



**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, JULY 07, 2021**

SUBJECT Capital Region Housing Corporation Financial Plan Amendments

ISSUE SUMMARY

To amend the Capital Region Housing Corporation (CRHC) 2021 Operating Budget and 2021-2025 Major Capital Plan.

BACKGROUND

On December 9, 2020, the CRHC Board approved the 2021 Operating Budget and 2021-2025 Major Capital Plan. Since approval, there has been a number of revised assumptions resulting in required amendments to both the operating and capital plans.

From time to time within a calendar year, amendments to the financial plan will be made for certainty. Amendments will occur for material changes in assumptions or estimates typically for recognition of grants received, capital expenditures opportunities identified in year and/or unforeseen or emergency circumstances.

Operating Budgets Amendments

Amendments to the Operating Budgets were prompted by the following circumstances:

- At the March 2021 CRHC Board meeting, staff presented Operational Update No. 1, 2021, highlighting a variance between the occupancy assumptions in new Regional Housing First Program (RHFP) buildings used in budget and actual experience as buildings opened. With six (6) months of experience through 2021, and as currently reported in Operational Update No. 2, 2021, staff have developed revised assumptions resulting in a material impact in tenant revenue (reduction) and utilities costs (reduction) for the calendar year.
- Offsetting impacts in the RHFP portfolio, staff have forecasted a positive variance in CRHC administration and salary expenses due to vacancies and changes in timing of hiring.
- Additionally, following a multi-year BC Assessment evaluation, staff were notified in March that a number of CRHC owned properties were reclassified from taxable to non-taxable status, resulting in a change in property tax expense estimates (reduction) for the 2021 operating budgets. Appendix D includes a jurisdictional listing of changes in property taxes by property.

Table 1 highlights the 2021 impact of the proposed amendments to the CRHC Operating Budgets:

Table 1: Summary of 2021 Operating Budget Amendments

Portfolio Name	Description	Net Impact (\$) Favourable/(Unfavourable)	Funding/Impact
ADMIN	One-time Salary Variance	200,000	To Reserve
UOA	Property Tax Exemption Impact	232,710	To Reserve
ILBC	Property Tax Exemption Impact	5,829	To Reserve

Portfolio Name	Description	Net Impact (\$) Favourable/(Unfavourable)	Funding/Impact
NOA	Property Tax Exemption Impact	61,906	To Reserve
RHFP	Revised Rent-Up and Cost Assumptions	(1,113,611)	Reserve & Grants

ADMIN = Administration and Development Services; UOA = Umbrella Operating Agreement; ILBC = Independent Living BC Program Agreement; NOA = No Operating Agreement; RHFP = Regional Housing First Program Agreement

Appendix A includes the revised Operating Budgets reflective of these amendments.

Capital Plan Amendments

Amendments to the Capital Plan were prompted by the following changes:

- As a result of prolonged lease negotiations with School District 61, the Caledonia redevelopment project is expected to begin construction in January 2022 with a 30-month construction period. This is a change in timing.
- On April 14, 2021, the Triway capital budget increase of \$406,254 was approved by the CRHC Board. The amendment captures the increase in budget and also updates the timing of expenditures between 2021 and 2022 for current estimates. The Triway project remains on schedule for October 2022 completion.
- On April 14, 2021, the Prosser project was approved by the CRHC Board.

Table 2 lists the net impact to the 2021-2025 Major Capital Plan as a result of the proposed amendments.

Table 2: Changes in 5-Year Major Capital Plan

Project Name	Description	2021 Impact	2022-2025	Net impact
Caledonia	Construction deferred to early 2022. Project completion extended to 2024.	(13,275,632)	13,275,632	0
Triway	Project budget increase and deferral of activity to 2022, still on plan for October 2022.	(5,355,601)	5,761,855	406,254
Prosser	Turnkey purchase: deposit in 2021, balance in Q1 2022.	505,000	16,476,555	16,981,555
CRHC New Projects	Reduce general projects in capital plan with the approval of Prosser	(505,000)	(16,476,555)	(16,981,555)

Appendix B includes the revised 2021-2025 Major Capital Plan reflective of these amendments.

