
To: Housing Committee

From: Amanda Hrgovic, Program Manager, Housing Finance
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Regional Planning and Housing Services Department

Date: June 28, 2022 Meeting Date: July 7, 2022

Subject: **Draft Metro Vancouver Housing 2023-2027 Capital Development and Capital Maintenance Plans**

RECOMMENDATION

That the Housing Committee receive for information the report dated, June 28, 2022, titled “Draft Metro Vancouver Housing 2023-2027 Capital Development and Capital Maintenance Plans.”

EXECUTIVE SUMMARY

The draft 2023-2027 Metro Vancouver Housing Capital Development and Maintenance Plans have been prepared following direction received at the April 14, 2022 Metro Vancouver Board Budget Workshop and continues to be guided by key objectives of the *Metro Vancouver Housing 10-Year Plan*. As part of Metro Vancouver’s focus on enhancing transparency and governance of the Capital Plan, this report allows for the Housing Committee to provide comments on the draft Capital Plan, which will then be incorporated into the Housing Financial Plan and included in the Fall budget presentations to the Housing Committee and MVRD Board.

The draft 2023 Capital Development cash flow is \$62.2M with a total estimated spend of \$416.5M over the next five years. The draft 2023 – 2027 Capital Maintenance Plan proposes a budget of \$14.3M for 2023 and a total of \$88.1M over the five-year budget cycle. The budget five-year cycle-over-cycle development plan has increased by \$1.8M (0.4%) and the five-year cycle-over-cycle capital maintenance plan has increased by \$15.2M (20.9%) from the corresponding years in the prior year capital plans.

PURPOSE

To present to the Committee the draft Metro Vancouver Housing 2023-2027 Capital Development and Maintenance Plans for input and feedback, which will then be incorporated into the Fall Budget approval process.

BACKGROUND

On April 14, 2022, Metro Vancouver held a Board Budget Workshop with the objective to seek direction for the preparation of the 2023 – 2027 Financial Plan. This report provides the Housing Committee with the information needed to provide comments on the Capital Development and Maintenance Plans which will then be incorporated into the 2023 – 2027 Financial Plan scheduled to be presented in October.

METRO VANCOUVER HOUSING CAPITAL DEVELOPMENT AND CAPITAL MAINTENANCE PLANS

Metro Vancouver Housing initiatives and cash flows within the draft 2023 – 2027 Capital Plan over the five years are guided by the *Metro Vancouver Housing 10-Year Plan's* key objectives:

- **Expand:** Strategic redevelopment of existing sites and expansion through partnerships with member jurisdictions, as well as the Province of BC and the Federal government. A total of 807 units are included in the draft 2023 – 2027 Capital Plan, which represents 59.8% of the *Metro Vancouver Housing 10-Year Plan* target to develop **at least** 1,350 units over the next decade;
- **Preserve:** Safeguard and maintain the existing portfolio through capital maintenance. Preserve a portfolio Facility Condition Index = or < 20% over next 10 years;
- **Provide:** Support diverse, affordable, livable and inclusive communities;
- **Energy Efficiency:** Reduce energy consumption by 25% for new construction (from 2015 National Energy Code for Buildings); and
- **Climate Action:** Reduction of GHG emissions by 45% (from 2010 levels) by 2030.

Capital Development Plan Highlights

The draft 2023-2027 Capital Development Plan includes cash flows of \$62.2M for 2023 and a total of \$416.5M over the five-year budget cycle. There are seven projects approved that in 2023 will be at various stages of completion. Construction on 2 projects: Kingston Gardens and Welcher Avenue commenced in 2022, with budgeted cash flows of \$23M and \$26M in 2023, respectively. Construction is expected to start in 2023 for Heather Place B, which requires cash flows of \$5M in 2023 and Pitt Meadows, which requires cash flows of \$1.2M. Completion of detailed design and construction tender are planned for Eastburn and Southwynde in 2023. Malaspina will be in the detailed design phase in 2023.

Table 1. Capital Development Projects in 2023 (\$Millions)

Project	# Units	Budgeted Cash Flows 2023	2023 Key Milestones
Kingston Gardens – Phase 1, Surrey	85	\$23.0M	Construction to 97% completion
Welcher Avenue, Port Coquitlam	63	\$26.0M	Construction to 97% completion
Heather Place Building B, Vancouver	87	\$5.0M	Construction tender and breaking ground in 2023
Eastburn Square, Burnaby	174	\$2.0M	Finalizing detailed design and construction tender
Malaspina - Phase 1, Coquitlam	161	\$3.0M	Detailed design
Southwynde – Burnaby	122	\$2.0M	Finalizing detailed design and construction tender
Civic Centre – Pitt Meadows	115	\$1.2M	Construction tender and breaking ground in 2023
Total	807	\$62.2M	

The capital development program for 2023 – 2027 is projected to be funded by \$133.2M in grants/contributions from external funding sources and/or forgivable loans, \$155.6M external borrowing, and \$127.7M MVHC development reserves. The total cash flows of \$416.5M over the five years includes projects that are in the early planning stages and their revised budgets have not yet been endorsed by the Committee and Board.

Capital Development Plan Changes

Metro Vancouver’s annual capital planning process allows the Board to adjust the capital budget once a year, in the fall, to accommodate changes required to fund projects in response to new or changing project needs, emerging issues, and changing priorities. The completion of multi-year projects is complex and subject to change due to a variety of factors including delays in construction timing caused by global events and pandemics, rising escalation rates, changes in scope and city permitting processes.

The prior cycle capital plan for budget years 2023 – 2026 projected cash flows of \$379.7M, which has increased in the current budget cycle by \$1.8M. As reported to the Housing Committee in May 2022, a delay in construction start to 2023 for our Kingston Gardens and Welcher Avenue Re-development projects, resulted in \$30.5M in projected carry-forward from 2022. Cost estimates for construction escalation for projects not yet tendered, added \$81.3M in cost adjustments, and changes in scope added \$10.3M. These increases have been offset by the deferral of projects in the early planning stage (not yet endorsed by the Board) totaling \$120.3M. Additional cash flows for 2027 total \$35M, leading to total projected cash flows of \$416.5M over the five-year budget cycle.

Table 2. Breakdown of total revised 2023 – 2027 Capital Development Plan compared to prior cycle Capital Development Plan (\$Millions)

Delivery By	Prior Cycle Plan 2023 - 2026	Adjustments to 2023-2026 Capital Development Plan					Cash Flow 2027	Draft Plan 2023-2027
		Projected Carry-Forward	Net Deferral	Cost Adjustments	New Scope	Total		
Capital Development	379.7	30.5	(120.3)	81.3	10.3	1.8	35.0	416.5
Total	379.7	30.5	(120.3)	81.3	10.3	1.8	35.0	416.5

Capital Maintenance Plan Highlights

The draft 2023 – 2027 Capital Maintenance Plan proposes a budget of \$14.3M for 2023 and a total of \$88.1M over the five-year budget cycle. The 2023 plan includes two rehabilitation projects where building envelopes and mechanical systems will be upgraded providing new building lifecycles, improving tenant comfort, and increasing energy efficiency through improved building performance. These two projects account for 36% of the total capital maintenance budget in 2023. There are 12 projects in 2023, each ranging between \$0.25M - \$1.0M, targeting large roof and cladding replacements, which in total, account for \$5.0M or 35% of the budget. The remaining 29% of the budget will fund smaller projects that also target window, roof and cladding replacements, along with minor capital replacements such as flooring, cabinetry, painting etc. (labour and materials) associated with unit renovations.

Table 3. Capital Maintenance Projects in 2023

Project	# Units	2023 Budget	2023 Key Milestones
Strathearn Court Rehabilitation - Vancouver	96	\$3.7M	50% construction completion
Minato West Rehabilitation - Vancouver	110	\$1.5M	10% construction completion
Targeted maintenance <\$1M		\$7.0M	Completion of 12 large projects and 30 smaller projects
Unit renovations		\$2.1M	Unit turnovers and end of life cycle replacements in units
Total		\$14.3M	

Capital Maintenance Plan Changes

The Capital Maintenance Plan has traditionally included smaller targeted repairs, maintenance and replacement work funded with capital reserves. However, the building infrastructure has already reached or is approaching the end of its standard building life cycle and requires larger full building envelope and mechanical system upgrades to maintain healthy, livable homes for tenants. Through ongoing asset management assessments, several full building rehabilitation projects were identified and phased through the longer maintenance plan.

In an effort to accelerate the delivery of this rehabilitation work, staff has considered alternative funding options, that would enable an expedited schedule of rehabilitation work under existing budget constraints. Through financing full building rehabilitation work, while still including smaller targeted repairs and replacement work from capital reserves, staff propose increasing the scope of projects delivered from the corresponding prior 5-year budget cycle by \$12.7M and include a further \$12.4M in 2027.

Further to improving tenant comfort and wellbeing, and ensuring the long-term preservation of existing affordable housing, expediting the implementation of these projects will also enable MVH to apply for currently available CMHC, FCM and CleanBC grants and other Partnerships that target green building retrofits and the preservation of affordable housing. Any grants received through these programs and/or Partnerships are not reflected in the current capital maintenance budget; therefore, receipt of funds will directly reduce the spend for the Capital Maintenance program and preserve our existing reserves.

Table 4. Breakdown of total revised 2023 – 2027 Capital Maintenance Plan compared to prior cycle Maintenance Plan (\$Millions)

Delivery By	Prior Cycle 2023-2026	Adjustments to 2023-2026 Capital Maintenance Plan					Revised Plan 2023-2026	Budget 2027	Total Revised Plan 2023-2027
		Projected Carry-Forward	Net Deferral	Cost Adjustments	New Scope	Total			
Capital Maintenance	63.0	-	-	-	12.7	12.7	75.7	12.4	88.1
Total	63.0	-	-	-	12.7	12.7	75.7	12.4	88.1

ALTERNATIVES

This is an information report. No alternatives are presented.

FINANCIAL IMPLICATIONS

The 2023-2027 Capital Development Plan includes cash flow of \$62.2M for 2023 and a total of \$416.5M over the five years. The 2023 – 2027 Capital Maintenance Plan includes cash flow of \$14.3M for 2023 and a total of \$88.1M over the five years. The intent is that the Housing Committee provide feedback and input, which will then be incorporated into the Housing Capital Plan and included in the Fall budget presentations to the Committees and the Board.

CONCLUSION

The draft 2023 – 2027 Capital Development and Capital Maintenance Plans illustrate how Metro Vancouver Housing supports the *Metro Vancouver Housing 10-Year Plan* and the financial impacts of these projects over the next five years. The guiding principles of the Capital Plans are to **Expand** Metro Vancouver Housing’s portfolio through redevelopment and partnerships with member jurisdictions and other levels of government, **Preserve** Metro Vancouver Housing’s existing portfolio through capital maintenance to support affordability and improve sustainability and accessibility, and continue to **Provide** safe, inclusive and diverse homes and communities throughout the region. The Capital Development and Maintenance Plans actively target reductions in energy consumption and GHG emissions.

The presentation of the draft 2023 – 2027 Capital Development and Capital Maintenance Plans for Metro Vancouver Housing provides the opportunity for the Housing Committee to provide input and feedback which will then be incorporated into the Fall Budget budget presentations to the Committees and the Boards.

Attachment (53673873)

1. MVHC Capital Portfolio Housing Development – Draft 2023 Capital Budget and 2023-2027 Capital Plan



**METRO VANCOUVER HOUSING CORPORATION
CAPITAL PORTFOLIO
HOUSING DEVELOPMENT**

ATTACHMENT

DRAFT 2023 CAPITAL BUDGET AND 2023-2027 CAPITAL PLAN

	PROJECT BUDGET	2023 CASH FLOW	2024 CASH FLOW	2025 CASH FLOW	2026 CASH FLOW	2027 CASH FLOW	2023 to 2027 TOTAL	ACTIVE PHASE	PRIMARY DRIVER
Heather Place - Building B	47,000,000	5,000,000	15,000,000	20,000,000	5,350,000	-	45,350,000	Construction	Expand/Re-develop
Kingston Gardens - Phase 1	44,700,000	23,000,000	4,500,000	-	-	-	27,500,000	Construction	Expand/Re-develop
Welcher Avenue	36,100,000	26,000,000	3,900,000	-	-	-	29,900,000	Construction	Expand/Re-develop
Eastburn Square	83,000,000	2,000,000	38,000,000	38,000,000	4,100,000	-	82,100,000	Detailed Design	Expand/Re-develop
Malaspina	90,000,000	3,000,000	5,000,000	10,000,000	30,000,000	35,000,000	83,000,000	Detailed Design	Expand/Re-develop
Pitt Meadows Town Centre	78,900,000	1,200,000	45,000,000	31,270,000	-	-	77,470,000	Construction	Expand/Member Partnerships
Southwynde - Burnaby	72,000,000	2,000,000	33,000,000	33,000,000	3,150,000	-	71,150,000	Detailed Design	Expand/Member Partnerships
TOTAL CAPITAL EXPENDITURES	451,700,000	62,200,000	144,400,000	132,270,000	42,600,000	35,000,000	416,470,000		
SUMMARY BY DRIVER									
Expand/Re-develop	300,800,000	59,000,000	66,400,000	68,000,000	39,450,000	35,000,000	267,850,000		
Expand/Member Partnerships	150,900,000	3,200,000	78,000,000	64,270,000	3,150,000	-	148,620,000		
TOTAL CAPITAL EXPENDITURES	451,700,000	62,200,000	144,400,000	132,270,000	42,600,000	35,000,000	416,470,000		