

This Third (3rd) Quarter Financial Report presents the consolidated financial position and the consolidated statement of operations of Victoria Park Community Homes Inc. (VPCHI) and Victoria Park Affordable Housing Corp. (VPAHC) at September 30, 2017.

Report on Financial Position

Cash

Bank balances are healthy. VPAHC bank balance is higher than required. I have come with investment recommendations for both VPCHI and VPHC.

	September 30, 2017		September 30, 2016	
	Bank	Reconciled	Bank	Reconciled
VPCHI	3,342,149	1,919,888	1,461,396	(69,840)
VPAHC	322,112	541,522	661,626	797,422

On November 8, 2017 VPCHI made the \$2 million investment with PH&N.

Arrears

At September 30, 2017 VPCHI's current month consolidated arrears performance indicator (PI) was 9.87% down from 10.91% 2nd quarter result. Last year's 3rd quarter arrears were 8%, and the goal for 2017 is unchanged at 7%. The Prior Month and Prior Month 2 PIs are 4% and 2.08% therefore we did not achieve the Prior Month goal of 1.75% or Prior Month 2 goal of 0.75%. VPAHC results were much closer to our goals with a 7.21% Current Month, 3.1% Prior Month and 0.82% Prior Month 2.

The region of Waterloo still has the highest Current Month PI with 23.7%; in fact all the HSA property results were higher. The Village still has the lowest PIs and has achieved all three PI for arrears at September 30, 2017. VPCHI owned properties also achieved the Current Month and the Prior Month 2 PIs.

Current Month	VPCHI	VPAHC
Rental Arrears	\$123,777	\$9,516
Other	\$1,949	\$56
Total	\$125,726	\$9,572
PI	9.87%	7.21%
# of Households	348	29

Investments

The market value of VPCHI's investment was \$2.82 million, and the book value is \$2.84 million. We are under-funded by 856,984 at September 30, 2017. However, we did make another \$2 million investment on November 8th which will have us fully funded by year-end.

Replacement Reserve and Capital Improvements

During the third quarter on a consolidated basis, VPCHI expensed \$384,707 on capital expenditures charged to the replacement reserve and \$37,134 on capital improvements for our 'owned' properties. VPAHC spent \$22,158 in the 3rd Quarter.

Total spent to date:

September 30, 2017				
	Capital	Reserve	Total	Budget
VPCHI	132,026	1,145,443	1,277,469	6,005,259
VPAHC	60,620	0	60,620	500,000

The total consolidated Replacement Reserve balance at September 30, 2017 is \$1,371,243

A complete 2017 Capital update will presented in 10.1 of the Joint Finance and Property VPCON meeting with the 2018 Capital Plan.

Insurance Reserve

The actual expense incurred to VPCHI to September 30, 2017 is \$6,053 and \$0 for VPAHC. The following is an update the potential expense to VPCHI and VPAHC:

	September 30, 2017		Septmeber 30, 2016	
	Balance	Potential Expense	Balance	Potential Expense
VPCHI	143,947	182,956	133,750	16,250
VPAHC	20,000	5,000	0	0

The Operations and Development report has more detail regarding the number of claims and the potential expense.

Report on Statement of Operations

Operating Revenues:

Total rent charged to tenants was \$12.3 million (2016 - \$11.9 million). Parking income and net laundry revenue was \$140,622 (2016 - \$134,401).

The Solar PV's at VPCHI generated revenue of \$8,271 at September 30, 2017 (2016 - \$8,041) from Brantford Power compared to budget of \$7,500.

(in 1,000)	September 30, 2017		September 30, 2016	
	Actual	Budget	Actual	Budget
VPCHI				
Rental Revenue	11,115	10,842	10,691	10,511
Parking & Laundry	141	135	134	121
Total Revenue	16,852	16,460	16,388	16,071
VPAHC				
Rental Revenue	1,190	1,344	1,168	1,311
Total Revenue	1,342	1,344	1,334	1,311

All revenues appear to be reasonable compared to budget. The variance between Rental Revenue actual and budget for VPAHC is primarily from Rent Supplement Assistance received from the City of Hamilton. This will be restated now we are close to signing the agreement for VPCHI Rent Supplements. This funding will be pushed from VPAHC to

VPCHI. These subsidies will be transferred primarily to the Village and the subsidies will be a direct expense to VPAHC.

