

GROWTH STRATEGY 2020-2030

JULY 27, 2019

Victoria Park Community Homes
Authored by: Lori-Anne Gagne, Executive
Director



Introduction / Executive Summary

This growth strategy is intended to be used as a complement to the strategic plan. It is also intended to be organic and updated on a regular basis throughout the 10-year time frame to take into consideration progress made and any changes to the internal and external environments in which Victoria Park operates.

The Board of Directors for Victoria Park Community Homes has established a current 3-year, people-focused strategic plan for 2018-2020. We have not, however had a strategic discussion about potential growth and targets for the organization. This is not unreasonable as we have been focusing on modernizing the operations and positioning ourselves for the future; a future which may look considerably different than the past considering the direction of government with respect to social, non-profit and affordable housing.

Victoria Park is now in an ideal position to consider growth in a strategic manner as we have taken the time to:

- Determine and secure the financial resources required to catch up on deferred maintenance and capital repair items to ensure extended building life of our existing stock;
- Examine operations to determine efficiencies (efficiencies have led to savings which have been re-invested in additional staffing);
- Explore some growth options from an operational perspective; and,
- Prepare staff for the changing housing environment.

At this point it is worth noting that at a recent corporate update, all staff of Victoria Park Management were consulted on potential growth and it was unanimous that we should grow, however there was also a strong caution to grow strategically and not in any way that would damage our quality of service and/or reputation.

Potential opportunities for growth are outlined below and this report will examine each of the five (5) options individually.

VPCON	MANAGEMENT
New Development	New Clients
Mergers / Amalgamations	New Service Offerings
Acquisitions	

If we were to “rank” the above five (5) options in order of preference for growth based on the SWOT analysis of each, the order would be as follows:

1. Mergers / Amalgamations
2. New Clients
3. Development
4. New Service Offerings
5. Acquisitions

Currently, Victoria Park is pursuing a number of the options simultaneously.

“It is the recommendation of management staff that we aim for an overall growth level of 100-150 units per year.”

The one major consideration for the Board of Directors to continually monitor is geography. Ontario is a very large province and currently, Victoria Park is operating in six (6) Service Manager areas. There are 47 such areas in total and staff will rely on the Board to set parameters (or not) around the geographical boundaries.

Now let’s look at each option individually.

NEW DEVELOPMENT

VPCON (Victoria Park Consolidated)

Over the past several years, Victoria Park has been working on an infill development located at 154 Bronte Street in Milton. Although we have only just begun construction, we are accumulating a number of lessons learned:

- Even when land is free, development is expensive and requires a substantial equity contribution
- Financing can be challenging, often with mixed “layers” of funding & financing
- Government time constraints make it very difficult to follow proper procedures and complete due diligence
- Infills have additional challenges because of existing residents
- Developments take time (4-6 years start to finish)
- New developments will operate differently

It is important to continue to gather lessons learned throughout this process so we can be better prepared to consider future developments.

Prior to our current development, the last property developed by Victoria Park was 1021 Queenston Road in Cambridge. This 42 unit apartment building was developed in 2006/2007. As you can see, developments are few and far between and take substantial time from initial concept to completion. If initial capital costs are not forecasted correctly, the project may face operating losses for years which must be avoided where possible.

The most important consideration for development is the current political environment. Development tends to come in 30 year waves from a government investment lens. We are in the middle of a current wave;

- Federally, National Housing Strategy Act
- Provincially, Community Housing Renewal Strategy
- Municipally, 10-year Housing and Homelessness Plans

With all three (3) levels of government engaged, there is financial investment being targeted to increase the supply of affordable housing stock so Victoria Park should not lose sight of this opportunity *while it lasts*.

Below is the SWOT analysis of Victoria Park’s position around development.

