



2016 Budget



Agenda

1. Overview of Toronto Community Housing
2. Current financial position
3. 2016 budget overview
4. 2017 outlook



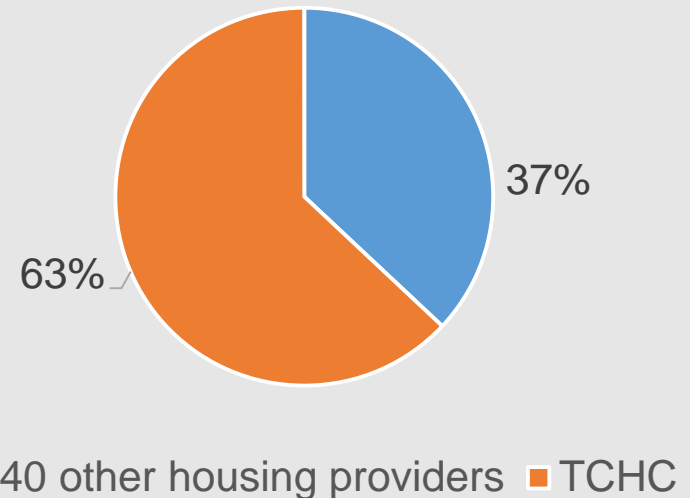
Overview of Toronto Community Housing

About us

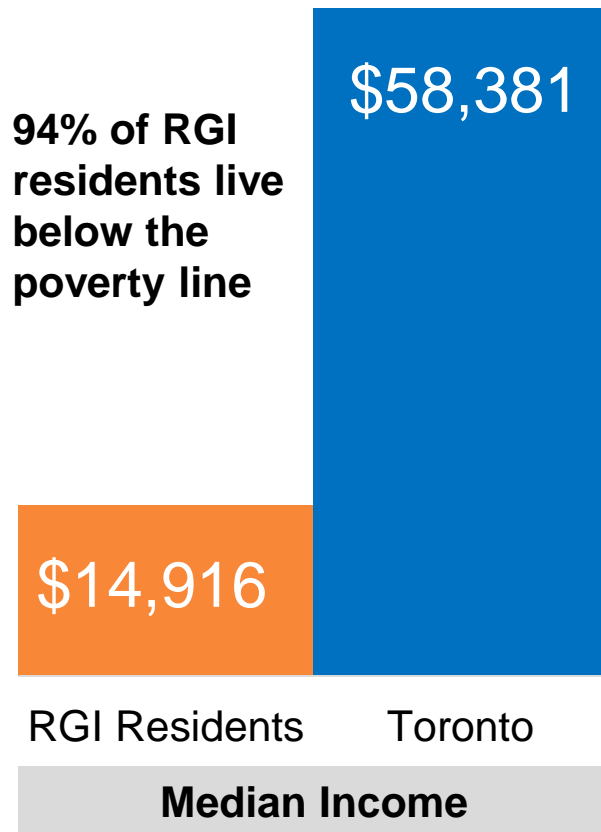
We're Canada's largest social housing provider

- 60,000 households
- 110,000 residents
- 2,100 buildings
- 95,000 households on city-wide waiting list in 2015

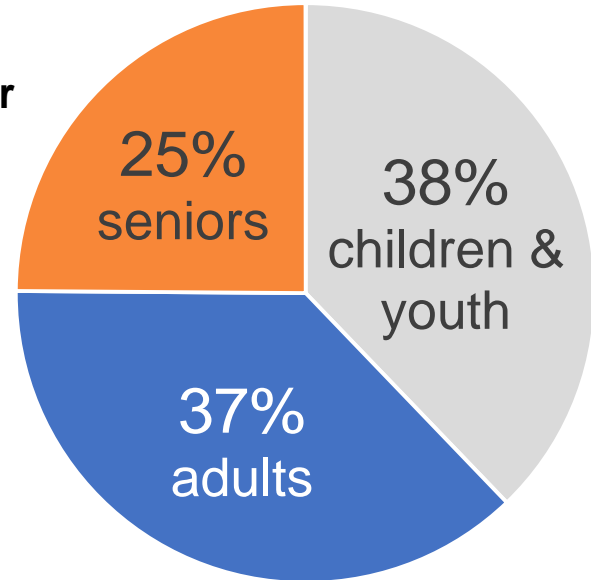
Management of Toronto's 93,404 social housing units



110,000 residents



21,000 of 27,000 senior households are seniors living alone



29% of RGI households have a member with a disability (versus 12% in Ontario)



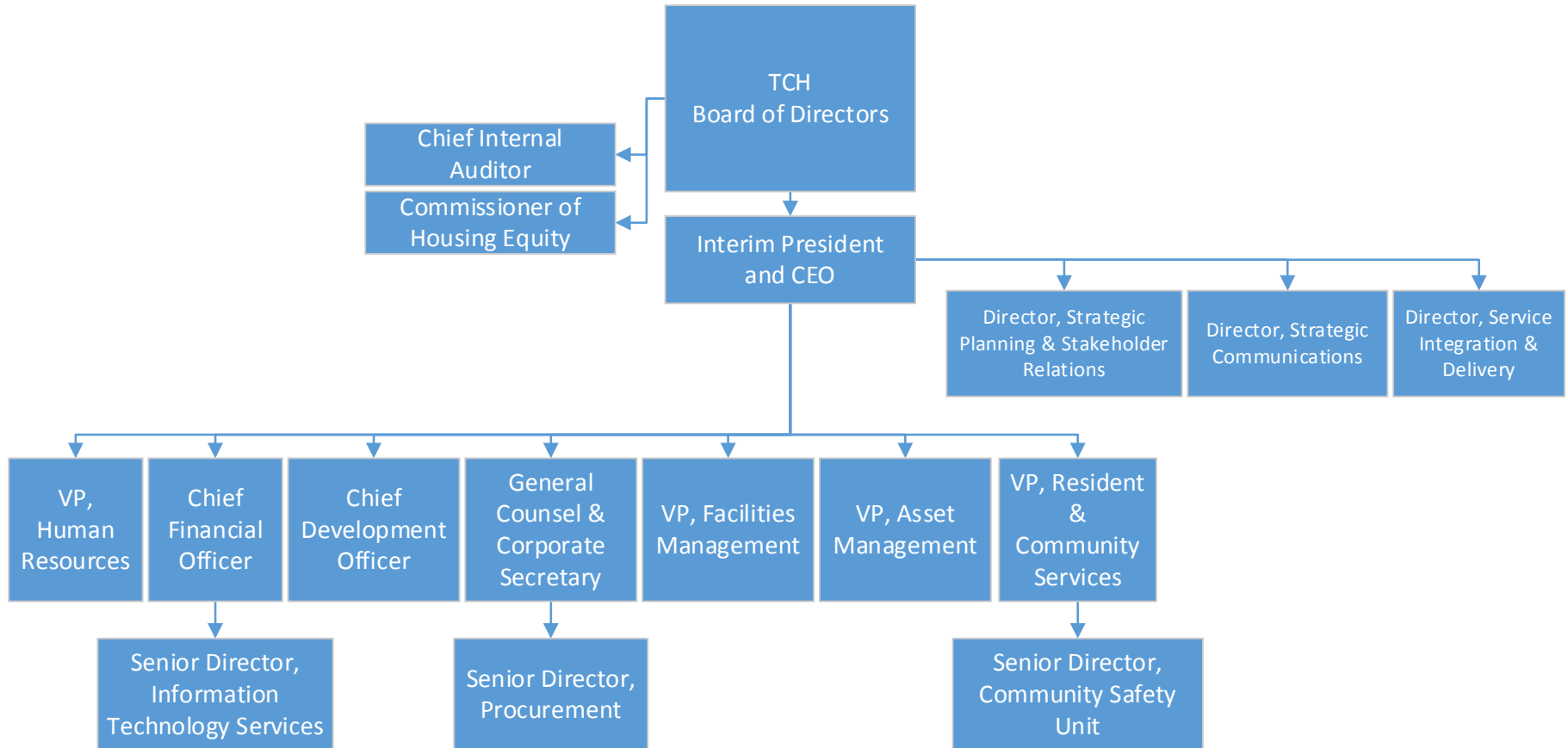
2,100 buildings across the city



What we do

- Property management
- Tenancy administration
- Capital repairs and demand maintenance
- Development
- Tenant engagement
- Tenant support
- Community safety
- Commercial property management and parking

