

**REPORT TO CAPITAL REGION HOUSING CORPORATION BOARD  
MEETING OF WEDNESDAY, DECEMBER 12, 2018**

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**SUBJECT**      **2019 Updated Five Year Routine Capital Plans (2015-2019) and Major Capital Plan (2019-2023)**

**ISSUE**

To update the Capital Region Housing Corporation (CRHC) Board on the status of the:

- 2015-2019 Routine Capital Plans for the three operating agreement portfolios: Umbrella Operating Agreement (UOA) 42 buildings; Independent Living BC (ILBC) Operating Agreement (Parry Place) and the No Operating Agreement (NOA) 2 buildings;
- 2019-2023 Major Capital Plan for eight development/redevelopment housing projects/one BER; and
- Capital Funding Strategies

**BACKGROUND**

**Routine Capital Plans**

CRHC has a five year term (2015-2019) UOA with BC Housing Management Commission (BC Housing). The UOA consolidated 42 of the existing operating agreements for Canada Mortgage and Housing Corporation (CMHC), BC Housing and Homes BC properties into one agreement.

In January 2015, the Board approved the UOA 2015-2019 Capital Plan and it was subsequently approved by BC Housing for a maximum value of \$11 million (M) over the five year period. CRHC is required to update the plan every year for final annual expenditures and any amendments for the remaining plan years.

Under the UOA, the *“CRHC will be free to complete work in accordance with the approved Capital Plan throughout the five year period with no further approval by BC Housing, provided that annual capital expenditures are within 10% of the approved Capital Plan.”*<sup>1</sup>

To be consistent with the UOA timeline, the Board approved the 2015-2019 Capital Plans for ILBC (Parry Place) and the NOA Portfolio in February 2016.

In August 2016, the Board approved the *CRHC Portfolio Renewal, Redevelopment and Development Strategy* (2016-2021) (RRD Strategy). As major projects progress through the multi-year approval and funding process, the 2019-2023 Major Capital Plan will be updated, as well as the individual project capital budgets.

**Major Capital Plan**

In August 2016, the Board approved the *RRD Strategy* (2016-2021) that included advancing four development and redevelopment projects: Westview, Drake Road, Michigan Square and Caledonia. Approval was given to Westview through BC Housing's *Investment in Housing* (IHI) and Caledonia through the *Building BC: Community Housing Fund* (CHF).

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<sup>1</sup> BC Housing– Capital Region Housing Umbrella Agreement 2015-2019, p. 2

Michigan Square and Drake Road “*satisfied the necessary requirements in order to be given consideration for further review*” through BC Housing’s CHF. Through staff discussions, BC Housing has indicated that it will support the projects with pre-development funding (PDF) in the form of a repayable loan, to be recovered through the construction financing, upon approval of the project. PDF funding is not typically provided unless BC Housing anticipates a project to move forward.

In January 2018, the Board provisionally approved \$1M equity contributions from the UOA accumulated operating surplus for both the Caledonia and Michigan Square redevelopment projects. Board final approval for these equity allocations was to be based on receipt of BC Housing approval. This was received in July 2018 (Appendix A: BC Housing Approval of UOA Surplus).

In 2019, CRHC will acquire a 132 unit property through a 60 year lease agreement under the Capital Regional District (CRD) Regional Housing First Program (RHFP). CRHC will take on a mortgage debt of \$34.4M for this property.

In 2020, CRHC will acquire two properties (250 units) through lease agreements under the CRD RHFP. CRHC will take on a mortgage debt of \$54.5M for this property.

The *RRD Strategy* (2016-2021) also identified one Building Envelope Remediation (BER) to be completed. Carey Lane was identified as the priority property for a BER in 2019.

## **ALTERNATIVES**

### *Alternative 1:*

- 1) a) That the Capital Region Housing Corporation 2019 updated Umbrella Operating Agreement Five Year Capital Plan 2015-2019 be received;  
b) That staff be authorized to implement the Umbrella Operating Agreement 2019 capital plan; and  
c) That the 2019 transfer of funds of \$1,056,980 from the Umbrella Operating Agreement Portfolio Stabilization Reserve to the Capital Replacement Reserve Fund be approved.
- 2) a) That the Independent Living BC (ILBC) Operating Agreement (Parry Place) 2019 updated Five Year Capital Plan 2015-2019 be received; and  
b) That staff be authorized to implement the ILBC Operating Agreement (Parry Place) 2019 capital plan year.
- 3) a) That the No Operating Agreement Portfolio 2019 updated Five Year Capital Plan 2015-2019 be received; and  
b) That staff be authorized to implement the No Operating Agreement Portfolio 2019 capital plan year.
- 4) a) That the 2019-2023 Major Capital Plan be approved; and  
b) That the General Manager, Planning & Protective Services be authorized to apply to BC Housing for the pre-development repayable loan for Drake Road.

