

# **INDEPENDENT LIVING BC**

***A Housing for Health Partnership***

***Program Guidelines for Non-Profit Societies***

**April 2003**

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## ***Independent Living BC - A Housing for Health Partnership***

### **Program Guidelines for Non-Profit Societies**

#### **Introduction**

*Independent Living BC* (the “Program”) is part of the government of British Columbia’s *New Era* commitment to add 5,000 additional community care spaces across the province by 2006. The Program objective is to provide affordable housing and services to help seniors and people with disabilities (the “Tenants”) maintain the independence they desire.

*Independent Living BC* is a partnership between British Columbia Housing Management Commission (“BC Housing”), the Ministry of Health Services (“MHS”) and the five regional health authorities of British Columbia; it is targeted to the clients of the Home and Community Care component of the healthcare system.

Canada Mortgage and Housing Corporation, an agency of the federal government, is also a funding partner through the Canada-British Columbia Affordable Housing Agreement.

#### **Non-Profit Guidelines**

Housing funded through *Independent Living BC* will be built and operated by both the private and non-profit sectors. The purpose of this guide is to explain the Program to the non-profit sector.

The allocation of funding to private sector operators through rent supplements has begun through Requests For Proposals targeted by health authority. For information on the process for rent supplements, please go to BC Housing’s Web site at [www.bchousing.org/Supp\\_Liv/](http://www.bchousing.org/Supp_Liv/)

#### **Housing and the Home and Community Care Redesign**

The Home and Community Care component of the healthcare system comprises community care, including the home care and the residential care sub-systems.

Health planners across Canada and in British Columbia have recognized that governments and the public have been too reliant on institutional care as a means of addressing the needs of frail adults, be they seniors or younger adults with disabilities. For many people, the choice has been between forfeiture of privacy and independence in residential care or reliance on home care, which may not meet all of the needs of seniors and younger people with disabilities. These options have been unnecessarily limiting for those having to choose and expensive for the healthcare system.

When faced with the need for support services to maintain their independence, those with the financial means have found more choices in the private market. Those options have been called variously congregate living, supportive housing, supportive living or assisted living. *Independent Living BC* has been introduced to give people with more modest incomes, both seniors and younger adults with disabilities, an affordable option between home care and residential care.

What unites all those able to benefit from this Program is their ability, given the appropriate services, to live independently in their own housing. The philosophical base for *Independent Living BC* is the recognition that choice and privacy are requisites for independence, which in turn fosters optimum good health.

## **Program Elements**

Housing funded through *Independent Living BC* will incorporate the following elements:

- self-contained rental housing which provides the Tenants privacy and the ability to exercise their independence as they are able;
- hospitality services (meals, housekeeping, laundry service, social and recreational opportunities, and emergency response 24 hours a day);
- financial assistance to make both the housing and hospitality services affordable for lower income Tenants; and
- personal care services for the activities of daily living according to the needs of the Tenants.

Personal care services – a key Program feature - is the provision of services to help with activities of daily living including assistance with bathing, dressing, mobility, and medication reminders.

All Tenants assisted through *Independent Living BC* will require both hospitality and personal care services and must be selected and referred for tenancy by the health authorities.

## **Eligible Projects**

Non-profit societies are encouraged to make submissions that fall into the following categories:

- new construction;
- renovation of existing housing or health facilities;
- a combination of new construction “in-fill” and renovation;
- the conversion or change of use of existing housing to housing with hospitality and personal care services for Tenants eligible through the Program.

The first three categories require construction. The “conversion category” refers to projects that involve essentially a change in use from an open tenancy to targeting those eligible for assistance through *Independent Living BC*. Conversion projects do not require the alteration of the existing units or changing the floor plan of the existing building.

An example of a conversion project might be a non-profit housing society that is prepared to make some of its existing units available for eligible Tenants, perhaps persons with disabilities.

## Independent Housing with Support Services and Assisted Living

*Independent Living BC* will fund housing and services for people with differing degrees of support needs. On one side of the Program continuum is “independent housing with support services” and on the other is “assisted living” for those requiring a greater level of personal care.

Independent housing with support services will provide assistance with the activities of daily living through scheduled personal care only; assisted living extends that level of support to unscheduled personal care but may also include scheduled personal care.

The health authorities will determine when unscheduled personal care is required and when scheduled personal care will suffice. This determination will be based on the needs of individual Tenants, therefore there may be developments where unscheduled personal care is provided to some Tenants and scheduled personal care is provided to others. In smaller developments it may be impractical to serve Tenants with unscheduled personal care needs. For both independent housing with support services and assisted living the standards for all other services and the quality of the housing are the same.

### A Note on Terminology

Throughout this Program guide, “Independent Living” will be used to encompass both independent housing with support and assisted living unless there is a need to differentiate between projects and different services.

The term “Society” will be used to connote an individual incorporated non-profit society developing a submission in response to the call for Expressions Of Interest for *Independent Living BC*.

The term “Project” refers to the concept that the Society will be submitting for approval in response to a specific EOI issued through *Independent Living BC*.