STRENGTHS

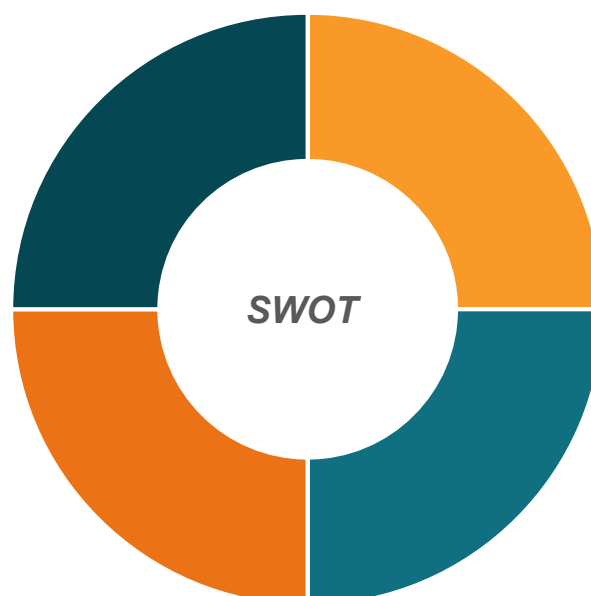
Reputation
Internal capacity (some)
Equity to contribute (limited)
SMs want to work with VP

WEAKNESSES

Very time intensive
Takes years to complete one development
Expensive
No specific development capacity

OPPORTUNITIES

Government Engagement
Government lands
Planned growth
Social partnerships
Increases housing stock



THREATS

Others will seize opportunity
Cost overruns can be substantial

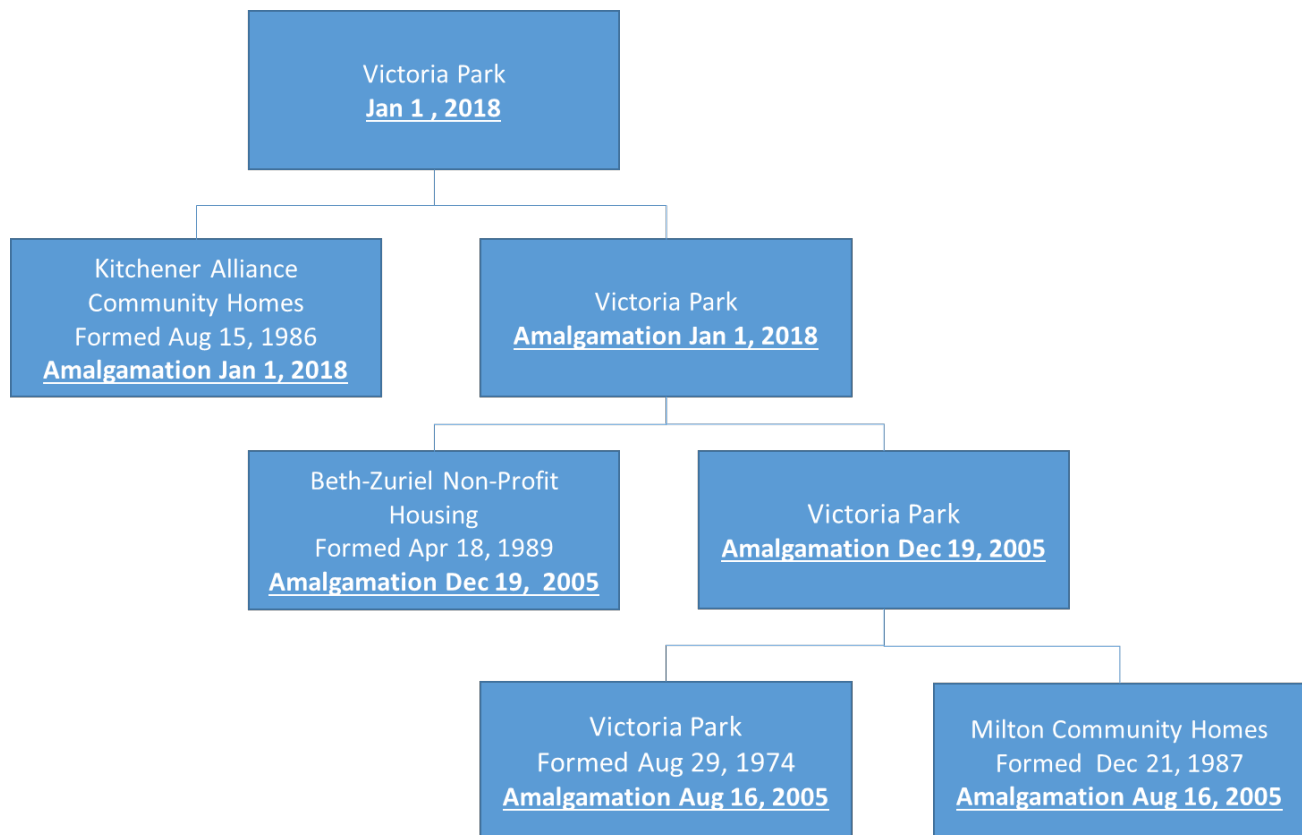
Because of the long time frame to develop a project coupled with the fact that it is a very labour intensive process, Victoria Park should aim to have an “assembly line” of potential opportunities. In other words, align the possibilities so that when one potential project gets approval to proceed construction, the next “possibility” comes on-line for analysis and evaluation.

