

**Board of Directors Meeting Agenda**

CCHC Boardroom

February 25, 2015

1:00pm – 3:00pm

1. Approval of Agenda
2. Approval of January 21 2015 Minutes  
*Motion to approve the minutes as presented/amended*

3. Business arising from minutes

4. Reports:
  - a. Managing Director's Report  
*Motion to accept the report for information*

5. New Business
  - a. Phase 2 Development at 100 Dyrgas Lane

*Motion to:*

*Approve the budget of \$3,200,300 for Phase 2 development of 16 stacked townhouse rental units at 100 Dyrgas Lane and funding model with the following capital sources:*

1. CCHC Capital Reserve Fund: \$ 125,300
2. Town of Canmore PAH Reserve: \$ 875,000
3. BVCU Financing: \$2,200,000

*Authorize the Managing Director to:*

1. *Make the application for financing with the Bow Valley Credit Union*
2. *Request the grant from the Town of Canmore*
3. *Access CCHC's capital investment for architectural, engineering, permitting and site preparation expenditures within the approved budget and funding model.*

6. In Camera Items
  - a. Policy Issue
  - b. Development Issue

7. Meeting adjournment

*A majority of the Directors in office shall constitute a quorum. In the case of an equality of votes, the Chair shall be entitled to a second or casting vote.*



**Board of Directors Meeting Minutes**

Wednesday, January 21 2015  
CCHC Boardroom  
1:00pm-3:00pm

**Board Members in Attendance:** Cheryl Godefroy Camille Hemingson (1:44 pm)  
Bob Kocian Sean Krausert  
Garth Lyon Joanna McCallum  
Kimber Amping (Meister) Cathy Robinson

**Others in Attendance:** Jennifer Bisley, Managing Director, CCHC  
Alaric Fish, Manager of Planning, Town Liaison to CCHC

**Regrets** Dan Sparks

There being a quorum, Cathy Robinson called the meeting to order at 1:05 pm.

**1) Agenda Approval**

Moved by Joanna McCallum to approve the agenda as presented  
Carried unanimously

**2) Approval of Minutes**

**Motion 2015.01**

Moved by Cheryl Godfroy to approve the Minutes of the December 17 2014 Board meeting as presented  
Carried unanimously

**3) Business Arising from Minutes: none**

**4) Reports**

a) Managing Director's Report

**Motion 2015.02**

Moved by Sean Krausert to accept the January 21 2015 Managing Director's Report for information  
Carried unanimously

*APPROVED February 25 2015 Motion 2015.05  
CANMORE COMMUNITY HOUSING CORPORATION*

**5) New Business:**

**a) Draft 2014 Trial Balance for Audit Purposes**

**Motion 2015.03**

Moved by Kimber Amping to approve the draft 2014 Trial Balance for audit purposes as amended, the amendment being the capitalization of \$95.00 in General Ledger (GL) Acct "5775 · TSMV Lot 39 – Other" to GL Acct "1850 · TSMV - Lot 39 Non Road Costs".

Carried unanimously

**Motion 2015.04**

Moved by Kimber Amping to approve the transfer and restriction of \$34,305.13 from the 2014 operating surplus for purposes of the Hector Building Reserve Fund.

**6) In Camera Items**

*Moved by Sean Krausert to go in camera at 2:09 pm*

a) Development Issue

b) Policy Issue

*Alaric Fish left the meeting at 3:00pm*

c) Legal Issue

d) Human Resource Issue

*Jennifer Bisley left the meeting at 3:20pm*

*Bob Kocian left the meeting at 3:27pm*

*Moved by Garth Lyon to come out of camera at 3:33pm*

**7) Motion to Adjourn**

Moved by Joanna McCallum to adjourn the meeting at 3:33pm

Carried unanimously

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Chair

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Managing Director



Canmore Community Housing Corporation

# For Information

**DATE OF MEETING:** February 25 2015 **Agenda Item: 4a**

**SUBJECT:** Managing Director's Report

**RECOMMENDATION:** For information

## EXECUTIVE SUMMARY

The Managing Director's Report summarizes activities relative to the Business Plan 2013-2015. This report refers to year-to-date activities in 2015.

