

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, NOVEMBER 6, 2024**

SUBJECT **Capital Region Housing Corporation Umbrella Operating Agreement Routine Capital Plan 2020-2024 Amendment**

ISSUE SUMMARY

To authorize the amendment to the approved Umbrella Operating Agreement (UOA) Routine Capital Plan to advance critical repair work on two roof systems that include Pinehurst and James Yates Gardens in addition to costs incurred in 2024 at Olympic View in support of decking repair and fence replacement.

BACKGROUND

On December 6, 2023, the Capital Region Housing Corporation (CRHC) Board approved the UOA Routine Capital Plan. Under the terms of the UOA, the CRHC was obligated to commit a minimum of \$11.0 million (M) over five years (2020 to 2024) in support of routine capital works. These include items such as roof repair or replacement, fencing repair or replacement, and exterior repairs such as siding replacement, painting, etc.

Pinehurst, located at 617 Battery Street in the James Bay neighbourhood of Victoria, consists of nine apartment homes built into a heritage house and is surrounded by 11 townhomes across three separate townhome blocks. The heritage house was originally constructed in 1889 and was refurbished in 1984 alongside the construction of the surrounding townhomes. The project was funded through the Canada Mortgage and Housing Corporation (CMHC) and Pinehurst operates within the UOA portfolio. Pinehurst provides a total of 20 affordable rental homes consisting of 1 one-bedroom, 7 two-bedroom, and 12 three-bedroom homes.

James Yates Gardens, located at 1150 Yates Street in downtown Victoria, consists of eight apartment units. The property was built in 1984, was funded through CMHC and operates within the UOA portfolio. James Yates Gardens provides a total of eight affordable rental homes consisting of 1 one-bedroom and 7 two-bedroom homes.

Olympic View, located at 4511 Chatterton Way, in the Royal Oak neighbourhood of Saanich, consists of 60 townhomes across 13 separate townhome blocks. The property was built in 1984, funded through CMHC and operates within the UOA portfolio. Olympic View provides a total of 60 affordable rental homes consisting of 34 two-bedroom, 24 three-bedroom, and 2 four-bedroom homes.

The CRHC undertakes ongoing condition assessment work across all properties and seeks to continuously determine the condition of its more than 50 properties. This is typically done through Building Envelope Condition Assessments (BECAs) which are undertaken regularly by external consultants. The BECAs help to establish an objective Facility Condition Index (FCI) at each property that inform budgeting and planning processes and enables staff to prioritize various works and/or properties. This process represents a proactive approach to asset management.

In addition to the BECAs, staff maintain an ongoing presence at the buildings and regularly identify areas of concern which may result in the CRHC engaging specialist consultants to investigate specific roof systems, balcony structures, etc. Further, as works are being undertaken across multiple properties, trades/contractors and/or consultants may identify significant areas of concern. Priority or urgent works identified through these processes may appear mid-year and

results in the CRHC needing to amend its Routine Capital Plan to accommodate the costs associated with undertaking the repairs. These processes represent a reactive approach to asset management.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

1. That the amended Five-Year Umbrella Operating Agreement Routine Capital Plan 2020-2024 be approved; and
2. That staff be authorized to implement the Five-Year Umbrella Operating Agreement Routine Capital Plan 2020-2024.

Alternative 2

That this report be referred to staff for additional information based on the Hospitals and Housing Committee’s direction.

IMPLICATIONS

Financial Implications

The initial Routine Capital Plan included \$897 thousand (K) for the Olympic View deck repair and fence replacement spread across two years (2023 and 2024). Due to the complexity of the design work required, the majority of those costs were transferred to 2024. In addition, as the project started, the staff identified increased scope of work which resulted in an additional \$703K cost increase for the project. The 2024 overall budget impact is \$1.6M.

Staff estimates the cost of the Pinehurst roof repair to total \$383K and the James Yates roof repair to total \$230K for a combined cost across both properties of \$613K. These two roof repairs and the associated costs were not forecast and planned for in the 2024 Routine Capital Plan.

To cover the three specific projects noted in this staff report, the UOA Routine Capital Plan, requires a \$553K increase as shown in Table 1. It should also be noted that the UOA required a minimum of \$11.0M over five years to support routine capital works. As the roof repairs at Pinehurst and James Yates Gardens were not anticipated in the 2024 Routine Capital Plan, the costs associated with this work will increase the CRHC’s 2020 to 2024 commitment to a total of \$11.5M.

TABLE 1: Five-Year UOA Routine Capital Plan Summary

	2024 Approved	2024 Amended	Difference
Expenditure: UOA Routine Capital Replacement	\$3,543,097	\$4,095,689	\$552,592
Source: UOA Replacement Reserve	\$3,543,097	\$4,095,689	\$552,592

The CRHC relies on the UOA Replacement Reserve (RR) to fund works carried out under the Routine Capital Plan. As noted in Table 2, there is sufficient balance in the UOA RR to support the unplanned roof repairs as well as the additional cost incurred in 2024 through the Olympic View works.

TABLE 2: Replacement Reserve Details

	2024 Approved	2024 Amended	Difference
Beginning Balance	\$5,898,881	\$6,155,936 ¹	\$257,055
Annual Operating Transfer	\$2,200,000	\$2,200,000	\$0
Annual Interest Income	\$117,978	\$123,119	\$5,141
Annual Capital Replacement Expense	(\$3,543,097)	(\$4,095,689)	(\$552,592)
Ending Balance	\$4,673,762	\$4,383,366	(\$290,396)

¹ Actual balance at December 31, 2023

The CRHC entered 2024 with a beginning balance in the UOA RR of \$6.2M. The overall impacts related to the amendment contained within this staff report see an increase in expenditure of \$553K, which has a net impact of reducing the forecast ending balance of the UOA RR by \$290K. The UOA RR is estimated to have a 2024 ending balance of \$4.4M.

CONCLUSION

Through the course of ongoing asset management works, two urgent roof repair projects have been identified at Pinehurst and James Yates Gardens. These projects were not planned for in 2024 and were therefore not included in the UOA Routine Capital Plan. However, due to the urgency of these repairs, staff are advancing an amendment to the UOA Routine Capital Plan to cover the estimated total costs of the repairs. The complexity and timing of the repairs and the increase in the scope of work at Olympic View also impacted the 2024 budget.

Staff have reviewed all estimated costs to be incurred through 2024 and are advancing an amendment to increase the 2024 UOA Routine Capital Plan by \$553K, which staff estimated to be sufficient to cover the estimated costs associated with the roof repairs and the impacts resulting from Olympic View. Further, staff estimated the overall impact to the UOA RR will be (\$290K) resulting in an estimated ending balance of \$4.4M.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

1. That the amended Five-Year Umbrella Operating Agreement Routine Capital Plan 2020-2024 be approved; and,
2. That staff be authorized to implement the Five-Year Umbrella Operating Agreement Routine Capital Plan 2020-2024.

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ATTACHMENT

Appendix A: CRHC Five-Year UOA Capital Expenditure Plan Summary 2020-2024