

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, DECEMBER 06, 2023**

SUBJECT Five-Year Updated Routine Capital Plans (2024-2028)

ISSUE SUMMARY

To provide the Capital Region Housing Corporation (CRHC) 2024-2028 updated Routine Capital Plans for the six housing portfolios for approval:

- 1) Umbrella Operating Agreement (UOA)
- 2) Independent Living BC 2 Operating Agreement (ILBC2)
- 3) No Operating Agreement (NOA)
- 4) Investment in Housing Innovation Operating Agreement (IHI)
- 5) Regional Housing First Program Operating Agreement (RHFP)
- 6) Community Housing Fund Operating Agreement (CHF)

BACKGROUND

Routine capital works are undertaken to maintain CRHC assets and include in-unit, common area, and exterior repairs or replacements. Generally, these works are distinct from major capital works based on value and complexity. For example, replacing a roof at a cost of \$700 thousand (K) falls under routine capital planning whereas a building envelope remediation valued at \$6.1 million (M) falls under major capital. To help guide decision-making and to ensure the CRHC continues to maintain its assets, staff have prepared a five-year (2024-2028) Routine Capital Plan, which is attached as Appendix A.

Under the terms of the UOA, the CRHC Board is required to approve an updated five-year (2020-2024) UOA Routine Capital Plan, which is attached as Appendix B. The UOA is renewed in five-year cycles with the current term concluding on December 31, 2024. The updated 2020-2024 UOA Routine Capital Plan sets up how the CRHC will meet its total five-year commitment of \$11.0M in routine capital works within this timeframe.

ALTERNATIVES

Alternative 1

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

1. a) That the Capital Region Housing Corporation Umbrella Operating Agreement (UOA) Updated Five-Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the UOA 2024 Routine Capital Plan.
2. a) That the Independent Living BC 2 (ILBC2) Updated Five-Year Routine Capital Plan 2024-2028 be approved; and
b) That staff be authorized to implement the ILBC2 2024 Routine Capital Plan.
3. a) That the No Operating Agreement (NOA) Updated Five-Year Routine Capital Plan 2024-2028 be approved; and
b) That staff be authorized to implement the NOA 2024 Routine Capital Plan.
4. a) That the Investment in Housing Innovation (IHI) Updated Five-Year Routine Capital Plan 2024-2028 be approved; and
b) That staff be authorized to implement the IHI 2024 Routine Capital Plan.

5. a) That the Regional Housing First Program (RHFP) Updated Five-Year Routine Capital Plan 2024-2028 be approved; and
b) That staff be authorized to implement the RHFP 2024 Routine Capital Plan.
6. a) That the Community Housing Fund (CHF) Five-Year Routine Capital Plan 2024-2028 be approved; and
b) That staff be authorized to implement the CHF 2024 Routine Capital Plan.

Alternative 2

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

1. a) That the Capital Region Housing Corporation Umbrella Operating Agreement (UOA) Updated Five-Year Routine Capital Plan 2020-2024 be approved as amended; and
b) That staff be authorized to implement the UOA 2024 Routine Capital Plan.
2. a) That the Independent Living BC 2 (ILBC2) Updated Five-Year Routine Capital Plan 2024-2028 be approved as amended; and
b) That staff be authorized to implement the ILBC2 2024 Routine Capital Plan.
3. a) That the No Operating Agreement (NOA) Updated Five-Year Routine Capital Plan 2024-2028 be approved as amended; and
b) That staff be authorized to implement the NOA 2024 Routine Capital Plan.
4. a) That the Investment in Housing Innovation (IHI) Updated Five-Year Routine Capital Plan 2024-2028 be approved as amended; and
b) That staff be authorized to implement the IHI 2024 Routine Capital Plan.
5. a) That the Regional Housing First Program (RHFP) Updated Five-Year Routine Capital Plan 2024-2028 be approved as amended; and
b) That staff be authorized to implement the RHFP 2024 Routine Capital Plan.
6. a) That the Community Housing Fund (CHF) Five-Year Routine Capital Plan 2024-2028 be approved as amended; and
b) That staff be authorized to implement the CHF 2024 Routine Capital Plan.

