

REPORT TO CAPITAL REGION HOUSING CORPORATION BOARD MEETING OF WEDNESDAY, NOVEMBER 26, 2025

SUBJECT Capital Region Housing Corporation 2026 Financial Plan

ISSUE SUMMARY

To present to the Capital Region Housing Corporation (CRHC) Board the CRHC 2026 Financial Plan for review and approval.

BACKGROUND

In alignment with Capital Regional District (CRD) budget practice that adhere to long-term financial planning principles, the CRHC is advancing a five-year CRHC Financial Plan that seeks approval of budgeted expenditures for 2026 and presents projected revenue and expenditures for 2027 - 2030. It is required that the CRHC 2026 Financial Plan be approved on or before December 31, 2025.

The CRHC 2026 Financial Plan includes:

- Five Year Major Capital Expenditure Plan Summary (Appendix A)
- Development Services Budget (Appendix B)
- Consolidated Operations Budget (Appendix C)
- Administration Budget (Appendix D)
- Budget Summaries for Each of the Five Operating Portfolios (Appendix E – I)
- Five-year Routine Capital Plan (Appendix J)
- Routine Capital Replacement Services Budget (Appendix K)
- Upcoming Mortgage Renewals/Expiries (Appendix L)

The five operating portfolios include the Umbrella Operating Agreement (UOA), Regional Housing First Program (RHFP), Community Housing Fund (CHF), No Operating Agreement (NOA), and Investment in Housing Innovation (IHI).

2026 CRHC Financial Plan Process

The CRHC 2026 Financial Plan has been developed based on a detailed assessment of expenditures at the end of Q3 2025 and forecast expenditures for the full year, predictions of anticipated cost escalation in 2026, revenue requirements to cover operating expenditures, and routine capital and debt servicing costs in 2026 and then modelled out over the next five years. This approach helps to ensure that the CRHC Board has line of sight on upcoming challenges related to performance and that staff have time to work to correct issues and mitigate risk.

ALTERNATIVES

Alternative 1

1. That the Capital Region Housing Corporation 2026 Financial Plan be approved as presented;
2. That the Chief Administrative Officer or their duly authorized delegate be authorized to apply for, negotiate and accept the terms to receive funds for routine capital works through funding programs as necessary and as they become available; and

3. That any 2025 operating surplus/(deficits) to be transferred to/(from) the Corporate, Development Services and/or Portfolio Stabilization Reserves as contained within the CRHC 2026 Financial Plan be approved.

Alternative 2

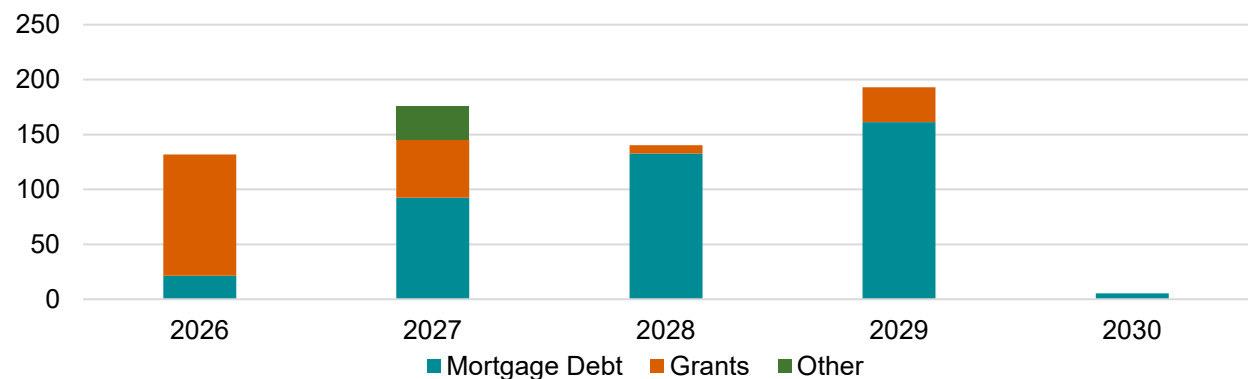
1. That the Capital Region Housing Corporation 2026 Financial Plan be approved as amended;
2. That the Chief Administrative Officer or their duly authorized delegate be authorized to apply for, negotiate and accept the terms to receive funds for routine capital works through funding programs as necessary and as they become available; and
3. That any 2025 operating surplus/(deficits) to be transferred to/(from) the Corporate, Development Services and/or Portfolio Stabilization Reserves as contained within the CRHC 2026 Financial Plan be approved as amended.

