

**REPORT TO HOSPITALS AND HOUSING COMMITTEE  
MEETING OF WEDNESDAY, JULY 3, 2024**

---

**SUBJECT**     **Capital Plan Status Report, Second Quarter 2024**

**ISSUE SUMMARY**

To provide a quarterly update to the Hospitals and Housing Committee on the Capital Region Housing Corporation (CRHC) *Major Capital Plan (2024-2028)* and *Routine Capital Plan (2024- 2028)*.

**BACKGROUND**

The CRHC is a wholly owned subsidiary of the Capital Regional District (CRD) with the mandate to develop and manage affordable housing to meet the needs of individuals and families residing within the capital region. In working to fulfill its mandate, the CRHC delivers more than 2,000 affordable, attractive, inclusive, and sustainable homes across more than 50 unique properties. In addition, the CRHC currently has 277 homes under construction and with the recent Building BC: Community Housing Fund (CHF) announcement which will provide funding for four new CRHC development projects, the number of homes in development and pre-construction with provisional funding allocations has increased to over 1,000.

In addition to the major capital work, the CRHC has four additional routine capital projects under construction and three additional capital projects scheduled to commence in Quarter three (Q3) 2024 under the *Routine Capital Plan (2024-2028)*.

This report contains projects that have received or are pursuing grant funding through the following programs: Regional Housing First Program (RHFP), Regional Housing Trust Fund (RHTF), Growing Communities Fund (GCF), Community Housing Fund (CHF), Green Municipal Fund (GMF), Capital Renewal Fund (CRF), Community Works Fund (CWF), Canada Mortgage and Housing Corporation's Affordable Housing Fund (CAHF), Saanich's Affordable Housing Fund (SAHF) and Victoria Housing Reserve Fund (VHRF).

**IMPLICATIONS**

**Michigan Square (RHFP, RHTF, VHRF & CHF)**

The Michigan Square Redevelopment is a project in Victoria's James Bay neighbourhood that will provide 97 new affordable rental homes. The redevelopment will see two four-storey wood frame apartment buildings constructed on top of the existing underground parkade. Both the 53-home west building and the 44-home east building are on track to receive the occupancy permit in late June 2024.

Due to the increased borrowing rates that were outlined in the *Capital Status Report, First Quarter 2024*, the original financing budget was insufficient to cover the increased borrowing costs. CRHC staff and BC Housing Management Commission (BCHMC) were able to close the equity gap of approximately \$1.2 million (M) and maintain debt servicing levels by adjusting rent levels on the near-market homes as well as adjusting the operating subsidy. This balanced approach ensures the lowest rent levels possible while also ensuring the completed project will have sufficient revenue to support mortgage costs.

To account for the additional \$1.2M required to cover increased borrowing costs, the CRHC will be required to take on additional mortgage debt. As a result, the approved *Major Capital Plan (2024-2028)* project budget of \$34.3M, with a total of \$11.9M awarded through grants and an equity contribution, must be amended to \$35.4M. Additional details and a recommendation is provided in the *Michigan Square Redevelopment Project Budget Amendment* report and will be considered by the Hospitals and Housing Committee at its July 3, 2024 meeting.

*Caledonia (CHF, RHTF & VHRF)*

Caledonia, is a redevelopment in Victoria's Fernwood neighbourhood that will increase the number of homes onsite from 26 to 158, including 14 three-bedroom homes and eight four-bedroom homes. The final buildout will include five new multi-family residential buildings, consisting of two apartment buildings and three townhouse blocks.

Onsite, wood framing of all five buildings is now complete with building envelope work nearing completion on the two apartment buildings and one townhouse block that sit on top of the parkade structure. Electrical and mechanical rough-in work and drywall installation are underway within the buildings and the project remains on track to receive the occupancy permit in June 2025. The project budget of \$71.0M, with a total of \$20.6M awarded through grants and an equity contribution remains unchanged from the approved *Major Capital Plan (2024-2028)*.

