

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, DECEMBER 01, 2021**

SUBJECT 2022 Five Year Updated Routine Capital Plans (2020-2024)

ISSUE SUMMARY

To provide the Capital Region Housing Corporation (CRHC) 2020-2024 updated Routine Capital Plans for the six housing portfolios for approval:

- 1) Umbrella Operating Agreement (UOA);
- 2) Independent Living BC Operating Agreement (ILBC);
- 3) No Operating Agreement (NOA);
- 4) Investment in Housing Innovation Operating Agreement (IHI);
- 5) Regional Housing First Program Operating Agreement (RHFP); and
- 6) Community Housing Fund Operating Agreement (CHF).

BACKGROUND

In December 2019, the Board first approved the 2020-2024 Routine Capital Plans which addresses routine replacement for all portfolios. The update to the 2020-2024 Routine Capital Plans was approved in December 2020.

CRHC has a five-year term (2020-2024) UOA with BC Housing Management Commission (BC Housing). The UOA consists of 39 operating agreements for Canada Mortgage and Housing Corporation (CMHC), BC Housing and Homes BC properties under one agreement to achieve administrative efficiencies and cost effectiveness.

In January 2020, BC Housing approved the UOA Routine Capital Plan as contained within the 2020-2024 Capital Plan. The UOA portfolio Routine Capital Plan will see a total value of \$11 million (M) invested 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

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) Updated Five Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the UOA 2022 Routine Capital Plan.
2. a) That the Independent Living BC (ILBC) Updated Five Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the ILBC 2022 Routine Capital Plan.

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

3. a) That the No Operating Agreement (NOA) Updated Five Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the NOA 2022 Routine Capital Plan.
4. a) That the Investment in Housing Innovation (IHI) Updated Five Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the IHI 2022 Routine Capital Plan.
5. a) That the Regional Housing First Program (RHFP) Updated Five Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the RHFP 2022 Routine Capital Plan.
6. a) That the Community Housing Fund (CHF) Five Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the CHF 2022 Routine Capital Plan.

Alternative 2

That the Updated 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, ILBC, NOA, IHI, RHFP, and CHF Portfolios can be found in Appendix A.

1. UOA (39 Properties)

2021 Outcomes

Annually staff review capital priorities and reallocate any unspent funds of the current year Routine Capital Plan into the remaining years. The approved Routine Capital Plan for 2021 was \$3M and the estimated actual expenditures are \$1.4M; a variance of \$1.5M or 48%. Under the terms of the UOA, any variance over 10% must be reported to BC Housing. BC Housing has been made aware of the spending shortfall and staff are in the process of submitting a letter to BC Housing outlining how the spending terms of the UOA will be met by the end of 2024 along with the approved updated Routine Capital Plan. This is consistent with the approach in previous years.

Expenditures on the UOA fell behind targets due to the ongoing impacts of the COVID-19 pandemic and the limited availability of trades for undertaking the works and the additional health and safety requirements resulting in longer timeframes. Moving into 2022, it is anticipated that contractor availability and scheduling will support an increase in the capacity of staff to move the routine capital works forward. Additionally, staff are looking to prioritize larger value items and will begin preparing for the works earlier in the year in an effort to advance the \$3.3M worth of works budgeted in 2022.

Routine Capital Funding Strategies

The estimated December 31, 2021 balance of the UOA Replacement Reserve (RR) is \$5.6M. A RR contribution of \$173/month per unit (or \$2.2M annual contribution) has been included in the UOA Operating Budget in order to match the obligations of the Routine Capital Plan. The planned expenditure in the UOA Routine Capital Plan in 2022 is \$3.3M.

2. ILBC (Parry Place)

2021 Outcomes

The 2021 approved plan was \$9 thousand (K); the estimated actual expenditures are \$30K. The estimated December 31, 2021 balance in the RR is \$133K.

Routine Capital Funding Strategies

The ILBC Routine Capital Plan is approved by BC Housing and funded through an annual replacement reserve contribution of \$66/month per unit. Staff have updated the Routine Capital Plan based on replacement needs identified through annual inspections of unit and building components. Based on the identified needs, the anticipated projected expenditures under the ILBC Routine Capital Plan for 2022 are \$124K.

3. NOA (5 Properties)

2021 Outcomes

Portage Place, Campus View and Royal Oak Square were added to the NOA in 2020 and \$376K was transferred from the UOA RR to the NOA RR. There was no significant work identified for these three properties over the course of the 2020-2024 Routine Capital Plan. Village on the Green's 2018 building envelope condition assessment report identified a high priority roof replacement. Staff undertook this work and will have it completed by the end of 2021.