Government Revenues and Subsidies Provided

(in 1,000)	Septmeber 30, 2017		September 30, 2016	
	Actual	Budget	Actual	Budget
VPCHI				
Government Revenues	5,506	5,404	5,486	5,358
HSA Subsidies Given (F)	2,682	3,020	2,676	3,092
HSA NP Portion (UF)	882	1,022	833	880
Other Subsidies Given (UF)	560	636	696	737
VPAHC				
Government Revenues	151	0	166	0
Subsidy Given (UF)	50	65	50	61

F – Funded UF - Unfunded

Housing Service Act Subsidies Provided:

At September 30, 2017, the subsidies provided to tenants in the HSA portfolio totaled to \$3,564,960 (2016 - \$3,509,943) 24% of this expense will not be funded by the Service Manager and is the Non-Profits' expense. As of September 30, 2017, \$414,868 will have to be paid back to the Service Manager.

Subsidies Provided:

At September 30, 2017, the subsidies provided to tenants totaled to a \$559,636 (2016 - \$696,254). The expense is under the budget by \$77,267. The expense includes those subsidies given to Section 95 properties, owned properties and the VAP at the Village. The primary reason for the budget variance is due to the fact we are holding on RGI turnover, we are renting to market tenants until we establish the new subsidy program.

The projected Manageable Cost is \$4,923 at September 30, 2017. This is under our set goal of \$5,367 by 8.3%. One reason for the lower manageable cost is due to the lower turnover and the association with turnovers.

The following table summarizes the top 5 properties with negative variance to budget, comparing Labour, Maintenance, and Administrative expenses only.

		Total Expense	YTD Budget	Variance \$	Variance %	Annual Budget
vp39	Cedar Ridge Gardens	96,366	69,154	28,718	39	91,933
vp28	Victoria Square	291,791	235,162	56,629	24	313,549
vp44	39 Paulander Dr.	147,064	118,346	28,718	24	158,773
vp33	Silver Pines	187,568	152,489	35,079	23	202,552
vp27	Kimberly Drive	178,864	144,864	34,000	23	193,152

VPCHI

The top three negative variances for Maintenance Expenses for VPCHI are:

Maintenance Expenses	Current Year	Negative Variance	Prior Year	Negative Variance to CY
HST, Net	\$156,987	\$119,375	\$186,170	\$29,184
Plumbing and Sewer	\$227,816	\$66,722	\$196,302	\$31,515
Fire & Security	\$93,922	\$50,442	\$74,355	\$19,567

HST, net expense is over budget by \$119,375 this is primarily due to properties out of their operating agreements who no longer receive rebates. We will be restating the HST rebates for the Village once we sign the Rent Supplement Agreement with the City of Hamilton. This should decrease the negative variance at year end.

Seven (7) out of the thirty-two (32) properties are over by budget \$2,500 or more on Plumbing and Sewer. This expense is typically on the list of top three negative variances. Appears many 2017 budgets property budgets were adjusted and are more in line with actual expense. Two (2) of the properties with large negative variances have either done or currently working major plumbing issues which will have a positive effect on future operations.

Fire and Security is another expense which is typically over budget. \$27,441 is directly related to services and or supplies relating to Inspections done during the year. Last year at this time all properties were over budget except one (1). This year four (4) properties are under budget and four (4) properties are over \$2,500.

On the Administration side, Professional Fees are over budget by \$36,083. The negative variance is primarily due to the legal and mortgage fees on our owned properties. Legal Expenses are over budget by \$70,303. Once our ONPHA expenses are included in the 4th Quarter we suspect the Administration Expenses to be over budget by a minimum of \$60,000 at year end.