### Guide Contents

This guide is organized in the following sections:

- Section 1:** Program Description
- Section 2:** How Funding Will Be Allocated
- Section 3:** From EOI to Project Commitment
- Section 4:** Project Commitment, Construction, and Commissioning
  
- Appendix A:** Standards for Architectural Services
- Appendix B:** BC Housing Operating Agreement
- Appendix C:** Real Estate Considerations
- Appendix D:** Third Party Ground Lease
- Appendix E:** Section 219 Covenant and Option to Purchase
- Appendix F:** Evaluation Criteria

## **Program References**

The companion technical reference to this guide is *Independent Living BC Non-Profit Housing Design and Construction Standards* (the “*Design and Construction Standards*”).

There will be specific Expressions Of Interest issued for each health authority which will include the prescribed format to be used.

These documents are posted on BC Housing’s Web site at [www.bchousing.org/Supp\\_Liv](http://www.bchousing.org/Supp_Liv) or hard copies may be obtained by contacting BC Housing’s Development Services Branch at 604-439-4761 or 1-800-257-7756, ext. 4761.

For general information on a specific health authority, please visit the following Web sites:

[www.fraserhealth.ca](http://www.fraserhealth.ca)

[www.interiorhealth.ca](http://www.interiorhealth.ca)

[www.northernhealth.ca](http://www.northernhealth.ca)

[www.vancoastalhealth.ca](http://www.vancoastalhealth.ca)

[www.vancouverislandhealth.ca](http://www.vancouverislandhealth.ca)

## SECTION 1

### Program Description

#### 1.1. The Continuum of Care

British Columbia, in common with most of the industrialized world, has been searching for the best and most cost-effective strategy to help an aging population maintain its health, independence and dignity. The evolving consensus calls for a network or continuum of care for frail seniors and people with disabilities.

#### Home and Community Care: A Continuum of Care

Home Care	Independent Living BC		Residential Care
<b>Home Care</b> Care provided in residents' existing homes	<b>Independent Housing with Support</b> <ul style="list-style-type: none"> <li>▪ Affordable rental housing</li> <li>▪ Meals</li> <li>▪ Housekeeping</li> <li>▪ Laundry</li> <li>▪ Emergency response</li> <li>▪ Social activities</li> <li>▪ Personal care (scheduled; lower level)</li> <li>▪ <b>Registered</b> (to be determined)</li> </ul>	<b>Assisted Living</b> <ul style="list-style-type: none"> <li>▪ Affordable rental housing</li> <li>▪ Meals</li> <li>▪ Housekeeping</li> <li>▪ Laundry</li> <li>▪ Emergency response</li> <li>▪ Social activities</li> <li>▪ Personal care (unscheduled and scheduled; higher level)</li> <li>▪ <b>Registered</b></li> </ul>	<b>Facility Living</b> <ul style="list-style-type: none"> <li>▪ Full time health care (24 hrs / 7 days)</li> <li>▪ Facility accommodation</li> <li>▪ Meals</li> <li>▪ Housekeeping</li> <li>▪ Laundry</li> <li>▪ Social activities</li> <li>▪ <b>Licensed</b></li> </ul>

A comparison of residential care and Independent Living is a good way to understand the essential nature of each and their relationship to the other.

Such a comparison also promotes an understanding of how the whole Home and Community Care system is a continuum in terms of the personal care that is provided in the communities but is a network for people with various personal care needs. People require a network of assistance that can meet their individual needs; they will not necessarily move along the "continuum" in a trajectory from home care through to residential care.

##### 1.1.1 Residential Care

The term "residential care" describes facilities for persons who need access to care from health professionals 24 hours a day, seven days a week. In the past, residents' care needs were categorized as Intermediate Care 1, 2 and 3 (IC1, 2 or 3) and Extended Care.

### **The Residents**

Many residents assessed at IC1 and 2 and even some at higher levels do not need to live in residential care and, in fact, many categorized at those levels have remained in their communities, receiving support through personal networks and home care. The healthcare system is now in the process of adopting a more accurate way of determining individual needs. Those who need access to constant professional care will continue to be accommodated in residential care facilities. This level of need is called “complex care”.

### **The Facility**

Accommodation in residential care is usually a room with a two piece bathroom. In purpose and by design and staffing, residential care facilities provide an “institutional model” of care. They are licensed and highly regulated because they are responsible for the well being of residents’ with chronic complex needs. Their aim is to avoid as much as possible health risks to their residents and respond to high-risk medical complications when they occur.

### **Institutional Responsibility**

Because of their responsibilities and the challenges of meeting them, residential care facilities cannot easily accommodate the variable capacity which individual residents may have to perform some of the activities of daily living. For those who have greater capacity (or varying capacity) for independence the unintended consequence of this highly organized approach can be to “institutionalize” and foster dependence.

Residential care is a limited resource that is appropriately provided only to clients with complex care needs whose care requirements cannot be adequately met in their home or other community setting such as Independent Living. There will always be people who will require residential care but the number of people requiring it is not as great as we often assume.

### **1.1.2 Independent Living BC: Combining Housing with Support Services**

*Independent Living BC* combines both independent housing with support services and assisted living. Combining the appropriate support services with housing can maintain, even restore health and avoid or, at least, defer inappropriate institutional care. Adding support services can be done in private homes through home care when care needs are at a low level but higher care needs and other risk factors often call for a better solution.

### **The Tenants**

*Independent Living BC* is intended to benefit those persons whose personal care needs are not so great as to require constant access to professional healthcare, as in residential care, but have personal care needs too great for home care or who are otherwise at risk.

