

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, SEPTEMBER 4, 2024**

SUBJECT **Carey Lane Building Envelope Remediation Budget Amendment and Capital Region Housing Corporation Major Capital Plan (2024-2028) Amendment**

ISSUE SUMMARY

BC Housing Management Commission (BCHMC) requires a resolution from the Capital Region Housing Corporation (CRHC) Board of Directors to authorize the execution of the financing and mortgage documents relating to the budget amendment on the Carey Lane Building Envelope Remediation (BER) project.

The Policy to Determine Delegation of Authority for the CRHC requires that all documents relating to mortgages valued over \$500,000 be approved by the CRHC Board.

BACKGROUND

Carey Lane is a 22-unit townhouse complex located at 3910 Carey Road in the District of Saanich which was constructed in 1989. Through the CRHC Portfolio Renewal, Redevelopment and Development Strategy (2016-2021), Carey Lane was identified as a priority property for a BER, based on the recommendations from the 2019 Building Enclosure Condition Assessment Report (BECA). The BECA identified a need to address the replacement of ailing building components that have exceeded their useful service life, such as aluminum framed windows, and the surface applied cladding that does not incorporate a rainscreen wall system.

Funding was secured in late-2021 under BCHMC's Capital Renewal Fund (CRF). Unlike other BCHMC funding programs, such as the Community Housing Fund, a condition of the CRF is that BCHMC staff assume the project management and decision-making functions of the capital project. Under this program, CRHC staff work collaboratively with BCHMC staff but do not retain decision-making authority over scope, cost, procurement, and project execution.

Design work was underway in early-2022 based on the Prime Consultant's recommendations from the 2022 Detailed Evaluation Report. The report findings identified limited moisture damage on the underside of plywood sheathing within the attic space of several units. However, it was determined that replacement of the asphalt roof shingles and plywood roof sheathing as part of the BER project was not considered within scope. The rationale was that the roof shingles are approximately 15-years through their 30-year expected lifespan which did not warrant full replacement. Instead, the Prime Consultant recommended the replacement of problematic roof vents that may be allowing water ingress as well as treating the underside of the affected plywood sheathing with a wood preservative.

Once construction began in November 2023, the contractor began routing electrical wiring through the attics which resulted in the discovery of unanticipated structural defects. From there, the contractor conducted further examination of the proposed attic repairs, including destructive investigation of concealed components within the attic space under the direction of a structural engineer who was hired once these issues were uncovered. Additional structural damage was encountered which included compromised roof trusses and undersized roof sheathing that does not meet the requirements of the current BC Building Code if the building was constructed today.

As a result of the structural issues, the BER work was interrupted at upper levels of the townhouses as construction crews and equipment could not be loaded on to the lower roofs which is required to access the second level building envelope. See Appendix A for further detail. Additionally, the structural engineer has determined that the overall roof truss system must be repaired prior to the winter months when the risk of potential snow fall loading is high. To advance this work, the homes will need to be temporarily vacated due to the potential of the roof truss system failing under potential snow loading and possible inclement weather events.

ALTERNATIVES

Alternative 1

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

- 1) That the Resolution of Directors in the form required by BC Housing Management Commission for the purposes of authorizing the execution of the Loan and Mortgage documents for the Carey Lane Building Envelope Remediation project (PID 012-067-032), substantially in the form attached hereto as Appendix B, be approved; and
- 2) That the Capital Region Housing Corporation Major Capital Plan (2024-2028) be approved as amended in Appendix C.

Alternative 2

That this report be referred to staff for additional information based on the Hospitals and Housing Committee's direction.

IMPLICATIONS

Financial Implications

In September 2023, the CRHC Board approved the Carey Lane BER mortgage registration and final budget of \$6.1 million (M) which included \$5.5M in the form of a forgivable mortgage through BCHMC's CRF and \$600 thousand (K) from the CRHC's Portfolio Stabilization Reserve. In August 2024, BCHMC's Executive Committee approved an increase to the forgivable mortgage from \$5.5M to \$9.9M to account for the expanded scope of work relating to the roof system repairs. The increased forgivable mortgage will cover the additional project costs, limiting the budget increase from impacting the CRHC.