## KEY STRATEGIES UPDATE

### 1. Build new units and utilize existing market units to increase availability of affordable housing

#### *100 Dyrgas Lane*

Construction of Phase 1 (32 rental units) at 100 Dyrgas Lane is underway. CCHC is now working on the funding and financing for Phase 2 development which would add 16 more rental units at the site with occupancy anticipated in spring 2016.

#### *Accessory Suites*

Providing research and information to the municipality with respect to opportunities to expand the supply of legal accessory suites.

### 2. Innovative finance and housing programs to improve housing access

#### *Employee Housing*

Continue to gather information and advance employee housing options with Canmore Business and Tourism (CBT) and the Town of Canmore. Learned more about the Banff YWCA affordable (staff) housing program at an onsite visit with Board member Joanna McCallum. Also met with CBT, Town staff and a developer on a staff housing model and opportunity.

#### *PAH Programs*

In process of identifying gaps in affordable housing policy and programs to identify options to better meet housing need and demand, which may include changes to eligibility criteria and alternate PAH models. Met with Genworth to discuss mortgage insurance and lending implications of alternate ownership options.

### 3. Improve organizational capacity to deliver programs and develop properties

Reviewing PAH programs (above), implementing recommendations of HR consultant, and developing recommendations to enhance the governance of CCHC.

## OPERATIONS UPDATE

### Applications and Waitlist

	Ownership	Hector
Wait List:	20	25
Applications YTD:	2	10
Applications 2014:	14	54
Inquiries 2015 (Jan):	5	13
Inquiries 2014:	105	324
Total Units	44	60
Current Occupancy	100%	100%
Turnover YTD	0%	3% (2 units)
Turnover 2014:	9% (4 sales)	40% (24 units)

### PROGRAM ADMINISTRATION

- 2014 CPI is 2% for purposes of PAH Ownership resale values (released January 23 2015)
- PAH property values for municipal taxation purposes as of calculated and submitted to the property assessor.
- Reviewed all PAH property titles (CCHC, MHCH and option agreements) to identify unauthorized charges and changes. Three titles were identified as having issues. CCHC has communicated with owners and lenders with respect to the situation.
- Annual residency confirmation process initiated with declarations are due on March 7, 2015.
- Issued a notice to a PAH leasehold owner with respect to damage and repairs to their property. Working with them to rectify the situation.
- Met with Genworth representatives to discuss issues and opportunities in the lending environment.

### PROPERTY MANAGEMENT

#### PAH Program

##### The Hector at Palliser Village

- Held annual meeting with PEKA Property Management with respect to The Hector and annual preventative maintenance and capital repair requirements. The reserve fund study identifies that the wood trim and railings are scheduled for painting. The front and side of the buildings exposed to sun do require painting, but painting at the back is not yet necessary. The plan is to paint the front/sides in 2015, with the back to be done as needed in 2016 or 2017.
- Hot water holding tank failed in Building B resulting in water damage to two units. An insurance claim was initiated, which has been approved for the property damage which was valued at approximately \$6500. The water tank failure is not covered by insurance, but may be covered by warranty. This option is being explored.

##### Palliser Lands:

- The Stoneworks Creek hazard and risk report has been delayed. It is now expected to be available for review by affected owners in March.

## **DYRGAS LANE DEVELOPMENT UPDATE**

### **Funding/Finance**

- The Managing Director has been working on finalizing the budget and identifying funding options for Phase 2.

### **Construction**

- The Architect, Client Representative, Managing Director and Contractor continue to meet on site on a biweekly schedule.
- Tree removal and stump removal for Phase 1 is complete. Deep servicing started February 16.
- An onsite parking lot for contractors' vehicles has been established.
- Dealing with some issues related to grading and making some site adjustments

### **Property and Program Management**

- Occupancy of Phase 1 for October/November 2015 has not changed.
- An RFP for Property Management Services will be issued on March 2nd.
- Eligibility criteria is being reviewed and will be presented for approval by the Board in March 2015. It is expected that applications will be accepted in June and no later than three months prior to occupancy. A marketing/awareness campaign will be launched in conjunction with the initiation of the application process.

## **GENERAL ADMINISTRATION**

- > Completed audit working papers which have been submitted to the auditor. Initial audit interview also completed.
- > Completed interviews for the vacant positions of Executive Assistant and Housing Program Manager.