Many seniors and disabled adults struggle to maintain their independence in their own homes, despite the risks inherent in their frailties. Often they receive home care; sometimes their prime support comes from family members. They become “at risk” when their support networks are weak, their limited mobility isolates them from the social and recreational stimulus most people need to maintain overall health, and/or they are living with other “risk indicators,” for example, accommodation which is not easily accessible for someone with impaired mobility.

**Housing with Services**

Independent Living offers prospective Tenants the privacy and independence of affordable private self-contained accommodation, easy access to hospitality and personal care services, and regular social and recreational opportunities.

**Risk Management in the Community**

The objective of *Independent Living BC* is to help frail seniors and adults with disabilities move from an “at risk” situation to “managed risk” in the community. In Independent Living, the Tenant can assess on a daily basis the help they require and the choices they face.

Over time some Tenants may become unable to make the decisions necessary to function well and safely in an Independent Living setting or they may need constant access to professional health care. In these circumstances they may need to move to a residential care facility, just as people receiving home care in their family homes may at some point face the same need.

**1.2. Program Definitions and Standards**

The *Independent Living BC* program encompasses two types of housing: independent housing with support and assisted living. Safe, secure, affordable rental housing form the basis for both of these options. Health authorities will determine the mix of these two housing types required for their region.

**Independent housing with support**, where the health authority does not refer the tenant, means a housing arrangement that must include the following two components:

- a private housing unit with a lockable door; and
- hospitality services.

**Hospitality services** must include the main meal, a 24-hour emergency response system, social and recreational opportunities. The housing operator will select tenants for these housing units. The health authority will assess tenants requiring personal care services for home support services.

Tenants in Independent Housing with Support units will pay 30% of their gross income for housing charges.

The definitions and service standards for assisted living in *Independent Living BC* have been established by the Ministry of Health Services and are set out in the *Home and Community Care Policy Manual*.

**Assisted living** means a housing arrangement that must consist of all of the following three elements:

- a private housing unit with a lockable door,
- hospitality services, and
- personal care services.

An assisted living unit is any unit where the health authority enters into a contract with a service provider to jointly provide the three elements of assisted living and where the health authority controls who moves in and out of the setting. Excluded from this definition are units where the housing operator controls who moves in and out.

**Hospitality services** means those services that are hotel-like in nature and must include:

- two meals/day, one of which is the main daily nutritious meal;
- housekeeping;
- laundry services;
- social and recreational opportunities; and
- a 24-hour emergency response system.

**Personal care services** means those services that assist a person with the activities of daily living and specific nursing and rehabilitation tasks delegated under the provincial Personal Assistance Guidelines (Ministry of Health, January, 1997). Related skills include transferring, moving around safely, and assistance with personal hygiene, bathing, dressing, grooming, eating, and managing medications.

**Tenant** means a person who resides in an assisted living unit.

### **Who Can Move into Assisted Living**

A person may only move into an assisted living unit funded through *Independent Living BC* and/or the health authority, if the health authority determines that the person:

- is a beneficiary (i.e. eligible for health services in the Province of British Columbia);
- has been assessed as requiring assisted living services; and
- meets the Move In/Move Out Criteria.

### **Move In/Move Out Criteria**

A person can only be selected to move into an assisted living unit if the person meets *all* of the following criteria:

- is a beneficiary (i.e. eligible for health services in the Province of British Columbia);
- requires both hospitality services and personal care services;
- is able to self direct his or her own care (see below); and
- is at significant risk in their current living environment.

People who are able to self direct their own care:

- are cognitively capable of making decisions regarding their own care relevant to the specific task;
- can communicate effectively, verbally or non-verbally through communication devices, so as to be understood by any authorized caregiver or spouse living with the client;
- have the ability to make informed, voluntary decisions regarding care requirements;
- participate in the development of their care plan, or alternatively make their needs known to the person they are living with who then participates in the development of that person's care plan; and
- are able to use the emergency response system and take direction in an emergency situation.

A Tenant is required to move out of assisted living if the Tenant meets the following criteria:

- is no longer able to self direct his or her own care;
- exhibits behaviors that jeopardize that Tenant's safety and well-being or the safety and well-being of others; or
- is not complying with the terms of his or her Residency Agreement or Managed Risk Agreement. (See Section **1.3.1 Role of the Non-Profit Society**, "Operations", for a definition of "Managed Risk Agreement".)

### **Assessment Process**

Health authority clinicians are responsible for determining a client's eligibility for assisted living services based on a standardized assessment that includes identifying whether the person is able to self-direct their own care.

Wherever possible, this assessment would be conducted by a multidisciplinary clinical team, with involvement of the client, and where appropriate, their family.

The clinical team is expected to re-assess the client's continued suitability for assisted living on an ongoing basis.

### **Couples**

In a situation where a couple moves into an assisted living unit together, and eventually the couple becomes permanently separated (for example, one person moves into a residential care facility), the health authority will:

*1. for couples in two-bedroom apartments:*

Make arrangements, within a reasonable period of time, for moving the remaining person into a smaller unit in the same assisted living complex if:

- the health authority requires that same unit for another couple waiting to move into assisted living, and
- the remaining spouse chooses to stay in the complex.

*2. or couples in one-bedroom apartments or bachelor suites:*

Make arrangements to allow the remaining spouse to stay in that unit if they choose to do so.