With recent government announcements, a number of Service Managers will be issuing RFPs (or similar) over the next few months. Halton Region has already issued their RFA with a deadline of July 4th for submissions and will be doing this process annually. Victoria Park will be making a submission of general interest because we don’t have any land secured at the moment. In addition, we are working very closely with Hamilton East Kiwanis to secure a favourable position for a Hamilton RFP that will be issued within the next few weeks.

MERGERS & AMALGAMATIONS

VPCON (Victoria Park Consolidated)

Victoria Park is quite familiar with mergers and amalgamations as the diagram below illustrates our mergers since 2005.



As noted above, the most recent amalgamation occurred on January 1, 2018 when Victoria Park merged with Kitchener Alliance Community Homes. This amalgamation increased Victoria Park's portfolio by 194 units as depicted in Figure 1 of Closing Summary.

It is important to Victoria Park's reputation that we only pursue "friendly" amalgamations; mergers where both parties pursue the consolidation collectively. This is an important distinction because government direction may turn towards "forced" consolidations. It is

more beneficial for Victoria Park’s status and reputation in the housing sector if we focus on mutual consolidations while also trying to develop services that assist smaller non-profits to fill the gaps they may have and still have a place in the affordable housing continuum.

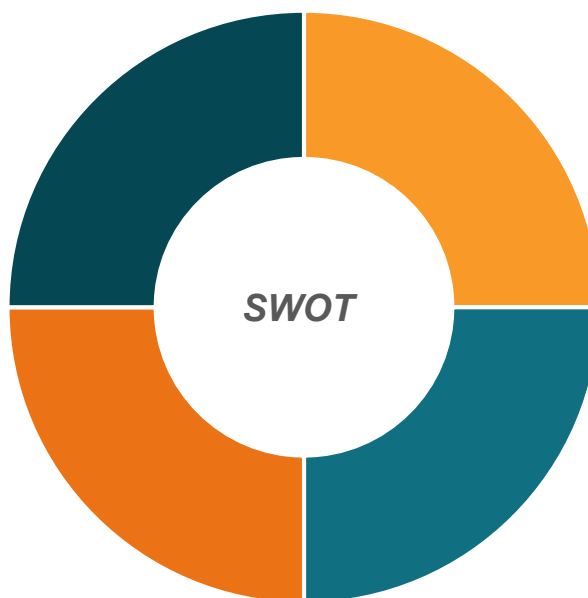
Below is a SWOT analysis on Victoria Park’s position with respect to amalgamations.

STRENGTHS

Experience
Reputation
Capacity
Connections through
Management

OPPORTUNITIES

Aged and tiring Boards
Government
“modernization”
Seamless growth



WEAKNESSES

May be weaker
developments (PIDs)
May require equity
contribution

THREATS

Seen as predator
Negative subsidy
calculations
Municipalities wanting the
stock

Amalgamations will be a key contributor to Victoria Park’s future growth. In fact, we have already been approached by another current client, Stokes Road Residences in the Region of Peel (Indo-Canadian Non-Profit) who have formally requested that Victoria Park consider a merger. They have contacted the Region of Peel to inquire about the process.