2026-2030 MAJOR CAPITAL PLAN

The CRHC currently has nine projects identified on the Five-Year Major Capital Expenditure Summary 2026-2030 (MCP), attached as Appendix A. In total, this represents work to advance a total of 1,308 homes funded and under construction. Thuthiqut Hulelum' is also listed and represents an additional 20 homes that are currently unfunded with an application to the CHF from BC Housing under review. The total number of new homes named on the MCP is currently 1,328 with 98.5% of those homes currently funded through either the CHF, BC Builds, or the RHFP. In addition to the homes named on the MCP, the CRHC has submitted three proposals to the recent CHF call which, if funded, could introduce an additional 452 homes to the MCP bringing the potential total up to 1,780. Though these projects are not yet named in the MCP, expenditure authority is included under "New Redevelopment Projects". If the projects are funded, staff will return to the Board with an amendment to name the projects when appropriate.

The MCP totals \$646.1 million (M) in expenditures 2026-2030, with \$131.8M planned for 2026 which is up from \$89.2M in 2025. As shown in the graph below, approximately 31% of the five-year total will be funded through capital grants, with approximately 64% supported through mortgage debt incurred by the CRHC. The remaining 5% is through payment from the District of Saanich as part of the Cedar Hill Library Master Redevelopment and Cost Share Agreement, with funds expected to be received in 2027. The estimated \$413.0M in mortgage costs incurred over the five-year plan are funded through operational revenue and/or operating subsidy received from BC Housing. For the CHF-funded projects, they will receive an ongoing operating subsidy whereas the BC Builds and the RHFP-funded projects will be fully dependent on tenant rents and operational performance to meet mortgage and financing obligations.

Graph 1: CRHC 2026-2029 Major Capital Plan by Funding Source (\$M)



Over the last several years, development budgets and construction costs saw significant upward pressure, which was attributed to factors such as supply-chain interruptions, interest rate increases, building code updates, sustainability requirements as well as skilled labour shortages and increasing labour rates. Staff are starting to see a slight softening of the construction market with recent tender processes resulting in lower costs than was initially forecast. At the same time, the Bank of Canada has been providing some interest rate relief through the lowering of the target for the overnight rate. The overnight target rate has fallen from its peak of 5% in June 2024 down to 2.25% in November 2025, which will help to lower costs on the interim construction financing as well as the takeout once a project is completed.

To help manage risk on capital project delivery, the CRHC continues to include a contingency allowance of between 7% and 11% at Final Project Approval (FPA). This is generally consistent with the guidelines recommended by the Canadian Construction Association and the Royal Institute of Quantity Surveyors for Class A budgets. Costs outlined in the Major Capital Plan (2026-2030) are subject to change as projects are advanced and staff will continue to provide updates to the CRHC Board and report on progress and issues that have potential to impact capital project budgets through regular quarterly reporting.

Development Services Budget

To deliver the MCP, the CRHC employs a Development Services Team consisting of project coordinators, administrative, and management staff. This team is funded through project management fees charged to each capital project. Details of the operating budget for this team are shown in Appendix B and summarized in Table 1 below.