1,639 employees



1,639 Employees

- 1,193 Union (CUPE Local 79 and Local 416; OPSEU Local 529; trades)
- 446 Management/Exempt

Key performance indicators

As of September 30, 2015

Capital repair \$ committed	\$134.28 M
Value of revitalization projects in all stages	\$2.2 B
Number of tenants connected to services	719
Maintenance repairs closed within five days	75%
'Closing the loop' satisfaction rating (out of 5)	3.37
Vacancy rate	2.6%
Eviction rate	0.1%

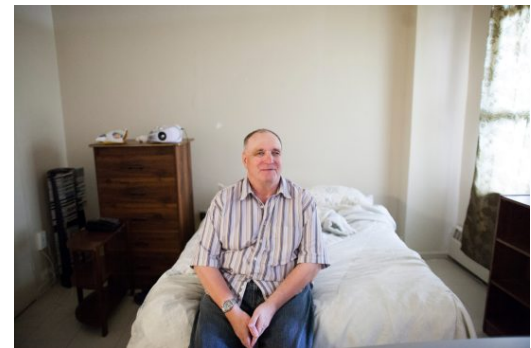
Most buildings are old

- Most buildings 40 to 50 years old or older
- \$2.6-billion investment needed over 10 years to bring them to fair condition
- Portfolio represents a \$9 billion public asset



Many residents need support

- An estimated 1 in 5 residents is living with serious mental health challenges
- There are over 4,000 households with excessive clutter issues, impacting safety and quality of life
- We need additional dedicated support from the provincial government to bring mental health expertise on-site in high needs buildings, as we have at 291 George St. and 220 Oak St.



How we got here

Formed without adequate capital reserves for most buildings.

“Are we concerned that social housing stock repair requirements are a financial ticking time bomb? We can't help but think the government is passing it off to us, the city, knowing that at some point it's going to blow...I can't help but think that is a potential happening down the road, and that is of great concern to us.”

- Councillor Brad Duguid, 2000

Social policy changes resulted in residents with higher needs.

“Social housing has become the go-to solution for people with mental illness leaving institutions, for households fleeing abuse, and for homeless people leaving the streets...The result?

“Housing that was designed and funded for low- and moderate-income families and seniors able to live independently is now home to Ontario's most vulnerable people.”

- Ontario Non-Profit Housing Association (ONPHA), 2015



Current financial position

The operating budget gap

Per unit operating costs grow every year. Hydro costs have increased **43%** since 2012, while water costs have gone up by **39%**.

Utility costs were **\$104 M** in 2012, **\$142 M** in 2016.

\$1,264
Market rent
(average two-bedroom market rent from CMHC's 2014 Toronto Market Rent Survey)

\$320
subsidy
per unit

\$360
Average RGI rent
per unit

Due to fixed rent and subsidy amounts, TCHC has to cover this gap, which grows every year.

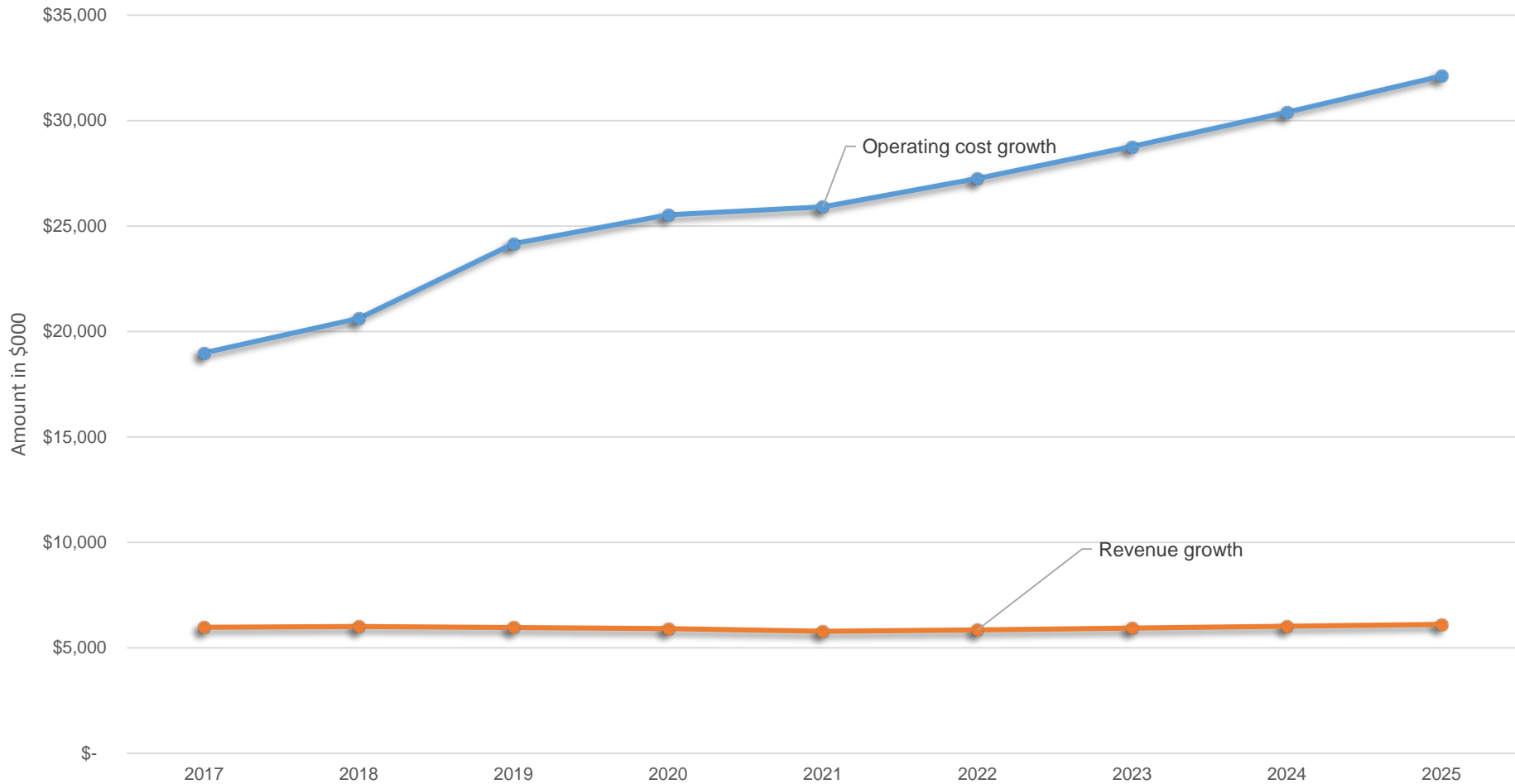
Other providers have a different formula which results in a smaller gap.

