

REPORT TO HOSPITALS AND HOUSING COMMITTEE MEETING OF WEDNESDAY, MARCH 03, 2021

SUBJECT **Capital Region Housing Corporation Operational Update No. 1, 2021**

ISSUE SUMMARY

To provide the Capital Region Housing Corporation (CRHC) Board with a quarterly update on the operations of the CRHC with a focus on the Operations Budget, Routine Capital and Major Capital plans. This update also includes information on the rent-up of Regional Housing First Program (RHFP) units up to February 12, 2021.

BACKGROUND

The CRHC is a wholly owned subsidiary of the Capital Regional District (CRD) with the mandate to develop and manage affordable housing to meeting the needs of individuals and families residing within the capital region. In working to fulfill its mandate, the CRHC owns and operates 1,773 units of housing providing homes to more than 3,500 residents of the capital region with low to moderate incomes. For 2021, the CRHC budgeted a total of \$23.2 million (M) across five separate operating budgets that were approved by the CRHC Board in December 2020.

The CRHC has a five year (2020-2025) \$11M Routine Capital Plan that is updated annually and was last updated by the CRHC Board in December 2020. In addition to the Routine Capital Plan, the CRHC also has a \$222.9M Major Capital Plan (2021-2025) that was approved by the CRHC Board in December 2020. Currently there are 120 new units under construction and 313 units in development tied to this Plan.

Staff committed to reporting back to the CRHC Board on the rent-up progress for RHFP buildings if the actuals appeared to vary significantly from projections. It is for this reason that this first quarter (Q1) 2021 report is being advanced early to include information related to the rent-up of RHFP units being operated by CRHC.

ALTERNATIVES

Alternative 1

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

That the Capital Region Housing Corporation Operational Update No. 1, 2021 report be received for information.

Alternative 2

That the Capital Region Housing Corporation Operational Update No. 1, 2021 report be referred back to staff for additional information based on Hospitals and Housing Committee direction.

DISCUSSION

Activities and Initiatives

Staff continue to work in support of increasing sense of community within CRHC properties, engaging tenants, improving system operations, working toward targets on unit turnovers, and improving customer service. Ongoing tenant engagement work and the continued support to the

Tenant Advisory Committee (TAC) have been important tools in bridging between CRHC operational policies and procedures and the day-to-day realities of tenants. An overview of the activities of the TAC from 2020 is being advanced in a separate report.

The CRHC continues to experience increased pressures from a highly competitive labour market that is impacting staff's ability to fill vacancies as quickly as planned.

Routine Capital Plan

The updated Five-Year Routine Capital Plan budgeted for \$3.9M in 2021 and staff are actively working to advance needed works. As this staff report is being advanced early, actuals from Q1 are not yet available but the Q2 report will contain greater detail on progress made in moving these projects forward.

Major Capital Plan

The Five-Year Major Capital Plan budgeted for \$54.8M in 2021 across a number of significant capital projects.

Project	2021 Budget	Notes
Caledonia	\$13.8M	Project continues to advance with minor delays in the planning process. Rezoning still expected in the spring of 2021.
Michigan	\$2.3M	Project continues to advance on schedule.
Hockley	\$25.6M	Occupancy permit expected to be issued March 1, 2021. CRHC anticipates taking possession on March 19, 2021 with tenants beginning to move in on March 31/April 1, 2021.
Triway	\$12M	Project continues to advance on schedule.
New CRHC Projects	\$0.6M	Feasibility work currently underway.
CRHC Redevelopment	\$0.5M	Feasibility work expected to be underway in early Q2.

RHFP Unit Turnover and Rent-up

Turnover continues to be a challenge at Millstream Ridge, a 132 unit property in Langford. In 2020, this building had a 48% unit turnover and staff's effort to slow this by introducing a one year term lease versus month to month tenancies has not achieved the anticipated stability. Many have been impacted by unemployment, family composition changes or have been negatively affected by the large scale construction projects on either side of the building. Staff have increased the focus on this building to encourage greater tenant retention as well as working to allocate resources to attenuate the impacts of sound within and outside of the building to increase the quiet enjoyment of residents.