In addition, another recent management contract may be ready to consider discussions around merger in the next couple of years.

It is very reasonable to anticipate and plan for an amalgamation every 2-3 years and where feasible, to focus on properties that were formerly under federal jurisdiction (see Appendix 1 for a listing of federal properties in Hamilton alone) as they are not affected by HSA or the impact of the negative subsidy calculations.

ACQUISITIONS

VPCON (Victoria Park Consolidated)

The third method in which Victoria Park Consolidated may grow its portfolio is through acquisitions from the private market. We get notices from numerous realtors about potential rental buildings for sale.

This is not a method actively used by Victoria Park over the past decade as it generally requires a substantial initial investment (down payment and renovation costs) and are more challenging to ensure they are “affordable”. That said, this may be an opportunity for VPAHC to acquire properties that could sustain a higher market rent charge where those funds could be used to cross-subsidize the entire portfolio.

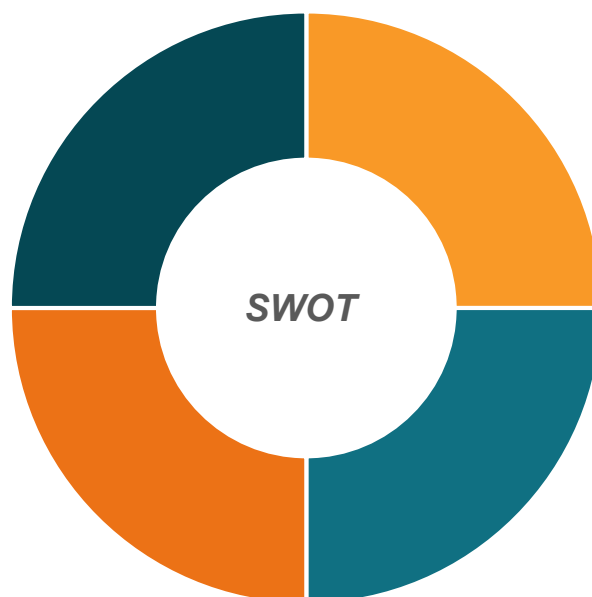
Below is a SWOT analysis of Victoria Park’s position with respect to acquisitions.

STRENGTHS

Instant increase to portfolio
Potential higher market rents

OPPORTUNITIES

Government funding may be available
Consistent supply



WEAKNESSES

No internal capacity to assess potential
Difficult to reach affordability levels
Not really our mandate

THREATS

Change image of Victoria Park
What’s being the walls?

Although acquisitions should not be ruled out completely, as outlined in the Introduction, it is management’s recommendation that this be the last of the options pursued.

NEW CLIENTS

VPM (Victoria Park Management)

This individual component of corporate growth is by far the easiest to access. However, it is also the area that requires the most staffing.

There are literally hundreds of non-profit and co-operative housing providers in the Province of Ontario looking for quality property management services. Currently, we manage 9 groups so the market potential is substantial.

Since this is one of the top options for growth, we held a thorough consultation with staff of VPM to seek their input around securing new contracts and we let them determine the SWOT analysis. The diagram below captures some of the key concepts but I encourage the Board to review Appendix 2 to see their full input, especially their messages to the Board. It was unanimous that staff want growth in this area but they also want it to be very strategic.

The biggest challenges with securing new clients are:

1. Having appropriate staff ready
2. Requires an initial investment “on spec”
3. 6-12 months training, even for experienced PMs
4. The transition period to gather history and documents
5. The culture of the Board of Directors
6. The culture of the residents