IMPLICATIONS

Financial Implications

1. UOA (38 Properties)

2023 Outcomes

Staff review capital priorities annually and reallocate any unspent funds of the current year Routine Capital Plan into the remaining years. The approved Routine Capital Plan for 2023 was \$4.1M and the estimated actual expenditures are \$2.9M, leaving an unspent variance of \$1.2M or 30%. Under the terms of the UOA, any variance over 10% must be reported to BC Housing. BC Housing will be made aware of the spending shortfall and staff are in the process of submitting a letter to BC Housing outlining how the spending terms of the UOA will be met by the end of 2024, along with the approved updated Routine Capital Plan. This is consistent with the approach in previous years.

Expenditures for the UOA fell behind target due to staffing shortages and residual impacts of the COVID-19 pandemic which were noted during the first quarter of 2023. By increasing staff capacity and sourcing new trade contractors, expenditures are projected to be 60% higher than spent in 2022. Moving forward into 2024, staffing realignments, including a position with a concentration on procurement, will increase resiliency within the CRHC while maintaining the momentum on capital works that was built through 2023. In 2024, staff will continue to prioritize

higher valued projects to meet the UOA routine capital plan obligations. Examples of these higher valued projects to be executed in 2024 are reroofing, exterior painting, paving improvements, and two major fence, deck and stair projects estimated at \$1.5M towards the planned 2024 \$3.5M budget.

Routine Capital Funding Strategies

The estimated balance of the UOA Replacement Reserve (RR) at December 31, 2023 is \$5.9M. A RR contribution of \$173/month per unit (or \$2.2M annual contribution) has been included in the UOA Operating Budget to match the obligations of the Routine Capital Plan. The planned expenditure in the UOA Routine Capital Plan in 2024 is \$3.5M, which would result in approximately \$4.7M remaining in the RR at the end of 2024. It should also be noted that the planned \$3.5M in 2024 will fulfill the obligations of the CRHC under the current UOA 2020-2024 of \$11.0M. Staff are expecting to engage in negotiations about a renewed UOA 2025-2029 through 2024, with the intention to develop funding strategies to address the future shortfalls.

2. ILBC2 (Parry Place)

2023 Outcomes

The 2023 approved plan was \$91 thousand (K); the estimated actual expenditures are \$45K. The estimated December 31, 2023, balance in the RR is \$128K.

Routine Capital Funding Strategies

The ILBC2 Routine Capital Plan is approved by BC Housing and funded through an annual replacement reserve contribution of \$66/month per unit. Staff have updated the Routine Capital Plan based on replacement needs identified through annual inspections of unit and building components. Based on the identified needs, the anticipated projected expenditures under the ILBC2 Routine Capital Plan for 2024 are \$69K.

3. NOA (5 Properties)

2023 Outcomes

The 2023 approved plan was \$383K; the estimated actual expenditures are \$141K. The estimated December 31, 2023 balance of the NOA RR is \$594K.

Routine Capital Funding Strategies

A replacement reserve contribution of \$173/month per unit has been included in the NOA operating budget to match the obligations of the Routine Capital Plan. The planned expenditure in the NOA in 2024 is \$338K.

4. IHI (Westview)

2023 Outcomes

The 2023 approved plan was \$3K; the estimated actual expenditures are \$5K. The anticipated balance of the RR on December 31, 2023 is \$169K.

Routine Capital Funding Strategies

A funding strategy is in place to ensure there are sufficient funds available for the IHI Routine Capital Plan to access in the future, as building components or equipment wear out and need to be replaced. The annual contribution has been set at the \$72/month per unit base rate to meet the anticipated replacement obligations. Staff have completed the 2024-2028 Routine Capital Plan based on identified need determined through annual inspections of unit and building components. Projected expenditures in 2024 are \$22K.

