



CRD Rural Housing Program
Pre-Development Funding Stream Application Guide
Capital Regional District | June 2026



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Introduction

This application for pre-development funding includes a financial feasibility tool for proponents of multi-unit affordable housing projects to chart the project's development path with cost estimates for each phase of the project. It will be used by CRD staff to assess the project's viability in considering the award of pre-development funding. It can also be used by proponents as a "readiness tool" to assist with compiling information that will be required by senior government funding programs. **It is understood and expected that not all costs are known at the preliminary stage of project planning, and there are some limited benchmarks provided in the spreadsheet to support answering some of the unknowns.**

APPLICATION OVERVIEW

The application package is an Excel chart, with different fillable sheets:

1. **Instructions:** Please read all instructions on how to use the tool.
2. **Assumptions:** Initial project information that most impacts financial outputs to calculate project feasibility.
3. **Operations:** Preliminary operating budget for input
4. **Capital Budget:** Detailed preliminary cost estimates for input, with 3 options to assist applicants evaluate cost implications.
5. **Feasibility Summary:** Auto-generated summary of all data to demonstrate preliminary financial feasibility (or shortfall).
6. **Timing:** Optional worksheet formatted as a Gantt chart to help with planning and timing the development steps, and to help estimate when funding is needed to cover various costs. It includes a cash flow forecast to help applicants consider the timing of costs with the timing of grants/equity/financing and help minimize the risk of any cash flow shortfalls during project development. The timing worksheet is provided as a tool for planning and is not required as part of the application process for CRD PDF Funding.

Instructions for all sections are included in Sheet 1 of the Excel Chart Application/Feasibility Tool.

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Feasibility

The Feasibility Summary (Worksheet 4) of the application summarizes all information inputted in the previous worksheets to assess if the project will be feasible under these assumptions. To be feasible, a project needs to support itself operationally based on rental rates that are affordable in the community. It needs to cover all operating costs, a replacement reserve and the mortgage. Also, it needs to have a cushion¹ after these costs as a tool to manage risk in the event there are vacancies, unexpected operating cost increases, interest rate increases at renewal(s) or otherwise lower net income than originally forecasted.

This cushion is referred to as 'Debt Service Coverage' (DSC) and is calculated as the number of times the net operating income can 'cover' the mortgage payment. For example, a DSC of 1.10 'covers' the mortgage 1.1 times, meaning there is a 10% cushion (1.15 is a 15% cushion, 1.0 means 0% cushion). For preliminary feasibility purposes for CRD RHP Project Development Funding, a minimum DSC of 1.10 is required.

If DSC is < 1.10, the project needs one or more of the following: higher net operating income, lower capital costs, higher equity and/or lower financing costs (lower interest rate and/or extended amortization period). Most amortization periods are 35 years, but under some limited circumstance where there is senior government support (BC Housing or CMHC), this can be raised to 40 years (or sometimes even as much as 50 years) to reduce mortgage payments; this should be considered only if all other efforts to reduce cost have been exhausted.

If the DSC is < 1.10, revisit worksheets 1-3 for any possible revisions. If none are obvious or reasonable (and supportable), increase "Other (specify shortfall)" equity in worksheet 3 until DSC = 1.10; this is the estimated funding shortfall. This may give a fundraising target, but alternatively if this target is not reasonable or deemed to be achievable, it may indicate that the project is not likely to be feasible as proposed.

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Acronyms & Definitions

ACRONYMS

BCH	BC Housing
BP	Building Permit
CMHC	Canada Mortgage and Housing Corporation
CRD	Capital Regional District
CHF	Community Works Fund
DSC	Debt Service Coverage
E&O	Errors and Omissions (insurance)
EGI	Effective Gross Income
ESA	Environmental Site Assessment
FPA	Final Project Approval
GST	Goods and Services Tax
IAD	Interest Adjustment Date
LEED	Leadership in Energy and Environmental Design
MOTT	Ministry of Transportation and Transit
NOI	Net Operating Income
NP	Non-Profit
OCP	Official Community Plan
P&I	Principle & Interest payments (for long-term/takeout mortgage)
PDF	Pre-Development Funding
PID	Parcel ID
PPA	Provisional/Preliminary Project Approval
RHP	Rural Housing Program

