

Silvera For Seniors
Summary of Operating Results (\$000s)

	2022 Budget	2021 Preliminary	2020	2019	2018
Number of suites occupied	1,089	896	887	943	891
Unrestricted cash at year end	N/A	\$ 3,167	\$ 5,985	\$ 1,315	\$ 3,190
Operating revenue (Note 1)	\$ 21,464	\$ 19,031	\$ 19,504	\$ 18,519	\$ 18,506
Provincial Government Grants	3,120	3,120	3,119	3,226	4,664
Municipal Government Grants	8,010	7,784	6,556	5,673	3,215
COVID-19 related Government Funding	--	2,022	3,524	--	--
Total revenue	32,594	31,957	32,703	27,418	26,385
Expenses (Note 2)	(30,260)	(30,452)	(30,948)	(25,617)	(23,948)
Subtotal	2,334	1,505	1,755	1,801	2,437
Interest on long term debt	(799)	(442)	(36)	(23)	(32)
Depreciation of capital assets	(2,251)	(2,397)	(2,204)	(2,204)	(2,040)
Excess (deficiency) of revenue over expenses from continuing operations	(716)	(1,334)	(485)	(426)	365
Gain on sale of land	--	4,257	23,887	--	--
Excess (deficiency) of revenue over expenses	(716)	2,923	23,402	(426)	365

Note 1: Includes amortization of deferred capital contributions.

Note 2: Includes Human Resources, Operating and Administration.

	2022 Budget	2021 Preliminary	2020	2019	2018
EBITDA *	2,334	1,505	1,755	1,801	2,437
Amortization of deferred capital contributions	(1,116)	(1,205)	(1,140)	(1,113)	(1,115)
Adjusted EBITDA *	1,218	300	615	688	1,322
Debt Service Requirements	874	888	477	452	452
Annual DSCR**, minimum of 1.25 : 1 (Note 3)	1.39	0.34	1.29	1.52	2.92

* EBITDA stands for Earnings Before Interest, Taxes, Depreciation and Amortization. Adjusted EBITDA removes non cash amortization of deferred capital contributions included in operating revenue.

** DSCR stands for Debt Service Coverage Ratio. Equals Adjusted EBITDA/Debt Service Requirements.

Note 3: The 2021 Preliminary Annual DSCR does not meet The City's minimum of 1.25 : 1. Lower revenues and increased debt levels in 2021 combined to negatively impact this metric for 2021. However this does not result in a default for Silvera. None of Silvera's current lenders have a debt service coverage covenant as those debts are all secured by the buildings they relate to. Based on Silvera's forecasts, presented on page 3 below, this covenant is not expected to be breached over the term of this proposed City financing.

<u>EBITDA :</u>					
Excess (deficiency) of revenue over expenses from continuing operations	(716)	(1,334)	(485)	(426)	365
Depreciation of capital assets	2,251	2,397	2,204	2,204	2,040
Interest on long term debt	799	442	36	23	32
	2,334	1,505	1,755	1,801	2,437
<u>Debt Service Requirements:</u>					
Interest expense	799	442	36	23	32
Principal repayments of debt (Note 4)	75	446	441	429	420
	874	888	477	452	452

	2022 Budget	2021 Preliminary	2020	2019	2018
Debt	30,462	23,174	23,734	962	1,391
Net Assets	73,215	69,145	66,917	41,659	41,787
Annual Debt to Net Assets ratio, maximum of 60%	42%	34%	35%	2%	3%

	2022 Budget	2021 Preliminary	2020	2019	2018
Capital expenditures	24,710	40,766	15,637	8,375	3,545

Note 4: Excludes the \$8.8 million principal repayment on the Varsity promissory note in 2021 which was funded by an anonymous donor.

Overview of 2018 – 2022 Summary Financial Operating Results

The 2018 to 2022 period represents a transitional time for Silvera with the organization moving from managing and operating government supported lodges and apartment buildings to leveraging vacant land to begin the development of a mixed market portfolio designed to generate cashflow to reduce the taxpayer burden for support of seniors affordable housing. This strategy is to reduce administrative costs per door for the organization, limiting cost increases in the government supported portfolios. Significant developments during this period are discussed below.