Table 1: Total Approved Capital Budget and Recommended Budget Revision

Budget Description	2023 Approved Budget	2024 Proposed Total Budget	Proposed Budget Increase
Hard Costs	\$ 4,584,555	\$ 7,973,095	\$ 3,388,540
Soft Costs	\$ 338,000	\$ 758,000	\$ 420,000
Contingency	\$ 1,127,445	\$ 1,808,237	\$ 680,792
Total Project Costs	\$ 6,050,000	\$ 10,539,332	\$ 4,489,332
CRHC Equity	-\$ (600,000)	-\$ (600,000)	\$ -
Capital Renewal Fund	-\$ (5,450,000)	-\$ (9,939,332)	-\$ (4,489,332)
Total Equity/Deductions	-\$ (6,050,000)	-\$ (10,539,332)	-\$ (4,489,332)
Forgivable Mortgage Principal	\$ 5,450,000	\$ 9,939,332	\$ 4,489,332

The increased forgivable mortgage will be registered on the property title and includes a covenant stipulating that the CRHC will continue to operate the units for the intended purpose of housing low-to-moderate income households. The mortgage principal will be forgiven at a rate of 1/10 per year and no interest will be accrued over the 10-year term. In the event of a default by the CRHC, interest is payable on the balance of the principal outstanding under the loan at a rate equal to the Royal Bank of Canada Prime Rate plus 2% per year until the loan is repaid.

As a result of the Carey Lane BER project budget increase, an amendment to the CRHC's Major Capital Plan (2024-2028) is required to reflect the budget increase and the anticipated 2024 expenditures. The required amendments are reflected in Appendix C, CRHC Major Capital Plan (2024-2028) Amendment.

Service Delivery Implications

For the health and safety of tenants and their families, and to facilitate the necessary structural repairs, tenants must be temporarily relocated to another CRHC property while their current home is under repair. The current estimated time required to make the structural repairs is approximately three months per townhouse block. This means that tenants must be temporarily relocated, block-by-block, as the contractor advances the repairs in phases.

In alignment with the CRHC's Tenant Relocation Policy, staff are meeting with each household to develop individualized Tenant Relocation Plans. No eligible tenants will lose their housing at Carey Lane. Each family grouping, and their needs, will be reviewed on a case-by-case basis. The Tenant Relocation Plans will support tenants in moving to an existing CRHC home at another location or with another social housing provider. All tenants have been put in contact with a member of the CRHC Tenant Services and Tenant Engagement team to assist with any questions and planning.

Additionally, provisions for an insured moving company or a flat-rate payout for moving expenses will be included in the Tenant Relocation Plans in accordance with the Tenant Relocation Policy. When the tenant's home at Carey Lane is fully remediated, the tenant will have the option to return to their original home at Carey Lane at the same rent level or remain in their current home.

CONCLUSION

The budget for the Carey Lane BER project has a shortfall of approximately \$4.5M due to unforeseen structural conditions affecting the roof system on all townhouse blocks. BCHMC has approved \$4.5M in additional grant funding through the CRF which increased the value of the forgivable mortgage to \$9.9M. As a result, an updated Resolution of Directors is required to reflect the updated forgivable mortgage value. The CRHC will not be impacted by the increased budget or the revised forgivable mortgage value. Additionally, an amendment to the CRHC Major Capital Plan (2024-2028) is necessary to account for the budget increase and the 2024 expenditure forecast.

Due to health and safety risks, tenants must be temporarily relocated for approximately three months while the repair work is carried out. CRHC's Tenant Relocation Policy is in place to support tenants during these temporary relocations. Although these unforeseen structural conditions create additional burden on tenants, once complete, the expanded BER project will provide long-term benefits by extending the life of these homes and improving comfort and housing security for the tenants of Carey Lane for years to come.

RECOMMENDATION

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

- 1) That the Resolution of Directors in the form required by BC Housing Management Commission for the purposes of authorizing the execution of the Loan and Mortgage documents for the Carey Lane Building Envelope Remediation project (PID 012-067-032), substantially in the form attached hereto as Appendix B, be approved; and
- 2) That the Capital Region Housing Corporation Major Capital Plan (2024-2028) be approved as amended in Appendix C.

Submitted by:	Rob Fowles, Manager, Planning and Capital Projects
Concurrence:	Don Elliott, BA, MUP, Acting General Manager, Planning & Protective Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Kristen Morley, Acting Chief Administrative Officer

ATTACHMENTS:

Appendix A: Project Photos

Appendix B: Draft Certified Resolution of Directors – Forgivable Mortgage

Appendix C: CRHC Major Capital Plan (2024-2028) Amendment