

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, JULY 2, 2025**

SUBJECT **Caledonia Affordable Housing Redevelopment – Budget Amendment and Capital Region Housing Corporation Major Capital Plan (2025-2029) Amendment**

ISSUE SUMMARY

The BC Housing Management Commission (BCHMC) requires a Resolution of Directors from the Capital Region Housing Corporation (CRHC) Board of Directors to approve the budget amendment on the Caledonia Redevelopment project and to authorize the execution of the financing and mortgage documents related to it. The Policy to Determine Delegation of Authority for the CRHC requires that all documents relating to mortgages valued over \$500 thousand (K) be approved by the CRHC Board.

BACKGROUND

In November 2024, the CRHC Board approved the Major Capital Plan (2025-2029) (MCP), which included a total budget of \$73.6 million (M) for Caledonia Affordable Housing project. As outlined in the CRHC 2025 Quarter 1 Update from June 2025, the project is experiencing a budget shortfall of \$1.4M.

ALTERNATIVES

Alternative 1

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

1. That the Caledonia Redevelopment project budget and the Capital Region Housing Corporation Major Capital Plan (2025-2029) be approved as amended in Appendix B;
2. That the Resolution of Directors required by BC Housing Management Commission for the purpose of authorizing the execution of the loan and mortgage documents for the Caledonia Redevelopment project (PID 031-731-848), substantially attached as Appendix A, be approved; and
3. That \$882,392 in surplus capital funding from the Michigan Square Redevelopment project be reallocated to the Caledonia Redevelopment project to offset the budget shortfall.

Alternative 2

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

IMPLICATIONS

Financial Implications

Caledonia Redevelopment project is currently experiencing budget pressure due to a number of unforeseen conditions and external factors. Part of the pressures are the result of inadequate shorth-term financing.

Of the total project budget approved in June 2022, \$1.2M was allocated for interim construction financing, based on BCHMC's preferred interest rates. Under the funding program, the project must apply BCHMC's interest rate assumptions, including the variable interim borrowing rates which included projections over the course of construction. Due to cost pressures experienced throughout the project, initial short-term construction financing allowances were inadequate. See Table 1 for more details.

Table 1: Interest Rate Analysis

	Interest Rate at Project Commencement (June 2022)	Projected Rate Over Project Duration (June 2022)	Projected Interest Rate at Project Completion (June 2025)
Interim Borrowing Rate	2.30%	2.60%	3.32%**
Take-Out Borrowing Rate	4.00%	4.00%	4.38%
Total Cost of Borrowing	\$1.2M	\$1.2M	\$3.8M
** Variable interim borrowing rate peaked at 5.66% in November 2023			

At project completion, the short-term financing and interest costs accrued during construction will be consolidated into the overall take-out mortgage as part of the repayable loan. The current forecast estimates total project financing costs at approximately \$3.8M, resulting in a budget impact of \$2.6M.

In addition to the financing cost shortfall, the project is experiencing pressure on the contingency budget due to other unforeseen factors. These include the remediation of contaminated soils, unanticipated Capital Region Emergency Service Telecommunications (CREST) system requirements, increased municipal connection fees, permit delays that have led to higher insurance costs, and additional consultant fees related to on-and-offsite redesign work. Due to financing shortfall and unforeseen conditions, the total project budget has increased by approximately \$1.4 million.

The original intent was to absorb these unplanned costs within the existing contingency budget. However, in Q1 2025, the construction manager provided a schedule update indicating an extended project completion date driven by soil remediation and permitting delays, and the complexity of constructing five distinct buildings simultaneously. These delays resulted in additional costs that could no longer be absorbed within the remaining contingency.

As a result, a funding request was submitted to BC Housing Management Commission (BCHMC) to increase the overall project budget to \$75.0 million to accommodate these unforeseen expenses. The revised project budget was approved by BCHMC in March 2025.

The amendment was made possible without increasing debt servicing levels by reprofiling \$882,000 in surplus capital funds from the Michigan Square Redevelopment Project, adjusting near-market rent levels, and securing an increase to the operating subsidy from BCHMC.

Table 2: Total Approved Capital Budget & Recommended Budget Updates

	Project Budget MCP (2025-2029)	Proposed Budget July 2025	Increase from June 2022
Gross Capital Budget	\$ 73,586,979.00	\$ 75,004,723.00	\$ 1,417,744.00
<i>CRHC Equity</i>	\$ 1,000,000.00	\$ 1,882,392.00	\$ 882,392.00
<i>Community Housing Fund (CHF)</i>	\$ 18,475,000.00	\$ 18,475,000.00	\$ -
<i>Victoria Housing Reserve Fund (VHRF)</i>	\$ 1,065,000.00	\$ 1,065,000.00	\$ -
Total Equity	\$ 20,540,000.00	\$ 21,422,392.00	\$ 882,392.00
Mortgage Debt Required	\$ 53,046,979.00	\$ 53,582,331.00	\$ 535,352.00
Estimate Subsidy Per Year	\$ 1,535,802.00	\$ 1,590,405.00	\$ 54,603.00

As a result of the Caledonia Redevelopment project budget increase, an amendment to the MCP is required to reflect the budget increase and the anticipated 2025 expenditures. The required amendments are reflected in Appendix B, CRHC Major Capital Plan (2025-2029) Amendment.

CONCLUSION

To ensure successful completion of the Caledonia Redevelopment project, the CRHC Board's approval is required to amend the MCP and authorize the execution of the necessary loan and mortgage documents to reflect the increased mortgage values. The revised project budget of \$75.0M, which is an increase of \$1.4M from the MCP, addressing the unforeseen project costs was approved by BCHMC in March 2025. The equity gap has been closed, and debt servicing requirements will be met through a combination of adjusted near-market RENT levels, the reallocation of surplus capital funds from the Michigan Square Redevelopment project, and an increased operating subsidy from BCHMC.

RECOMMENDATION

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

1. That the Caledonia Redevelopment project budget and the Capital Region Housing Corporation Major Capital Plan (2025-2029) be approved as amended in Appendix B;
2. That the Resolution of Directors required by BC Housing Management Commission for the purpose of authorizing the execution of the loan and mortgage documents for the Caledonia Redevelopment project (PID 031-731-848), substantially attached as Appendix A, be approved; and
3. That \$882,392 in surplus capital funding from the Michigan Square Redevelopment project be reallocated to the Caledonia Redevelopment project to offset the budget shortfall.

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

ATTACHMENTS:

Appendix A: Draft Certified Resolution of Directors

Appendix B: CRHC Five Year Major Capital Expenditure Plan Summary - 2025-2029
Amendment