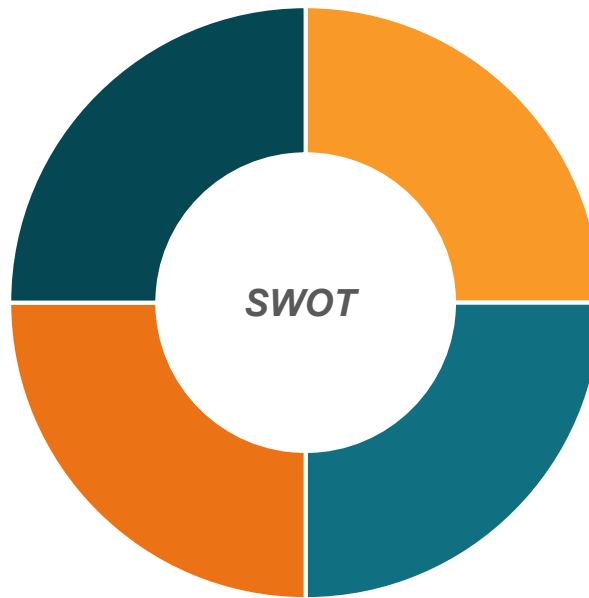
It is very reasonable to anticipate and plan for at least one new managed group per year. The number of clients to take on in a given year will depend on geography, size of the client group and the growth of VP in the other areas.

STRENGTHS

Reputation & history
Experience
Pillars of Service
Extra Services
Staffing
Commitment & Passion

OPPORTUNITIES

Virtually unlimited
Coordinator Retirements
Government
“modernization”
SMs want to work with VP



WEAKNESSES

Very little, if any, profit margin
Higher staffing levels required
Potential to grow too quickly
Requires initial investment (loss 1st year)

THREATS

Lots of competition
Maintaining quality service
Tenders every 3 years

As a closing comment to this section, we must note that although securing additional clients will happen with relative ease, there is also a potential risk that must always be considered when discussing our managed clients: under HSA, our services must be re-tendered every 3 years so on each cycle, we have the potential to lose a client which means we would lose a revenue stream. In addition, a loss would set us back on growth targets. To mitigate this risk we must ensure our services are top quality and delivered at a reasonable rate.

NEW SERVICE OFFERINGS

VPM (Victoria Park Management)

VPM is in a unique position due to our size and capacity. We have been able to secure professional staff from a number of business fields (accounting, engineering, legal, H.R. etc.) that other smaller non-profit housing providers simply cannot. This allows us the opportunity to share these services at a reasonable fee.

Over the last five (5) years, we have started to make these services available to other non-profits and in particular, have highlighted these services to those groups we already serve through management contracts.

Currently, we are working on establishing a “Mobile Maintenance” team that may eventually be able to offer services to external clients as well as to our own portfolio. This business line development will cover the 2019-2020 time period and we are not looking to introduce any other new service offering during this time period.

Closing Summary

In closing, the following graphs show Victoria Park's growth trends over the last decade with Figure 1 depicting VPCON, Figure 2 depicting managed units and the final Figure 3 showing the consolidated results.

You can see that overall, Victoria Park is on the right trajectory with a slow and steady growth rate. We believe that an overall target of 100-150 units per year is a reasonable and achievable target.

