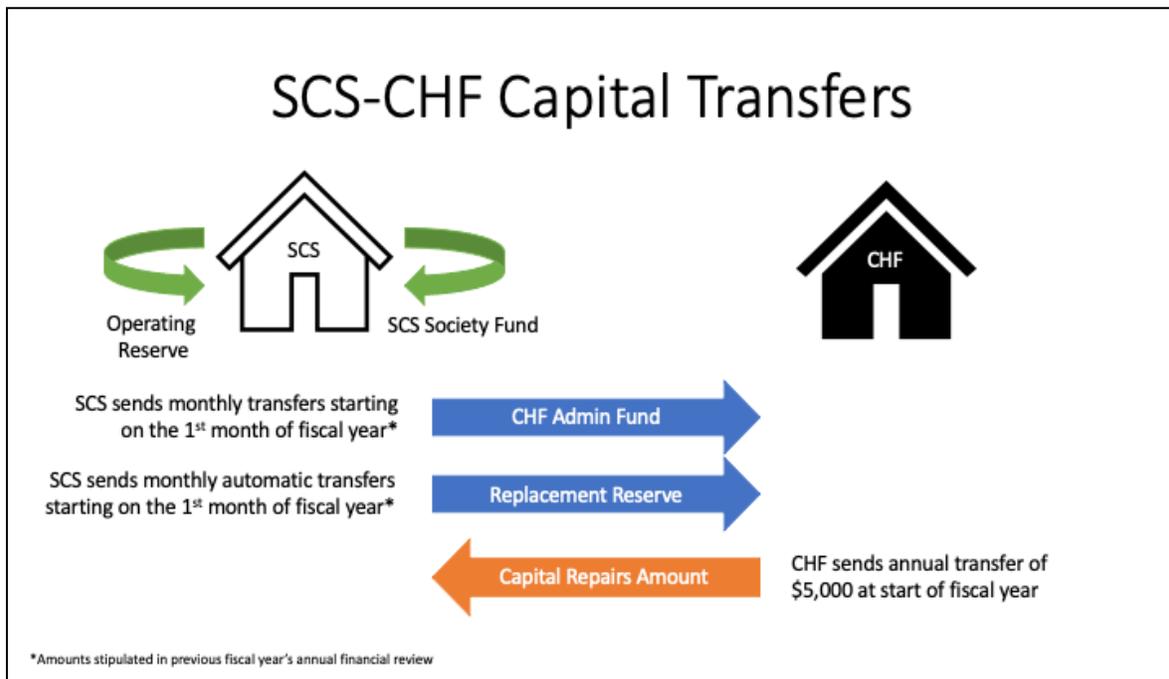


SCS 2022-23 Budget Report

SCS has completed 5 full years of operations in the Co:here building, where we operate affordable housing and grow community. This report looks back at our current financial position, as well as looking ahead to next year's projections - in regards to rents, expenses etc.

This year has been marked by more staffing changes: a pause on the Social Sustainability Coordinator position and a new Building Manager hire. Rents have provided steady revenue, and there have been a few areas where we've spent less.

As a way to remind us of the financial commitments beyond operations, this flowchart visualizes the movement of capital funds that are drawn from our total revenue. In addition to typical operating expenses, regular contributions into these separate funds enables SCS to prepare for the future, both for the physical building and for the organization.



Income vs Expenses Year to Year¹

As of the drafting of this report (March 2023), there are still 3 months left in the fiscal year, but SCS is on track to maintain a small surplus at the end of the year, which will go back into operations and the building replacement reserves.