0.7% increase this year.

Tenants pay 30% of total income.

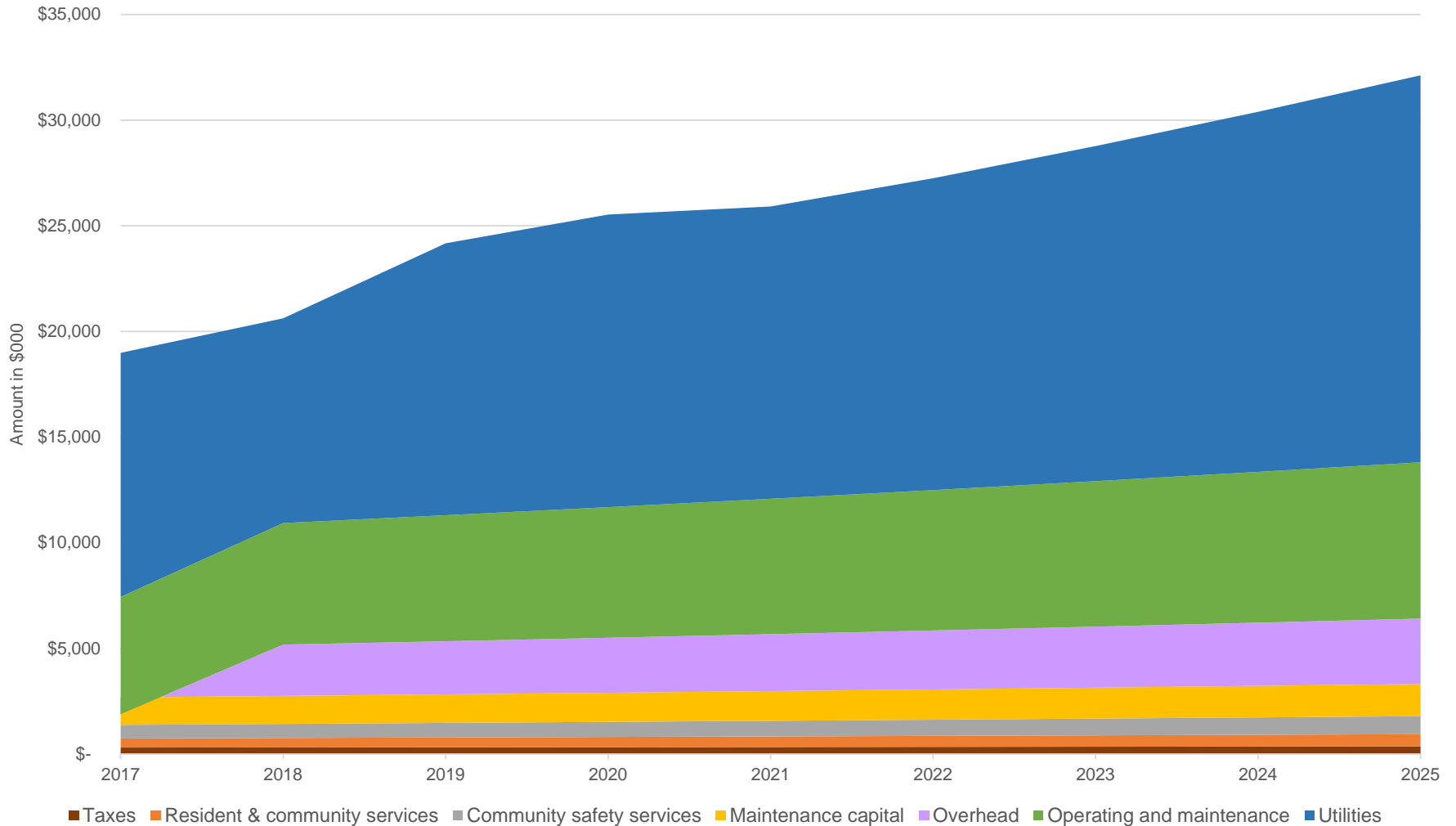
Operating outlook

Operating Cost vs. Revenue Growth



Operating outlook

Operating Costs*: 10-Year Projection

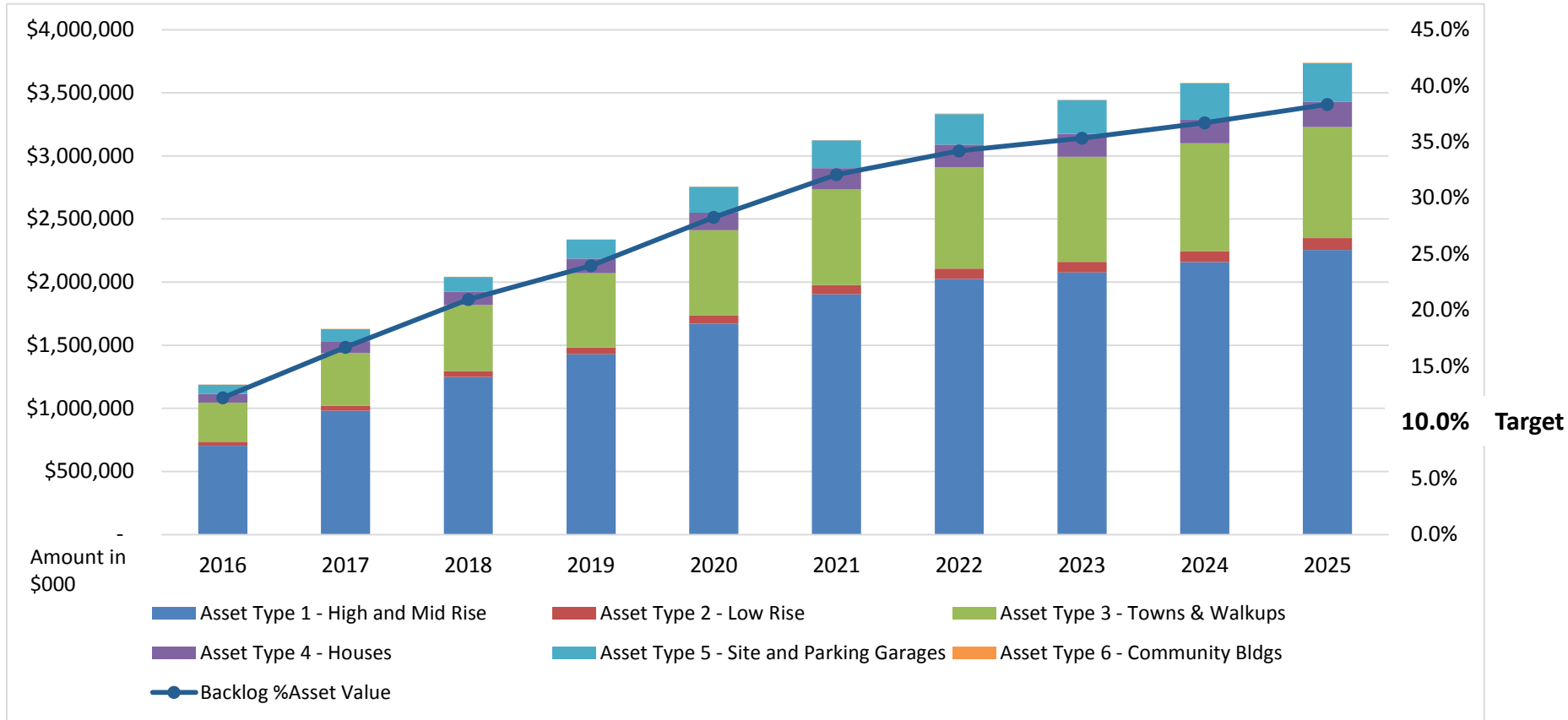


*Operating costs excludes mortgage and loan principal and interest payments.