Table 1: Development Services Budget (\$)

	2025 Budget	2025 Estimates	2025 Variance	2026 Proposed	2025-2026 Change
Total Revenue	1,942,980	1,870,972	(72,008)	2,033,152	90,172
Total Expenditures	(1,858,822)	(1,419,119)	439,704	(1,974,657)	115,835
Operating Surplus/(Deficit)	84,158	451,853	367,696	58,495	(25,663)

Staff are forecasting a 2025 surplus of \$452 thousand (K) primarily due to underspending in salaries and benefits due to staff vacancies. This surplus will be transferred to the Development Services Stabilization Reserve, which is expected to have an end balance of \$809K. For 2026, staff are proposing budgeted expenditures of \$2.0M representing an expenditure increase of \$90K. If additional unplanned projects are awarded, staff will prepare amendments as required for consideration.

For the five-year financial plan of 2026-2030, Development Services is forecasting a cumulative deficit of (\$1.9M) driven primarily from a timing difference between project management fee revenue and existing salaries and benefit expenses (Appendix B). Staff are investigating options to balance future budget years and will report back in 2026.

OPERATIONS

The 2025 consolidated operations budget (Appendix C), the administration budget (Appendix D), five individual portfolio budgets (Appendix E-I) represent key aspects of supporting effective service delivery through the CRHC's housing stock.

The CRHC is forecast to end 2025 with a consolidated surplus of \$568K which is \$162K higher than budget. Consolidated revenue is down by 8% but is primarily the result of the delay in opening the Caledonia project. As the project was not operational, it was not receiving a subsidy. Tenant rents are also down due to decanting two properties, Village on the Green and Campus View, holding of vacancies at Michigan Square to support rehoming efforts, and the continued vacancy at Carey Lane due to the ongoing work associated with the Building Envelope Remediation (BER) project. Though revenue was down, expenditures were also down 8%, which was primarily driven by underspending in salaries and benefits due to staff vacancy and mortgage payments from the delayed opening of Caledonia.

Table 2: Consolidated Operations Budget (\$)

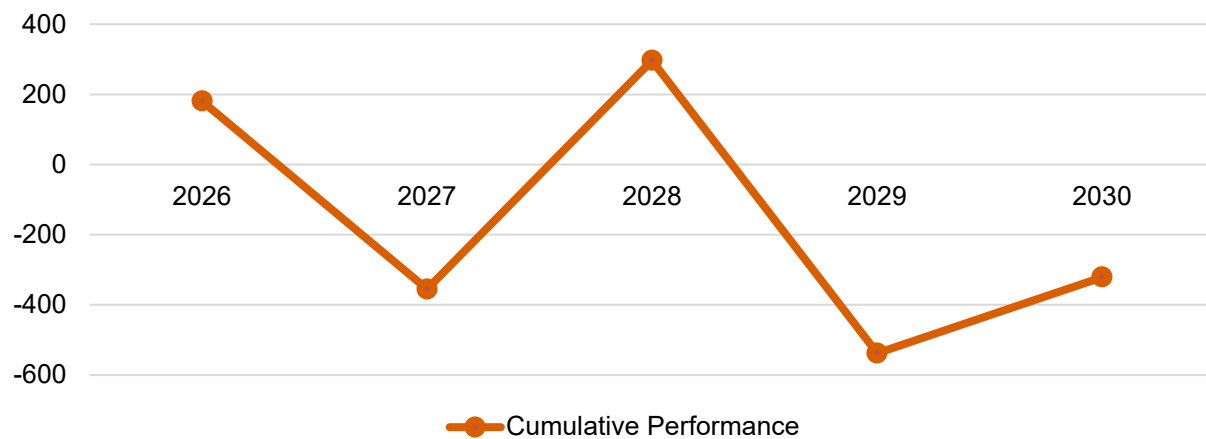
	2025 Budget	2025 Estimates	2025 Variance	2026 Proposed	2025-2026 Change
Total Revenue	32,609,850	30,089,780	(2,520,069)	32,889,602	279,753
Total Expenditures	(32,203,461)	(29,521,829)	2,681,632	(32,709,147)	505,683
Operating Surplus/(Deficit)	406,388	567,951	161,563	180,455	(225,930)