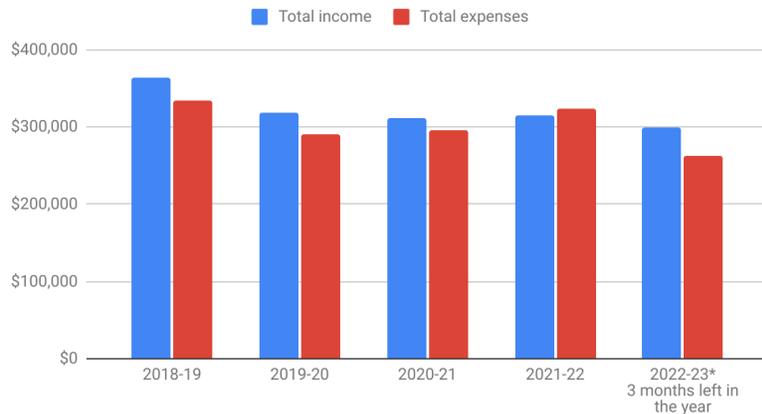
Every year of operation provides us with new learnings, as we understand how to take care of the building, support community life, and implement our budget.

Expenses:

SCS's main spending areas are staffing, building operations and administration. This year's expenses are increasing due to inflation and staffing costs (i.e., largely attributable to an increase in staff hours),

however SCS leadership has a culture of not overspending and making dollars stretch. For the 2022-23 fiscal year, we budgeted for four part-time staff working a total of 84 hours/week. For the 2023-24 fiscal year, we are planning for two part-time staff and one full-time staff member to work an estimated total of 84-98 hours/week. Across the board, we are noticing increased costs (e.g., inflation) for goods and services that we are forecasting will make the 2023-2024 fiscal year more expensive.

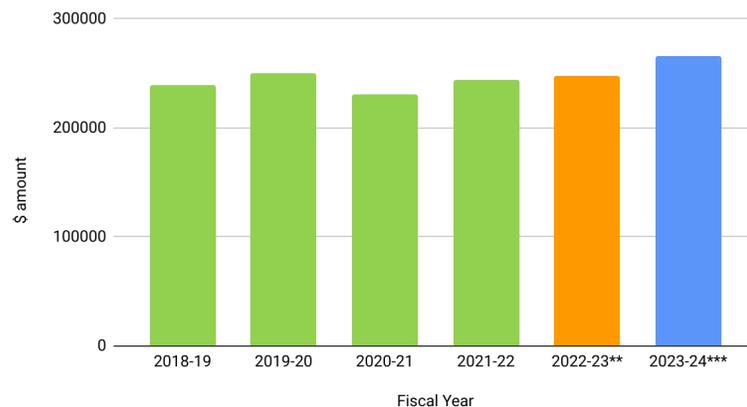
Annual Income vs Expenses



Income: Rent revenues year to year

The last three fiscal years provide us with relevant data on total rent revenue (i.e., unit rent, storage fee, bike storage fee, charging, and parking fee). The vast majority of rent collected is for housing units, which include

Total Rent Revenue



¹ In the tables above, you will note *, ** and ***.

* and **2022-23 note that the 2022-23 fiscal year has been projected until end of fiscal year end (i.e., the final 3 months are estimated)

*** notes that the 2023-24 fiscal year has been entirely projected

studios, one and two bedroom units. Each unit has been assessed for its market rental price, but all of our units rent for significantly less than the market rental price. This is in line with our mission of providing affordable housing. SCS tenants pay no more than 30% of their income in rent, and most pay between 24-28% of their income. SCS also calculates Low End Market (LEM) rental rates (i.e., what we call “full rent”), and minimum rental rates are set at 50% of the LEM rental rate. In 2023-24, new lease ‘full rents’ will increase by this year’s Provincial allowable set rate by 2%. Studio full rents will now be \$1,035, 1-bdrm \$1,450, 2-bdrm \$2,070.