The capital budget gap

- Until 2013, Toronto Community Housing had an approximate \$50 million annual operating surplus:
 - \$50 million = \$1 per square foot
 - This inadequate repair allocation led the City and TCHC to develop the 10-year capital financial plan that Council approved in 2013
 - The 10-year repair plan assumes that TCHC will continue to generate an annual \$50 million surplus
 - Going forward after 2016, there will be no surplus

The capital backlog



- Backlog accumulating with no funding from other orders of government

Capital repair plan

- From 2013 to the end of 2015, TCH has invested \$372 million in repairs to the portfolio, thanks to strong support from City Council
- As part of our 2016 budget, we will invest a further \$250 million, bringing the total investment in the ten year repair plan to \$622 million, or **24% of the total plan**

Results of that investment

Better living conditions for residents



36,000 residents have new or repaired roofs (38 football fields).



22,400 residents have new or refurbished furnaces or boilers.



8,500 residents have upgraded balconies.



31,000 residents have new or refurbished elevators.



15,000 residents have new windows.

Federal and provincial support

10-year capital repair plan

- We have received growing financial and ‘guarantee’ support from the City of Toronto
- We have not secured any funding from the Provincial and Federal governments to date
- However:
 - Mortgage refinancing through Infrastructure Ontario
 - Grants for developing affordable rental
 - One-off grant support for Revitalizations

2016 budget priorities

In 2016, every action or spend is being tested against one or both of these questions:

1. How will this extend the viability of our homes for current and future generations of residents?
2. How will this contribute to better living conditions or better outcomes for residents?

Key deliverables in 2016

Extending the viability of our homes

- Deliver \$250 M in capital repair work by year-end
- Execute mortgage and debt restructuring to raise \$200 M in 2016 for capital repairs in 2017 (subject to Council approval)

Better living conditions for residents

- Implement new cleaning standards in all buildings to maintain consistent service delivery
- Deliver 55 new elevators and initiate the replacement of 70 more elevators to improve safety, reliability, and performance
- Expand the pilot resident feedback system “Closing the Loop” across the portfolio to measure satisfaction on work completed in residents’ units



2016 budget overview

Budget overview

- 0% increase in discretionary expenses
- Balanced operating cash budget
- Operating budget funded primarily through tenant rent, City subsidy and commercial revenue
- 35% increase in capital investment over 2015
- Capital budget funded through mortgage refinancing, internally restricted reserves and draws on our line of credit

Operating budget overview

Revenue sources

- Residential rents (55%)
 - increase by about 1% per year
- City subsidy (39%)
- RGI units: rent + subsidy = \$680 per unit per month on average vs. \$1264 CMHC average

Expenses

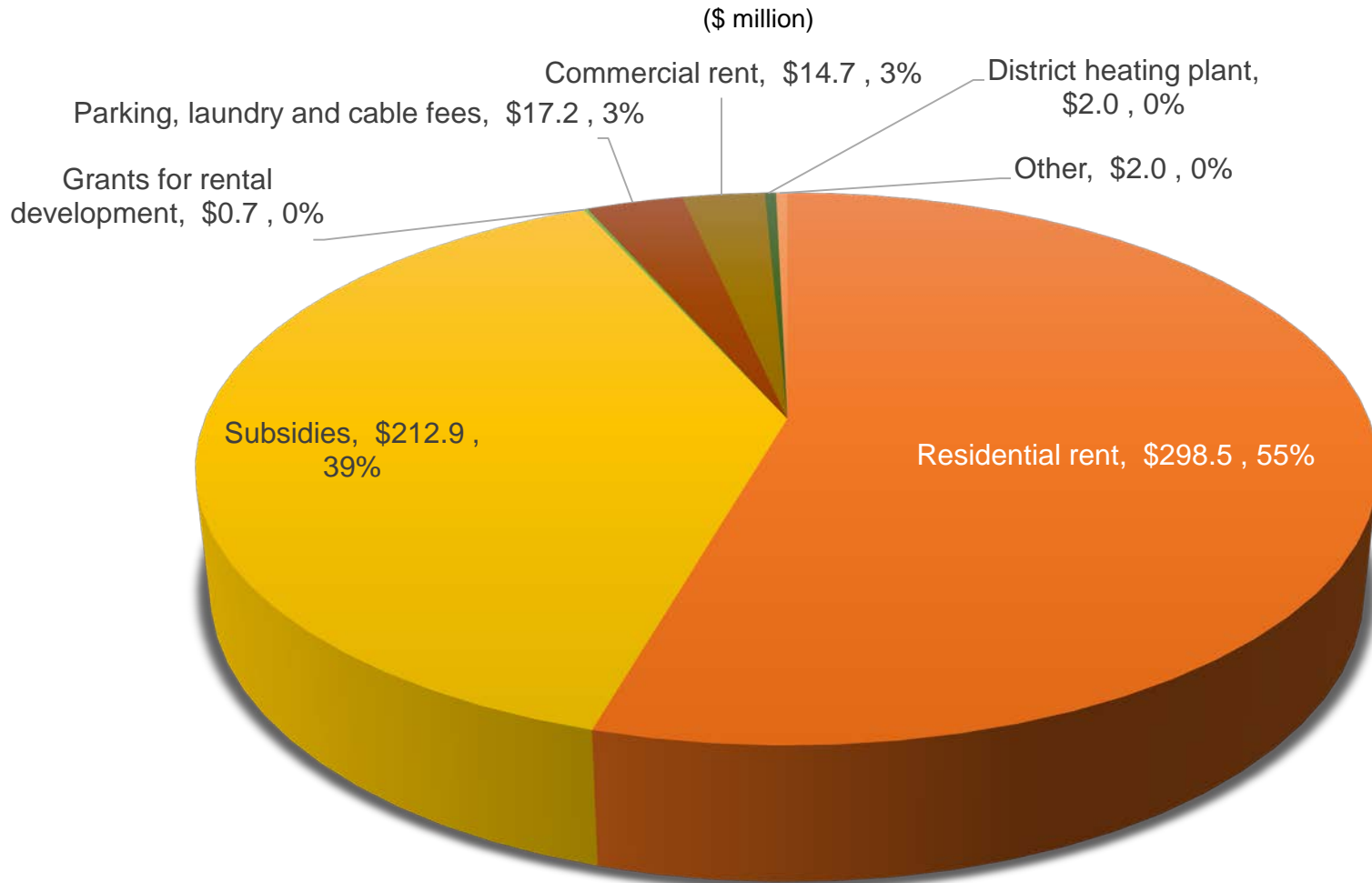
- Utility costs have increased 37% in the last 5 years
 - Hydro up 43%, Water up 38%. Well above inflationary trends