Rent-up at Spencer Close and West Park has been slower than anticipated. Appendix A - Rent-up Snapshot October 5, 2020 – February 12, 2021 contains an overview of these two properties and the vacancies as of February 12, 2021.

Initial budget projections for Spencer Close assumed full rent-up of the property in early March 2021 for both the shelter-rate (CAA) units and the affordable rental units. The CAA units are ahead of schedule with only one unit identified as vacant. Observations of rent-up rates up to February 12, 2021 suggest a full rent-up in early April 2021. This is approximately four weeks behind initial projections.

Initial budget assumptions for West Park assumed full rent-up of the property in early March 2021 for both CAA units and the affordable rental units. The CAA units are ahead of schedule with only three units identified as vacant. In looking at the affordable units in West Park, observations of rent-up rates up to February 12, 2021 suggest a full rent-up later than anticipated. It should be noted that the 1-bed, 1-bath units are only three to four weeks behind initial projections, but the 2-bed, 1-bathroom units and the units identified as accessible are trending slower than budget assumptions.

In response to the rent-up of both Spencer Close and West Park being slower than anticipated, staff are responding with the following actions:

- Increase capacity of the rent-up assist staff from three full time employees (FTE) (auxiliary) to five FTE (auxiliary) to better respond to the high number of inquiries and support sign up;
- Shift focus from Spencer Close to West Park;
- Engage additional marketing support to increase number of contacts and strategic targeting with potential tenants;
- Conduct a rent-level review across the RHFP portfolio to limit the competitiveness across RHFP buildings; and
- Engage additional potential community partners for accessible and two-bedroom units.

It should be noted that Hockley House, a 120 unit apartment building located in the heart of Langford is expected to be ready for tenancies on March 31/April 1, 2021. Staff are currently contacting interested parties from the waitlist and are receiving applications for the CAA units. Hockley House currently has nine pending applications for the CAA units and 16 for the affordable units.

Financial Implications

If the observed trends continue the projected impact on budget will be a deficit as follows:

	<u>Budget</u>	<u>Forecast</u>	<u>Variance</u>
Millstream	(\$145,740)	(\$165,740)	(\$20,000)
Spencer Close	\$52,866	\$55,009	\$2,143
West Park	\$47,448	(\$266,319)	(\$313,767)
Hockley House	\$61,252	\$61,252	\$0
Total Forecast	\$15,826	(\$315,798)	(\$331,624)

At this time, the staff countermeasures are expected to mitigate this estimate. However, if the current trend continues a budget amendment will be required.

Staff have estimated approximately \$416,408 in capital surplus from both West Park and Spencer Close once the 2020 operating results and small-scale capital costs associated with finalizing occupancy and possession are realized due primarily to lower than anticipated interim and take out financing rates. This capital surplus will be applied to address the potential variance from budget within the RHFP portfolio due to the slower than anticipated rent-up.

CONCLUSION

As part of staff's commitment to providing quarterly operational updates to the CRHC Board, the CRHC Operational Update No. 1, 2021 provides a snapshot of issues and items that have a potential to impact the Operations Budget, Routine Capital Plan and the Major Capital Plan. In addition, staff have identified a trend in rent-up of RHFP properties that has the potential to impact the performance of the RHFP portfolio against budget. As this quarterly report was advanced slightly ahead of schedule to include information related to tenant turnover and rent-up, a more fulsome financial picture of 2021 progress will be contained in the Operational Update No. 2 expected in July 2021.

Though the ongoing challenges related to turnover and rent-up rates have the potential to impact the overall 2021 financial performance of the RHFP portfolio, staff have developed and are in the process of implementing a number of activities that have shown a positive impact on the rent-up rates January 1 – February 12, 2021 when compared to October 5 – December 31, 2020. Additionally, staff are actively working to address the high-levels of turnover at Millstream, including working to address sound challenges within the building.

RECOMMENDATION

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

That the Capital Region Housing Corporation Operational Update No. 1, 2021 report be received for information.

Submitted by:	Don Elliott, MUP, Senior Manager, Regional Housing
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT

Appendix A - Rent-up Snapshot October 5, 2020 – February 12, 2021