Utility Expenses at September 30, 2017 are \$1,932,079 (2016 – \$2,114,684) and are under the budget by \$264,960. Hydro is under budget by \$277,077 and \$313,050 lower than the prior year at this time. This is primarily reason for the positive variance is due to the cancellation of the 10% debt retirement rebate in 2016 and the introduction of the 8% rebate in the hydro in 2017.

VPAHC

VPAHC has a consolidated Manageable PI at June 30, 2017 of \$4,052 compared to the goal of \$3,121. Total Operating Expenses are under budget by \$3,124. The only significant negative variance at September 30, 2017 was Fire & Security with a negative variance of \$7,840 as there was no budget provided for this expense line. HST has a significant positive variance. The positive variance is due to the HST budgeted for the major capital which has been deferred to 2018.

Administration expenses appear in line with budget at September 30, 2017. The Utility Expenses has a significant positive variance at September 30, 2017. The positive variance of \$9,692 is due to the water budget.

Bad Debt

The total Consolidated Bad Debt Expense for the Third quarter is \$84,272. This represents a 53% positive variance to budget.

	September 30, 2017		Septmeber 30, 2016	
	Actual	Budget	Actual	Budget
VPCHI	84,283	161,070	98,221	135,090
VPAHC	(11)	20,161	12,112	17,918

Please see Bad Debt report for details of the write off by property. The complete report was submitted to the October 25th Finance Meeting and approved at the VP CON November 2, 2017 meeting.

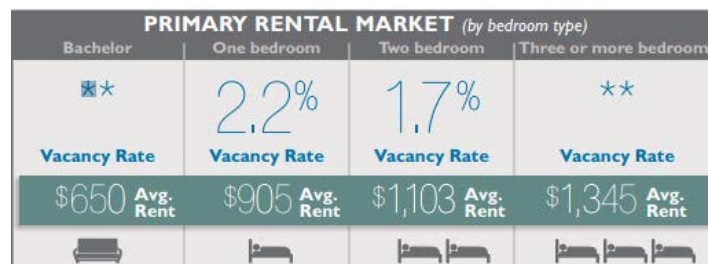
Vacancy Loss

On a consolidated basis the vacancy loss at September 30, 2017 is \$158,875 (2016 - \$227,604). Included in this amount an estimated \$51,052 (2016 - \$49,700) HSA subsidized vacancies. The Service Manager will cover some of the \$51,052 as they only cover up to the benchmark rent and will be receivable at year end. If we subtract this amount from the above total vacancies, VPCHI's vacancy loss at September 30, 2017 is an estimated \$129,887 under budget. We have seen a dramatic drop in vacancies over the last two (2) years.

	September 30, 2017		September 30, 2016	
	Actual	Budget	Actual	Budget
VPCHI	102,635	193,466	259,668	267,620
VPAHC	12,244	13,887	7,391	11,225

There are only two properties; VP28 and VP43 that are over budget at September 30, 2017 by \$3,218.

The consolidated VPCHI vacancy loss rate of 1.54% appears to be in line with the CMHCs Housing Market Outlook Fall 2017 edition:



At September 30, 2017 there are no non-income producing units.

Projection to Year End

The consolidated surplus at September 30th, 2017 is \$2,041,268. With the Insurance reserve, AIR potential adjustments and the Rent Supplement shuffle the adjusted or revised surplus at September 30, 2017 is \$1,884,967.

	VPCHI	VPAHC	Consolidated
Surplus	1,734,184	305,892	2,040,076
Adjustments:			
Insurance Reserve	182,956	0	182,956
AIRs	(338,065)	0	(338,065)
Rent Supplement	151,028	(151,028)	0
Revised Surplus	1,730,103	154,864	1,884,967

Once the Rent Supplement Agreement is signed and the adjustments have been posted, this has a negative impact on the surplus for VPAHC. However, this reallocation of Rent Supplements will have a positive effect on VPCHI as the Village will get the biggest benefit with an increase in government revenues and lower operating cost now they will be able to claim all HST rebates. The above is also a simplistic case as we have not calculated the total required subsidy for VPCHI. The rents are lower so we are projecting the government subsidy will decrease.