2017 outlook

- Operating surplus unlikely in 2017 if existing trends continue
 - This will severely restrict funds available for capital repairs

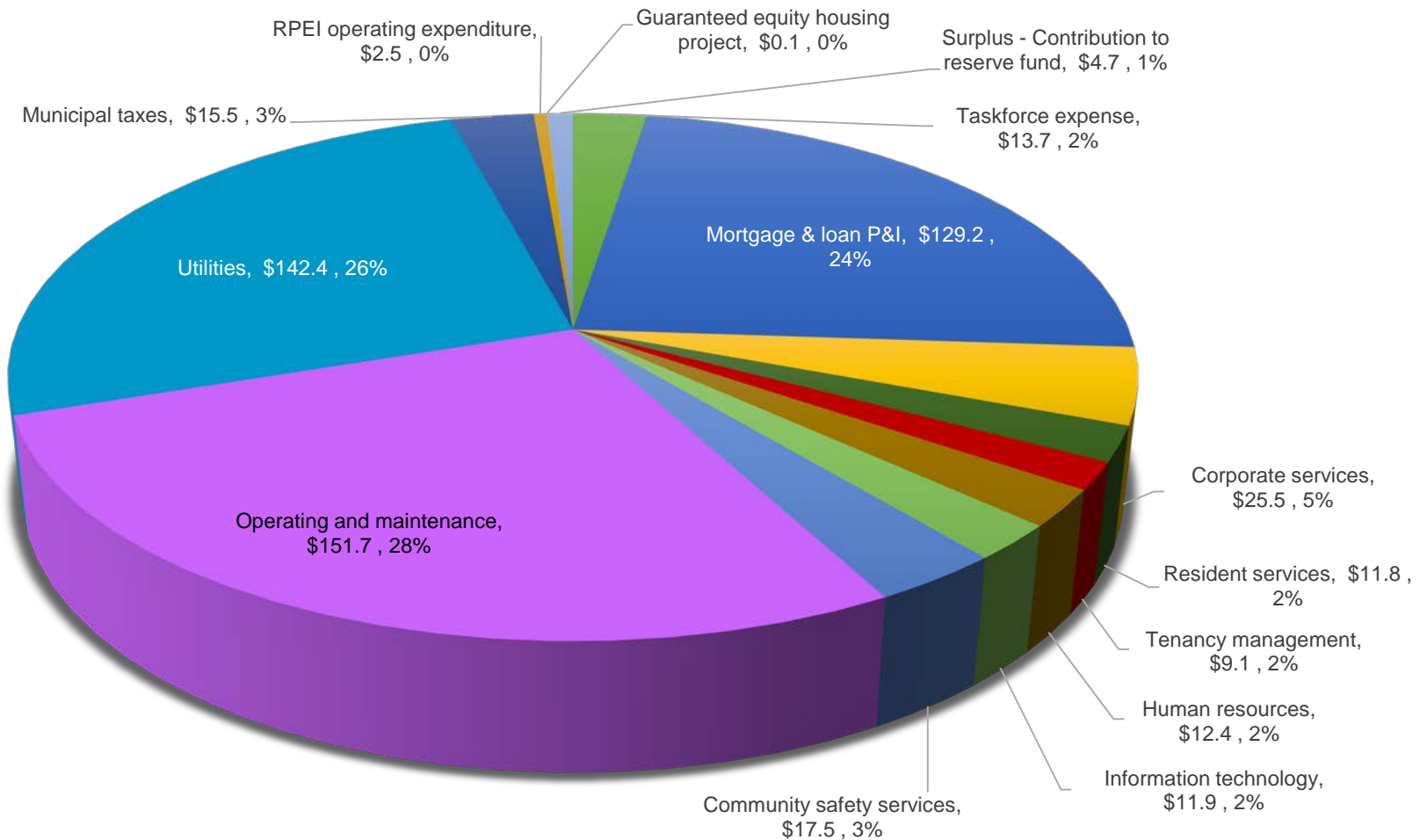
Sources of funds: Operating

2016 Operating Budget Sources of Funds: \$548.0 million



Uses of funds: Operating

2016 Operating Budget Uses of Funds: \$548.0 million
(\$ million)



A Balanced Cash Budget

(Amounts in \$000's)

Operating

Cash inflows

	<u>Budget 2016</u>	<u>Reforecast 2015*</u>	<u>Budget 2015*</u>	<u>Actual 2014*</u>
Residential rent	298,481	296,117	294,288	299,037
Subsidies	212,932	196,782	198,782	198,280
Parking, laundry and cable fees	17,221	16,769	18,184	16,663
Commercial rent**	14,682	14,931	14,084	16,912
Other revenue	2,018	2,483	2,483	2,434
RPEI revenue	1,985	1,912	2,107	1,330
Grants for rental properties	687	441	441	268
	<u>548,006</u>	<u>529,434</u>	<u>530,368</u>	<u>534,924</u>

Cash outflows

Operating and maintenance	151,607	147,823	148,380	145,231
Utilities	142,303	135,192	136,763	128,527
Mortgage & loan P&I	129,257	116,175	124,231	123,185
Corporate services	25,516	23,797	24,547	17,591
Tenancy management	9,051	7,165	7,454	4,966
Municipal taxes	15,535	15,188	15,675	17,357
Community safety services	17,500	16,628	15,533	14,051
Human resources	12,432	13,443	13,770	9,730
Resident & community services	11,825	9,937	11,639	9,346
Information technology	11,871	11,093	11,582	8,331
RPEI operating expenditure	2,494	2,616	2,932	2,140
Guaranteed equity housing project	129	305	305	267
Task force expense	13,730		-	-
	<u>543,250</u>	<u>499,362</u>	<u>512,810</u>	<u>480,722</u>

Net operating cash surplus (shortfall)

	<u>4,756</u>	<u>30,072</u>	<u>17,558</u>	<u>54,202</u>
--	---------------------	----------------------	----------------------	----------------------

