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November 6, 2024

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

Dear Ms. Norio,

At their October 25, 2024 special meeting, the Niagara Regional Housing Board of Directors passed the following motion as recommended in attached report NRH 8-2024:

Recommendations

Staff Recommend that the Board of Directors **APPROVE** the following:

1. That the Niagara Regional Housing (NRH) Board of Directors **APPROVE** the proposed NRH 2025 gross operating budget of \$24,686,077 and the net levy budget of \$4,517,610, for an increase of \$105,237 or 2.4% over the 2024 net levy budget as per Appendix 1 to Report 24-227-4.4; and
2. That this report **BE REFERRED** to the Budget Review Committee of the Whole (BRCOTW) meeting on November 14, 2024 for consideration as part of the 2025 operating budget deliberations.

Your assistance is requested in moving report NRH 8-2024 through proper channels to BRCOTW.

Sincerely,

Councillor Gary Zalepa
Chair

Subject: Proposed Niagara Regional Housing 2025 Operating Budget Submission

Report to: Board of Directors of Niagara Regional Housing

Report date: Friday, October 25, 2024

Recommendations

1. That the Niagara Regional Housing (NRH) Board of Directors **APPROVE** the proposed NRH 2025 gross operating budget of \$24,686,077 and the net levy budget of \$4,517,610, for an increase of \$105,237 or 2.4% over the 2024 net levy budget as per Appendix 1 to Report 24-227-4.4; and
2. That this report **BE REFERRED** to the Budget Review Committee of the Whole (BRCOTW) meeting on November 14, 2024 for consideration as part of the 2025 operating budget deliberations.

Key Facts

- The purpose of this report is to seek approval for the proposed 2025 Levy Operating Budget for NRH.
- At Niagara Region's BRCOTW meeting on July 25, 2024, the budget planning strategy presented for 2025 included a focus on aligning with the Budget Planning By-law's principles and priorities of sustainability and affordability. The strategy used was to sustain core services, maintaining base service delivery, continuing to invest in capital contributions to close the funding gap reported in the "2021 Asset Management Plan," and to support Council's Strategic Priorities.
- The NRH operating budget is presented for approval for the oversight and operation of existing NRH-owned units and the new development of NRH-owned units, with regional employees providing support to housing operations through the existing shared services agreement with the Niagara Region.
- A line-by-line review of the proposed operating budget was completed with the goal of balancing sustainability and affordability while maintaining the delivery of base services for 2025.
- The key drivers of the 2025 budget include inflationary pressures for property taxes and repairs and maintenance costs, such as property maintenance service contracts, which are increasing at a greater rate than the affordable rents charged to

tenants, where rents are the source of 78.7% of revenues in the NRH operating budget. The result is an increase in the net levy for NRH to fund these net inflationary pressures of \$105,237.

Financial Considerations

The 2025 NRH operating budget was prepared in alignment with the strategy received by Council, which outlined a strategy of balancing sustainability and affordability by sustaining core services and maintaining base service delivery. The 2025 NRH levy operating budget includes a base increase of 2.4% or \$105,237 to maintain current service standards, and there are no program changes proposed with the 2025 budget.

The 2025 proposed levy operating budget is provided in table 1 below, with further details included in Appendix 1 to report 24-227-4.4.

Table 1: Proposed NRH 2025 Levy Operating Budget (in millions)

Item	2024	2025	\$ Change	% Change
Gross Expenditure	\$24.0	\$24.7	\$0.7	2.9%
Gross Revenue	(19.6)	(20.2)	(0.6)	3.1%
Net Base Budget before Indirect Allocations	\$4.4	\$4.5	\$0.1	2.4%

Analysis

The preparation of the 2025 operating budget for the operation of NRH-owned units included a line-by-line analysis and thorough review of the operating needs for 2025, including analysis of all cost estimates and service contracts, as well as a review of workplans for the next year by managers and senior leaders. The budget presented reflects the base costs required to continue to operate the NRH-owned buildings and units at the mandated service-level standards.

Base Budget Drivers

The pressures in operations that contribute to the operating increases are:

- \$0.3 million inflationary increase in property taxes for NRH-owned properties
- \$0.1 million increase in utility costs

- \$0.4 million inflationary increase in property and unit repairs and maintenance, including service contracts such as grounds maintenance, pest control and building automation systems.