*Carey Lane Building Envelope Remediation (CRF)*

Carey Lane, an existing 22-unit CRHC townhouse complex is currently undergoing a full building envelope remediation (BER) as well as upgrades to the ventilation, heating, and cooling systems. Since work commenced onsite in November 2023, several unforeseen structural conditions have been discovered onsite which are beyond the planned scope of the remediation project. CRHC staff, BCHMC, consultants and the contractor are working to determine the extent of repairs that can be carried out with the remaining project contingency; however, the original budget will be insufficient to address all the necessary structural repairs.

At this time, the project budget of \$6.1M, including a \$5.5M forgivable mortgage through BCHMC's CRF and a \$600 thousand (K) equity contribution funded through the CRHC Portfolio Stabilization Reserve remains unchanged from the approved Major Capital Plan (2024-2028). Once the plan to correct the additional structural repairs has been confirmed, the total estimated cost increase has been identified, and the specific funding source has been identified, staff will return to the Board with a recommended budget amendment. At this time, staff do not anticipate that the CRHC will incur additional capital costs as this BER is being funded primarily through BC Housing.

*Pandora (CHF)*

The Pandora project is a partnership between the City of Victoria, BCHMC and the CRHC to build non-market rental homes and create new community space in the North Park neighbourhood. Once complete, the CRHC will lease an air-space parcel and operate approximately 158 affordable rental homes.

Currently, CRHC staff and BCHMC are in the final stages of procuring a Construction Manager for the project. Once the contract has been awarded, a Class C estimate will be undertaken to update the preliminary budget based on the Building Permit Drawings and the anticipated construction means and methods. CRHC staff anticipate upward pressure on development costs as the estimates are updated and refined and will update the Major Capital Plan as required. The preliminary budget for the affordable housing component of this project remains unchanged and is \$83.4M, including \$25.0M in grant funding.

161 Drake Road (CWF)

161 Drake Road is a 5.5-acre property on Salt Spring Island that is owned by the CRD. In early 2022, lease discussions between the CRD and the BCHMC were initiated and in April 2023 the lease was registered. The lease facilitates BCHMC's ability to develop permanent supportive housing on the property.

The CRHC's interest in this property was limited to future development opportunity and the current project is in progress with updates provided through [BCHMC](#).

Campus View (RHFP, RHTF, GMF, SAHF)

Campus View is an existing 12-unit CRHC townhouse complex located in the Gordon Head neighbourhood of Saanich. This site is a high priority redevelopment which will see the number of homes increase to 119, including 23 net-new three-bedroom homes. The Development Permit was issued on May 14, 2024, and the consultant team is working to advance the design development drawings in preparation for the targeted BCHMC design review in September 2024.

The project budget of \$55.6M, with a total of \$11.6M in secured grant funding and an additional \$5.0M being pursued through the GMF remains unchanged from the approved *Major Capital Plan (2024-2028)*. However, the project maintains an equity gap of approximately \$6.8M which staff are actively working to close.

Village on the Green (RHFP, RHTF, GCF)

Village on the Green, a CRHC owned complex located in Victoria's Fernwood neighbourhood, was identified as a property with significant redevelopment potential. The proposed redevelopment will see the number of homes increase from 38 homes to 140 homes, including 15 net-new three-bedroom homes. Staff applied to the VHRF earlier this quarter and continue to work with the consultant team to advance the design development drawings in preparation for the targeted BCHMC design review in August 2024.

The project budget of \$64.8M, with a total of \$18.4M in secured grant funding and an additional \$7.0M identified through potential funding sources, remains unchanged from the approved *Major Capital Plan (2024-2028)*. However, the project budget continues to carry an equity gap of approximately \$3.6M which staff are actively looking to close.

Verdier (RHFP)

Located in Brentwood Bay Village, 1183 Verdier Avenue is an existing commercial property, consisting of a four-unit strip mall that is nearing the end of its useful life. The CRD has an accepted conditional offer to purchase the property through the RHFP. Once acquired by the CRD, the property will be leased to the CRHC for the purpose of developing up to 110 new affordable rental homes, including approximately 2,000 square feet of commercial space.

The project budget of \$69.1M, including the cost of land, is based on a Class D estimate that was carried out in October 2023 and includes \$17.4M in grant funding through the CHF, \$5.1M through the RHFP and \$5.6M identified through potential funding sources. Staff are currently working with the District of Central Saanich to advance Rezoning and Development Permit approvals while progressing the design documents with the consultant team.