The CRHC is forecasting revenue growth of 1% in 2026 and an increase of 2% in estimated costs for an estimated positive margin of 0.6%. Staff are anticipating continued downward pressure on revenue as the region continues to see rental price decline. For example, Zumper reported in October 2025 that median rent levels in Victoria have decreased for studio (-7%), 1-bed (-7%), 2-bed (-8%), and 3-bed (-3%) rental homes since October 2024. This places pressure on the CRHC's rent levels and creates increased competition which then drives increased turnover.

Though the CRHC is expected to experience revenue pressure through 2026, staff have sought to mitigate this through expenditure control. Contracted services for items such as cleaning and maintenance work have been reduced and will be absorbed through redeployment of existing capacity and transfer to replacement reserve has also been reduced. It is noted that reducing transfer to replacement reserve is not a preferred option as it increases the unfunded liability over time but given the margin pressure and the softening rental market, staff are advancing this step to manage cash flow and short-term needs of the CRHC. Additionally, staff are also working on a long-term redevelopment and asset management strategy that will help to guide decision making in support of the continued financial sustainability of the corporation.

The CRHC is anticipating increased volatility on the bottom line due to the costs associated with decanting existing properties to support redevelopment and significant increase in utility and mortgage costs as new properties come online. Over the next five years, the CRHC is forecasting cumulative losses of (\$321K) which will be absorbed through the various stabilization reserves.

Graph 2: Cumulative Performance 2026-2030 (\$K)



Overall, the CRHC is expected to experience a decrease in financial position on a consolidated basis but staff will remain focused on continuing to improve performance of the corporation, with a particular emphasis on the RHFP portfolio. As previously noted, any losses will be absorbed through the stabilization reserves.

Stabilization Reserve Balances

Maintaining healthy reserve balances is a critical aspect of ensuring the CRHC can absorb additional or unforeseen one-time or short-term expenditure increases. As shown in Table 2, the CRHC maintains seven operational reserves including corporate stabilization, which is supported through surpluses from the administration budget and one reserve for each portfolio.

The CRHC began 2025 with \$8.1M in total reserve funds, and with the estimated \$397K in surplus available to be transferred into these accounts, staff estimate ending 2025 with a combined balance of \$8.5M. The CHF shows an estimated 2025 end deficit balance of (\$559K), which is due to cumulative losses associated with rent-up, and an error that was corrected in 2025 resulting from incorrect rent level calculations. The CHF is a program that is subsidized by BC Housing and staff will work with BC Housing to seek subsidy adjustment to help cover prior year losses. Staff anticipate that, subject to BC Housing's review and approval, an adjustment may be made to cover the prior year operating loss. Any adjustment will be subject to BC Housing's sole discretion.

Table 3: CRHC Operating Reserve Balances (\$)