The estimated December 31, 2021 balance of the NOA RR is \$268K.

Routine Capital Funding Strategies

A replacement reserve contribution of \$173/month per unit has been included in the UOA operating budget in order to match the obligations of the Routine Capital Plan. The planned expenditure in the NOA in 2022 is \$376K.

4. IHI (Westview)

2021 Outcomes

Westview opened in May 2020 and had no planned Routine Capital Plan works in that year. Minor works were planned in 2021 totalling \$9K with actuals projected at \$1K. The anticipated balance of the RR at December 31, 2021 balance is \$101K.

Routine Capital Funding Strategies

Staff have proposed a funding strategy to ensure there are sufficient funds available for the IHI Routine Capital Plan to access in the future, as building components or equipment wear out and need to be replaced. The annual contribution has been set at the \$72/month per unit base rate to meet the anticipated replacement obligations. Staff have completed the 2020-2024 Routine Capital Plan based on identified need determined through annual inspections of unit and building components. Projected expenditures in 2022 are \$5K.

5. RHFP (4 Properties)

2021 Outcomes

Millstream Ridge opened in November 2018, West Park and Spencer Close in November 2020 and Hockley House in March 2021. The approved Routine Capital Plan for the RHFP was \$62K in 2021 and estimated actuals are \$48K, which creates a variance of \$14K. As these are newly opened

properties much of the work is carried out through warranty, with some minor items that are not considered warranty items being funded under the Routine Capital Plan. Expenditures were slightly lower than anticipated in 2021 due to the budget being based off of Millstream and some of the costs associated with acquiring that property that have not occurred in the newly opened RHFP properties.

Routine Capital Funding Strategies

Staff are continuing to implement a funding strategy, initially proposed in 2020 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 will be transferred from the approved Operating Budgets to the RR through an annual contribution of \$72/month per unit, pro-rated for those buildings are anticipated to open partway through a year. Staff have completed the 2020-2024 Routine Capital Plan based on routine replacement needs identified through annual inspections of unit and building components, with projected expenditures for 2020-2024 determined to be \$310K.

6. CHF (2782 Spencer)

2021 Outcomes

The first CHF-funded project is anticipated to open in the fall of 2022.

Routine Capital Funding Strategies

As the property is only anticipated to be in operation for two to three months in 2022, staff are recommending a 2022 Routine Capital Plan of \$0 as there are anticipated to be no Routine Capital Plan expenses associated with this property.

CONCLUSION

Staff are recommending the approval of the UOA, ILBC, NOA, IHI, RHFP and CHF five-year updated Routine Capital Plans:

- The UOA updated Routine Capital Plan 2020-2024 for \$11M includes 39 properties and allows CRHC increased capacity to determine spending priorities of the UOA accumulated operating surpluses. The routine capital plan projected expenditures for 2022 are \$3.3M.
- The ILBC updated Routine Capital Plan 2020-2024 proposes 2022 expenditures of \$124K.
- The NOA updated Routine Capital Plan 2020-2024 proposes 2022 expenditures of \$376K.
- The IHI updated Routine Capital Plan 2020-2024 proposes 2022 expenditures of \$5K.
- The RHFP updated Routine Capital Plan 2020-2024 proposes 2022 expenditures of \$65K.
- The CHF Routine Capital Plan 2020-2024 proposes 2022 expenditures of \$0.

RECOMMENDATION

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) Updated Five Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the UOA 2022 Routine Capital Plan.
2. a) That the Independent Living BC (ILBC) Updated Five Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the ILBC 2022 Routine Capital Plan.

3. a) That the No Operating Agreement (NOA) Updated Five Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the NOA 2022 Routine Capital Plan.
4. a) That the Investment in Housing Innovation (IHI) Updated Five Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the IHI 2022 Routine Capital Plan.
5. a) That the Regional Housing First Program (RHFP) Updated Five Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the RHFP 2022 Routine Capital Plan.
6. a) That the Community Housing Fund (CHF) Five Year Routine Capital Plan 2020-2024 be approved; and
b) That staff be authorized to implement the CHF Routine 2022 Capital Plan.

Submitted by:	Don Elliott, MUP, Senior Manager, Regional Housing
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Rianna Lachance, BCom, CPA, CA, Acting Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT:

Appendix A: Five Year Updated Routine Capital Plans