### **Tenant Charges**

Assisted living clients pay a monthly rate calculated as 70% of their after-tax income up to a maximum amount, based on a combination of the market rent for housing and hospitality services, for that geographic area, and the actual cost of personal care services.

**After tax-income** means the client's net income less their taxes paid as shown on line 435 of his or her tax return and as confirmed by Canada Customs and Revenue Agency, in the appropriate taxation year, and where the client has a spouse or lives with another person ("sharer"), means the combined income and taxes of the client and his or her spouse or sharer in the appropriate taxation year.

### 1.3 Roles and Responsibilities of the Non-Profit Society, the Health Authority, the Tenant, and BC Housing

The development of new Projects through *Independent Living BC* will require partnerships among non-profit societies, BC Housing and the health authorities. These relationships will continue throughout the operation of the Independent Living developments.

Successful partnerships are based on a good understanding of the respective roles and responsibilities of each partner. The roles of the parties and the Tenants are summarized below.

#### 1.3.1 Role of the Non-Profit Societies

Non-profit societies in British Columbia have a long, proud history of providing housing and health services to the elderly and people with disabilities. *Independent Living BC* has been designed to enable non-profit societies to continue this contribution to their communities.

While the health authorities will identify priority needs within their regions for Independent Living, non-profit societies must initiate proposals for the Program to succeed. Those non-profit societies that accept the challenge will assume the role of ushering successful proposals from the concept stage through to construction and finally, operation.

#### Development

The Society's specific roles in the conceptual and development stage are, as follows:

- Select the Project development strategy (design-build or design-tender) and prepare the Project design. (See **Appendix A. Standards for Architectural Services.**)
- Prepare the service delivery strategies, Project budgets and all necessary documentation for the approval of the Project by BC Housing and the health authority.
- Contract with all consultants for Project management and implementation.
- Ensure that appropriate due diligence is undertaken during all negotiations and the administration of funds.
- Ensure that all approvals are obtained from all relevant governments and agencies.
- Contract with a builder to construct the Project and ensure that the work is completed in accordance with the contract.
- Enter into all appropriate leases, mortgages, and operating agreements.
- Develop a service plan according to the needs of the target Tenants.
- Work out with the health authority the protocols around Tenant selection, residential occupancy and risk management agreements.
- "Commission" (implement all the necessary operating systems for) the development as occupancy approaches and occurs.

## Operations

The *Home and Community Care Policy Manual* also defines specific operational responsibilities for all “providers” of Independent Living, including non-profit societies.

Assisted living providers are required to:

- negotiate individual Residency Agreements with each Tenant in the assisted living residence;
- negotiate, in partnership with health authorities, behaviour specific Managed Risk Agreements with Tenants as necessary;
- be registered as an assisted living residence under the Community Care and Assisted Living Act; and
- have processes to ensure quality of care and services including:
  - Tenant input into services;
  - Tenant dispute resolution; and
  - Tenant abuse prevention.

Residency Agreement means an agreement that defines the expectations, rights and obligations of the Tenant and the assisted living service provider, including the services to be provided, the charge to the Tenant for those services and the conditions under which a Tenant will be required to move out of assisted living.

Managed Risk Agreement means a Tenant specific agreement between the Tenant and assisted living service provider that defines the mutually agreeable level of choice and risk for specific situations for that Tenant.

## Registration and Service Protection

Under Bill 73, the new *Community Care and Assisted Living Act* (CCALA), assisted living is excluded from licensing, which is the consumer protection system now in place for care facilities (including residential care). As the *Residential Tenancy Act* does not cover housing that includes additional services (such as hospitality) in its rent, an alternative consumer protection system is needed for Independent Living, therefore, Bill 73 provides the framework of “registration” for assisted living, which will consist of the following:

- a registrar;
- basic health and safety standards; and
- a process to monitor complaints.

Societies operating assisted living, as defined by the Act, will need to register.

The Ministry of Community, Aboriginal and Women’s Services (MCAWS) recently led a review and consultation on tenure and service protection. The purpose of the consultation was to identify issues that relate to the provision of housing with hospitality services, for example, congregate housing or independent housing with support services.

MCAWS is currently co-ordinating all actions resulting from this review with the implementation of the registration process to ensure a consistent approach for all types of housing with supports.

### 1.3.2 Role of the Health Authority

The five regional health authorities have the greatest incentive to make *Independent Living BC* a success. The present approach to frail seniors does not promote healthy choices for an aging population and is not cost-effective for the healthcare system.

#### Operations

The *Home and Community Care Policy Manual* assigns very specific responsibilities to the health authorities.

Health authorities are required to:

- manage access to assisted living in their area including determining if a client meets the move in/more out criteria, authorizing a client's entry into and exit from assisted living and determining the nature and amount of services to be provided to clients;
- establish a process for the resolution of disputes between health authorities and assisted living service providers;
- establish policies respecting the delegation of nursing and rehabilitation tasks to assisted living service provider staff which are consistent with the provincial Personal Assistance Guidelines; and
- advise clients of the home care services that will be authorized to assist the client to remain at home until they move into an assisted living residence or should the client choose not to move into an assisted living residence.