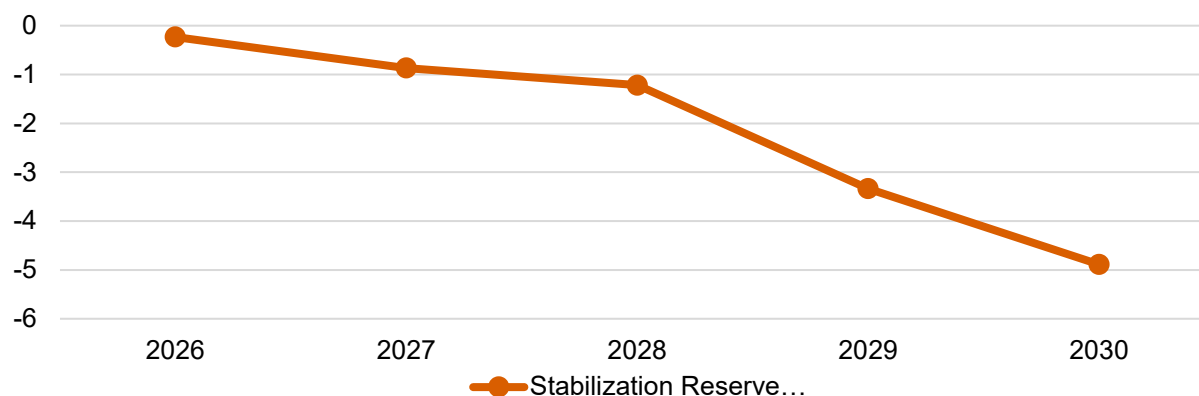
	2025 Beginning Balance	2025 Surplus/(Deficit) (Estimated)	2025 End Balance (Estimated)
Corporate Stabilization	2,512,794	(90,591)	2,422,203
UOA	3,490,844	1,383,020	4,873,864
RHFP	601,607	(320,210)	281,397
CHF	(20,134)	(538,934)	(559,068)
NOA	1,168,478	(229,563)	938,915
IHI	629,186	156,846	786,032
ILBC2	(264,340)	36,361	(227,979)
TOTAL	8,118,435	396,929	8,515,364

Regional Housing First Program Portfolio

Going into 2026, the RHFP portfolio requires particular attention. The RHFP consists of six properties totalling 638 homes with more under construction. The RHFP is nonsubsidized and relies on 80% market-affordable rental levels to support 20% of the homes rented at the Provincial Income Assistance Shelter Rate Maximum. In short, 80% of homes are designed to cross subsidize the other 20%. The result is that this program is particularly sensitive to volatility in the rental market, vacancy, turnover, location, increased competition, etc.

The CRHC is anticipating losses of (\$526K) in 2026, which will result in the depletion of the stabilization reserve and a 2026 end balance of (\$245K). With conservative estimates of rental revenue increases due to the softening of the rental market, the CRHC is projecting cumulative total losses under the RHFP of (\$4.9M) by 2030.

Graph 3: RHFP Stabilization Reserve Balance (\$M)



Staff have undertaken a thorough review of building-by-building performance to determine key drivers. In short, high unit turnovers, longer than target average days vacant, and general decreases in median rents across the community are all contributing to poor portfolio performance.

With the intent of correcting performance under the RHFP, staff are actively recalibrating rent levels to regain competitive advantage, are increasing marketing and advertising to grow awareness and generate demand, are deploying property management software in Q1, 2026 to increase productivity while improving customer service, and will continue to control costs through delayed hiring and/or expenditure deferral where possible.

It should be noted that even with the projected cumulative loss under the RHFP, the CRHC is expected to remain relatively stable. However, the operational performance of the portfolio must be improved to protect the medium-to-long-term health of the CRHC. Staff will remain focused on this area and will include regular reporting through the CRHC quarterly updates that are expected in June and September 2026.

FIVE YEAR ROUTINE CAPITAL EXPENDITURE SUMMARY (2026-2030)

Maintenance of the CRHC's existing assets, including in-unit, common area, and exterior repairs or replacements, etc. is undertaken through the Routine Capital Plan (RCP), attached as Appendix J and is supported by the 2026 Routine Capital Replacement Services Budget (Appendix K). Routine capital works are funded by associated capital reserves which themselves are funded through operational revenue.

2025 Results and 2026 Plan

Significant routine capital projects that were undertaken in 2025 include repair and replacement of decks, fencing, appliances, floor covering, painting, and roof repair/replacements. Overall, the unspent variance through 2025 was 6% resulting in a surplus of \$249K, which was driven primarily through advancing less work in the UOA and NOA portfolios than was forecast.