Figure 1

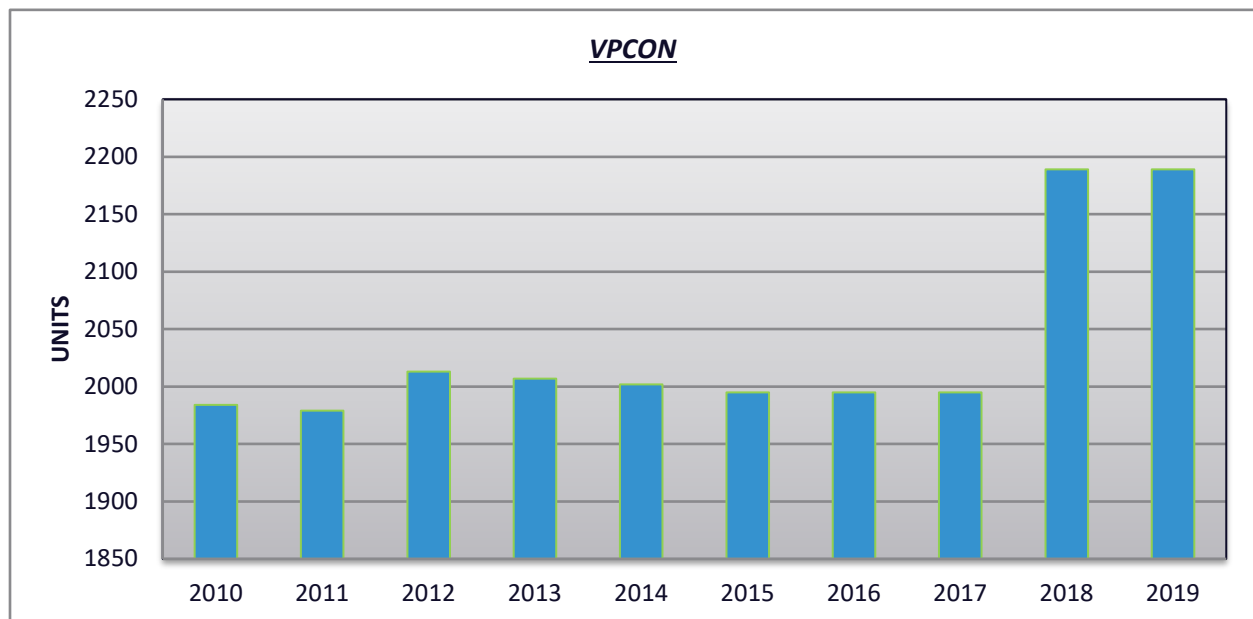


Figure 2

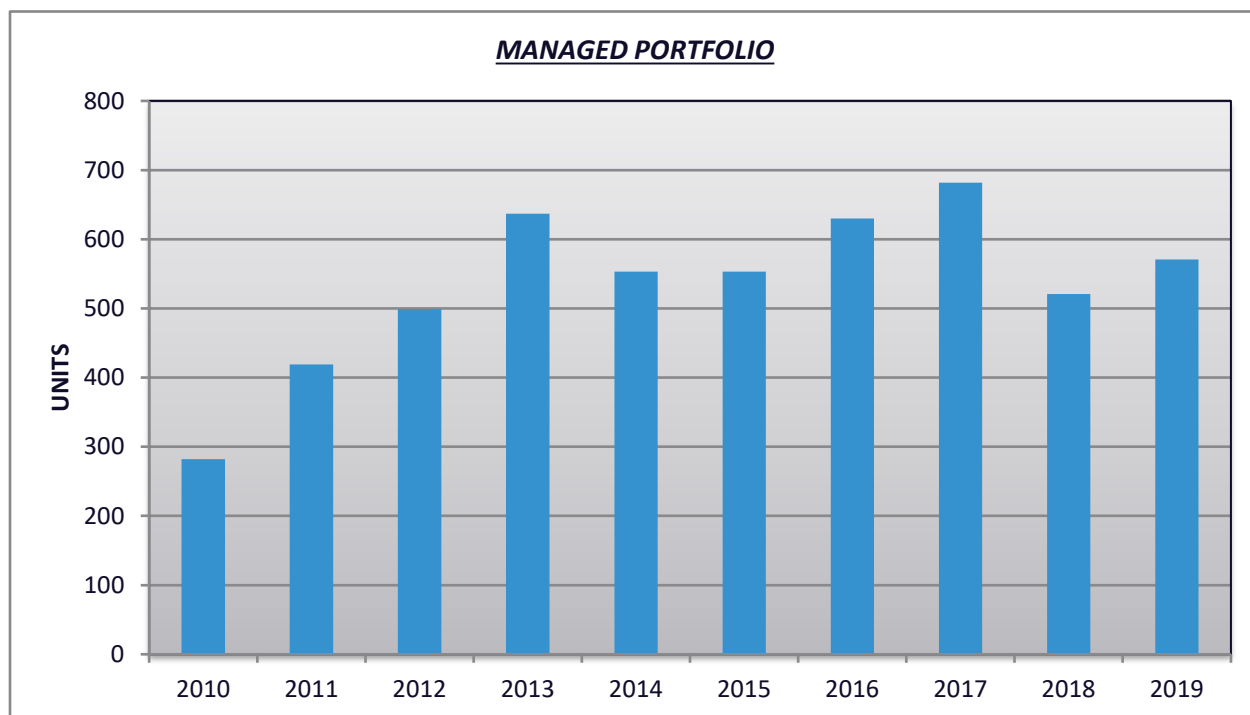
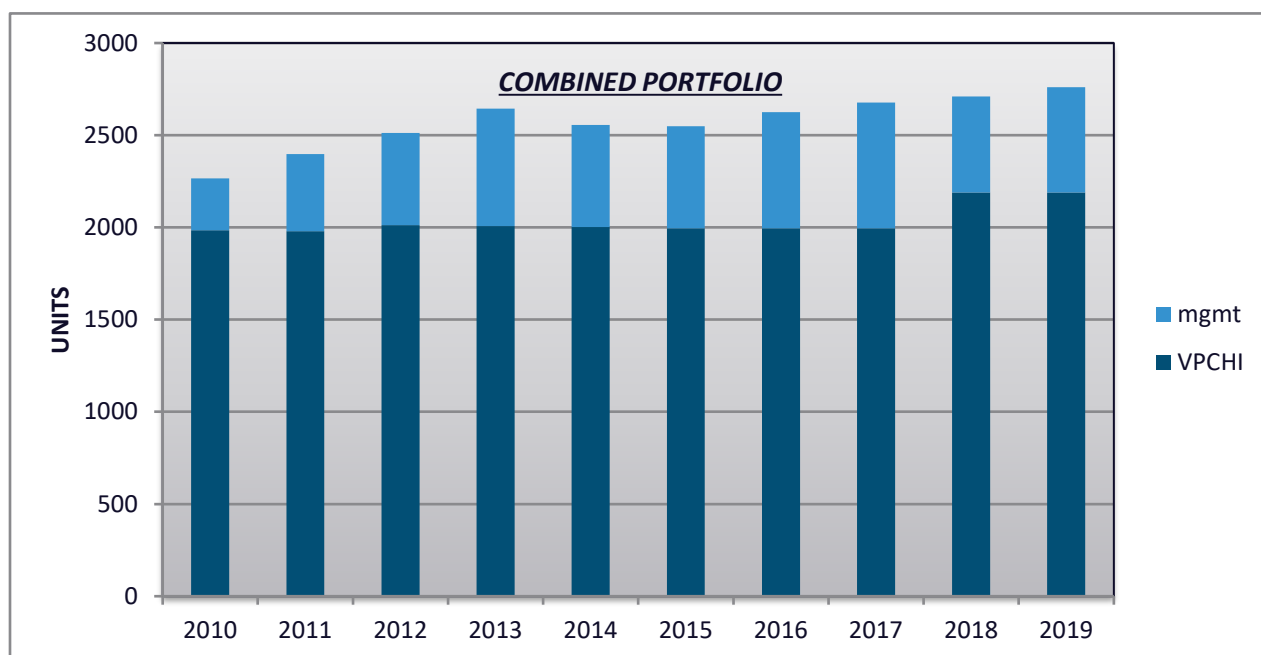