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DEFINITIONS

Amortization period	number of years to pay off the mortgage (typically 35, sometimes up to 50).
Circulation space	space dedicated to corridors, stairways, elevators and lobbies.
Commissioning	systematic process to ensure building performs according to design, contract and operational needs.
Construction mortgage	interim financing advanced on a monthly basis during construction, interest-only payments drawn from interest reserve in capital budget.
Contingencies	unforeseen or extra costs that may arise during construction.
Course of Construction Insurance	covers the building, materials, and liabilities during construction
Design Consultants	architect and all engineering or other design professionals whose work is coordinated by the architect.
Effective Gross Income	all operating revenue, net of vacancies
Equity -	all non-repayable funds secured for the project, regardless of source.
Final Project Approval	BCH milestone once PPA conditions are met, accompanied with a mortgage commitment for interim construction financing and conditions to be met before any mortgage advances.
Financial feasibility	ability of a project to cover its costs and operate sustainably in the long term.
Incomes in your community	median household income (from census), the most relevant is for renter households.
Long-term/takeout mortgage	advanced at completion of construction to 'take out' construction mortgage, to be repaid with P&I payments over the long-term.
Mortgage Insurance	insurance to protect the lender from the risk of default, premium waived for BCH-funded projects.
Mortgage Insurance Fee	application fee to CMHC for mortgage insurance.
Net Operating Income	net income after reserves, available for mortgage payments.
Off-site Service Costs	costs to bring services (water, sewer, hydro) to the property line, can include road/pathway upgrades.
Parcel ID	9-digit number from the property tax bill that identifies a parcel in the land title register of BC.
Preliminary Project Approval	BCH milestone once feasibility has been firmly established, usually accompanied with a PDF commitment, and conditions to get to submission for FPA.

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Programming space	square feet. of areas for amenity and office space, might include additional social, dining and/or kitchen space for supportive housing.
Quantity Surveyor (cost consultant)	professional tasked with estimating construction costs, material quantities and timelines. Sometimes contracted to estimate the amount of work in place (and cost-to-complete) for construction mortgage advances.
Replacement Reserves	fund to cover the future replacement of capital items e.g. appliances, flooring, heating, paint, roofing, etc.
Service rooms	areas for building protection, care, maintenance and operation e.g. mechanical or electrical room.
Traffic study (or Traffic Impact Assessment)	assessment of the impact of added traffic that results from the housing development to determine if road or other upgrades are required for vehicle and pedestrian safety.
Unit mix	number and size of units, by type (type defined by number of bedrooms).
Vacancy	average % of units vacant during the operating year.
Vacancy Loss	total \$ value of lost revenue during the rent-up period to cover the possibility of a slower than expected rent-up.
Wrap Up Liability	insurance that covers third party and general liability exposures, included with CoC policy.

Description of Costs

The following cost descriptions are those used in the Capital Budget in the Financial Feasibility Tool and are based on those required in a typical BC Housing funding application. Not all will necessarily apply to all projects, and in unusual circumstances, some projects may encounter other types of costs. Likewise, the possible sources of information listed are typical and may not always be available (or practical to obtain) at early planning stages of a project.

If working with a development consultant, architect or contractor with recent similar experience, they may be the best source for current or reasonable cost estimates. It is understood that it is very difficult to accurately estimate construction cost details in the very preliminary planning phases of a project, and that some of these costs will be the 'best guess' of your development or design team and not necessarily from the possible sources listed.

ACQUISITION AND SERVICING

These are the costs for the land and associated costs to determine that the property is suitable for development. If the land is already owned, the value can be either from the Property Tax Assessment notice, or an appraised value.

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The appraisal should be conducted by an appraiser with an Accredited Appraiser Canadian Institute (AACI) designation. Once construction is complete, you may need to get an 'as-built' appraisal if required by BCH and/or by the CRA for GST tax rebate purposes.