#### Program Implementation

In the implementation of the *Independent Living BC* Program, the health authority has the following roles:

- Identifying their priorities for funding Independent Living within their regions.
- Providing need indicators to support the business case for their community targets.
- Collaborating with BC Housing in evaluating and selecting proposals from non-profit societies.
- Specifying in co-ordination with BC Housing, the terms which must be achieved by proponents before final approval can be given for proposals, particularly with respect to support service delivery plans and budgets.
- Drafting and executing operating agreements with the successful non-profit societies, including protocols for resident selection, budget approvals, and monitoring of operations.
- Providing operating assistance to allow societies to provide hospitality services to eligible lower income Tenants who can not afford the full cost.

### 1.3.3 Tenant Responsibility

The assisted living Tenant is required to:

- assume and retain maximum personal responsibility for their own health and well-being and maximum involvement in decision-making;
- direct and participate in their own care;
- pay for assessed monthly charge;
- pay for additional applicable costs;
- pay for additional support services desired by the client such as having a companion attend on medical or social outings.

### 1.3.4 Role of BC Housing

BC Housing is a National Housing Act (NHA) approved lender able to provide mortgage financing for non-profit housing. It obtains CMHC insurance for those loans through an agreement with CMHC. As an NHA lender, BC Housing acts in the role of "prudent lender" as set out in the CMHC Insurance Guidelines and performs underwriting on all loans insured and administered.

BC Housing has been undertaking this role for many years of providing loans to non-profit societies, housing co-operatives and municipal housing agencies to build and operate affordable housing developments.

BC Housing's financing services include:

- providing interim construction financing;
- securing CMHC insurance;
- arranging long term financing ; and
- providing on-going mortgage administration.

BC Housing also has a history of delivering various housing programs for government, many of which have served seniors and people with special needs.

BC Housing's role in *Independent Living BC* includes:

- Helping the health authorities plan for Independent Living Projects.
- Issuing proposal calls on the basis of the planning done with the health authorities.
- Organizing with the health authorities the evaluation and selection of the best proposals received from societies.
- Providing Proposal Development Funding (the "PDF") to successful societies for Project management and design development services.
- Reviewing and approving proposal elements at key stages in the development process.
- Providing its financing package (as above) for successful Projects.
- Providing a capital grant from the Government of Canada to successful proposals through the Canada-BC Affordable Housing Agreement.
- Providing operating assistance to allow the housing of eligible lower income Tenants, as outlined in operating agreements with the societies.

## 1.4 How Independent Living Projects Will Be Funded

Most Societies with successful Independent Living Projects will incur:

- the capital cost to develop the housing base; and
- the operating costs to run the housing, provide the hospitality services, and, where applicable, provide the personal care services. (See **Section 2.1.3 Context for Allocation by Health Authority** for a discussion of alternate approaches to the provision of personal care services.)

Conversion Projects, by definition, will not incur significant capital costs.

BC Housing will provide assistance with both the capital and housing operating costs, in accordance with its underwriting criteria and Program requirements.

The Society must mobilize community equity to reduce the need for financing the capital cost.

The health authority will fund the shortfall between what Tenants contribute toward the cost of hospitality and personal care services and what those services cost.

The Tenants will pay a combined housing and hospitality rent and personal care charges (the “Tenant Rent Contribution” or “TRC”), as set out in the Program standards above. (See **Section 1.2 Program Definitions and Standards**, “Tenant Charges.”)

### 1.4.1 Capital Costs: Equity, Grants, and Financing

Non-profit societies developing Projects under *Independent Living BC* will receive assistance with capital costs through grants and mortgage financing.

For new construction Projects, up to 75% of the capital cost can be provided through a private takeout mortgage obtained and insured through BC Housing. The remainder of the capital cost must come from two equity sources.

#### Community Equity

The Society and its community partners must contribute to the Project’s capital budget a minimum of 10% of the capital cost and whatever is required additionally beyond what BC Housing can contribute. This Society/community equity may take various forms including:

- land provided at no cost to the Project, contributed by the Society directly or from a third party, such as a municipality or foundation;
- relief from municipal development levies or off-site services charges;
- exemption from property taxes;
- cash equity raised by the Society through direct fund-raising or conditional grants from private donors or foundations; and
- value of the base building in a renovation/conversion Project.

### Canada-BC Affordable Housing Grant

A grant of up to \$25,000 per unit will be allocated from the Government of Canada through BC Housing's partnership with Canada Housing and Mortgage Corporation under the Canada-BC Affordable Housing Agreement.

### Mortgage Financing

After the community equity and Canada-BC Affordable Housing grant is applied, the remaining capital cost will be financed through BC Housing's lending capacity, with a mortgage amortized over 35 years for a new construction Project and 25 years for a renovation Project.

A. Example of financing for a new construction Project is shown below:

	Per unit
Total capital cost	\$110,000
Less non-profit contribution	\$11,000
Less Canada-BC Affordable Housing Grant	\$25,000
Total mortgage	\$74,000

B. Example of financing for a conversion Project is shown below:

	Per unit
Total capital cost	\$50,000
Less non-profit contribution	Assumed <sup>1</sup>
Less Canada-BC Affordable Housing Grant	\$25,000
Total mortgage	\$25,000

Existing mortgages on conversion renovation Projects cannot be accommodated through Program funding.

<sup>1</sup> The value of the existing building and site are assumed as the Society's contribution; however, some conversions may require additional community equity if they are carrying existing financing.