Figure 3



Appendix 1

Housing Projects with current Federal Operating Agreements (at November 1, 2016)

Provider Name	Address	Ward	Date of EOA	No. of Units
Eaton Place (Flamborough) Inc.	238 Carlisle Rd, Carlisle	15	December 1, 2019	30
Free Reformed Seniors Citizens	87 Hamilton St, Waterdown	15	December 1, 2026	36
Hamilton Jewish Home for the Aged	70 Macklin St N, Hamilton	1	January 1, 2017	40
Hamilton & District Senior Citizens Rambynas	1880 Main St W, Hamilton	1	April 1, 2019	50
Hamilton Baptist Non-Profit Homes	19-63 Margaret Street, Hamilton	1	February 1, 2018	23
<i>*Hamilton East Kiwanis Non Profit Homes</i>	<i>549 Barton St E, Hamilton</i>	3	<i>October 1, 2018</i>	12
Howell Non Profit Homes Inc.	50 Hamilton St S, Waterdown	15	December 1, 2021	30
ITCA Community Involvement Inc.	820 Limeridge Rd E, Hamilton	7	February 1, 2019	34
LIUNA (Hamilton) Association	30 West Av N, Hamilton	2	January 1, 2018	90
LIUNA (Hamilton) Association	40 West Av S, Hamilton	2	August 1, 2021	25
LIUNA (Hamilton) Association	1169 Upper Wellington St,	7	October 1, 2020	60
Ryerson Ancaster Homes Inc.	52 Sulphur Springs Rd, Ancaster	12	November 1, 2018	30
Taras Shevchenko Home for the Aged	190 Gage Av S, Hamilton	3	June 1, 2021	35
The Ukrainian Villa of Resurrection Church	18 Mall Rd, Hamilton	7	September 1, 2019	75
Victoria Park Community Homes	125-155 Queen Victoria Drive	6	August 1, 2017	100
Victoria Park Community Homes	33 Kimberley Dr, Hamilton	6	July 1, 2017	65
Waterdown Rotary Garden Court Inc.	30 John St, Waterdown	15	August 1, 2023	11
Scattered Units (various providers)	Multiple	Multiple	Multiple	466 *(266)
Total				1212