ALTERNATIVES

Alternative 1

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

That the Capital Region Housing Corporation Operating Budgets Amendments and the Capital Region Housing Corporation Major Capital Plan Amendments be approved as attached.

Alternative 2

That this report be referred back to staff for additional information.

IMPLICATIONS

Financial Implications

Operating Budgets Amendments

Administration Portfolio

Due to vacancies and a change in timing when positions are filled, the CRHC Administration budget is forecasted to have a surplus of approximately \$200,000 in 2021. This surplus will flow into the Corporate Stabilization Reserve and partially replenish funds which have been used to balance the RHFP Portfolio budget.

UOA, ILBC and NOA Portfolios

Properties owned by the CRHC received tax-exempt status after a revised ruling by BC Assessment in the spring of 2021. This change has a favourable impact on the UOA, ILBC, and NOA Portfolio budgets.

RHFP

As reported in the accompanying July report to the Committee, Operational Update No. 2, 2021, RHFP portfolio assumptions on vacancy rates and occupancy rent-up periods are different than originally planned and are now being incorporated in the amended financial plan.

Table 3 below summarizes the net impact of amendments by property. The amendments include a change in occupancy assumptions resulting in reduced rental and parking revenue, as well as reduced utilities costs. Offsetting the decrease in Utilities expense is an increase in property taxes; properties purchased by the CRD early in the year do not receive tax-exempt status until their second year of ownership.

Table 3: Net Impact of Amendments by Property

Property Name	Net Impact (\$)
Millstream Ridge (Feb 2019)	53,666
West Park (Dec 2020)	746,849
Spencer Close (Dec 2020)	70,937
Hockley House (Apr 2021)	242,159
Total impact	1,113,611

RHFP Funding

To fund the reduced revenue in the RHFP Portfolio budget, the following funding sources have been included in the proposed amendment:

Table 4: Funding Sources RHFP Amendment

Funding Source	Amount
Capital project remaining funds	523,871
Transfer from Corporate Stabilization Reserve ¹	500,000
RHFP portfolio deficit to Equity	89,740
Total Funding	1,113,611

¹ The Corporate Stabilization Reserve is made up of unrestricted past surpluses from administration and capital projects.

Three recent RHFP capital projects have remaining surplus funds after construction due to savings in soft costs and unused contingencies. With funding sources fixed in advance these are one-time surplus funds. Staff propose transferring these surpluses the reduction in tenant revenue in the first year of operations.

The Corporate Stabilization Reserve (CSR) will have a forecasted balance of approximately \$700,000 at December 31, 2021. Staff are proposing a one-time transfer of \$500,000 from the CSR to the RHFP Operating budget. A reserve schedule is included in Appendix C, providing historical activity and balances.

Capital Plan Amendments

The capital plan amendments align the plan to Board-approved project budgets. The capital projects are funded through grants and mortgages payable.

CONCLUSION

Operating budget amendments are proposed for the CRHC to address material forecasted changes for the 2021 fiscal year, and to revise the 2021-2025 CRHC Major Capital Plan to incorporate known changes to capital project timelines. Staff recommend that the 2021 CRHC Operating Budgets Amendments and Major Capital Plan Amendments be approved by the CRHC Board.

RECOMMENDATION

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

That the Capital Region Housing Corporation Operating Budgets Amendments and the Capital Region Housing Corporation Major Capital Plan Amendments be approved as attached.

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

ATTACHMENT(S):

- Appendix A: 2021 CRHC Amended Operating Budgets
- Appendix B: 2021-2025 CRHC Amended Major Capital Plan
- Appendix C: CRHC Corporate Stabilization Reserve Continuity Schedule 2021
- Appendix D: CRHC Property Tax Amendment by Municipality