At this time we are projecting a 1,575,902 surplus for VPCON.

Rental Arrears by Program and by Unit Type

	Current Month September					Prior Month August					Prior Month 2 July		
	Rents Charged	Rents O/S	%	Households		Rents Charged	Rents O/S	%	Households		Rents Charged	Rents O/S	%
				Units	Avg (\$)				Units	Avg (\$)			
Owned	706,807.00	41,539.00	6%	117	355	705,536.00	12,702.00	2%	30	423	706,983.00	5,006.00	1%
S95	188,411.00	14,841.00	8%	41	362	187,330.00	5,143.00	3%	12	429	187,184.00	1,037.00	1%
S110	439,369.00	72,496.00	17%	208	349	444,445.00	33,103.00	7%	87	380	440,782.00	19,967.00	5%
S110 - Hamilton	288,351.00	45,219.00	16%	123	368	292,327.00	17,658.00	6%	49	360	288,893.00	9,060.00	3%
S110 - Brantford	66,963.00	11,456.00	17%	48	239	68,777.00	5,061.00	7%	18	281	67,186.00	4,474.00	7%
S110 - Halton	38,780.00	5,102.00	13%	14	364	38,204.00	1,805.00	5%	5	361	39,369.00	1,078.00	3%
S110 - Waterloo	45,275.00	10,719.00	24%	23	466	45,137.00	8,579.00	19%	15	572	45,334.00	5,355.00	12%
Townhouse	793,418.00	97,673.00	12%	272	359	797,383.00	38,951.00	5%	100	390	795,659.00	19,895.00	3%
Scattered	41,765.00	4,030.00	10%	11	366	42,406.00	897.00	2%	2	449	41,975.00	197.00	0%
Mixed	16,927.00	2,487.00	15%	5	497	16,067.00	1,458.00	9%	3	486	16,132.00	1,078.00	7%
Apartment	148,732.00	15,239.00	10%	41	372	146,282.00	5,557.00	4%	15	370	147,104.00	3,215.00	2%
VPCHI	1,218,691.00	123,777.00	10%	348	356	1,221,933.00	50,204.00	4%	129	389	1,218,229.00	26,971.00	2%
VPAHC	131,935.00	9,516.00	7%	29	328	131,321.00	4,076.00	3%	7	582	133,191.00	1,098.00	1%

Vacancy Loss Summary Q3 2017

Program	Market		Subsidy		Total		Budget	Variance
	Units	\$	Units	\$	Units	\$		
Current Month								
Owned	1.00	874	0.00	-	1.00	874	3,918	2,621
S95	2.75	2,937	1.00	1,062	3.75	3,999	5,262	1,263
Retro	0.00	-	0.00	-	0.00	-	409	409
Village	5.00	4,093	2.00	1,624	7.00	5,717	5,478	(239)
HSA	2.00	1,887	8.00	8,501	10.00	10,388	12,648	2,260
AHP	0.00	-	1.00	802	1.00	802	504	(298)
Sold	0.00	-	0.00	-	0.00	-	-	-
	11	9,791	12	11,989	23	21,780	28,219	6,016
Year To Date								
Owned	9.00	8,947	6.50	5,980	15.50	14,927	47,021	32,094
S95	26.75	27,485	9.50	9,988	36.25	37,473	63,138	25,665
Retro	0.00	-	0.00	-	0.00	-	4,905	4,905
Village	37.25	31,288	7.00	5,600	44.25	36,888	65,734	28,846
HSA	15.75	17,733	52.50	51,052	68.25	68,785	151,775	82,990
AHP	0.00	-	1.00	802	1.00	802	6,051	5,249
Sold	0.00	-	0.00	-	0.00	-	-	-
	89	85,453	77	73,422	165	158,875	338,624	179,749