

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

SUBJECT Five Year Routine Capital Plans (2020-2024)

ISSUE SUMMARY

To update the Capital Region Housing Corporation (CRHC) Board on the status of the 2020-2024 Routine Capital Plans for the four operating agreement portfolios:

- Umbrella Operating Agreement (UOA) 39 buildings;
- No Operating Agreement (NOA) 5 buildings;
- Independent Living BC (ILBC) Operating Agreement (Parry Place); and
- Regional Housing First Program (RHFP) Operating Agreement (Millstream Ridge).

BACKGROUND

CRHC had 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 to achieve administrative efficiencies and cost effectiveness.

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 period.

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.”*¹

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

ALTERNATIVES

Alternative 1

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

1. a) That the Capital Region Housing Corporation Umbrella Operating Agreement (UOA) Five Year Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the UOA 2020 capital plan.
c) That the 2020 transfer of funds of \$300,000 from the Umbrella Operating Agreement Portfolio Stabilization Reserve to the Capital Replacement Reserve Fund be approved.
2. a) That the No Operating Agreement Portfolio Five Year Capital Plan 2020-2024 be approved;
b) That the 2020 transfer of Portage Place, Campus View and Royal Oak Square December 31, 2019 Capital Replacement Reserve Balances from the UOA Capital Replacement Reserve Fund to the No Operating Agreement Capital Replacement Reserve Fund be approved; and
c) That staff be authorized to implement the No Operating Agreement Portfolio 2020 capital plan year.

¹ BC Housing– Capital Region Housing Umbrella Agreement 2015-2019, p. 2

3. a) That the Independent Living BC (ILBC) Operating Agreement (Parry Place) Five Year Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the ILBC Operating Agreement (Parry Place) 2020 capital plan year.
4. a) That the Regional Housing First Program (RHFP) Operating Agreement Five Year Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the RHFP Operating Agreement 2020 capital plan year.

Alternative 2

That the Five Year Routine Capital Plans (2020-2024) report be referred back to staff for revisions based on Hospital and Housing Committee direction.

IMPLICATIONS

Financial Implications

Detailed information for the 2020-2024 Routine Capital Plans and Capital Funding Strategies for the UOA, NOA, ILBC (Parry Place), and RHFP Portfolios can be found in Appendix A.

1. UOA

In 2019, staff have been negotiating the renewal of the UOA, with some modifications, for a subsequent five-year term (2020-2024). One of the recommended modifications is that three properties, whose original CMHC operating agreements expired in 2018 and 2019, be removed from the UOA portfolio and transferred to the NOA portfolio. This realignment will provide CRHC the flexibility to fund its \$4.5M share of the \$30M Capital Regional District (CRD) equity contribution to the RHFP. These townhouse properties are Portage Place (17 units), Campus View (12 units) and Royal Oak Square (38 units). Effective January 2020, there would be 39 properties in the UOA portfolio and 5 properties in the NOA portfolio.

The second modification is that 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, that were restricted under the 2015-2019 UOA.

2015-2019 Outcomes

Annually staff review capital priorities and reallocate any unspent funds of the current year Capital Plan into the remaining Plan years. The approved Routine Capital Plan for 2019 was \$2.90M and the estimated actual expenditures are \$3.02M; a variance of \$0.12M or 4.1% meets the terms of the UOA.

The UOA portfolio 2015-2019 estimated actual expenditures are \$11.1M, a variance of \$0.1M or 1.0% over the five-year budget.

Routine Capital Funding Strategies

UOA operating surpluses are deposited annually into the UOA Portfolio Stabilization Reserve (PSR). At the end of 2019, there is an estimated balance of \$3.4M.

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.

The 2015-2019 UOA Capital Plan of \$11.0M was funded through a replacement reserve contribution of \$65/month per unit, resulting in an annual contribution of \$0.9M that is transferred from the operating budgets to the Portfolio Replacement Reserve (PRR). In addition, the Board approved discretionary transfers from the accumulated operating surpluses. Combined transfers of \$3.8M were approved for the 2015-2019 budget years. The estimated December 31, 2019 balance of the PRR is \$4.1M.

Staff are proposing a Routine Capital funding strategy to ensure there is sufficient revenue available for the proposed 2020-2024 UOA Capital Plan of \$11.0M or \$2.2M per year.

For 2020, staff is recommending a \$149/month per unit (or \$1.9M contribution) from the operating budget and a one-time transfer of \$300 thousand (K) from the PSR to the PRR to equal the \$2.2M UOA capital plan annual contribution.

A replacement reserve contribution of \$173/month per unit (or \$2.2M annual contribution) would be required to be transferred from the operating budgets to the PRR for 2021-2024. This will be achievable due to the additional four CMHC properties whose original operating agreements expire and mortgages mature in 2021.

2. NOA

2015-2019 Outcomes

The two NOA buildings (Village on the Green (VoG) and Vergo) are independent of BC Housing operating agreements. The 2015-2019 plan was funded through a replacement reserve contribution of \$65/month per unit or \$43,680 annual contribution. The estimated December 31, 2019 balance of the NOA PRR is \$339K.