Revenues, including Operating Grants, Expenses and Gain on Sales of Land

- Partnered with The City of Calgary (“The City”) beginning in 1997 to provide operating funding for the Municipal Lodge Program to ensure its current and future sustainability. This has resulted in a significant increase in The City’s operating grant funding from \$3.2 million in 2018 to \$8.0 million in 2022. Executing the strategy noted above is expected to limit future increases in Silvera’s operating grant funding over time.
- The COVID-19 pandemic resulted in significant increases in 2020 and 2021 in staffing, personal protective equipment, cleaning and other costs to ensure the safety of the residents and staff and meet the requirements of provincial health orders. The Government of Alberta provided the organization funding for a majority of these expenditures and The City also contributed to cover items not part of the provincial reimbursement program. Silvera received approximately \$3.5 million in 2020 and \$2.0 million in 2021 from the Government of Alberta to reimburse for costs incurred which was recorded as revenue.
- Silvera’s 2022 Budget reflects increases in operating revenues and expenses related to capacity additions in 2021 and 2022 as follows:
 - Westview Town Suites, renovated and brought to market in the spring of 2021. This property will continue to lease up throughout 2022.
 - Vista, which is a conversion of a former 120 suite hotel as part of the Federal Government’s 2020 Rapid Housing Initiative program. The project targets rent geared to income seniors, will be completed in March 2022 and is expected to be fully occupied by June 2022.
 - Westview Residence West, a seniors independent living apartment building with 30 per cent of the suites reserved at 20 per cent below market rental rates that is expected to be completed and begin occupancy in the spring of 2022.
- The 2022 Budget also includes approximately \$1.1 million in compensation adjustments to bring staff compensation to market. Silvera has historically and continues to experience turnover rates equal to or greater than 30 per cent per annum and compensation is considered a key factor in changing this trend. The cost to hire and train new staff is significant to the organization and to be successful in executing its strategy, turnover is an important metric to reduce to allow Silvera to progress forward.
- Realizing the proceeds from the sale of vacant land supports the organization’s strategy to develop a portfolio of cash generating assets to reduce the taxpayer burden of the overall organization. Significant financial gains were realized in 2020 and 2021 from property sales with the proceeds supporting Silvera’s strategy for the development of seniors affordable housing communities between 2020 and 2025.

Debt Increases and Interest on Long Term Debt

Interest expense increased in 2021 due to the completion of Westview Town Suites, which was financed using a construction facility (\$8.3 million), the addition of the Varsity Estates Village property, which was financed through a vendor take back promissory note (\$8.1 million) and in 2022 due to the completion of Westview Residence West, which is financed through CMHC (\$14.1 million).

Capital Expenditures

Capital expenditures from 2019 through to 2022 are focused on executing Silvera’s strategy. Beyond the capital maintenance funding provided by The City for the Municipal Lodge Program portfolio, the key projects include the following:

- Renovation of the Westview Town Suites
- Conversion of Vista from a hotel to a ‘rent geared to income’ apartment building under the Federal government’s 2020 Rapid Housing Initiative Program
- Construction of Westview Residence West, an independent living apartment building
- Preparations for future developments

In 2020 Silvera purchased a 39-suite townhouse complex, Varsity Estates Village, which was financed through a vendor take back promissory note which currently stands at \$8.1 million. Silvera is requesting The City’s on-lending capabilities to refinance this promissory note and reduce future borrowing costs. Silvera’s intention with this property is as a longer-term investment which will either be developed in the future into a seniors affordable housing community or leveraged for the development of other communities similar to the sales of land in 2020 and 2021.

Summary of Forecast 2023 – 2026 Operating Results

	2026	2025	2024	2023
Number of Silvera owned suites occupied	1,221	1,221	1,221	1,204
Operating revenue	\$ 25,562	\$ 25,029	\$ 24,508	\$ 23,961
Provincial Government Grants	3,120	3,120	3,120	3,120
Proposed Municipal Government Grants	7,830	7,830	7,830	7,950
COVID-19 related Government Funding	--	--	--	--
Total revenue	36,512	35,979	35,458	35,031
Expenses	(32,006)	(31,384)	(30,793)	(30,706)
Subtotal	4,506	4,595	4,665	4,325
EBITDA	4,506	4,595	4,665	4,325
Amortization of deferred capital contributions	(1,086)	(1,086)	(1,086)	(1,086)
Adjusted EBITDA	3,420	3,509	3,579	3,239
Debt Service Requirements	1,437	1,466	1,494	1,469
Annual DSCR, minimum of 1.25 : 1	2.38	2.39	2.40	2.20

Proposed Municipal Government Grants have not been formally requested by Silvera nor approved by The City. Silvera's formal grant requests will be considered in the 2023-2026 budget cycle and could be higher or lower than the proposed amounts above.

EBITDA and Adjusted EBITDA increased from the 2022 Budget to the 2023 – 2026 forecast due to the addition of Westview Residence West and Vista in 2022 and the continued lease up of Westview Town Suites. Silvera expects occupancy for the seniors independent living properties to average 95 per cent and the lodges to average 90 per cent through the forecast period. Cost increases have been forecast using an average rate of inflation of 2 per cent for the 2023 – 2026 forecast period. Debt service requirements increase from the 2022 Budget to the 2023 to 2026 forecast period due to the Canada Mortgage and Housing Corporation financing for the completion of Westview Residence West.