

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

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**SUBJECT**     **Capital Plan Status Report, First 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 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.

Currently, the CRHC has 277 homes under construction and 527 homes in development and pre-construction. Staff have also submitted grant applications that could provide an additional 717 new affordable rental homes by the end of 2028. In addition to the major capital work, staff are also underway with planning and pre-preconstruction activities under the Routine Capital Plan (2024-2028) for six significant renewal projects.

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), Building BC: 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. The 53-home west building is on track for occupancy in April 2024, however ongoing impacts from labour and material shortages continue to delay the completion of the 44-home east building. Currently, the east building is targeting occupancy in late June 2024.

The project is also experiencing budget impacts because of increased borrowing costs, which are compounded by schedule delays. At the time of Final Project Approval (FPA) in November 2021, the interim borrowing rate was 0.80% and the forecasted take-out financing rate was 3.55%. In January 2024, the interim borrowing rate for this project was 5.63% and the forecasted take-out financing rate is 4.69%. The increased borrowing rates equate to an estimated budget impact of approximately \$1.3 million (M). CRHC staff are actively working with BC Housing Management Commission (BCHMC) to secure additional funding, as well as adjusting rent levels to absorb the anticipated additional cost while maintaining debt servicing requirements.

Despite the impacts associated with increased interest rates, construction costs are within budget with a small surplus remaining in the construction contingency budget. If any surplus remains at project completion, the balance will be applied against the borrowing cost budget to reduce rents to the extent possible.

At this time, the project budget of \$34.3M, with a total of \$11.9M awarded through grants and an equity contribution remains unchanged from the approved Major Capital Plan (2024-2028). Once final details of anticipated budget impacts associated with increased financing costs have been confirmed, staff will return to the Board with a recommended budget amendment.

*Caledonia (CHF, RHTF, & VHRF)*

Caledonia, is a redevelopment in Victoria's Fernwood neighbourhood that will increase the number of homes on-site from 26 to 158, including 14 three-bedroom homes and 8 four-bedroom homes. The final buildout will include five new multi-family residential buildings, consisting of two apartment buildings and three townhouse blocks.

Like the Michigan Square Redevelopment project, escalating interest rates are affecting financing costs. Currently, the total interim construction financing costs are within budget, however, a budget shortfall is being forecasted by early 2025. CRHC staff and BCHMC continue to monitor borrowing rates and will return to the Board with a source of additional funding and a recommended budget amendment, if required.

The project budget of \$71M, with a total of \$20.6M awarded through grants and an equity contribution remains unchanged from the approved Major Capital Plan (2024-2028) and the project is on track to receive the occupancy permit in June 2025.

*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 conditions have been discovered on site which are beyond the anticipated scope of remediation work. CRHC staff, BCHMC, consultants and the contractor are working to undertake the additional works within the allocated budget.

Despite the unforeseen conditions, the project budget of \$6.1M, including a contingency of \$1.13M remains unchanged from the approved Major Capital Plan (2024-2028). With the additional remediation work required, the planned completion timeframe has shifted from Q4 2024 to Q1 2025.

*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.

In February 2024, the Building Permit Application was submitted to the City of Victoria. Procurement is underway to prequalify a Construction Management Firm (CM). Once the CM is under contract, 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. 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 \$25M in grant funding.

161 Drake Road (CWF)

161 Drake Road is a 5.5-acres 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. BCHMC has provided CRD staff with a letter, attached to this report as Appendix 'A', which contains details on development timelines, status, and resources for future project updates.

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 of affordable housing. On February 13, 2024, the Rezoning and Development Permit received unanimous support from the District of Saanich (Saanich) Council. Additionally, Saanich Council approved \$333 thousand (K) from the SAHF. Staff are now working with consultants to advance the design development work for an anticipated Building Permit submission in Q3 2024.

The project budget of \$55.6M, with a total of \$11.6M in secured grant funding and an additional \$5M being pursued through the GMF remains unchanged from the approved Major Capital Plan (2024-2028). However, the project maintains an equity gap of roughly \$6.8M which staff are actively working to close.

Village on the Green (RHFP, RHTF)

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. In February 2024, the Delegated Development Permit was issued through the City of Victoria's Rapid Deployment of Affordable Housing (RDAH) program. Staff are now working with consultants to advance the design development work and finalize an application to the VHRF.

The project budget of \$64.8M, with a total of \$18.4M in secured grant funding and an additional \$7M 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.

This project will align with the District of Central Saanich Official Community Plan (OCP) land use designation of Multi-Unit Residential and policies that support mixed-use development in the core commercial areas, including Brentwood Bay Village. In January 2024, CRHC staff initiated the formal rezoning process with the District of Central Saanich.

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. Staff are currently advancing the design work and pursuing additional grant funding opportunities which are required to move the project into construction.

*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 Q1 2024, staff have advanced six significant renewal projects that are in various stages of procurement and pre-construction. Projects include window replacements, reroofing, deck replacements, fence replacements and building condition assessments.

Staff have worked diligently to initiate capital projects throughout Q1 2024 and as of February 29, 2024, staff have identified an additional \$663K in capital renewal projects that will be initiated in Q2 2024.

**CONCLUSION**

As part of staff's commitment to providing updates to the CRHC Board, the CRHC Major Capital Plan and Routine Capital Plan Status Report provides a snapshot of issues and items that have a potential to impact these Capital Plans. 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 are experiencing schedule delays and financing cost overages. Although a budget amendment to the Major Capital Plan (2024-2028) is forecasted, as of Q1 2024, 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, MUP, BA, Senior Manager, Regional Housing
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**ATTACHMENT**

Appendix A: BC Housing letter from February 29, 2024