

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

SUBJECT 2024 Administration, Development Services & Routine Services Budgets

ISSUE SUMMARY

To provide the Capital Region Housing Corporation (CRHC) Board a review of estimated revenues and expenditures for the 2023 operating year, the 2024 Administration, Development Services and Routine Services Budgets for approval and forecasted budgets 2025-2028.

BACKGROUND

The CRHC's fiscal year is January 1 to December 31. Final budget approval by the Board must be completed by December 31, 2023.

Administration Budget

The Administration Budget includes costs to the CRHC associated with overall corporate management such as salaries and benefits, Capital Regional District (CRD) corporate allocations, Regional Housing service delivery allocations, consultants, legal fees, and office operating costs. The Administration Budget is primarily funded by property management fees charged to the more than 50 CRHC buildings. In the Administration Budget, the management fees are represented as revenue; and, in the building operating budgets, the management fees are represented as expenditures. Other sources of revenue include property management fees from other housing societies, interest income and transfers from the Corporation Stabilization Reserve (CSR).

The CSR was originally created through surplus development fees received throughout its 1983-2008 affordable housing development projects. The use of the CSR is at the discretion of the CRHC Board. Annually, the Administrative Budget transfers any operating surplus/(deficits) to the CSR. In 2023, the CRHC Board authorized the creation of a new Development Services Reserve (DSR) to separate surplus for the purpose of stabilizing core operations from surplus to be used for development feasibility and administration.

Development Services Budget

The CRHC Board approved the *CRHC Portfolio Renewal, Redevelopment and Development Strategy* in August 2016. The Development Services Budget is required to implement the strategy and includes costs to CRHC associated with the development, redevelopment, and renewal of existing housing stock.

During the pre-development phase of a potential capital project, the cost for feasibility studies, preparation of grant applications and the salaries and overhead for Development Services has been recovered through the DSR, if required. Once a project is approved, required staff salaries will be recovered through approved capital projects. Development costs from the projects are captured in the Major Capital Plan (MCP).

Routine Replacement Services Budget

A new operational team was established in response to the CRD Goal: Protect and maintain non-market and market rental housing stock and through the CRD Initiative: *Support continued investment into existing housing stock to preserve and enhance the quality of the buildings and units*. Through re-organization and an increase in staffing resources (IBC 5b-1.1), the Routine

Replacement Services team will advance the routine capital replacement program for all portfolios and actively pursue new building envelope remediation projects in response to the aging housing stock. All costs associated with the Routine Replacement Services team will be paid through the CRHC Replacement Reserves.

ALTERNATIVES

Alternative 1

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

1. That the Capital Region Housing Corporation 2024 Administration Budget be approved;
2. That the Capital Region Housing Corporation 2024 Development Services Budget be approved; and
3. That the Capital Region Housing Corporation 2024 Routine Replacement Services Budget be approved.

Alternative 2

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

1. That the Capital Region Housing Corporation 2024 Administration Budget be approved as amended;
2. That the Capital Region Housing Corporation 2024 Development Services Budget be approved as amended; and
3. That the Capital Region Housing Corporation 2024 Routine Replacement Services Budget be approved as amended.

IMPLICATIONS

Administration Budget (Appendix A)

Table 1: Summary of 2023 estimated revenue/expenditures and 2024 proposed budget

| Administration Budget (Appendix A) | | | | | |
|---|------------------------------------|---------------------------|-----------------------------|-------------------------------------|---|
| | 2023 Amended Budget | 2023 Estimates | 2023 Variance \$ | 2024 Proposed Budget | 2023-2024 Budget Change \$ |
| Total Revenue | 3,586,854 | 3,691,727 | 104,873 | 3,818,334 | 231,481 |
| Total Expenditures | (3,586,854) | (3,188,047) | 398,806 | (3,818,334) | 231,481 |
| Operating Surplus/(Deficit) | - | 503,680 | 503,679 | - | - |

At the end of 2023, there is estimated to be a net favourable operating surplus of \$504 thousand (K) in the Administrative Operating budget, due to slightly higher than budgeted property management fees and one-time staffing vacancies.

Staff are proposing 2024 Administration Budget expenditures of \$3.8 million (M). This represents a proposed total expenditure increase of \$231K or 6.5% over 2023. The increase is driven primarily by increased costs in salaries and benefits, increased allocations to the CRD, and increases in anticipated consultants, legal, and audit costs. The proposed budget also includes increases in training and tenant engagement.

