

Community Housing Directive

CAP 2019-01 Capital Planning and Capital Reserves

Date of Directive:	April 2019
Replaces Directive:	CAP-2016-01
Effective Date:	<input checked="" type="checkbox"/> Immediate <input checked="" type="checkbox"/> Until further notice <input type="checkbox"/> To be updated annually
Section:	Housing Services Act 2011, s. 75 O. Reg. 367/11, s. 11.4, 100
Reference:	n/a
Applies to:	<input checked="" type="checkbox"/> HSA Providers (including Special Needs Providers) <input checked="" type="checkbox"/> Non-HSA Providers <input type="checkbox"/> HAP and Managers of other Community Housing Wait Lists

Intent

To provide a local rule for Housing Providers' Capital Plans, capital expenses, and the use of Asset Planner software, and any future tools that may replace it.

Background

Under the Housing Services Act, Service Managers may create a local standard for multi-year financial plans which will govern the operation of Housing Providers. The Service Manager considers Capital Plans as an essential element of financial plans.

This Directive has been developed in an effort to support Housing Providers to manage future capital needs, be strategic with asset management practices, and be prepared to access capital funding if and when it becomes available.

All Housing Providers are using capital planning software called Asset Planner. Asset Planner is a powerful tool that shortens staff time and effort and allows Housing Provider staff and boards to plan for present and future capital needs, maintain up to date records about their capital expenses, and to simplify and harmonize Capital Plans and reporting to the Service Manager.

Both the Service Manager and the Housing Provider have access to the information contained in the Asset Planner database.

Scope

This policy establishes a local standard for Housing Provider's Capital Plans, including:

- Responsibilities of the Service Manager and Housing Providers in Capital Planning
- Use of the Asset Planner software
- Timing for submission of Capital Plans
- Format of Capital Plans
- Qualification for capital expenses
- Capital Reserve contributions

Housing Provider Responsibilities

Housing Providers will:

1. Ensure that the information contained in their Asset Planner database is accurate and up to date. This includes:
 - Element details and action items;
 - Revenue streams and reserve contribution information;
 - Accurate capital expenses, both forecasted and actual; and
 - Explanation and rationale for deferred capital expenses.
2. Use Asset Planner to generate Capital Plans (1 year and 5-year Plans). Capital plans will be approved by the Board of Directors.
3. Submit a Reserve Fund Study, generated using Asset Planner, to the Service Manager at the time of their subsidy request or three months before their year end, as applicable. Reserve Fund Studies will be accepted by the Housing Provider's Board of Directors.
4. Propose a dollar-value threshold for capital expenses that is specific to their project's scale. Housing providers will review this dollar-value threshold annually.
5. Notify the Service Manager of any capital expenses that were not reported or forecasted in Asset Planner before the expense is committed.
6. Use Asset Planner's "Project" module for capital repair projects that exceed \$10,000.

Service Manager Responsibilities

The Service Manager will:

1. Support compliance with this directive and take appropriate steps to manage non-compliance.
2. Use reports generated from Asset Planner to assist in decision making for the allocation of any available Service Manager funding for capital.
3. Use data and reports generated from Asset Planner to review opportunities for bulk tendering projects and Housing Provider participation in bulk tenders.
4. Review and approve Housing Provider proposed dollar-value threshold for capital expenses.
5. Provide training and support for Housing Providers in the use of Asset Planner.
6. Provide help in capital decision-making, when requested or deemed necessary.

7. Ensure Building Condition Assessments are carried out every 3-5 years, providing funding support or cost-sharing when possible.
8. Pay directly for or provide subsidy to support the use of Asset Planner software.

Timing for Submission of Capital Plans

Capital Plans will be submitted annually with subsidy request or 3 months before the Housing Provider's year end, as applicable.

Format for Capital Plans

Housing Providers will use Asset Planner for generating Capital Plans.

Requirement for Board Approval

Capital Plans and Reserve Fund Studies will be endorsed annually by the Housing Provider's Board of Directors.

Qualification for Capital Expenses

Housing Providers will work with the Service Manager to establish an agreement which identifies a dollar-value threshold for capital expenses that is specific to their project's scale. Housing Providers will submit an updated threshold annually.

Capital expenses include land, buildings, and equipment retained for use on a continuing basis. See Appendix A for a list of capital Expenses.

Operational or Recurring Expenses

Generally, work in suites is considered an operational expense, whether it is unscheduled maintenance or unit repairs at turnover. It is expected that these costs will be addressed using operational funds, except in extreme cases where there is a significant investment required to address a vacancy.

Housing Providers **will not** accumulate Operational Expenses through the year so as to meet the threshold for consideration as capital expenses. This practice impairs the forecasting ability of Asset Planner software and does not provide an accurate picture of capital versus operational expenses to the Service Manager.

Deferred Capital Expenses

If the Housing Provider chooses to defer a capital expense that was identified by Asset Planner, an explanation for this deferral should be included in the Capital Plan, and the rationale documented for future reference.

Capital Reserve Contributions

Housing Providers will accurately identify Capital Reserve contributions in Asset Planner, including:

- Accurate annual opening balances or year end closing balance;
- Annual/routine contributions;
- Indexed increases in annual contributions;
- Additional contribution made to the Capital Reserve; and
- The agreed-to portion of supplemental income generated by the Housing Provider, where applicable.

Non-Compliance

Housing Providers who do not fulfill the responsibilities outlined in this directive may not be considered for participation in surplus sharing, bulk tender opportunities, and/or federal and provincial capital repair funding within the Service Manager's scope of decision making. The Service Manager reserves the right to take into consideration compliance with capital planning directives when planning for the end of operating agreements and expiry of mortgages.

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From time to time, the Service Manager issues directives to communicate policy directions and updates to Community Housing Providers in its jurisdiction.

Appendix A Qualifying Capital or Non-Recurring Expenditures

Capital assets include land, buildings, and equipment retained for use on a continuing basis.

- Acquisition of new capital assets;
- Additions to existing capital assets;
- Replacement of existing capital assets. Examples would be:
 - A complete bathroom upgrade such as the replacement of all fixtures, waterproofing, and new flooring/tiling;
 - Major elevator upgrades;
 - Complete flooring and carpet replacement;
 - Furnace replacement;
 - Roof replacement due to long term deterioration;
 - A window replacement program;
- Improvements (expenditures that increase capacity, quality, efficiency, or useful life of existing capital assets);
- Replacement of major building components;
- Purchases of major appliances (such as refrigerators and stoves);
- Purchases of furniture (offices and common areas);
- Paving, asphalt or concrete replacement to parking areas, driveways, walkways, landings and entries;
- Repairs to infrastructure and site features such as storm water management, grading & surface drainage, storm and sanitary drainage, and water supply;
- Repair or replacement of fire detection, prevention, and suppression systems; and
- Purchases of vehicles, mowers, or other large equipment.
- Computer equipment, software and associated equipment are not considered capital expenses.