Appendix 2

Internal Strengths	Opportunities
<ul style="list-style-type: none">• Experience – staff/organization• Reputation – respected in sector• Leader in the sector• Established Service Manager relationships• Resources – staff/policies/procedures• We care/passion• Track Record• Yardi software• Asset Planner software• Resilient and adaptable – have changed before• Commitment• Ambition• 45 years in the sector• Teamwork & Collaboration• Established practices• New staff / new ideas balanced with long term staff and experience	<ul style="list-style-type: none">• Unlimited• New regions (geographically)• New models – Condos/Co-Ops• Other types – seniors, transitional, supports• Marketing other services – (other than management)• PIDs – turning them around• Increase revenue• We become stronger with more units• Technology and AI can leverage and help• More partnerships within regions• Federals only• We can be the biggest and best• Promote ourselves• Get into commercial (mixed)• Unlimited• New regions (geographically)

Areas of Concern	Process Challenges & Bottlenecks
<ul style="list-style-type: none"> • Retirements/loss of institutional knowledge/succession planning • What's in it for me mentality – salaries and benefits for employees • Space/office space • Retaining good staff – keeping designated professionals • Hiring/Training in Finance – how we get current employee feedback on hiring decisions • Creating 'islands' versus flexibility • Overcapacity – staffing, overworked • Email/call volume • Quality of service/reputation • Satellite locations / • Geography/Travel – consistency, communication – engagement vs isolation • Financial loss – out of pocket, recovery • No control over new board members or staff • Tenant culture, environment of new property • Succession planning/ retirement • Office space 	<ul style="list-style-type: none"> • Training period/hiring process • Overworked staff/understaffing • Use of technology and training for technology • Maintaining consistency • Different Regional/Client rules = different processes • Getting info/docs from new clients • Staff turnover • Data entry/ paperwork/ volume in paper free environment • IT support – staff not having tech tools • Adjusting to legislative changes • Clear policies • Communicating consistent messages/procedures • Front line staff do not have Yardi access = slow down • Good / trusted contractors in new region • Emergency procedures/Response

Targets

If you could relay a message to the Board about growing our management services, it would be.....

- Target senior building contracts
- 1 at a time to give time and attention to each
- New client amalgamation easier as familiar with existing client
- 1 managed client per quarter/one board of directors
- 10 managed per year
- 1 new region per year
- 1 client per year only in the Service Managers we are currently in
- 2 new clients per year
- More clients the better
- Go for one WHOPPER/year
- Target senior building contracts
- 1 at a time to give time and attention to each
- New client amalgamation easier as familiar with existing client
- 1 managed client per quarter/one board of directors
- Planned, strategic, incremental
- Expand into other regions – let's grow
- Stress quality over quantity
- Slow steady growth (excited for growth)
- Focus on single unit apartments
- HR & other policies please consider staff 1st
- Please , please no growth that will compromise our internal strengths
- Planned, strategic, incremental
- Expand into other regions – let's grow
- Stress quality over quantity
- Slow steady growth (excited for growth)
- Focus on single unit apartments
- HR & other policies please staff (consider staff 1st)
- Please , please no growth that will compromise our internal strengths