### *Alternative 2:*

That the report be referred back to staff for revisions based on Capital Region Housing Corporation Board direction.

## **FINANCIAL IMPLICATIONS**

### **Routine Capital Plans**

Detailed information for the 2015-2019 Routine Capital Plans and Capital Funding Strategies for the UOA, NOA and ILBC (Parry Place) Portfolios can be found in Appendix B.

#### **UOA Capital Plan 2018 Outcomes**

Annually staff review capital priorities and reallocate any unspent funds of the current year Capital Plan into the remaining Plan years.

For 2018, the approved budget amount for the UOA Capital Plan was \$2,477,150. The estimated actual expenditures for 2018 are \$2,014,600. Due to capacity issues, in both, the construction trades and CRHC staff complement, the variance is an unspent \$462,550 (-18.7%) which currently does not meet the required +/-10% variance threshold (\$247,715) of the approved 2018 plan. Outstanding work for 2018, budgeted at \$401,640 has been awarded in 2018, but will be completed and expensed in 2019. BC Housing will be notified of the 2018 Capital Plan work delayed to 2019 to explain the 2018 variance.

#### **UOA Capital Funding Strategies**

In January 2015, the Board approved a funding strategy to ensure there was sufficient revenue available for the 2015-2019 UOA Capital Plan of \$11M. The plan is funded through a replacement reserve contribution of \$65/month per unit resulting in an annual contribution of \$943,020 that is transferred from the operating budgets to the Portfolio Replacement Reserve (PRR). In addition, the Board has the option of approving discretionary transfers from prior year accumulated operating surpluses. Combined transfers of \$2.7M were approved for the 2015-2018 budget years.

UOA operating surpluses are deposited annually into the UOA Portfolio Stabilization Reserve (PSR). At the end of 2018, there is an estimated balance of \$3,384,850.

Under the UOA these operating surpluses are required to be used in the following order:

- a) To fund any operating deficits;
- b) To fund the approved five year capital plan;
- c) To pay for costs directly relating to a project;
- d) In any other way the CRHC chooses to advance the management and development of affordable housing.

Staff are recommending that the Board allocate all UOA surpluses prior to the expiry of the UOA to ensure that the Board maintains control of the allocation and that the surplus does not interfere with the negotiations of the UOA renewal for 2020.

Staff are recommending a 2019 transfer of \$1,056,980 from the UOA operating surplus, combined with the annual contribution of \$943,020, to achieve \$2M annually which matches the average planned capital expenditures. This is transferred into the PRR.

#### **ILBC (Parry Place) Capital Plan 2018 Outcomes**

The ILBC Capital Plan is funded through an annual replacement reserve contribution of \$16,600 approved by BC Housing. The estimated December 31, 2018 balance of the ILBC RR is \$29,660. Staff have updated the Capital Plan based on routine replacement needs identified through annual inspections of unit and building components.

#### NOA Portfolio Capital Plan 2018 Outcomes

The two NOA buildings (Village on the Green (VoG) and Vero) are independent of BC Housing operating agreements. The plan is funded through a replacement reserve contribution of \$65/month per unit which is consistent with the UOA portfolio. The estimated December 31, 2018 balance of the NOA PRR is \$364,810.

VoG's 2018 building envelope condition assessment report identified a high priority roof replacement. A tender was issued in 2018 but the compliant bids ranged in price from \$610,000 to \$650,000. Sufficient funds were not available in the NOA Replacement Reserve; as a result, staff are in the process of applying for National Housing Co-investment funding (NHCF) for the VoG roof. At this time there is no water leakage and the roofs are regularly monitored.

#### **Major Capital Plan**

Detailed information for the 2019-2023 Major Capital Plan can be found in Appendix C.

#### Westview (Development)

Westview, a 73 unit development at 3816 Carey Road, was approved for funding through IHI. Westview has a final project budget of \$21.1M. Westview is currently under construction and is expected to be commissioned in the spring of 2020. The anticipated expenditures for 2019 are \$12.4M.

#### Caledonia (Redevelopment)

CRHC received confirmation of provisional project approval from the CHF for Caledonia. The provisional project budget is \$50.2M. The project submission included a request for a \$15.5M forgivable mortgage and a \$32.4M repayable mortgage at BC Housing preferred interest rates. BC Housing will be providing an operating subsidy determined on the annual approved operating budget, and will cover the difference between revenues and expenses. CRHC will be responsible for a \$1M equity contribution and is pursuing \$1.3M in additional housing grants and allowances. The anticipated expenditures for 2019 are \$905,000.

#### Michigan Square (Redevelopment)

The Michigan Square property has also been identified as one of CRHC's redevelopment projects. Staff submitted an application to the CHF to redevelop the property to increase the density from 62 units to 107 units, for a total project cost of \$35.2M. Michigan Square *"satisfied the necessary requirements in order to be given consideration for further review"* through BC Housing (Appendix D). There is currently not a requirement to apply for PDF repayable loan for Michigan Square due to the \$1,000,000 CRHC equity contribution. The anticipated expenditures for 2019 are \$940,000.