Table 4: 2025-2026 Routine Capital Plan Expenditure Summary (\$)

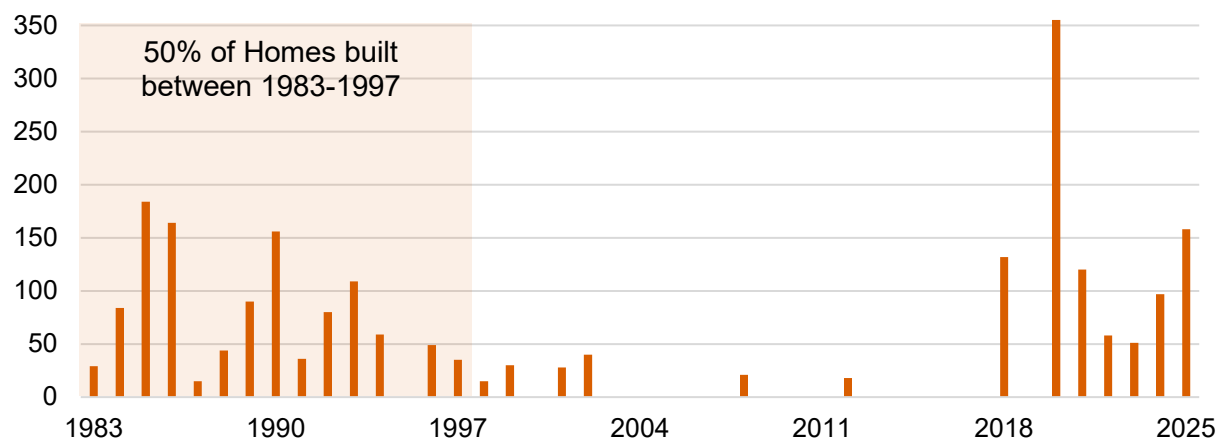
	2025 Budget	2025 Estimated	Variance	2026 Budget	Difference 2025-2026
UOA	3,047,590	2,869,201	178,389	1,746,800	(1,300,790)
RHFP	534,665	532,868	1,797	551,232	(16,567)
CHF	31,770	29,230	2,540	93,128	(61,358)
NOA	295,012	211,278	83,734	147,600	147,412
IHI	21,335	39,215	(17,880)	63,072	(41,737)
ILBC2	27,420	27,420	0	4,158	23,262
TOTAL	3,957,792	3,709,212	248,580	2,605,990	1,351,802

2026 sees a reduction in the overall budgeted spend by \$1.4M which is seeing a decrease of \$1.3M in the UOA, which is partially offset by an increase in the NOA portfolio. The lower spending in the UOA is primarily a function of tight margins and constrained revenue. As detailed in Appendix E, the UOA portfolio is anticipated to generate a surplus of \$571K in 2026, which will be transferred to the UOA Stabilization Reserve and may be used to help offset critical repair works in future years.

Long-Term Asset Planning

In accordance with CRD Initiative 5b-1 *Support continued investment into existing housing stock to preserve and enhance the quality of buildings and units*, staff continue to work to ensure sufficient investments are made and work is advanced to support the long-term health of the CRHC's assets. However, funds available to support the routine capital plan are drawn from the approved operating budgets as a transfer to the replacement reserve specific to each portfolio with annual contributions based on available revenue or operating agreement constraints.

Graph 4: Number of Homes Added/Year



The graph above illustrates that 50% of the CRHC's housing was constructed before 1997 making almost half of CRHC's housing between 30 and 43 years old. Staff are currently forecasting a total of \$79.1M in routine capital repair requirements through to 2030 and are anticipating sufficient revenue to support \$14.5M in spending. This results in an unfunded capital liability that is estimated to total approximately \$64.6M by 2030.

It should be noted that unfunded capital liability is not a challenge unique to the CRHC. Based on 2024 data from BC Housing, the British Columbia Non-Profit Housing Association (BCNPHA) recently estimated the deferred maintenance for all homes under operating agreements at more than \$2.6 billion (B) and is projected to increase by approximately \$347M annually. BCNPHA forecasts that total unfunded liability across the non-profit sector in the province will exceed \$4B by 2030. The root cause is tied to constraints under the operating agreements related to income requirements and rent levels and/or subsidy limits and the reliance of non-profit providers on discretionary government funding, which has been insufficient to keep up with costs.