These inflationary cost pressures have been partially offset by:

- \$0.6 million in increased rental revenues, primarily resulting from an increased number of units projected to pay market rents in 2025 due to few housing options available for tenants in a position to pay affordable market rates to move on from their unit
- \$0.1 million increase in the recovery from Niagara Region's Homelessness Services division to fund the occupancy costs of the bridge, supportive and transitional housing facilities, as well as the emergency shelters in St. Catharines and Welland

Mitigation options were reviewed to offset the inflationary pressures associated with the delivery of NRH's base services; however, there are limited opportunities, as NRH must continue to maintain its units at an acceptable level to meet provincial service-level standards, so they do not fall into a state of disrepair that requires removing them from service. Consideration is given to opportunities for cost savings when the NRH team is planning for and implementing improvements within the buildings that enhance energy and other efficiencies, which have helped to mitigate the increases seen year-over-year that would otherwise have been higher. For example, NRH has entered into a multi-year contract program for natural gas to secure the rates paid within the NRH-owned buildings, and has also installed K3D heat control systems to reduce electrical and gas heating costs for multi-unit apartment buildings, which has led to an increase in utility costs that is below the inflationary average. In addition, the capital repair and replacement work that was made possible through the funding strategy approved by the Board and Council in report NRH 11-2022 to leverage the \$16.4 million in CMHC capital repair funding has allowed for increased efficiencies and reduced operating repair costs to units.

Program Changes

There are no proposed program changes included in the NRH operating budget for 2025 before indirect allocations.

However, it is important to note that there are three (3) new FTEs proposed in the Housing Services budget within Community Services, which supports NRH operations

through a shared services agreement between NRH and the Niagara Region. These new FTEs will support the growing portfolio of NRH-owned units and buildings, including the facilities owned by NRH and operated by the Homelessness division. Although these FTEs do not directly impact the NRH budget before indirect allocations, the impacts of the addition account for \$64 thousand of the \$82 thousand increase related to overall program changes in indirect allocations.

Reserve Strategy and Forecast

In alignment with the current reserve strategy, the budget recommends maintaining the annual base budget transfer of \$2.6 million to the NRH Owned Units Reserve, which supports the capital needs of the existing NRH owned units.

Appendix 2 to report 24-227-4.4 shows the forecasted NRH Owned Units Reserve balance. This forecast incorporates the funding strategy approved by the Board and Council through NRH 11-2022 that included substantial use of the NRH Owned-Units reserve from 2023 to 2025 to support Niagara Region's 70% share of the costs required to leverage the 30% CMHC capital repair funding for the work to be completed within these budget years.

NRH is supported by the Region's asset management program and is working to update a new 2025 asset management plan by June 2025. This plan will restate asset replacement needs to maintain our assets in a good state of repair and must also outline a financial funding strategy for these assets. Staff expect the results of this updated plan and financial strategy to inform reserve contribution changes needed in the 2026 budget and beyond.

NRH is consolidated into the Niagara Region's operations and does not have a dedicated stabilization reserve. Any operating-related variances that cannot be managed within NRH's budget would be supported by the Region's Taxpayer Relief Reserve through the year end transfer report process.

Multi-Year Forecast

The multi-year forecast reflects annual increases of 8.0% in 2026 and 9.9% in 2027, which is reflective of the fact that inflationary pressures and costs related to oversight and operation of the existing owned units are increasing at a greater rate than the affordable RGI rental revenues that are charged to tenants. There are many

assumptions and unknowns included in these forecasts, and staff will re-evaluate the long-term budget and reserve strategies with the budget cycle each year.

Risks and Opportunities

The proposed 2025 budget, like any other budget, has a number of risks and opportunities. One of the primary risks for 2025 is related to inflationary pressures of the service contracts to maintain and service the owned-unit properties, as well as property taxes, as higher than anticipated increases to these estimated annual costs could result in variances to the proposed budget.

Another significant risk within the NRH budget relates to the rental revenues that have been estimated that offset the operating costs of the owned units. Revenues have been estimated based on current charges; however, approximately 94% of tenants pay rent-geared-to-income (RGI), which is 30% of their household income, so the amount of rent to be charged will vary depending on the income of the tenants housed in the units.

Alternatives Reviewed

The 2025 NRH budget is in alignment with the budget strategy received by Council to sustain core services and maintain base service delivery.

At the discretion of the Board, programs can be identified for elimination from or addition 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 2025 NRH proposed budget will provide the financial framework to achieve NRH Strategic Priorities, and aligns with Niagara Region's 2023 – 2026 Council Strategic Priorities supporting an Equitable Region through improving access to affordable housing and Effective Region through the delivery of fiscally responsible and sustainable core services.

Other Pertinent Reports

NRH 11-2022 Proposed Revised Niagara Regional Housing 2023 Capital Budget Submission including CMHC Funding

SPEC 2-2024-2.1 Proposed Niagara Regional Housing 2025 Capital Budget
Submission
CSD 29-2024 2025 Budget Strategy

Submitted by:



Cameron Banach, CEO

Approved by:



Gary Zalepa, Chair

This report was prepared by Sara Mota, Program Financial Specialist in consultation with Donovan D'Amboise, Manager, Program Financial Support and reviewed by Melanie Steele, Associate Director, Reporting and Analysis.

Appendices

- Appendix 1 2025 NRH Schedule of Revenues and Expenditures by Object of Expenditure
- Appendix 2 Forecasted NRH Owned Units Reserve Balance