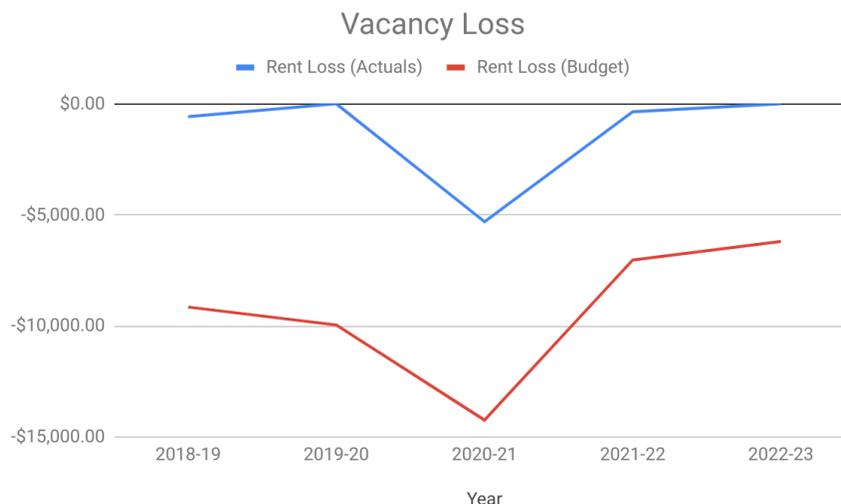
In the last three fiscal years, the average rent revenue has been approximately \$250,000 annually (i.e., approximately \$20,000 per month). An income review and rent setting process is done annually. The results of the recent process provides us with fairly accurate data about the anticipated rents for next year. This upcoming fiscal year will see an overall increase to rent revenue by 7.5%. This is due to Provincial shelter rates increasing from \$375/month to \$500/month (as of Aug 2023), incomes increasing for a few tenants, and the 2% increase to the LEM rate.

Vacancy Loss

In 2022-23, we had budgeted 2.5% of rents, or \$6,200, for vacancy loss. Our actuals to date show that we have had \$0 vacancy loss. In part this has been due to staff refining the tenant application/selection process, as well as only having two moves this year.

Over the years, we’ve budgeted more than we have had in lost rents due to vacancy. Typically, housing operators set vacancy rates at approximately 6% a year or higher. SCS has often budgeted 2.5% for vacancy loss.

Given SCS’s past experience, the strength of our waitpool (i.e., size and interest) and our streamlined intake process, for 2023-2024, we are proposing a vacancy loss of 1.5%.



Tenant Incomes over the years

Our rental revenue is dependent on the types of income of our tenants. These three pie charts show the last three years of tenant incomes, and there are some interesting insights.

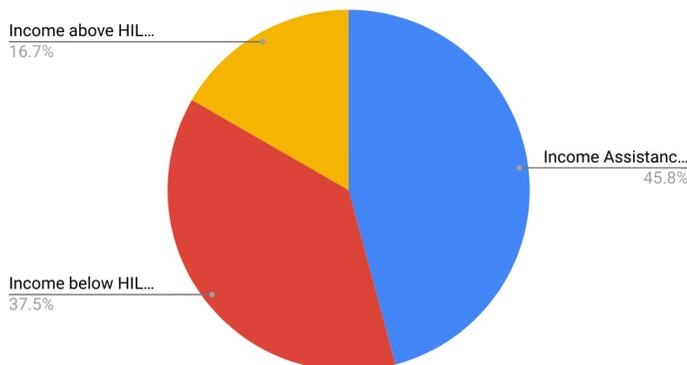
The first insight is that we are doing what we set out to do – providing housing to a group of people who have a diversity of incomes. Income diversity is key to the success of the SCS financial model, but – perhaps more importantly – research has shown that it is good for building community and contributes to improved financial and social outcomes for people with low incomes.

Broadly, there are three income classes we provide housing to:
(1) tenants on social assistance;
(2) tenants who pay rent below Housing Income Limits (HILS); and,
(3) tenants who pay rent above HILS.