**Prepared by:** Jennifer Bisley, Managing Director

**Prepared on:** February 23 2015







# For Decision

**DATE OF MEETING:** February 25, 2015 **Agenda Item: 5a**  
**SUBJECT:** Phase 2 -100 Dyrgas Lane Development: Budget and Funding Model

**RECOMMENDATION:**

Motion to:

Approve the budget of \$3,200,300 for Phase 2 development of 16 stacked townhouse rental units at 100 Dyrgas Lane and funding model with the following capital sources:

- 1. CCHC Capital Reserve Fund: \$ 125,300
- 2. Town of Canmore PAH Reserve: \$ 875,000
- 3. BVCU Financing: \$2,200,000

Authorize the Managing Director to:

- 1. Make the application for financing with the Bow Valley Credit Union
- 2. Request the grant from the Town of Canmore
- 3. Access CCHC’s capital investment for architectural, engineering, permitting and site preparation expenditures within the approved budget and funding model.

**EXECUTIVE SUMMARY:**

PHASE 2 at 100 Dyrgas Lane anticipated the construction of up to 16 rental units subject to funding and market conditions. Construction of 32 rental units in PHASE 1 at 100 Dyrgas Lane is underway. Demand for affordable rental housing continues to be strong and potential funding sources have been identified. To proceed, CCHC needs to approve the concept, construction budget and funding model and authorize the Managing Director to apply for grants and financing. Approval is also need for the Managing Director to access funding for design/pre-construction expenditures.

**PREVIOUS BOARD DIRECTION OR POLICY:**

26-Jan-12	2012.06	SPP4.05 Cash Management Policy 5.05 Capital Reserve - The use of the Capital Reserve Fund will be by decision of the Board 5.06 Any loans and lines of credit shall require a resolution of the Board of Directors, which shall include any conditions around the use of and repayment of any borrowed monies.
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No motions specific to Phase 2.

## DISCUSSION

See the attached Phase 2 100 Dyrkas Lane Project Proposal for details of the project. This section contains key information from the proposal.

PHASE 1 construction of 32 units in two 16-unit stacked townhouse buildings on 1.77 acres at 100 Dyrkas Lane is underway with a substantial completion date of October 8, 2015. PHASE 2 would see the build out of the site with a third 16-unit stacked townhouse building constructed on the remaining 0.8 acre with an estimated substantial completion date in spring 2016.

Upon completion of PHASE 1 & 2, there will be a total of 48 units in 3 similar stacked townhouse buildings each with a mix of one, two and three-bedroom units ranging in size from 690sf to 1012sf with rents ranging from \$875 to \$1350. All units are self-contained with private entry, storage, decks, laundry, and dedicated parking spots. Common area will be limited to green space and visitor parking.

The delivery method for the project is a conventional Design/Bid/Build. CCHC is leading each stage of development and has assembled a project team with the necessary expertise and skills for PHASE 1 through a competitive bid process. The intent is to engage the same project team for PHASE 2. The Architect and Engineers designed the building and are best qualified to do the design work, adapting the building for PHASE 2 site conditions. The contractor included a price for the construction of the building in PHASE 2 as required in the bid for PHASE 1.

### Development Costs

There are no land acquisition costs as CCHC owns the land. Total development costs for the 16 units in PHASE 2 are estimated to be \$3,200,300, as summarized below.

Site development costs:	\$ 244,000
Construction costs:	\$ 2,708,300
<u>Other costs:</u>	<u>\$ 248,000</u>
<u>Total costs:</u>	<u>\$ 3,200,300</u>

- Construction costs include the stipulated sum from KELLERDENALI which is valid to April 24, 2015 and a 10% contingency. Site development costs were not part of the stipulated sum.
- Other costs include architect, engineering and project management fees, off-site levies, legal and finance charges.

### Funding

CCHC proposes to fund development of PHASE 2 with the following sources of capital:

CCHC Capital Reserve Fund grant:	\$ 125,300	3.9%
Town PAH Reserve Fund grant:	\$ 875,000	27.4%
<u>Construction financing/takeout loan:</u>	<u>\$ 2,200,000</u>	<u>68.7%</u>
<u>Total Capital</u>	<u>\$ 3,200,300</u>	<u>100.0%</u>

The CCHC Capital Reserve Fund is under the authority of the CCHC Board and is to be accessed solely for the creation, retention and maintenance of community housing units administered by CCHC. CCHC has the discretion to provide these funds as a grant or loan. Unallocated funds in the Capital Reserve Fund currently totals \$206,480.