*Access Housing Connections balances have been removed for comparative purposes

**Deferred rent receivable is not included in commercial rent as it is a non-cash item.

Capital budget overview

Revenue sources

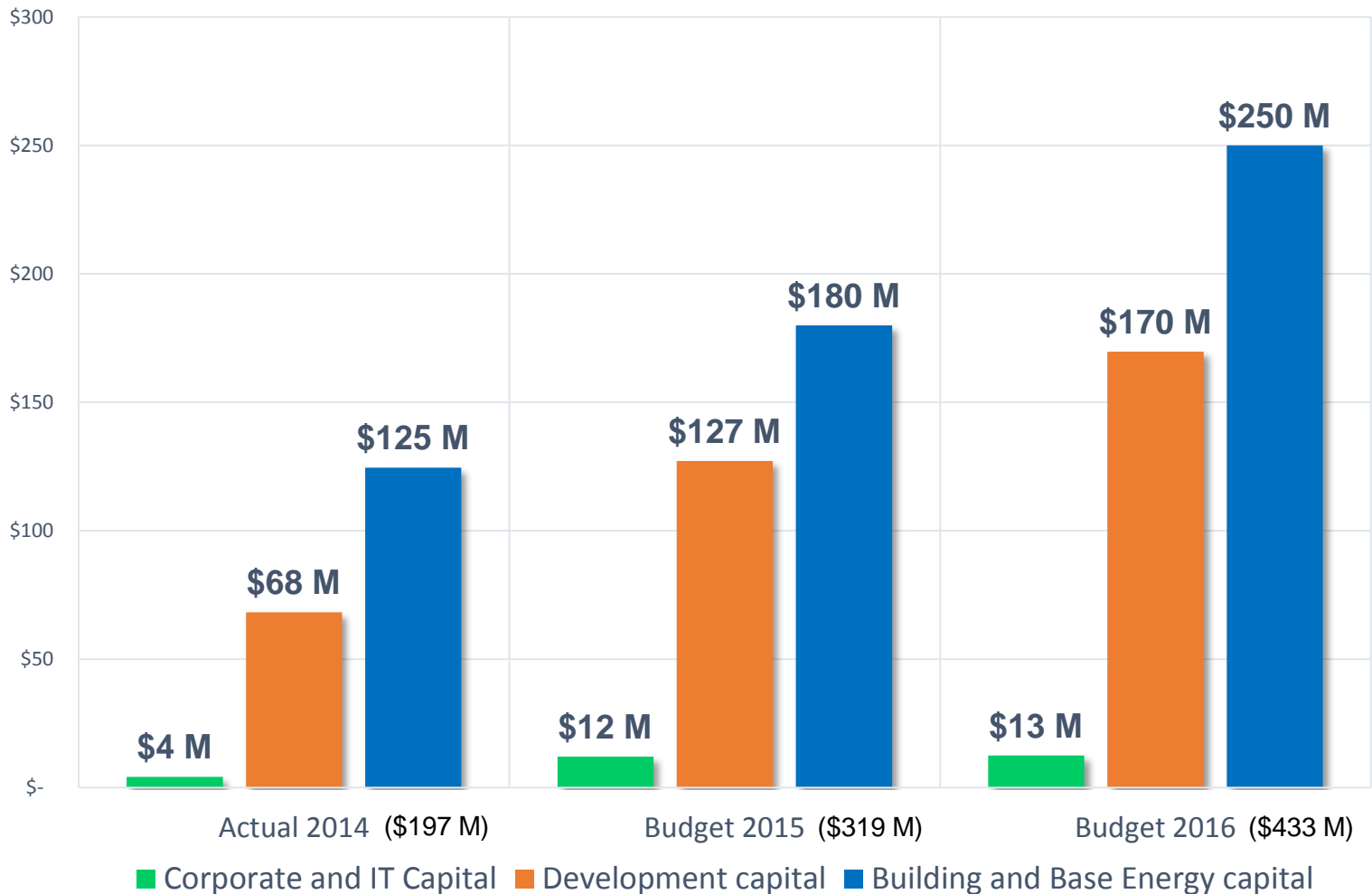
- Mortgage refinancing, usage of line of credit and internal restricted capital reserves, totaling \$749 M (Budget 2015 = \$398 M)

Expenses

	<u>Budget 2016</u>	<u>Budget 2015</u>
Capital repairs that will improve living conditions for 40,500 households	\$ 250 million	\$ 180 million
Revitalization in six active sites	170 million	127 million
Information technology and corporate capital	13 million	12 million
Total capital budget presented for TCHC board approval	\$ 433 million	\$ 319 million
Contribution to capital repairs reserve fund for 2017 and on	224 million	46 million
Repayment of expired mortgages	93 million	33 million
Total capital expenses	\$ 749 million	\$ 398 million

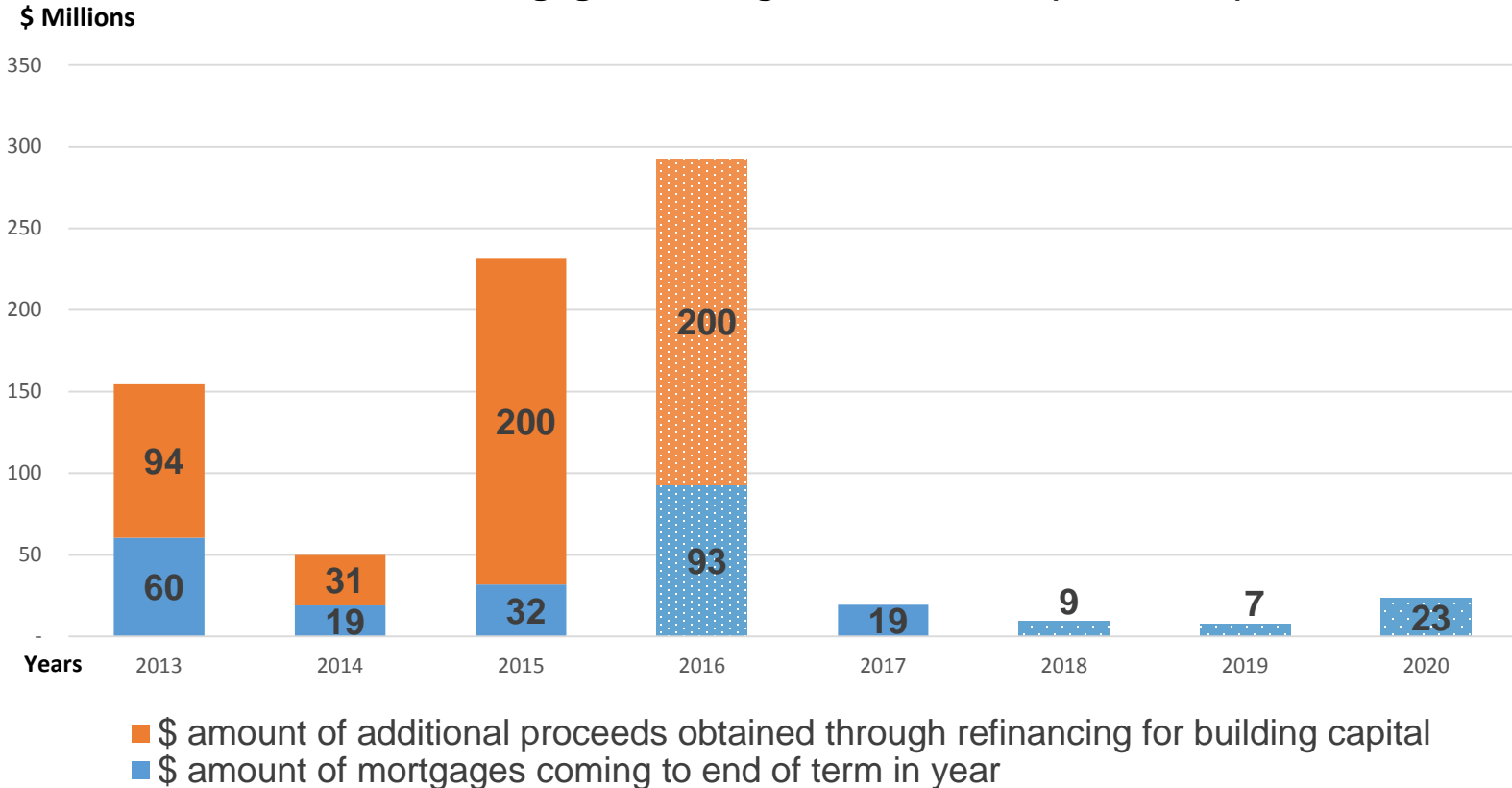
Capital deployment growth

(Amounts in \$millions)



