

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

SUBJECT 2022 Administration and Development Services Budgets

ISSUE SUMMARY

To provide the Capital Region Housing Corporation (CRHC) Board a review of estimated revenues and expenditures for the 2021 operating year and to present the 2022 Administration and Development Services Budgets.

BACKGROUND

The CRHC's fiscal year is January 1 to December 31. Final budget approval by the Board must be completed by December 31, 2021.

Administration Budget

The Administration budget includes costs to the CRHC associated with overall corporate management such as salaries and benefits, Capital Regional District (CRD) corporate allocations, Regional Housing service delivery allocations, consultants, legal fees and office operating costs. The Administration budget is primarily funded by property management fees charged to the 50 CRHC buildings. In the Administration budget, the management fees are represented as revenue; and, in the building operating budgets, the management fees are represented as expenditures. Other sources of revenue include property management fees from other housing societies, operating interest income and transfers from the Corporation Stabilization Reserve (CSR).

The CSR was originally created through surplus development fees received throughout its 1983-2008 affordable housing development projects. The use of the CSR is at the discretion of the CRHC Board. Its intention is to provide the Development Services Division with repayable working capital during the project feasibility phase or additional costs as may be required. Annually, the Administrative budget transfers any operating surplus/(deficits) to the CSR.

Development Services Budget

The CRHC Board approved the *CRHC Portfolio Renewal, Redevelopment and Development Strategy* in August 2016. The Development Services Budget is required to implement the strategy and includes costs to CRHC associated with the development, redevelopment and renewal of existing housing stock.

During the pre-development phase of a potential capital project, the cost for feasibility studies, preparation of grant applications and the salaries and overhead for Development Services is recovered through the CSR, if required. Once a project is approved, required staff salaries will be recovered through approved capital projects. Development costs from the projects are captured in the Major Capital Plan.

ALTERNATIVES

Alternative 1

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

1. That the Capital Region Housing Corporation 2022 Administration Budget be approved; and
2. That the Capital Region Housing Corporation 2022 Development Services Budget be approved.

Alternative 2

That the 2022 Administration and Development Services Budget report be referred back to staff for revisions based on Hospitals and Housing Committee direction.

IMPLICATIONS

Administration Budget (Appendix A)

Table 1: Summary of 2021 estimated revenue/expenditures and 2022 proposed budget

Administration Budget (Appendix A)					
	2021 Amended Budget	2021 Estimates	2021 Variance \$	2022 Proposed Budget	2021-2022 Budget Change \$
Total Revenue	2,604,290	2,604,647	357	3,005,317	401,028
Total Expenditures	(2,404,290)	(2,352,319)	51,971	(3,005,317)	601,027
Operating Surplus/(Deficit)	200,000	252,328	52,328	-	(199,999)

In 2021, there is estimated to be a net favourable operating surplus of \$252 thousand (K) in the Administrative Operating budget. The Board amended budget anticipated an operating surplus of \$200K with this figure being pushed higher due to less than anticipated office and furniture costs.

Staff are proposing a 2022 Administration budget expenditures of \$3 million (M). This represents a proposed total expenditure increase of \$601K or 25% over 2021. Of the increase, \$401K is due to required cost escalation in CUPE/Exempt salaries and the addition of two full time employees (FTEs) in support of property management services related to the increase of housing stock including 2782 Spencer in Langford and Prosser in Central Saanich. The other \$200K of this increase aligns with staffing approved in the 2021 budget to support new units as new RHFP buildings rent up.

The CSR will have an estimated balance of \$539K at December 31, 2021. This is due to a transfer of \$500K to the RHFP Portfolio Stabilization Reserve to address unforeseen revenue shortfalls due to slower than anticipated rent-up at newly opened RHFP buildings. CRHC was awarded \$295K through the COVID Restart Fund to help offset costs incurred as a result of the pandemic. The forecast ending balance of the CSR at the end of 2022 is \$480K as staff propose to allocate \$59K from the CSR to support feasibility work through development services.

Explanations for budget line variances +/-10% and \$10K can be found in the Appendix A notes.

Development Services Budget (Appendix B)

Table 2: Summary of 2021 estimated revenue/expenditures and 2022 proposed budget

Development Services Budget (Appendix B)					
	2021 Budget	2021 Estimates	2021 Variance \$	2022 Proposed Budget	2020-2021 Budget Change \$
Total Revenue	714,500	367,932	(346,568)	569,800	(144,700)
Total Expenditures	(714,500)	(351,668)	362,832	(566,273)	(148,227)
Operating Surplus/(Deficit)	-	16,264	16,264	3,527	3,527

In 2021, there was a \$16K positive variance due to the delay in hiring the senior project coordinator position and a short-term vacancy due to staffing turnover. Revenues were less than expected due to a deferral of activity to 2022 for Caledonia and 2782 Spencer as was identified in the July 2021 Financial Plan Amendments staff report.

Staff are proposing 2022 Development Services budget expenditures of \$566K. This represents an expenditure decrease of \$283K and is tied to the anticipated funds available through approved capital projects. Funding required for the project management staff has been included in the Major Capital Plan proposed for approval.

Explanations for budget line variances +/-10% and \$10K can be found in the Appendix B notes.

CONCLUSION

The Administration budget includes costs to CRHC associated with overall corporate management. In 2022, there is a proposed increase of \$601K. Staff are proposing a 2022 budget of \$3M in expenditures to fund overall corporate management.

In 2021, there is a proposed decrease to the Development Services budget of \$283K and are proposing \$566K in expenditures in 2022 to fund costs associated with advancing the Major Capital Plan.

RECOMMENDATION

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

- 1) That the Capital Region Housing Corporation 2022 Administration Budget be approved; and
- 2) That the Capital Region Housing Corporation 2022 Development Services Budget be approved.

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

ATTACHMENTS:

Appendix A: Administration Budget
Appendix B: Development Services Budget