Speak to your accountant, bank manager or project manager about a good local source for preparing a business plan. A traffic study may be required as part of the rezoning process. It can be undertaken by a Civil Engineer but ask Islands Trust staff for specific concerns or requirements to provide the engineer an appropriate scope of work. Off-site service costs can be estimated (on a \$/m. or ft. basis) by a local contractor; this can vary widely depending on site and road conditions and route required, so they may only be able to give a typical cost range at this stage.

A local well driller should be able to give a \$/ft. typical cost for well drilling, and if familiar with conditions nearby, they may be able to give a range of typical well depths. A well pump test will be designed and monitored by a hydrogeologist, but ideally conducted by a local contractor to save costs. Percolation tests (if septic is planned) can be performed by a local septic installer. Environmental testing via a Phase 1 ESA is undertaken by an Environmental Engineer to assess the potential of environmental contamination on a site. Additional testing or environmental remediation is only needed if contamination is suspected or found, and the cost is highly variable depending on the nature of the problem (ask the Environmental Engineer for guidance).

LOCAL FEES

Building permit fees are based on the estimated construction value of the project; ask the CRD Building Department for their current formula for the BP fee and addressing costs. Rezoning fees are fairly standard, but Rezoning cost recovery costs can vary quite a bit depending on the complexity of the application and the extent of legal services or other professional studies that may be required (e.g. for housing or other legal agreements); Islands Trust staff can quote fees and give guidance on estimating recovery costs. Subdivision application fees can be obtained from the Ministry of Transportation and Transit (MOTT). If required Soil Removal and Development Permit fees (or formulas) can be obtained from the Islands Trust.

UTILITY FEES

Guidance on how to calculate BC Hydro connection fee estimates can be obtained from BC Hydro. Cable and telephone connection fees can be estimated by the service providers.

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DESIGN CONSULTANTS

Architectural fees are based on the construction cost, with a fee % established by their professional association (currently 5%); an architect experienced in non-profit affordable housing (especially if working with BC Housing) will save costs in the long run and be invaluable in navigating the development process. All projects typically require civil, mechanical, electrical, structural engineers and a landscape designer. Your architect should be able to give guidance on how to estimate expected fees, as well as the likely need for other design consultants. The architect should also assist in the selection and contracting of the design team members.

CONSULTANTS

Development consultant fees can vary widely, depending on the stage of planning and complexity of the project; the fee in the standard BC Housing DC contract is based on a complex formula, but usually ranges from ~1.5-3% of total cost of the project (see BCH website for sample contract). Geotechnical engineering fees can vary widely depending on soil conditions, topography, building design etc.; they or your architect may be able to provide guidance on how to estimate fees. You can expect to need a surveyor at several points during planning and construction (e.g. site and/or subdivision boundaries, well coordinates, easements, utility locations, pathways, building location and height, and more), with additional work needed if there are topographical complexities to the site. A local surveyor familiar with the site (or at least the area) will be most cost effective and should be able to assist with a preliminary cost range. Hazardous materials testing and reporting are specialty services generally only required if there is a renovation to an existing building, with any remediation work itself performed by the building contract (according to the haz mat report requirements); your architect, contractor or local building inspection department may be able to provide a list of qualified firms. BCH inspection fees may be charged monthly to verify work-in-place prior to construction mortgages advances; ask your BCH representative (if you have one) what to expect in cost, otherwise your architect may be able to advise. A community consultant is typically a local resource familiar with the community and its concerns and/or with the anticipated tenant group; costs can vary widely depending on their scope of work which can range from community consultations regarding need and demand, communications and media during zoning, reach out to stakeholders, potential donors/partners and potential tenants, etc.

MISCELLANEOUS SOFT COSTS

Property taxes pre-Interest Adjustment Date (IAD) are those paid during the land holding period, planning/pre-development and construction.

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Utilities pre-IAD are generally those paid after construction is complete, during move-in and until IAD (utilities during construction are usually included in the construction contract). The cost of course of construction and wrap up liability insurance is based on details of the construction cost, building design and other risk factors, with a formula developed by the insurance company; in the absence of sufficient details at this stage of planning, your insurance provider may be able to provide a rough estimate or cost range.

Society organization costs are some of the direct expenses incurred by the society related to planning and development such as office expenses, staff time and preparation of proposals.