Routine Capital Plan

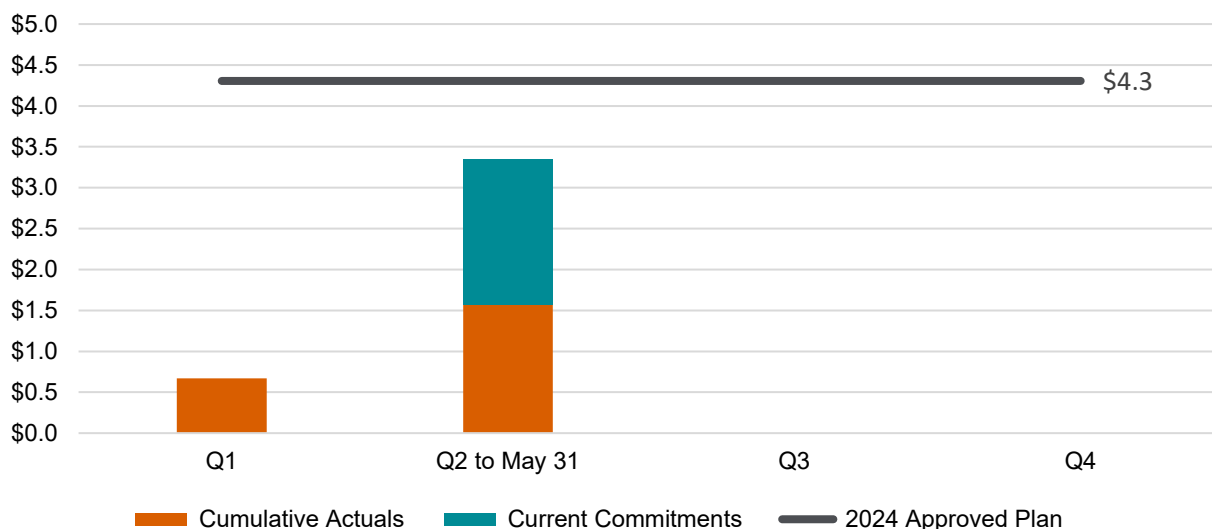
The updated Five-Year Routine Capital Plan has a budget of \$4.3M in 2024, including \$3.5M allocated to the Umbrella Operating Agreement (UOA) portfolio. The existing UOA is set to expire in 2024 and negotiations for a new agreement will be underway by Q3 2024. In anticipation of the

new agreement, capital spending in the UOA portfolio has been prioritized to ensure all agreed to funds are committed and obligations under the agreement are met prior to the expiration of the current UOA.

In Q2 2024, CRHC staff advanced four projects in the UOA portfolio, ranging from deck and fencing replacement to portfolio wide building condition assessments. Additionally, three capital projects are in the final stages of planning and pre-construction activities with construction scheduled to commence in Q3 2024.

Staff have undertaken a significant volume of routine capital works throughout Q1 and Q2 2024 and as of May 31, 2024, \$3.3M of the forecasted \$4.3M Five-Year Routine Capital Plan budget has been spent and/or committed.

**Figure 1: Routine Capital Plan Expenditures (\$M)**



**CONCLUSION**

As part of staff’s commitment to providing updates to the CRHC Board, the CRHC Capital Plan Status Report provides a snapshot of issues and items that have a potential to impact the *Major Capital Plan (2024-2028)* and *Routine Capital Plan (2024-2028)*. Ongoing skilled labour shortages, supply chain issues, global inflation and increased financing costs are factors affecting all CRHC capital projects. Despite these impacts staff continue to advance this critical work and look for innovative ways to access funding and execute capital works. Committed costs under the *Routine Capital Plan (2024-2028)* are ahead of schedule to ensure 2024 targets are met.

Separately, active projects within the *Major Capital Plan (2024-2028)* are experiencing schedule delays and financing cost overages. Although a forthcoming budget amendment is required to cover increased borrowing costs on the Michigan Square Redevelopment, as of Q2 2024, all other CRHC Major Capital Projects are in alignment with the *Major Capital Plan (2024-2028)*.

**RECOMMENDATION**

There is no recommendation. This report is for information only.

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