### 1.4.2 BC Housing's Underwriting Criteria

As with any private mortgage lender, BC Housing has a number of key underwriting criteria which include ensuring:

- Society has a mortgageable interest in the land, the title is free of defects, and there are no environmental issues;
- capital cost does not exceed value;
- revenues will meet all operating costs; and
- design, Project supervision and contractual arrangements for construction are in place to ensure the Project is constructed within budget and to the appropriate standard.

BC Housing will provide interim construction financing and secure the province's interest through a standard mortgage security package including a first mortgage, assignment of rents and security agreement. This interim loan is between BC Housing and the Society. The long term financing, arranged by BC Housing, is between the Society as owner and a private sector lender.

In acting as a lender, BC Housing must manage various risks. These risks range from failure in the pre-construction stages of a Project which has been given support, difficulties completing Project construction on budget, and default during operations. BC Housing's underwriting criteria manage those risks by establishing both capital and operating cost parameters for the housing base and by securing BC Housing's interest through its standard financing agreements.

BC Housing's second role in *Independent Living BC* is as the government agency that administers operating assistance to all Program operators. In that role, BC Housing must implement the Program at the cost budgeted and to the standards set by government. This is a responsibility that extends over the life of the Program and the individual Projects.

### 1.4.3 Annual Operating Costs and Funding

#### Costs

The housing cost categories for an Independent Living Project will be:

- mortgage payments; and
- housing operating costs (e.g. property management, building maintenance, taxes, utilities).

BC Housing's guideline for operating costs, both new construction and conversion, is \$375 per unit per month including regular property management costs (maintenance, taxes, insurance, utilities, administration) and an appropriate replacement reserve.

In addition to housing operations costs, the Society will incur the costs for providing the required services to the Tenants, specifically:

- hospitality services - all food, housekeeping, laundry, and on-call costs, including staffing and materials; and
- when applicable, personal care services costs, primarily staff costs.

**Revenue**

The sources of revenues to meet the costs are:

- rent from all Tenants;
- BC Housing's subsidy to make up the difference between the portion of the Tenant rent applied to housing and the cost of providing the housing; and
- assistance from the health authority to make up the difference between the portion of the Tenant rent applied to the hospitality services, and personal care services when applicable, and the actual costs.

All Tenants will pay 70% of their after-tax income for their combined housing and hospitality rent and their personal care. The total Tenant Rent Contribution will be specified in the Residency Agreement between the Society and each Tenant.

Generally, the health authority will fund the full costs for the provision of personal care services. There will be individual exceptions when a Tenant has sufficient income to afford the full market rent for housing and accommodation. Such a Tenant will still pay 70% of his/her income and anything in excess of the market rent will be applied to the cost of personal care services.

The Tenant will pay a combined rent to cover accommodation and service costs; however, for the purposes of calculating BC Housing's subsidy to the Society, 30% of the Tenant's gross income will be applied to the housing portion of the operating expenses. The residual from each Tenant's rent will be applied to hospitality (and personal care, where applicable.) The health authority will provide assistance to make up any shortfall in the hospitality costs.

BC Housing's subsidy and the funding assistance from the health authority will be set out in the operating and service agreements between the Society and BC Housing and the health authority.

**1.5 Operating an *Independent Living BC* Project**

In funding partnerships, formal agreements are necessary to establish the partners respective financial responsibilities. That means there will be one agreement between the Society and BC Housing (See **Appendix B. BC Housing Operating Agreement.**) and another between the Society and the health authority.

BC Housing is committed to the following:

- working with societies and the health authorities to co-ordinate the agreements;
- working with the health authorities and societies to co-ordinate the process for setting operating budgets and establishing the assistance coming from each of the funding partners;
- making rent calculation (for the combined housing and hospitality services) a simple one step process for Tenants and societies;
- establishing with the health authorities and societies a streamlined approach to administering the flow of financial assistance from the funding partners to the societies.

## 1.6 Designing an *Independent Living BC* Project

*Independent Living BC* Projects will be multiple unit apartment buildings with space to accommodate the necessary services and activities. *Independent Living BC: Non-Profit Housing Design and Construction Standards* detail the requirements for Projects funded through the Program. The basic principles for design and construction are:

- accessibility for seniors, persons with disabilities and/or limited mobility;
- provision of appropriate space for the delivery of support services;
- creation of a residential environment; and
- adaptability to changing Tenant needs.

A typical new construction Project will have one-bedroom apartments ranging from 500 to 600 square feet. Each apartment will be designed for the option of disabled adaptability / accessibility. The apartment will include living room, separate bedroom, bathroom, storage and kitchen.

The standards for renovation Projects recognize the compromises which must be undertaken in a cost-efficient conversion; however, basic life safety features including an emergency call system, “audio-visual” fire alarms, and sprinklers will be required in both new construction and renovations. (See Section 2. “Conversion of Existing Buildings” in the *Design and Construction Standards*.)

A small number of two-bedroom units may be included for occupancy by married couples, one of whom has personal care needs which disrupt the sleep of the other.

Some societies may wish to include special features in their Projects such as space for community outreach or day programs, chapels or greenhouses. Such features cannot be funded by the Program and would have to be supported by separate funding initiatives.