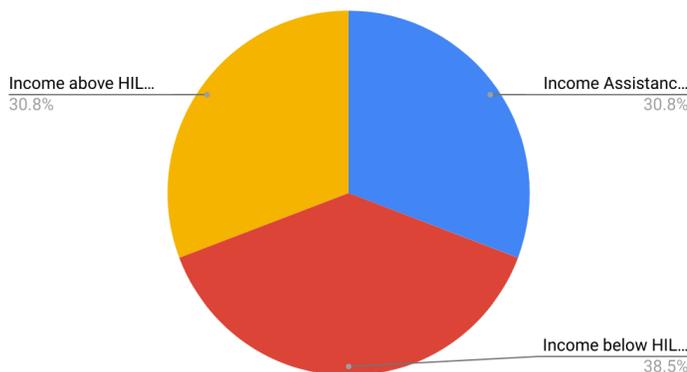
In 2023-24, 23% of our tenants are forecast to be tenants who receive social assistance, and therefore pay our lowest rent rates. Some tenants have part of their rent paid by a contribution from a Third Party funder; partnerships with Third Party funders can be a financially feasible way for SCS to provide additional units of housing to income assistance tenants, and can ensure that those tenants are supported by community organizations outside of the building.

Over the last three years, there are more people paying rent at the 26% of income level, and for whom rents are set below Housing Income Limits (HILS). The remaining group of tenants' rent are set between 28%-30% of their income because they are above HILS.

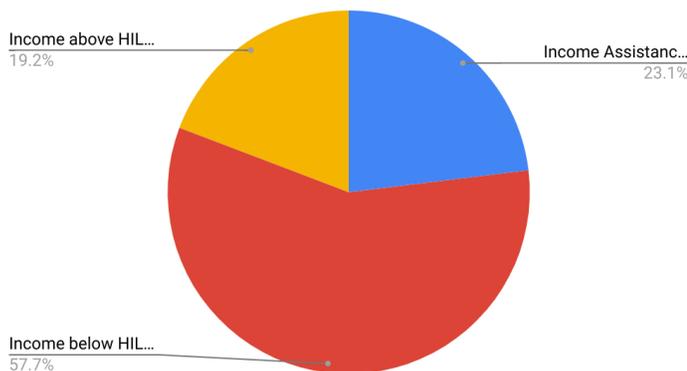
2021-2022: Distribution of Tenants by Income Type



2022-2023: Distribution of Tenants by Income Type



2023-2024: Distribution of Tenants by Income Type



In addition to these numbers, we note that over the last few years we have observed multiple tenants have gone back to school, retrained, and/or changed jobs than in years past. We know that SCS's housing model works best when there is income diversity. This doesn't happen without intentionality by staff, selecting tenants on income assistance and lower incomes as well as higher income earners.

Community Life at CoHere

SCS seeks to nurture neighbourliness among tenants because we believe when neighbours are connecting with each other, it contributes to the flourishing of individuals and community. The active community life at CoHere encompasses everything that nurtures and activates the community to grow as a place of welcome and belonging for tenants, staff, and the guests who come through our doors. Staff seek to co-create community and share in life together with tenants, building mutually transformative relationships with one another by sharing our skills, time and abilities and being willing to learn from each other.

Important practices that help to build this shared community life include:

- Gathering around a table and eating regularly together;
- Celebrating meaningful times, including both big and the small;
- Creating space to grieve together or show solidarity and empathy in suffering;
- Sharing the work of preparing, planting and maintaining the garden;
- Meeting together to talk about the issues that matter to us;
- Inviting a neighbour who's having a hard time for a cup of tea; and
- Engaging in challenging and uncomfortable conversations to better understand each other.

Conclusion

SCS remains committed to affordable housing and community growth in the building that we operate, Co:Here. Despite staffing changes and increased expenses, SCS maintains responsible spending practices. Rent revenues remain steady and are expected to increase slightly. Efforts to minimize vacancy loss have been successful. We continue to feel that income diversity among tenants is one of the hallmarks of our success, contributing to financial and social well-being. Heading into 2023-2024, SCS is financially stable and has budgeted responsibly to ensure we can continue to fulfill our mission.