Mortgage refinancing

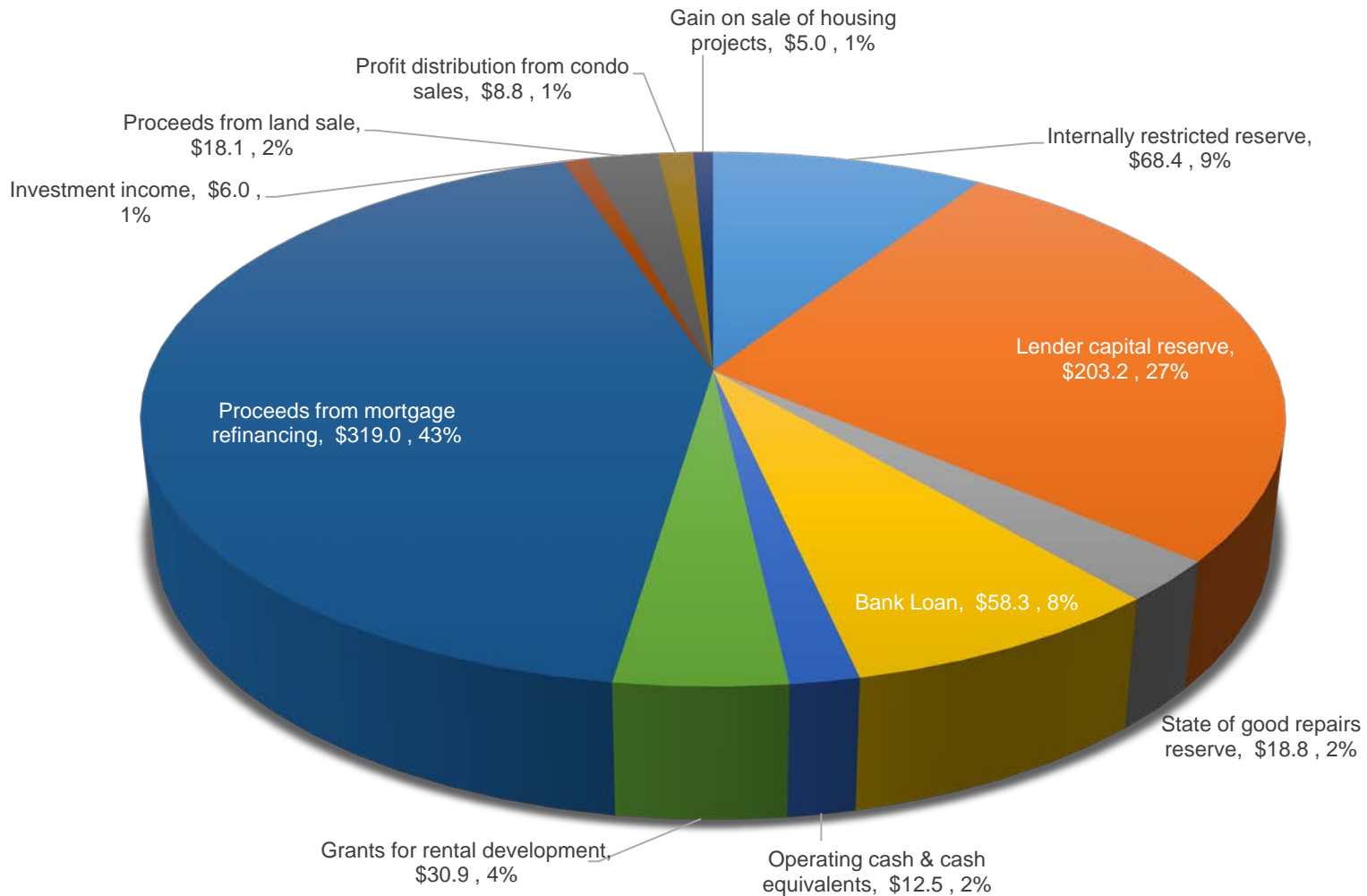
Mortgages Coming to End of Term (In Millions)



- \$174 M in mortgage renewals over next 10 years; \$93 M in 2016
- TCHC will align all 2016 renewals to a single renewal date of Nov. 1, 2016
- Allows for bulk refinancing by blend-and-extend, if approved by shareholder