Explanations for budget line variances +/-10% and \$10K can be found in the Appendix A notes.

Development Services Budget (Appendix B)

Table 2: Summary of 2023 estimated revenue/expenditures and 2024 proposed budget

| Development Services Budget (Appendix B) | | | | | |
|---|------------------------------------|---------------------------|-----------------------------|-------------------------------------|---|
| | 2023 Amended Budget | 2023 Estimates | 2023 Variance \$ | 2024 Proposed Budget | 2023-2024 Budget Change \$ |
| Total Revenue | 838,851 | 670,828 | (168,023) | 1,481,337 | 642,486 |
| Total Expenditures | (801,498) | (511,535) | 289,963 | (1,176,033) | 374,535 |
| Operating Surplus/(Deficit) | 37,353 | 159,293 | 121,940 | 305,304 | 267,951 |

Even though revenues in 2023 were lower than expected, staff estimate a \$159K positive variance due to a deferral of various fees and costs and residual project funds from the Prosser development. Additionally, salaries and benefits were more than 50% below budget due to staff vacancies. The 2023 estimated surplus of \$159K will be transferred to the Development Services Stabilization Reserve, which was established by the Board in 2022.

Staff are proposing 2024 Development Services Budget expenditures of \$1.2M. This represents an expenditure increase of \$375K or 47% over 2023 and is driven and funded by approved capital projects based on a standard project fee. Funding required for the project management staff has been included in the Major Capital Plan proposed for approval.

Explanations for budget line variances +/-10% and \$10K can be found in the Appendix B notes.

Routine Replacement Services Budget (Appendix C)

Table 3: Summary of 2023 estimated revenue/expenditures and 2024 proposed budget

| Routine Replacement Services Budget (Appendix C) | | | | | |
|---|------------------------------------|---------------------------|-----------------------------|-------------------------------------|---|
| | 2023 Amended Budget | 2023 Estimates | 2023 Variance \$ | 2024 Proposed Budget | 2023-2024 Budget Change \$ |
| Total Revenue | - | - | - | 591,142 | 591,142 |
| Total Expenditures | - | - | - | (591,142) | 591,142 |
| Operating Surplus/(Deficit) | - | - | - | - | - |

2024 is the first budget year for the newly established Routine Capital Replacement Services team. Staff are proposing 2024 expenditures of \$591K, which consist of salaries, allocations, consulting, and office overhead costs.

Salaries represent \$422K of the proposed expenditures and consist of 2.0 FTE Administrative Coordinator positions transferred from the Administrative Budget, 1.0 FTE Senior Project Engineer term position transferred from the Development Services Budget and extended to 2024-2028 by IBC 5b-1.1, and 1.0 FTE Administrative Clerk, a new term position advanced by 2024 IBC 5b-1.1 Improving Existing Housing Stock. All expenditures will be incurred to advance work recovered by routine capital replacement reserves.

Explanations for significant budget line items can be found in the Appendix C notes.

CONCLUSION

The Administration Budget includes costs to CRHC associated with overall corporate management. In 2024, there is a proposed increase of \$231K. Staff are proposing a 2024 Budget of \$3.8M in expenditures to fund overall corporate management.

In 2024, there is a proposed increase to the Development Services Budget of \$375K and staff are proposing \$1.2M in expenditures in 2024 to fund costs associated with advancing the Major Capital Plan.

A newly created Routine Capital Replacement Services budget of \$591K for 2024 works to ensure that sufficient resources are allocated in support of protecting and maintaining non-market and market rental housing stock and ensuring continued investment into existing housing stock to preserve and enhance the quality of the buildings and units. This budget supports the Routine Replacement Services team and will advance the routine capital replacement program for all portfolios and actively pursue new building envelope remediation projects in response to the aging housing stock.

RECOMMENDATION

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

1. That the Capital Region Housing Corporation 2024 Administration Budget be approved
2. That the Capital Region Housing Corporation 2024 Development Services Budget be approved; and
3. That the Capital Region Housing Corporation 2024 Routine Replacement Services Budget be approved.

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| 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: 2024 Administration Budget
Appendix B: 2024 Development Services Budget
Appendix C: 2024 Routine Capital Replacement Services Budget