The Town Perpetually Affordable Housing (PAH) Reserve Fund is under the authority of Town Council and is used solely for the creation of PAH equity and rental units. It is funded through annual contributions from a residential and commercial municipal tax specifically for PAH. Council has the discretion to provide these funds as a grant or loan. The Town has communicated that the PAH Reserve Fund anticipates having a balance of \$875,000 in 2015.

**ALTERNATIVES:**

1. Change the configuration of units and concept. This is not recommended as the site size and layout limits options. In addition, an investment has already been made into the building design which will result in cost savings for Phase 2.
2. Seek alternative funding sources:
  - Municipal finance at preferred interest rates through AFSC. This is not recommended. Although the interest rates through AFSC are lower, it has a minimal impact on the amount of equity required in order to still be able to service debt with rents. It also impacts the Town's debt limits.
  - Finance through a lender other than BVCU. This is not recommended as CCHC has an established relationship with BVCU and the terms and conditions of finance are competitive.
  - Seek alternate grant monies. This is not recommended as it would significantly delay the project and there are limited sources of grants available to non-charitable organizations. Conversations were held about a cash-in-lieu payment from a developer committed to providing a couple of PAH units, but the developer preference was to provide the units.

**FINANCIAL IMPACTS:**

Impacts on the capital project budget in 2015 and 2016. The 2015 budget has been approved and would need to be revised subsequent to the approval of the funding model.

**ATTACHMENTS:** Phase 2 Project Proposal

**Prepared by:** Jennifer Bisley

**Prepared on:** February 20, 2015





PHASE 2  
**AFFORDABLE RENTAL  
HOUSING PROJECT**  
100 Dyrgas Lane, Canmore, Alberta

**PROPOSAL  
FEBRUARY 13 2015**

**Contact Information:**

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# INTRODUCTION

## OBJECTIVE

The Canmore Community Housing Corporation (CCHC) has started construction of 32 units of a purpose-built rental housing as PHASE 1 development of 100 Dyrigas Lane in Three Sisters Mountain Village, Canmore. PHASE 2 will see the construction of an additional 16 units of affordable rental housing. The project is intended to meet the housing demand of moderate income Canmore residents and workers in need of affordable and appropriate housing options. Our objective is to bridge the affordability gap and create housing options to enable people to stay and develop their professional and social lives in our community.

## CONTEXT

Prior to 2008, Canmore was one of the fastest growing communities in Alberta due to its emergence as an upscale recreational based community. The 2008 global financial crisis significantly curtailed growth, but the housing market and economy began to show signs of recovery in 2011. Today, housing prices and sales volumes have approached pre-2008 levels and vacancy rates remain close to 0%, while the annual growth of the permanent population averaged 2% between 2011 and 2014. Despite the fall in oil prices that started in late 2014, we are positive about the local economy and employment opportunities in our region, particularly related to the tourism industry, and assume modest growth of the permanent population in the future.

A downside to this growth is that for many residents and workers, Canmore has become unaffordable with limited housing choice. We have some of the highest shelter and living costs in Alberta and new residential construction is primarily targeted to the second-home and higher priced housing markets. There is a housing affordability gap for low and moderate income households. This affordability gap will not lessen without intervention as we assume that housing prices and rental rates will grow at a similar or greater rate than real incomes.

## THE CORPORATION

The CCHC was established in 2000 as a non-profit municipal corporation to provide a range of housing options for the community's needs. CCHC serves the needs of moderate income workers and residents through its Perpetually Affordable Housing (PAH) programs. Social and low-income housing is not part of our mandate.

The corporation is wholly owned by the Town of Canmore as shareholder. The shareholders appoint the Board of Directors, a policy governing board, which provides governance oversight and direction to the organization. The Board is made up of community members with a range of expertise related to governance and the housing industry. The Managing Director oversees the day-to-day work of the organization supported by several staff.

At present, CCHC administers the sale and rental of 44 condominiums and 60 purpose-built rental units, leases land to a 44 unit housing cooperative and holds land for future development. Our development at 100 Dyrigas Lane will add another 48 purpose-built rental units to our inventory. Our projects and programs contribute to the municipal vision of a resilient and vibrant community and a viable home for a diverse population. They also contribute to the Town's target of having 1,000 affordable owned and rental housing units at the time Canmore reaches build out.