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 \$610K to \$650K. Sufficient funds were not available in the NOA Replacement Reserve (NOA RR). As a result, staff worked with CMHC on a grant application for the National Housing Co-Investment Fund (NHCF), Housing Repair and Renewal Stream for the VoG roof.

Upon evaluation of the program, in consultation with CMHC staff, it was determined that the remediation stream of the NHCF is flawed due to its requirement that 20% of the units are made fully accessible as part of the remediation. The challenges with the program include:

- The creation of the accessible units is not architecturally possible with the townhouse units that were constructed in 1984;
- Current tenants do not require this type of accommodation, and, if renovated, their units would be less functional; and
- The funding available for the NHCF is not sufficient and would cover only CMHC's accessibility requirements and not the actual roof replacement.

Staff worked with CMHC to address inconsistencies regarding the accessibility requirements and tried to develop an innovative partnership to benefit from this fund but were unable to overcome the funding constraints.

Routine Capital Funding Strategies

Staff are proposing a funding strategy change to ensure there is sufficient revenue available for the proposed 2020-2024 NOA Routine Capital Plan of \$1.9M. A replacement reserve contribution of \$173/month per unit (or annual contribution of \$255K) will be transferred from the operating budgets to the PRR.

Three properties will be added to the NOA in 2020. Staff are recommending a transfer of \$376K from the UOA RR to the NOA RR for Portage Place, Campus View and Royal Oak Square. There is no significant work identified for these three properties over the next five years.

With the addition of the three buildings' RR fund balance transfers to the unspent 2019 NOA funds, there is now a sufficient 2020 NOA RR balance to complete the VoG roof replacement as scheduled in the 2020 NOA Capital Plan.

3. ILBC (Parry Place)

2015-2019 Outcomes

The 2015-2019 approved plan was \$161K; the estimated actual expenditures are \$131K. The estimated December 31, 2019 balance is \$99K.

Routine Capital Funding Strategies

The ILBC Capital Plan is approved by BC Housing and funded through an annual replacement reserve contribution of \$16.6K (or \$66/month per unit). Staff have updated the Capital Plan based on routine replacement needs identified through annual inspections of unit and building components; the projected expenditures for 2020 are \$52K. The replacement reserve contribution will remain at \$66/month per unit as per the budget approved by BC Housing.

4. RHFP (Millstream Ridge)

2019 Outcomes

The RHFP Capital Plan is funded through an annual replacement reserve contribution of \$114K. Millstream Ridge was leased in January 2019 resulting in a pro-rated contribution for the year (\$94K). The estimated December 31, 2019 RHFP RR balance is \$84K.

Routine Capital Funding Strategies

Staff are proposing a funding strategy to ensure there are sufficient funds available for the RHFP Routine Capital Plan to access in the future, as building components or equipment wear out and need to be replaced. An annual contribution of \$114K will be transferred from the operating budgets to the RR through an annual contribution of \$72/month per unit. Staff have completed the 2020-2024 Capital Plan based on routine replacement needs identified through annual inspections of unit and building components; projected expenditures for 2020-2024 are \$60K due to Millstream Ridge being only in its second year of operations.

CONCLUSION

Staff are recommending the approval of:

- 1) UOA, NOA, ILBC and RHFP five-year routine capital plans.

The UOA Routine Capital Plan 2020-2024 for \$11.0M includes 39 properties and allows CRHC increased capacity to determine spending priorities of the UOA accumulated operating surpluses (PSR). The routine capital plan projected expenditures for 2020 are \$2.4M.

The NOA Routine Capital Plan 2020-2024 for \$1.9M includes five properties and is updated annually to address current replacement needs. Staff are recommending that the VoG required roof replacement be funded through the NOA RR in 2020.

The ILBC and RHFP Routine Capital Plan 2020-2024 plans for \$145K and \$60K respectively, are based on routine replacement needs identified through annual inspections of unit and building components.

- 2) The UOA and NOA Replacement Reserve transfers are increased from an annual contribution of \$65/month per unit to \$173/month per unit to cover the actual costs of the routine replacement expenditures.

RECOMMENDATIONS

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

1. a) That the Capital Region Housing Corporation Umbrella Operating Agreement (UOA) Five Year Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the UOA 2020 capital plan.
c) That the 2020 transfer of funds of \$300,000 from the Umbrella Operating Agreement Portfolio Stabilization Reserve to the Capital Replacement Reserve Fund be approved.
2. a) That the No Operating Agreement Portfolio Five Year Capital Plan 2020-2024 be approved;
b) That the 2020 transfer of Portage Place, Campus View and Royal Oak Square December 31, 2019 Capital Replacement Reserve Balances from the UOA Capital Replacement Reserve Fund to the No Operating Agreement Capital Replacement Reserve Fund be approved; and
c) That staff be authorized to implement the No Operating Agreement Portfolio 2020 capital plan year.
3. a) That the Independent Living BC (ILBC) Operating Agreement (Parry Place) Five Year Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the ILBC Operating Agreement (Parry Place) 2020 capital plan year.
4. a) That the Regional Housing First Program (RHFP) Operating Agreement Five Year Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the RHFP Operating Agreement 2020 capital plan year.

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

ATTACHMENT(S)

Appendix A: Five Year Routine Capital Plans (2020-2024)