH to increase its transfer to capital reserves by 1%, or \$283,447 which will help NRH fund more of its annual capital program requests and reduce reliance on Regional sources of capital financial (reserves and debt). This request is consistent with the strategy outlined below.

Given the increasing demands of capital and the significant capital levy funding gap for 2021, the strategy presented and received by Council at the BRCOTW meeting on June 25, 2020 is that the 2% be shared equally with 1% to operating costs and 1% to support capital renewal costs.

Business Reasons for Program Change:

The existing base transfer to reserves from operating funds of \$1.5 million funds approximately 17% of the annual capital program requirements in the 10-year forecast. This transfer is increased by \$908 thousand in the proposed 2021 operating budget by rightsizing other budget lines, primarily the Non-Profit and Co-op subsidy budget. This business case requests an additional \$283 thousand, which would bring the annual transfer to \$2.7 million, or 30% of the annual capital program requirement.

The NRH annual programs is budgeted based on the expected timelines from the Building Condition Assessments (BCA). Based on the BCAs, the NRH gross and net capital budget requirement for 2021 was \$12.3 and \$10 million respectively. Given Niagara Region's significant capital levy funding gap for 2021, the Corporate Asset Management Resource Allocation (CAMRA) model prioritized capital investments leading to a reduced capital request corporately, including budget deferrals for NRH, which required deferral of \$5 million of the NRH gross budget requirement to align with funding available for 2021.

While a reliance on available Regional funding will still exist, increasing the annual contribution to capital as proposed in this business case may reduce reliance on the available funding that is prioritized based on the CAMRA model. Impacts on deferrals in future budget years may not be as significant as what was seen in 2021 as NRH is proposing to increase its own contribution to the program to 30% of the of the annual capital program requirements.

Capital Financing - NRH - 2021 Operating Budget Business Case

Supports Council's Strategic Priorities: Sustainable and Engaging Government

Increasing funding available for capital reserves supports Council's strategic priorities of Responsible Growth and Infrastructure planning. Having capital funding available is important to preserve and maintain the housing stock.

Risk Assessment: Priority

The NRH-Owned Units Capital Program provides for long-term planning to ensure NRH's physical assets will be preserved to an acceptable standard and values are maintained. The capital program was prepared in conjunction with the BCAs completed in June 2017 which indicated the Local Housing Corporate portfolio is generally in good condition. However, maintaining the good condition is highly dependent on building components being replaced once they reach the end of their useful life. Failure to do so would lead to more expensive capital costs, increased risk to health and safety and additional operating costs.

NRH maintains the ongoing local responsibility for the health and safety of resident's and the structural integrity of physical assets as per legislative requirements, including compliance to: Residential Tenancies Act, Housing Services Act, Ontario Building Code, Ontario Fire Code, Technical Standards and Safety Authority, Canadian Standards Association, Electrical Safety Authority, Occupational Health and Safety Act, and local by-laws.

Staffing Impact:

None

Total Cost of Staffing Position:

Staffing Implementation Date: