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Treasury Board Submission – Request for Decision

Minister: Honourable Rich Coleman

Ministry: Ministry of Natural Gas Development and Minister Responsible for Housing

Date: 04/10/2013

Ministry Document #: 03-13/14

Title: Social Housing Asset Rationalization Strategy

Issue:

A new Provincial Housing Strategy was endorsed by Cabinet to better meet the housing needs of citizens, today and into the future. As a result of the direction received from Cabinet, BC Housing will assist more people through rental assistance programs and will move away from the provision of social housing as the primary housing solution by:

- Transferring publically owned social housing to non-profit societies;
- Marketing properties suited for redevelopment; and,
- Investing the cash proceeds from the transfers into strengthening the social housing sector through new construction, renovation and rental assistance.

Request:

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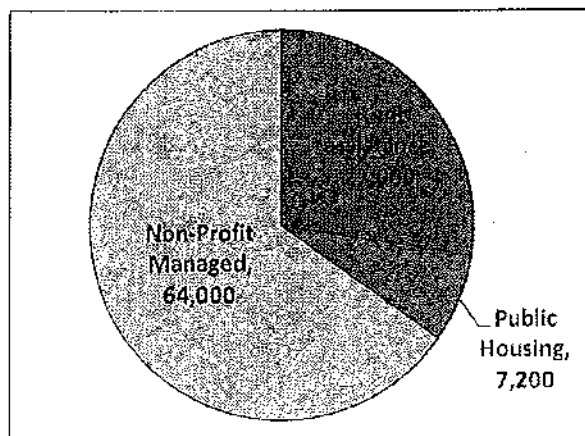
Implications and Considerations:

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- The selected properties are not surplus assets and are not included in the Release of Assets for Economic Generation (RAEG) project.
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- s.13,s.17 the project is part of the updated housing strategy and the net proceeds will be reinvested into strengthening the social housing sector through new housing, renovation and expanding rental assistance to replace units lost through the transfer or redevelopment of stock.
- The proceeds from the sale will fulfill the province's cost matching obligation of \$30 million per year for five years under the Federal extension of the Investment in Affordable Housing (IAH) program.
- The sales will not displace existing tenants or reduce the provincial social housing stock. Non-profit ownership provides opportunities for redevelopment, efficiencies, innovation, and charitable fund raising.
- s.13,s.17

Background / Context:

Government assisted housing (Figure 1) ranges from emergency shelter to rent assistance in the private market. Of the 98,200 households assisted, ~27,000 receive rent supplements in the private market, ~64,000 live in housing managed by non-profit societies and cooperatives, and ~7,200 live in public housing owned by the province through PRHC.

Figure 1: Government Assisted Housing (units)



Cabinet has authorized BC Housing to rationalize the real estate holdings of the PRHC to better support the non-profit sector to increase housing options for low and moderate income households in need, and to use the net cash proceeds from the sales to cost-match IAH and to reinvest in social housing. The strategy includes four approaches:

- Approach 1) Transferring stock to the non-profit housing sector where appropriate
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- Approach 2) Market properties for redevelopment where there is need and a business case, considering a range of options from one-to-one replacement, full market or a mix of market and non-market units.
- Approach 3) Expand rental assistance programs for families on income assistance and the homeless and where needed, to replace units lost through the transfer or redevelopment of stock.
- Approach 4) Retain properties for the most vulnerable where the housing is well targeted and/or in communities without a non-profit housing provider.



Sale of Select PRHC Land and Buildings to Non-Profit Societies

BC Housing will sell select PRHC land and buildings to non-profit societies including: a) ^{s.13,s.17} high value properties ^{s.13,s.17} b) PRHC owned land that is currently leased to non-profit societies, and; c) housing units in detached homes, duplexes and townhouses scattered across the province.