Our ambition is to develop housing that makes residents proud and adds to the beauty of the community. We aim for quality architecture and compact homes that are designed for flexibility. Our projects integrate nicely in the surroundings and have good connections with Canmore's amenities and natural qualities. Our projects are typically small and scalable, and offer a range of sizes, types and locations across Town. Where appropriate, we mix market with non-market housing.

## **DEMAND**

CCHC builds projects that are small, scalable, and built to meet the affordable housing demand of moderate income Canmore workers and residents. Demand means that our target group has both the need for affordable housing and the ability and willingness to rent and buy homes. Demand is influenced by program design and housing inventory, as well as external factors such as availability of finance and confidence in the housing market. CCHC analyzes demographic, income and housing data to assess need. We assess demand by analyzing inquiries, applications, rental and resale activity within the context of the broader housing market and economy.

Our assessment indicates that the greatest and immediate housing demand within our mandate is for rental housing. The Hector at Palliser Village, CCHC's 60-unit rental development, has been at full occupancy with a wait list since June 2011 with rental inquiries reaching 420 in a year. The strongest demand is from moderate income single persons looking for one-bedroom units, representing about 70% of all rental applicants over the past three years, followed by lone parent families representing about 17% of all applicants. Inquiries also show that there is a need for affordable rental accommodation by unrelated adults, couple households without children, and any family new to Canmore.

Couple households with children have demonstrated limited interest in our affordable housing programs. We are cautious, however, to conclude that there is no demand as we recognize that our existing inventory and program terms and conditions may need to be adjusted to better align demand and need.

# THE PROJECT

## SITE

The site of the housing project is 1.04 hectares (2.57 acres) of bare land located at 100 Dyrgas Lane (off Dyrgas Gate) in Three Sisters Mountain Village, Canmore. The land is owned by CCHC (legal address Plan 0412844 Block 4 Lot 39) and has been communicated as a site for future affordable housing development. PHASE 1 covers 69% (1.77 acres) of the site, with PHASE 2 covering the remaining 31% (0.8 acres)

The site transitions from higher density affordable housing to lower density market housing. It is located across from and shares private road access with two existing affordable housing developments: Coyote Ridge, a 12-unit townhouse condominium developed by CCHC, and Mountain Haven Co-operative, a 44 unit housing cooperative that leases land from CCHC. It abuts public district land and four residential properties on Krizan Bay. Zoning allows for a density of 31 to 70 townhouse and apartment units. The housing project as designed has a total of 48 units.

This project supports our long-term strategy to ensure affordable housing in residential neighbourhoods throughout Canmore. Three Sisters is a desirable residential area poised for significant new development. The site is approximately 6km from town centre by road or bike/walking trail, requiring residents to have private transportation. This project would benefit from the provision of local transit, as would other residential and commercial development in the neighbourhood.

Feasible development of the location is realistic. CCHC owns the land, it is zoned and has been communicated as a site for affordable housing, and there are no known development constraints. The timing is good with development moving ahead in Three Sisters and PHASE 1 construction underway with a substantial completion date in October 2015. While not all of our ambitions can be realized due to limited size and location, the site is appropriate for a medium to high density affordable housing development.

## DEVELOPMENT

The site is being developed in two phases in order to manage risk and so that CCHC is able to secure adequate capital to invest in the project. PHASE 1 construction of 32 units is underway with a substantial completion date of October 8, 2015. CCHC is in the process of finalizing funding for PHASE 2 and is expected to proceed to permitting and final design in March 2015. A building rendering, site/landscaping plan, and main and second floor plans are attached to this proposal.

PHASE 1 covers 69% of the site (1.77 acres) and consists of 32 purpose-built rental units in 2 x two-level stacked townhouse buildings of 16 apartment style units.

PHASE 2 covers 31% of the site (0.8 acres) and consists of 16 purpose-built rental units in 1 x two-level stacked townhouse building.

All units are self-contained with private entry, storage, decks, laundry, and dedicated parking spots. Common area will be limited to green space and visitor parking.