All legal fees related to land purchase, regulatory approvals, development and construction incurred by both the society and the funder (e.g. BC Housing) must be included in the capital budget; your lawyer, if experienced in NP housing development, may be able to give you a rough cost range estimate.

GST - most but not all costs are subject to GST and the rate applied is determined by the CRA depending on the Society's non-profit or charitable status and other factors relating to operations and funding; seek guidance from you accountant or the CRA if you are not familiar with your GST status.

BORROWING COSTS

Interest pre-IAD is typically interest on the construction mortgage before the long-term/takeout mortgage is in place but may also include interest on an interim mortgage for land purchase. Any CMHC-insured lending institution should be able to provide current interest rates. Mortgage Insurance Fees for BC Housing Funded projects are \$75/unit (with insurance premiums waived) and loan fees of 1% of the mortgage; ask your lending institution for fees and premiums if the project is not expected to be funded by BC Housing.

CONSTRUCTION

Without a design in place, preliminary construction costs are usually estimated on a \$/sq.ft. basis and must be based on local developer, contractor or quantity surveyor knowledge and recent experience. An architect experienced in non-profit rental housing development should also have insight and may be able to provide a preliminary \$/sq.ft. estimate. A premium should be added if there are any particularly difficult site conditions (e.g. steep or unstable slope, high water table, riparian area, area of archaeological interest, etc.).

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BUILDING START-UP/COMMISSIONING

Commissioning is usually included in the construction contract but may be the responsibility of a third party for especially complicated systems (usually mechanical). Your architect or mechanical engineer may be able to provide a cost estimate or other source for fee quotes.

CONTINGENCIES

A healthy contingency reserve should be included in the preliminary budget (~15-20%+ of construction costs at this very early stage) due to the high level of uncertainty in each category of contingency in the capital budget.

Timing

Timing is presented in a Gantt-style chart designed to illustrate the typical sequence and timing of development activities and tasks. Activities are based on the detailed Capital Budget in the Financial Feasibility Tool, separated by column to represent development phases when a project might expect to occur each cost. As with budgeting itself, specifics and duration of phases will vary widely with each project, but all will have similarities in the critical path of activities in planning and pre-development before construction can begin.

There will be overlap between activities and tasks, and circumstances where a project may need to go back to an earlier activity if results do not go as planned (e.g. regulatory decisions, funding applications). Darker shading is intended to represent when most of the specific capital cost is typically incurred, with lighter shading to represent when some of a project could cost could (or should) be expected to spread to other phases.

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TIMING WORKSHEET

The timing worksheet is provided as a tool for planning and is not required as part of the application process for CRD PDF Funding. The stages presented are in order of typical design stages with BCH funding milestones noted:

Phase 1 - Planning - Concept Development and Schematic Design are typically funded with applicant resources and PDF.

Phase 2 - Pre-Development - Design Development and Working (Construction) Drawings typically only proceed after the project planning is sufficiently far along to clearly demonstrate feasibility and has achieved PPA (preliminary project approval). At PPA the PDF amount is raised to get through final design, refined budgets and regulatory approvals sufficient to be BP-ready. The PPA commitment will outline all conditions required to get to FPA (final project approval). An important FPA condition will be final tender and/or otherwise fixing the construction price with the contractor.

Phase 3 - Construction - once all regulatory and FPA financing conditions are met, all legal documents signed and the BP is issued, construction can begin. This work is funded by a construction mortgage, with advances made monthly on the strength of the Architect's certification on the amount of work in place (and/or Quantity Surveyor certification or BCH inspector approvals). During construction, the Society will need to finalize operational planning and staffing and establish a phased rent-up schedule. The end of this stage is marked by 'Substantial Completion' of construction contracts, and the CRD issuance of an Occupancy Permit.

Phase 4 - Post-construction - this will include commissioning of all mechanical systems, the remediation of construction deficiencies and often the completion of seasonal landscaping. Rent-up of the units will occur. Costs associated with this are funded by the construction mortgage. The Interest Adjustment Date (IAD) marks the formal start of operations, when the construction mortgage is 'taken out' by the long-term takeout mortgage. IAD is usually set when the building is fully rented-up, and mortgage payments start about 30 days later.