The sale at fair value to non-profit societies will generate gains on sale totalling \$411 million over the next four years ^{s.13,s.17}

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To facilitate the purchases, BC Housing will assist the non-profit societies arrange Canada Mortgage and Housing Corporation (CMHC) insured mortgages against the land and buildings to fund the purchase prices. This debt will be held by the non-profit societies and will not impact provincial debt. BC Housing will also provide \$30.1 million per year in annual operating subsidies to the non-profit purchasers for up to 35 years to fund the operating costs of the projects including payments on the mortgages.

a. High Value Public Housing

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For the most part, these are

large concrete towers or well situated low rise projects that efficiently utilize the available density. They have high assessed values because they are big projects and they have low book values because they were constructed over 40 years ago. ^{s.13,s.17}

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BC Housing subsidies ^{s.13,s.17}

annually would be required to fund principal and interest (P&I) payments on the mortgages.



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These properties range from good condition to critical condition. Investment into some sites prior to their sale is required to position the societies to be able to manage the long term capital needs of the buildings. Investments will be targeted towards replacement of systems that are at or near failure. This will allow the society to grow their replacement reserves in order to manage any future replacement without government assistance and avoids a reduction in the selling price. A minimum investment of \$19.8 million is recommended prior to sale.

b. PRHC Land Leased to Non-profit Societies

PRHC also holds 345 properties that have been leased to non-profit societies for 40 and 60 year terms. The non-profit societies have constructed buildings containing about 12,000 units on their leasehold interests. On average, the leases have about 37 years remaining. PRHC could sell the fee simple interest in this land to the non-profit society leaseholders. It is anticipated that about 75 percent of the properties would be attractive to the non-profit societies. s.13,s.17

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c. PRHC Scattered Addresses

PRHC also owns 177 housing units in detached homes, duplexes and townhouses scattered across the province. This housing serves vulnerable tenants with behavioural issues that are not well suited to multi-unit developments, or serves low income tenants that have large families and require more bedrooms than are commonly available in most social housing projects.

¹ Facility Condition Index is used to assess the relative condition of the social housing stock and determine the need for capital improvements



This housing stock could be sold to non-profit societies at fair value and generate gains on sale of about \$21 million. s.13,s.17

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d. Redevelopment

Approximately one third of the public housing owned by PRHC will be marketed for redevelopment over a ten year time frame. Site specific business cases will consider options from one-to-one replacement to full market or a mix of market and non-market units. Net proceeds will be directed towards assisting low to moderate income households in the private market through rental assistance programs.

Investment of Net Proceeds into Social Housing

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a. PRHC capital to cost match \$150M federal extension of IAH

Federal funding has been provided to the Province through affordable housing agreements since 2001. Renewed in 2004, 2009 and 2013, the current funding commitment is until 2019. The federal extension of IAH is expected to allocate \$150 million to British Columbia over five years (2014/15 to 2018/19). This requires provincial cost matching of \$30 million



per year for five years. PRHC sale proceeds from the sale of land and buildings to non-profit societies will be used for cost matching.

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b. PRHC capital reinvested in housing

The net capital (\$346 million) will be reinvested in new housing and major repair of aging public housing. Planning is underway to finalize the allocation between the two re-investment options:

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Options:

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Fiscal Impacts:

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Policy:

The accounting implications, including recognition of the gain on sale in governments' fiscal plan, and of debt on non-profit society's financial statements, have been reviewed by the Office of the Comptroller General and judged to be reasonable.

Legislation:

There are no legislative implications.

Stakeholder and Citizens:

There are no First Nation consultation/accommodation requirements, nor consultation requirements. The sale of properties transfers land 'as is', and is not for redevelopment purposes, therefore the sales do not trigger a change in use. As a result, while there may be aboriginal claims to the land, the sales do not result in impairment to an aboriginal claim nor trigger consultation requirements.

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BC Housing
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A handwritten signature in black ink, appearing to be "Rich Coleman".

Honourable Rich Coleman

OCTOBER 10, 2013
Date Signed