#### Drake Road (Development)

The initial development proposed 80 units. Staff have proposed reducing the number of units from 80 to 30 units for Phase 1 of the project due to water availability, for a total project cost of \$7.4M. Drake Road *"satisfied the necessary requirements in order to be given consideration for further review"* through BC Housing CHF (Appendix E). BC Housing will support the project with PDF in the form of a repayable loan, to be recovered through construction financing, upon approval of the project. Staff are requesting approval from the Board to apply for BC Housing PDF. The anticipated expenditures for 2019 are \$250,000.

#### RHFP - CRD Lease Agreement (Turn-key Developments) – 3 projects

In 2019, CRHC will acquire a 132 unit property through a 60yr lease agreement under the CRD's RHFP. CRHC will take on mortgage debt of \$34.4M for this property.

In 2020, CRHC will acquire two properties (250 units) through 60yr lease agreements under the CRD's RHFP. CRHC will take on mortgage debt of \$54.5M for these properties.

#### Carey Lane (BER)

Carey Lane was identified as a priority for a BER to be completed in 2019. The estimated cost of the BER is \$2.4M. In 2018, the Board approved a contribution from the PSR totalling \$600,000 and to apply for the NHCF Housing and Renewal Stream - contribution and loan. Staff worked with CMHC to address inconsistencies regarding the accessibility requirements. In November 2018, CMHC updated the accessibility requirements based on community feedback. Staff are currently working on the funding submission. CRHC is working with BC Housing to determine if additional funding can be identified through their capital renewal funding program so as to not require a loan. This project moving forward is dependent on approval from CMHC and/or BC Housing.

### **CONCLUSION**

#### **Routine Capital Plans and Capital Funding Strategies**

The UOA Capital Plan 2015-2019 for \$11M was approved in January 2015 by the Board and subsequently by BC Housing. The UOA allows CRHC increased capacity to determine spending priorities of the UOA accumulate operating surpluses (PSR). Staff are requesting the Board approve a transfer of \$1,056,980 to the UOA PRR. The routine capital plan projected expenditures for 2019 are \$2.9M.

The NOA Portfolio and ILBC – Parry Place Capital Plans 2015-2019 are updated annually to address current replacement needs. The VoG required roof replacement will need a comprehensive funding strategy, including funding from the CHF, to complete the project.

#### **Major Capital Plan**

In August 2016, the Board approved the *RRD Strategy* (2016-2021) that included advancing four development and redevelopment projects: Westview, Drake Road, Michigan Square and Caledonia and to complete on BER at Carey Lane.

Approval was given to Westview through BC Housing's IHI and Caledonia through the CHF. Michigan Square and Drake Road "satisfied the necessary requirements in order to be given consideration for further review" through BC Housing's CHF.

CRHC is acquiring three turn-key properties in 2019 and 2020 through the RHFP.

The 2021-2023 Major Capital Plan, when completed, will increase the CRHC housing stock from 1,286 to 1,880 units while continuing to invest in the renewal of the current housing stock.

### **RECOMMENDATIONS**

- 1) a) That the Capital Region Housing Corporation 2019 updated Umbrella Operating Agreement Five Year Capital Plan 2015-2019 be received;  
b) That staff be authorized to implement the Umbrella Operating Agreement 2019 capital plan; and  
c) That the 2019 transfer of funds of \$1,056,980 from the Umbrella Operating Agreement Portfolio Stabilization Reserve to the Capital Replacement Reserve Fund be approved.
- 2) a) That the Independent Living BC (ILBC) Operating Agreement (Parry Place) 2019 updated Five Year Capital Plan 2015-2019 be received; and  
b) That staff be authorized to implement the ILBC Operating Agreement (Parry Place) 2019 capital plan year.

- 3) a) That the No Operating Agreement Portfolio 2019 updated Five Year Capital Plan 2015-2019 be received; and  
b) That staff be authorized to implement the No Operating Agreement Portfolio 2019 capital plan year.
- 4) a) That the 2019-2023 Major Capital Plan be approved; and  
b) That the General Manager, Planning & Protective Services be authorized to apply to BC Housing for the pre-development repayable loan for Drake Road.

Submitted by:	Christine Culham, Senior Manager
Concurrence:	Kevin Lorette, P.Eng., MBA, General Manager Planning & Protective Services
Concurrence:	Nelson Chan, MBC, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

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Attachments: Appendix A – Letter - BC Housing Approval of UOA Surplus  
Appendix B – 2019 Updated Five Year Routine Capital Plans (2015-2019)  
Appendix C – Five Year Major Capital Plan Summary (2019 - 2023)  
Appendix D – Letter – BC Housing re Michigan Square Redevelopment Application  
Appendix E – Letter – BC Housing re Drake Road Development Application