The unit mix by building and Phase is as follows:

Unit Type		Size	# of Units			
			Per building	PHASE1	PHASE2	TOTAL
1 bedroom	1 bath	690 sf	8	16	8	24
2 bedroom	2 bath	896 sf	6	12	6	18
3 bedroom	2 bath	1,012 sf	2	4	2	6
TOTAL			16	32	16	48

The unit mix is based on the following demand assumptions:

- one-bedroom rental units to be occupied by single persons and couples
- two-bedroom rental units to be occupied by unrelated singles, moderate income couple households, and lone parent households
- three-bedroom rental units to be occupied by lone parent and couple families with children

The property will be owned and managed by CCHC as an affordable rental housing program. In accordance with municipal affordable housing policy, rents will be no more than 90% of market rent for equivalent units. Monthly affordable rents are expected to range from \$875 to \$1,350.

## DEVELOPMENT MANAGEMENT

CCHC is leading each phase of development. CCHC has contracted Bob Ellard, SOM, FRAIC, SAA, AAA, of Ellard Design Group to serve as CCHC's Technical Advisor/Client Representative for PHASE 1 and 2. The Managing Director and the CCHC Board has expertise in residential property development and management. The CCHC Board has final decision making authority on design, planning and financial matters.

## PROJECT DELIVERY

The delivery method for the project is a conventional Design/Bid/Build with the Architect, engineering sub-consultants and General Contractor being retained by CCHC.

CCHC intends to retain the following contractors from PHASE 1 for PHASE 2:

Architect:	BRZ Partnership Architecture Inc.
Engineers:	
Geotechnical:	Curtis Engineering
Structural:	McElhanney Consulting Services Ltd
Civil:	MMM Group
Mechanical:	Rae McLean
Electrical:	Rae McLean
General Contractor:	KELLERDENALI Construction Ltd.

## PROJECT SCHEDULE

Call for construction tenders	Completed (submitted with Phase 1 bids)
Development and Building Permit application	March 2015
Construction Start	May 2015
Substantial completion	Mar 2016

## PROPERTY AND PROGRAM MANAGEMENT

Property and program management of new housing will be consistent with CCHC's current practices and programs. CCHC will own the housing units and rent to eligible tenants at rates at least 10% below market rents. CCHC has over five years' experience successfully administering rental programs and properties. Critical to our success has been professional property management which is contracted out to ensure sound tenant selection, tenant management and property maintenance practices.

## STAKEHOLDER ENGAGEMENT

CCHC has actively engaged neighbouring residents throughout the development period to keep them informed of our intentions and to discuss concerns with respect to construction impacts, increased traffic and increased population in the area. CCHC is an engaged member of the Lamphouse Neighbourhood Association, the society that manages the community lands subdivision and private road on behalf of the owners.

## FINANCE

### DEVELOPMENT COSTS

There are no land acquisition costs as CCHC owns the land. Total development costs for the 16 units in PHASE 2 are estimated to be \$3.2 million, as below.

Site development costs:	\$ 244,000
Construction costs:	\$ 2,708,300
<u>Other costs:</u>	<u>\$ 248,000</u>
<u>Total costs:</u>	<u>\$ 3,200,300</u>

### VALUE

The appraised value of PHASE 1 development of 32 units on 1.77 acre site on August 25 2014 was \$8.3 million. Based on this appraisal, it is estimated that the appraised value of PHASE 2 development of 16 units on the 0.8 acre site would be approximately \$4,150,000.

### FUNDING

CCHC proposes to fund development of PHASE 2 with the following sources of capital:

CCHC Capital Reserve Fund grant:	\$ 125,300	3.9%
Town PAH Reserve Fund grant:	\$ 875,000	27.4%
<u>Construction financing/takeout loan:</u>	<u>\$ 2,200,000</u>	<u>68.7%</u>
<u>Total Capital</u>	<u>\$ 3,200,300</u>	<u>100.0%</u>

The CCHC Capital Reserve Fund is under the authority of the CCHC Board and is to be accessed solely for the creation, retention and maintenance of community housing units administered by CCHC. CCHC has the discretion to provide these funds as a grant or loan. Unallocated funds in the Capital Reserve Funds currently total \$206,480.

The Town Perpetually Affordable Housing (PAH) Reserve Fund is under the authority of Town Council and is used solely for the creation of PAH equity and rental units. It is funded through annual contributions from a residential and commercial municipal tax specifically for PAH. Council has the discretion to provide these funds as a grant or loan. Town Administration expects that the PAH Reserve Fund will total \$875,000 in 2015.