Routine Funding Strategies

To address the anticipated routine capital funding gap projected over the next five years, staff are initiating several strategies designed to increase available funds through improving operating margins, sharpening cost estimates through undertaking Building Condition Assessments (BCAs) on the more than 50 properties and seeking additional funding from external grant sources for routine maintenance work. Staff are also actively seeking funding to undertake redevelopment of those assets which are no longer economically viable to maintain.

Routine Capital Replacement Services Budget

The Routine Capital Replacement Services Budget provides support to four Full-Time Equivalents (FTE) who are accountable for the delivery of the RCP. These positions are funded through operational revenue which is drawn from the Routine Replacement Reserves.

Table 5: Routine Capital Replacement Services Budget (\$M)

	2025 Budget	2025 Estimates	2025 Variance	2026 Proposed	2025-2026 Change
Total Revenue	646,565	646,565	0	605,464	(41,101)
Total Expenditures	(646,565)	(475,543)	171,022	(605,464)	(41,101)
Operating Surplus/(Deficit)	0	171,022	171,022	0	0

Staff have taken various steps to control cost growth and have been proactive in reducing budget lines where possible.

CONCLUSION

The MCP totals \$646.1M in expenditures 2026-2030, with \$131.8M planned for 2026 which is up from \$87.8M in 2025. The work outlined on the MCP is to support the delivery of 1,328 new affordable rental homes with 98.5% of those homes currently funded through either the CHF, BC Builds, or the RHFP.

The overall financial performance of the CRHC remains under pressure due to a softening rental market, high turnovers, increased competition and average days vacant greater than target. This is particularly visible in the performance of the RHFP portfolio, which is projected to run a deficit of (\$526K) in 2026 which, if uncorrected, could put the CRHC at-risk through to 2030. Staff are actively deploying several tactics to increase demand, improve customer service, and gain productivity to control costs.

The CRHC is budgeting a total of \$2.6M in spending under the RCP, with the majority of the spending planned under the UOA to help address the continued aging of the assets under that portfolio.

Overall, the CRHC remains sustainable and is forecasting a small, but positive margin in 2026. However, the CRHC is projecting a cumulative loss of (\$321K) by 2030. The RHFP remains the greatest area of concern and will be a key focus for staff as they work to improve performance and mitigate risk through 2026 and into 2027-2030.

RECOMMENDATION

1. That the Capital Region Housing Corporation 2026 Financial Plan be approved as presented;
2. That the Chief Administrative Officer or their duly authorized delegate be authorized to apply for, negotiate and accept the terms to receive funds for routine capital works through funding programs as necessary and as they become available; and
3. That any 2025 operating surplus/(deficits) to be transferred to/(from) the Corporate, Development Services and/or Portfolio Stabilization Reserves as contained within the CRHC 2026 Financial Plan be approved.

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ATTACHMENTS:

- Appendix A: Five Year Major Capital Plan Expenditure Summary (2026-2030)
- Appendix B: 2026 Development Services Budget
- Appendix C: 2026 Consolidated Operations Budget
- Appendix D: 2026 Administration Budget
- Appendix E: 2026 UAO Budget Summary
- Appendix F: 2026 RHFP Agreement Budget Summary
- Appendix G: 2026 CHF Agreement Budget Summary
- Appendix H: 2026 No Operating Agreement Budget Summary
- Appendix I: 2026 IHI Agreement Budget Summary
- Appendix J: Five Year Routine Capital Expenditure Summary (2026-2030)
- Appendix K: 2026 Routine Capital Replacement Services Budget
- Appendix L: UOA Mortgage Renewal and Expiry