REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, DECEMBER 04, 2019

SUBJECT   Umbrella Operating Agreement (2020-2024)

ISSUE SUMMARY

The renewal of the Umbrella Operating Agreement (UOA) requires approval by the Capital Region Housing Corporation (CRHC) Board.

BACKGROUND

The CRHC entered into an interim UOA with BC Housing Management Commission (BC Housing) on April 1, 2012. The agreement was renewed annually until a five-year agreement was signed for the period 2015-2019 (Appendix A). The UOA consolidated 42 of the existing operating agreements for CRHC properties constructed under original funding programs Canada Mortgage and Housing Corporation (CMHC), BC Housing and Homes BC into one administrative agreement. The primary reasons for this agreement were:

a) To reduce administrative burden or costs for the parties; and
b) To allow the CRHC greater latitude in managing the tenants, rents, subsidies and reserve funds across the portfolio.

There are two main UOA requirements that need to be achieved annually by CRHC:

1) To ensure that capital expenditures are maintained within 10% of the approved five year capital plan; and
2) To maintain 68% of all units rent-geared-to-income (RGI) across the portfolio.

The UOA overrides the original CMHC, BC Housing and Homes BC operating agreements in the following key areas:

a) CRHC to pool replacement reserve funding across all portfolios under the Agreement;
b) CRHC must develop a comprehensive long term capital planning program;
c) Greater flexibility for CRHC to move RGI units from one property to another; and
d) CRHC to be responsible for any operating deficits but may retain annual operating surpluses to utilize for capital improvements, other costs directly relating to a property and any other way CRHC chooses to advance the management and development of affordable housing.

Through negotiations with BC Housing in October 2019, CRHC modified the agreement, attached as Appendix B:

a) Three townhouse properties, Portage Place (17 units), Campus View (12 units) and Royal Oak Square (38 units), whose original CMHC operating agreements expired in 2018 and 2019, will be removed from the UOA portfolio and transferred to the CRHC No Operating Agreement (NOA) portfolio. Therefore, as of January 2020, there would be 39 properties in the UOA portfolio and 5 properties in the NOA portfolio. CRHC has unrestricted access to the management of the NOA properties' routine capital plans and operating budgets;

b) CRHC is now eligible to submit major remediation projects to the BC Housing Capital Renewal Funding program, as well as other BC Housing capital funding programs that may be available in the future which were restricted under the 2015-2019 UOA; and

c) The agreement has a renewal provision for a further five-year term unless one of the parties contacts the other party 90 days prior to the end of the agreement. The UOA would require Board approval before renewal.

ALTERNATIVES

Alternative 1
The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
That the Capital Region Housing Corporation Board authorizes the Chief Administrative Officer to sign the Umbrella Operating Agreement with a term of January 1, 2020 – December 31, 2024.

Alternative 2
The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
That the Capital Region Housing Corporation Board serves notice to BC Housing Management Commission that they do not intend to sign the Umbrella Operating Agreement and will return to the original individual 39 property operating agreements.

IMPLICATIONS

The UOA has reduced the administrative procedures previously in place and has provided CRHC with the ability to plan and execute capital improvements and meet operational priorities. Examples of these are:

a) The $2.6 million (M) UOA accumulated operating surpluses contribution to the Renewal, Redevelopment and Development (RRD) Strategy (2016-2021) for the redevelopment of Caledonia and Michigan Square and the renewal of Carey Lane's building envelope;

b) The 2015-2019 UOA Capital Plan of $11M was 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 UOA Portfolio Replacement Reserve (PRR). In addition, the Board approved discretionary transfers from the accumulated operating surpluses. Combined transfers of $3.81M were approved for the 2015-2019 budget years; and

c) Savings from the 2015-2019 property tax exemptions and reductions were maintained and reinvested by CRHC rather than being returned to BC Housing as operating surpluses.

CONCLUSION

The UOA between CRHC and BC Housing has reduced the administrative burden of 42 individual operating agreements and has provided CRHC with more autonomy in the ability to plan and execute capital improvements and meet operational priorities. The CRHC has begun to implement and realize some of the financial opportunities from increasing rent revenues and operational efficiencies that the Agreement permits.

Declining to renew the UOA and returning to individual property operating agreements could alter the financial status of CRHC, and would complicate the operations as the oversight and

administrative practices under our previous arrangement required excessive administration causing inefficiencies for CRHC staff.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
That the Capital Region Housing Corporation Board authorizes the Chief Administrative Officer to sign the Umbrella Operating Agreement with a term of January 1, 2020 – December 31, 2024.

Submitted by:	Christine Culham, Senior Manager Regional Housing
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S):

Appendix A: Umbrella Operating Agreement 2015-2019
Appendix B: Amending Umbrella Operating Agreement