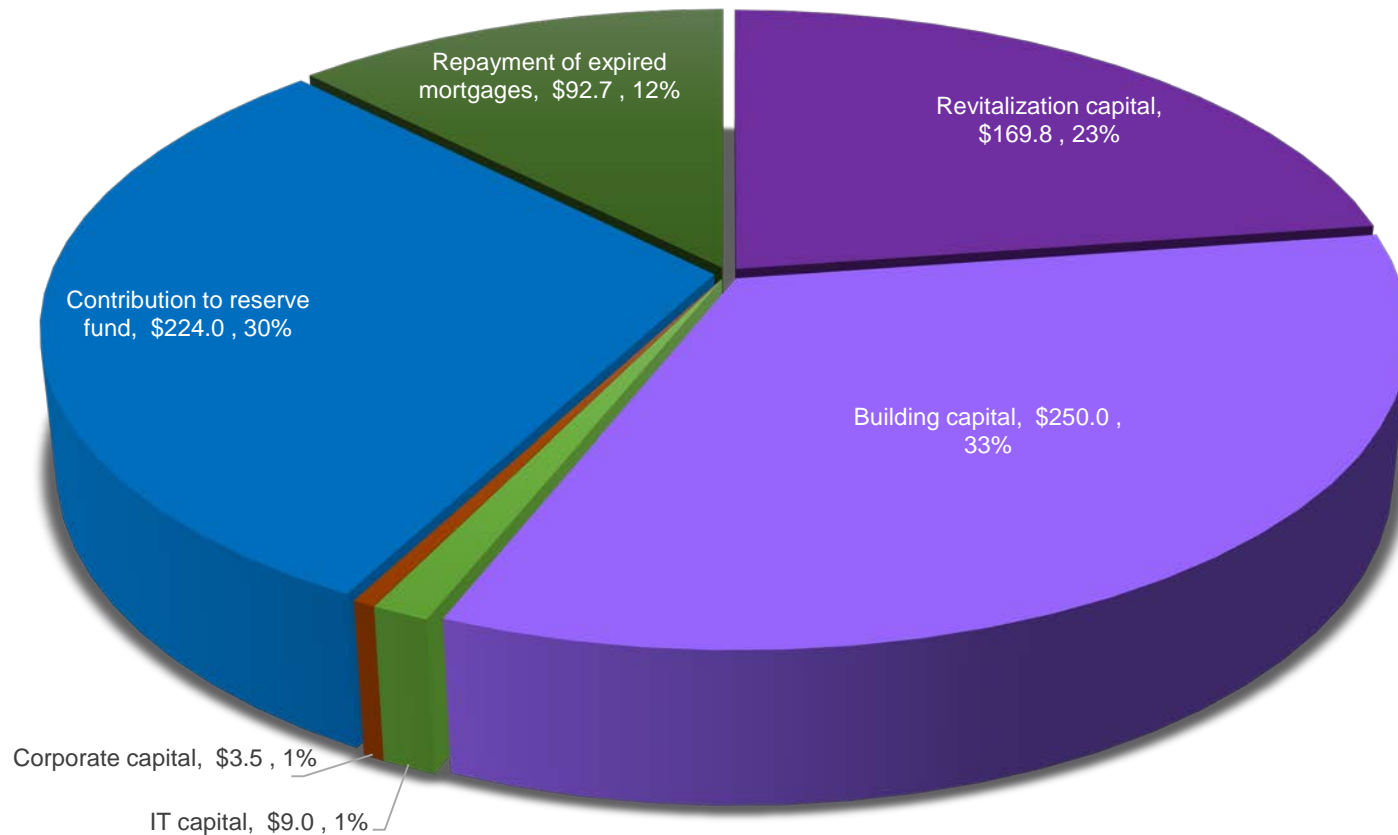
Sources of funds: Capital

2016 Capital Budget Sources of Funds: \$749.0 million
(\$ million)



Uses of funds: Capital

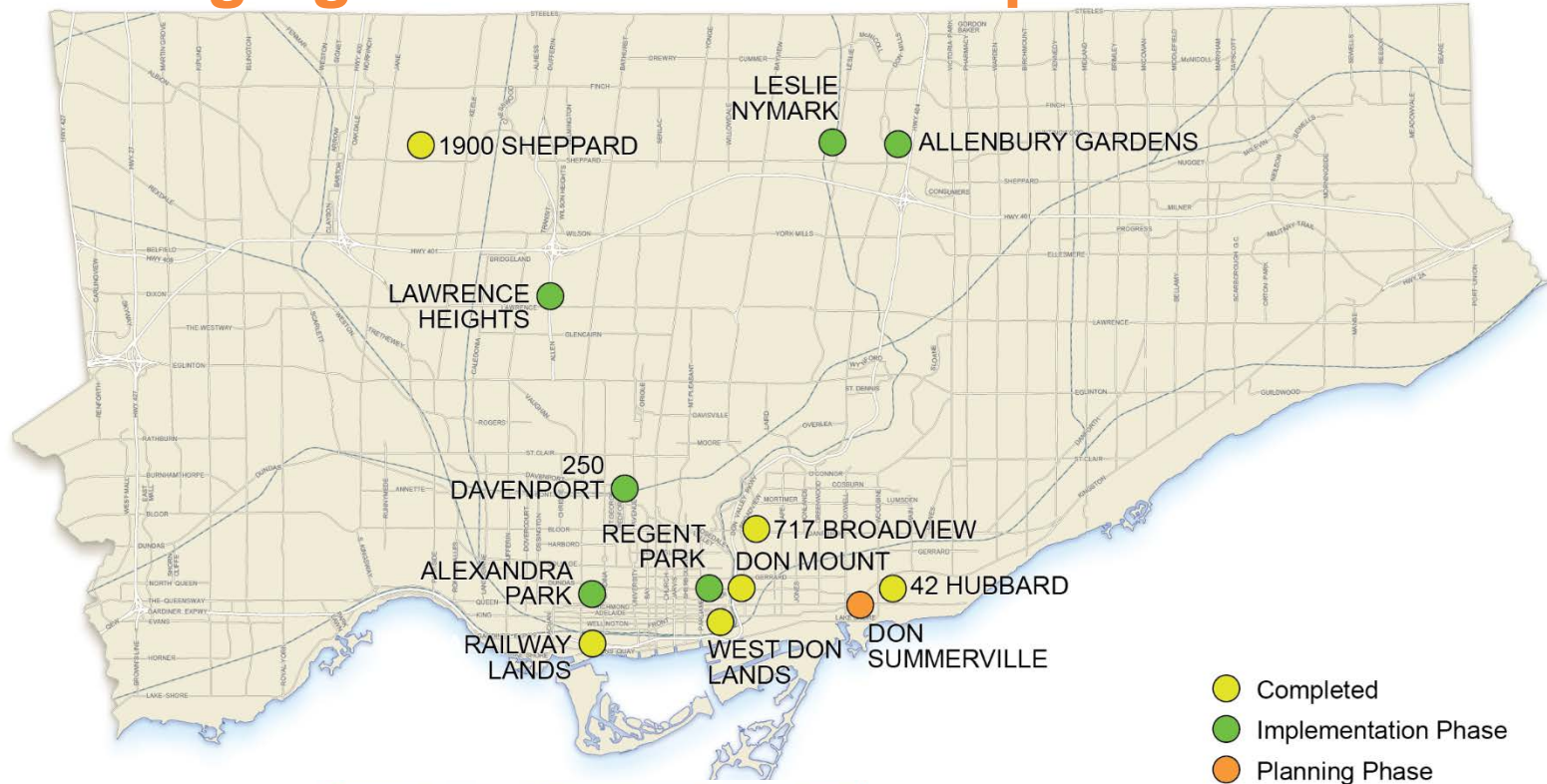
2016 Capital Budget Uses of Funds: \$749.0 million
(\$ million)





Revitalization

Leveraging assets to reduce repair needs



2016 Capital repair program

Addressing the most critical needs

Building Major Discipline	*2013 (in millions)	2014 (in millions)	2015 (in millions)	2013-2015 Total Budget (in millions)	2016 (in millions)
Building Envelope	3.8	9.5	20.7	34.0	45.8
Electrical	0.5	1.9	2.1	4.5	7.8
Elevators	2.8	4.6	3.2	10.6	21.6
Equipment	3.2	0.8	1.0	5.0	3.0
Grounds	3.0	7.0	17.1	27.1	11.4
Interiors	29.6	39.5	55.5	124.6	30.8
Life Safety	4.8	5.9	7.4	18.1	26.7
Mechanical Systems	9.8	17.9	28.3	56.0	44.0
Parking Garages	0.8	8.0	10.5	19.3	8.8
Roofing	4.2	9.3	7.5	21.0	13.4
Structural	7.2	7.0	9.4	23.6	23.5
Capital Category Totals	69.7	111.4	162.7	343.8	236.8
Project Management	0.4	6.6	11.6	18.6	12.7
% of Project Management		5.5%	6.6%		5.1%
Building Condition Audits	7.0	2.0	0.7	9.7	0.5
Admin/BCA Totals	7.4	8.6	12.3	28.3	13.2
Overall Totals	77.1	120.0	175.0	372.1	250.0

*Project Management was calculated within jobs in 2013 not as a separate line item

2016 opportunities, challenges

Opportunities	Challenges
<ul style="list-style-type: none">• Raising \$200 M for capital repairs through mortgage refinancing (subject to City Council approval).	<ul style="list-style-type: none">• Running out of mortgages to refinance.
<ul style="list-style-type: none">• Delivering capital repairs benefiting 40,500 households.	<ul style="list-style-type: none">• Need provincial and federal support to continue the 10 year plan.
<ul style="list-style-type: none">• Opening 768 units of new and refurbished rental housing through Revitalization.	<ul style="list-style-type: none">• Gap funding required to continue to finance Revitalizations.
<ul style="list-style-type: none">• Potential for new opportunities to address the operating funding gap.	<ul style="list-style-type: none">• Cost of operating housing continues to far outpace revenues.
<ul style="list-style-type: none">• No additional units to be boarded up in 2016: 110,000 residents will maintain a stable home.	<ul style="list-style-type: none">• Low turn-over means the waitlist for housing continues to grow.



2017 outlook

2017 Outlook

With
federal/provincial
support

Deliver the planned \$300 M in capital repairs

Improve tenants' living conditions and extend
the life of many assets

Expand revitalization

Without
federal/provincial
support

Repairs limited to keeping the lights on where
possible

Deteriorating living conditions

More units boarded up

Discussion