5. RHFP (4 Properties)

2023 Outcomes

As these are newly-opened properties much of the work is carried out through warranty, with some minor items that are not considered warranty items being funded under the Routine Capital Plan. The 2023 approved plan was \$119K; the estimated actual expenditures are \$114K. The estimated December 31, 2023 balance of the RHFP RR is \$1.4M.

Routine Capital Funding Strategies

Staff continue to implement a funding strategy, initially proposed in 2020, to ensure there are sufficient funds available for the RHFP Routine Capital Plan to access in the future, as building components or equipment wear out and need to be replaced. An annual contribution will be transferred from the approved Operating Budgets to the RR through an annual contribution of \$72/month per unit, pro-rated for those buildings anticipated to open part-way through a year. Staff have completed the 2024-2028 Routine Capital Plan based on routine replacement needs identified through annual inspections of unit and building components, with projected expenditures for 2024 determined to be \$292K.

6. CHF (2782 Spencer)

2023 Outcomes

The first CHF-funded project opened in the fall of 2022 and has just concluded the one-year post substantial completion warranty period. The 2023 approved plan was \$8K and there are no estimated actual expenditures.

Routine Capital Funding Strategies

An annual contribution will be transferred from the approved Operating Budgets to the RR through an annual contribution of \$72/month per unit, pro-rated for those buildings anticipated to open part-way through a year. Staff have completed the 2024-2028 Routine Capital Plan based on routine replacement needs identified through annual inspections of unit and building components, with projected expenditures for 2024 determined to be \$24K.

CONCLUSION

Staff are recommending the approval of the UOA, ILBC2, NOA, IHI, RHFP and CHF five-year updated Routine Capital Plans:

- The UOA updated Routine Capital Plan 2020-2024 for \$11M includes 38 properties and allows CRHC increased capacity to determine spending priorities of the UOA accumulated operating surpluses. The routine capital plan projected expenditures for 2024 are \$3.5M.
- The ILBC2 updated Routine Capital Plan 2024-2028 proposes 2024 expenditures of \$69K.
- The NOA updated Routine Capital Plan 2024-2028 proposes 2024 expenditures of \$338K.
- The IHI updated Routine Capital Plan 2024-2028 proposes 2024 expenditures of \$22K.
- The RHFP updated Routine Capital Plan 2024-2028 proposes 2024 expenditures of \$292K.
- The CHF Routine Capital Plan 2024-2028 proposes 2024 expenditures of \$24K.

RECOMMENDATION

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

1. a) That the Capital Region Housing Corporation Umbrella Operating Agreement (UOA) Updated Five-Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the UOA 2024 Routine Capital Plan.
2. a) That the Independent Living BC 2 (ILBC2) Updated Five-Year Routine Capital Plan 2024-2028 be approved; and
b) That staff be authorized to implement the ILBC2 2024 Routine Capital Plan.
3. a) That the No Operating Agreement (NOA) Updated Five-Year Routine Capital Plan 2024-2028 be approved; and
b) That staff be authorized to implement the NOA 2024 Routine Capital Plan.
4. a) That the Investment in Housing Innovation (IHI) Updated Five-Year Routine Capital Plan 2024-2028 be approved; and
b) That staff be authorized to implement the IHI 2024 Routine Capital Plan.
5. a) That the Regional Housing First Program (RHFP) Updated Five-Year Routine Capital Plan 2024-2028 be approved; and
b) That staff be authorized to implement the RHFP 2024 Routine Capital Plan.
6. a) That the Community Housing Fund (CHF) Five-Year Routine Capital Plan 2024-2028 be approved; and
b) That staff be authorized to implement the CHF 2024 Routine Capital Plan.

Submitted by:	Don Elliott, MUP, Senior Manager, Regional Housing
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Rianna Lachance, BCom, CPA, CA, Acting Chief Financial Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS:

- Appendix A: Five Year Routine Expenditure Plan Summary (2024-2028)
Appendix B: Five Year UOA Capital Expenditure Plan Summary (2020-2024)