## SECTION 2

### How Funding Will Be Allocated

Funding from *Independent Living BC* will be allocated generally through an open call process.

In certain circumstances, health authorities must give residential care operators whose facilities are being closed the opportunity to convert their facilities to assisted living if there is a need in their communities. The Ministry of Health Services established a policy (the “Transition Policy”) to govern this process. Any submissions received as a result of the Transition Policy must be evaluated independently from the evaluation of submissions received through an open call.

#### 2.1 The Allocation Process

The open process for allocating Program funding to non-profit societies will begin with a call for Expressions Of Interest (the “EOI”). The societies with the best submissions will be asked to make detailed proposals in a Request For Proposals (the “RFP”).

The allocation process has four stages:

- **EOI Initiation Stage.** Once a call for Expressions Of Interest has been issued, the initiative rests with interested societies to submit their qualifications, their Project concept, and draft budgets.
- **EOI Evaluation Stage.** BC Housing and the health authorities will evaluate the submissions received. Societies with the most promising submissions will be asked to make detailed proposals (the “RFP” stage).
- **RFP Stage.** The initiative shifts back to the societies who have been asked to develop their concepts into detailed proposals within a set timeline. In this stage, BC Housing will share some of the risk with the chosen societies by making Proposal Development Funding (the “PDF”) available to them.
- **RFP Evaluation and Project Commitment Stage.** Detailed proposals are reviewed by BC Housing and the health authorities to confirm that the potential in the EOI submissions has been realized with respect to the quality and cost of both the housing base and service delivery plan.

The final evaluation determines if BC Housing and the health authority will commit funding to complete the Project and enter into the necessary operating agreements with the societies.

Societies and their consultants will naturally focus on the EOI requirements; however, they are advised to review the requirements in the RFP and Project Commitment stage (Section 3) as well. Some of the information contained there may help them in their EOI preparation, for example, in developing schedules.

### 2.1.1 Objectives of the Allocation Process

The objectives of the allocation process are, as follows:

- Identify competent societies to develop and operate the Projects.
- Favour societies that mobilize community resources to reduce Project capital and operating costs.
- Minimize the expense and risk to societies in preparing a proposal.
- Provide for cost competition and/or cost effectiveness in Project development.
- Achieve optimum efficiency for all parties through a clearly documented step-by-step process.
- Ensure the public interest is met where public resources are involved.
- Respect and support participating societies.
- Enable scrutiny of the selection process by interested parties.

### 2.1.2 Context for Allocation by Health Authority

Understanding the allocation process involves relating the province-wide standards for *Independent Living BC* to the context of each health authority's Home and Community Care redesign plan.

#### Provincial Standards

There are two partners in *Independent Living BC* with province-wide responsibilities: the Ministry of Health Services and BC Housing.

The Ministry of Health Services has set province-wide Program targets for the number of housing units allocated to each health authority through *Independent Living BC*. MHS has also established province-wide service standards as to what services comprise the basic "package" which every Tenant must receive, and what Tenants must pay.

BC Housing, as the lender and funder for the Program's housing base has established design, construction and underwriting standards for the Program.

#### Health Authority Requirements

Each health authority will determine its own priorities for where it wants to locate Independent Living. Also, within the framework of the provincial standards, each health authority can determine requirements or preferences for delivery of Independent Living services.

The best example of a significant variation among the health authorities is in the delivery of personal care. The provincial standards require that all Tenants require personal care services.

There are three distinct approaches among the health authorities on how personal care services should be delivered:

- The health authority requires that the Society must deliver personal care services, either by its own staff or through a contract with a partner it identifies.
- The health authority insists that the health authority will always organize the delivery of personal care services with the Society providing the housing base and hospitality services.
- The health authority will allow options – either delivery of personal care through the Society or delivery through the health authority.

There are other factors to be noted within each health authority that may guide how a Society chooses to respond. These include:

- The number and location of private sector Independent Living units secured through the private sector rent supplement component of *Independent Living BC*.
- The number and location of Independent Living units already funded by the health authority outside of *Independent Living BC*.
- The number and location of residential care operators (for-profit and non-profit) who have been invited to convert to Independent Living under the Transition Policy.
- The location of buildings which the health authority owns and is making available to the non-profit sector for conversion to Independent Living.
- Any policy documents or guidelines which the health authority has published which may outline anything from general philosophy to funding formulae for personal care services.

In summary:

- All calls for Expressions Of Interest will be issued by BC Housing and will be based on the provincial Program standards.
- Additional information on circumstances that pertain in individual health authorities will be highlighted in the specific call for Expressions Of Interest document issued in each health authority.
- Societies must factor that information into their decisions and submissions.

## **2.2 Responding to EOI Requirements**

The objective of the EOI is to elicit the basic information about each Society and its Project concept and evaluate the Project's potential. The evaluation will focus on "indicators of success" in the basic elements of a Society's submission. There are three sources for the information that will be considered in the evaluation.

The first is the response to questions posed in the EOI. Some of these require written responses to a questionnaire about the Society's history and organization; some responses require concept drawings, draft budgets, and proposed schedules.

The second source of information is the "support documentation" which is requested in each section of the EOI, for example, the profile of board members and the resumes of any consultants the Society has retained.

The third source of information is an interview with a Society. The interview, which will occur when a Society's submission is complete and demonstrates reasonable promise, will be an opportunity to clarify points in the submission and explore the broader implementation strategy the Society has chosen.