## STATEMENT OF OPERATIONS

The statement of operations estimates are derived from our experience operating a 60-unit affordable rental property.

100 Dyrigas Lane Project - Phase 2										
Net Operating Income before Finance Years 1-10										
	1	2	3	4	5	6	7	8	9	10
Potential PAH Gross Rent	\$ 202,239	\$ 203,250	\$ 204,267	\$ 205,288	\$ 206,314	\$ 207,346	\$ 208,383	\$ 209,425	\$ 210,472	\$ 211,524
Vacancy and Loss Allowance	\$ (8,090)	\$ (8,130)	\$ (8,171)	\$ (8,212)	\$ (8,253)	\$ (8,294)	\$ (8,335)	\$ (8,377)	\$ (8,419)	\$ (8,461)
<b>Effective Gross Income</b>	<b>\$ 194,150</b>	<b>\$ 195,120</b>	<b>\$ 196,096</b>	<b>\$ 197,076</b>	<b>\$ 198,062</b>	<b>\$ 199,052</b>	<b>\$ 200,047</b>	<b>\$ 201,048</b>	<b>\$ 202,053</b>	<b>\$ 203,063</b>
<b>Less Total Operating Expenses</b>	<b>\$ 59,362</b>	<b>\$ 59,734</b>	<b>\$ 60,109</b>	<b>\$ 60,487</b>	<b>\$ 60,869</b>	<b>\$ 61,255</b>	<b>\$ 61,644</b>	<b>\$ 62,037</b>	<b>\$ 62,433</b>	<b>\$ 62,833</b>
<b>NET OPERATING INCOME</b>	<b>\$ 134,788</b>	<b>\$ 135,387</b>	<b>\$ 135,987</b>	<b>\$ 136,589</b>	<b>\$ 137,192</b>	<b>\$ 137,797</b>	<b>\$ 138,403</b>	<b>\$ 139,011</b>	<b>\$ 139,620</b>	<b>\$ 140,230</b>
<b>Financing</b>										
Interest	\$ 84,859	\$ 82,753	\$ 80,563	\$ 78,287	\$ 83,056	\$ 81,092	\$ 79,042	\$ 76,904	\$ 74,673	\$ 72,345
Principal	\$ 53,037	\$ 55,143	\$ 57,332	\$ 59,608	\$ 45,328	\$ 47,292	\$ 49,342	\$ 51,480	\$ 53,711	\$ 56,039
<b>Total Debt Servicing</b>	<b>\$ 137,895</b>	<b>\$ 137,895</b>	<b>\$ 137,895</b>	<b>\$ 137,895</b>	<b>\$ 128,384</b>	<b>\$ 128,384</b>	<b>\$ 128,384</b>	<b>\$ 128,384</b>	<b>\$ 128,384</b>	<b>\$ 128,384</b>
Cash Surplus/(Deficit)	\$ (3,108)	\$ (2,509)	\$ (1,908)	\$ (1,306)	\$ 8,808	\$ 9,413	\$ 10,019	\$ 10,627	\$ 11,236	\$ 11,846
<b>Cumulative Surplus/Deficit</b>	<b>\$ (3,108)</b>	<b>\$ (5,616)</b>	<b>\$ (7,525)</b>	<b>\$ (8,831)</b>	<b>\$ (23)</b>	<b>\$ 9,390</b>	<b>\$ 19,409</b>	<b>\$ 30,036</b>	<b>\$ 41,271</b>	<b>\$ 53,117</b>
<i>(available for reserve fund)</i>										

The statement of operations projections show small cash deficits in years 1 to 5, with the project breaking even from year 6. These projections were based on the following assumptions:

- average annual rental revenues of \$15.65 per square foot, with annual increases of 0.5%
- rental vacancy and losses of 4% annually (actual losses were less than 1% since 2012)
- operating expenses of 30% of net operating income (actual operating expenses range from 25-30% annually)

Cash deficits would be offset by revenues from other rental properties, transfers from the CCHC Capital Reserve Fund, or transfers from the Town PAH Reserve Fund.

## SUMMARY

Development of PHASE 2 of the site and project is realistic and feasible. There continues to be an immediate and strong demand for affordable rental housing that the market is not able to meet. Construction of PHASE 1 is underway and CCHC has identified funding for the initial equity investment. Timing is also good with development being able to take place concurrent with PHASE 1 resulting in efficiencies and cost-savings.