**Information Requested**

The information sought for evaluation purposes will fall into the following categories. Each of which is explained in greater detail below in Sections 2.2.1 to 2.2.9.

- the sponsoring Society's management capability;
- the need indicators which justify the size and location of the Project;
- the concept for the housing base and a draft capital budget (not required for conversion Projects if they require no improvements or one-time expenditures);
- the concept for service delivery (hospitality and personal care services, where applicable);
- a draft operating budget; and
- draft schedules for refining and implementing the proposal.

**2.2.1 Sponsor's Management Capability**

A Society's management capacity will be assessed on the basis of the following:

- Society's experience and its base of support;
- Society's expertise through its directors and officers, other community volunteers and partners, the development team, and staff;
- Society's organizational strength as indicated by the submission and the strategy for transforming the Project concept into reality.

**Experience**

A Society's collective experience is an indicator of its ability. Relevant experience for a Society seeking funding through *Independent Living BC* includes:

- managing housing for seniors or disabled adults;
- providing residential care;
- delivering home care or other services to seniors;
- recent experience developing a significant new Project, either a building or on-going service Program;
- on-going experience managing multi-task or complex mandates; and/or
- formal (written) partnerships with other organizations with any of the above types of experience.

**Community Base**

For all societies, but particularly for those that are less experienced, the community base of support they have beyond their officers and directors is important. Reliance on a small base of ardent supporters presents both short term and, more particularly, longer-term risks. In addition, one major benefit of non-profit sponsorship and management of social services is accountability to the local community. That link becomes more tenuous in a narrowly based Society.

The Society's base of support is indicated by the following:

- the size of the board of directors, the number of general members, and the number of active volunteers (either serving on committees or performing direct service);
- any relationship (formal or informal) which the Society has with other civic organizations, e.g. services clubs, religious organizations, charitable foundations;
- past and recent success in fund-raising – usually an indication of confidence in the Society's management abilities;
- formal partnerships with experienced service providers which indicate confidence in the Society's ability; and
- the selection of the Society through an explicit community development process designed to select a lead organization to sponsor an Independent Living Project.

### **Expertise**

The expertise a Society brings to its Project resides in the qualifications and skills of the following:

- its officers, directors, and other volunteers;
- its staff;
- its partners; and
- the development team that the Society has assembled, if any.

### **Organizational Strength and Development Strategy**

The governance structure of the Society should reflect both the existing responsibilities it has and the new Project it is undertaking to plan, develop and operate as Independent Living.

The strategy for any complex Project has a greater chance for success if it is developed using a Project management approach, include the following:

- identifying the major tasks which must be achieved to succeed (the scope);
- estimating the cost of achieving those tasks (the budget);
- relating the tasks to each other (the sequence in which they must be achieved) in order to meet the desired timeline (the schedule);
- securing the best resources available to achieve the best results possible within the timeframe;
- co-ordinating the tasks, monitoring progress, cross-referencing changes as appropriate to other tasks, managing quality; and
- keeping those responsible for the Project informed of the state of the Project, so that the final result can be "owned," in the first instance by the Society's board.

## Support Documentation

The support documentation requested can be divided into two categories:

- general information about the Society; and
- information that relates specifically to the Society's EOI submission.

The general information about the Society includes:

- articles of incorporation<sup>2</sup>;
- profiles of officers, directors and senior staff;
- the most recent financial statements and audit report;
- existing sub-committee job descriptions; and
- if available, a mission statement, history or promotional pamphlet, indicating the Society's motivating goals or common bond.

The back-up support documentation related to the specific EOI submission could include:

- agreements which the Society has entered into with respect to the development and implementation of the proposed Project;
- the qualifications of any of the parties with which the Society has agreements (consultants and contractors); and
- any partnership agreements which are significant to the implementation and operation of the proposed Project and a summary of the partner(s)' qualifications and experience.

### 2.2.2 Project Rationale: Key Need Indicators

Each health authority is responsible for determining how it wants to use the *Independent Living BC* housing units that it has been allocated. BC Housing also wants to ensure that any housing it funds through the Program will be viable over the long term.

The Society must consider the following factors before it begins to work on the Project design:

- Any specific targets which the health authority has identified for its *Independent Living BC* allocation. These may be for individual communities or for larger areas, for example, a health service delivery area.
- Any guidelines which the health authority has for assisted living. These may be simple population ratios, for example, the number of assisted living units desired per 1000 seniors 75 years and older.
- Any planning guidelines that the health authority has for its Home and Community Care redesign plan. They may be more complex, for example, the total of residential care beds and assisted living units desired per 1000 seniors 75 years and older.

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<sup>2</sup> The Society must be incorporated or in the process of being incorporated and provide a copy of its Certificate of Incorporation or Application for Incorporation. The purpose clause must specifically empower the Society to develop and operate social housing. In addition, there must be unalterable clauses governing the Society's exclusive dedication to charitable purposes, how its assets must be distributed upon dissolution, and the volunteer nature of directorships. A Society without some of the compulsory clauses in its constitution will be required to make the necessary changes as a condition of final approval.

Other factors that should be considered are:

- Income information on potential Tenants living in the community.
- The percentage of potential Tenants who are now living in non-profit housing.
- The vacancy rate in rental accommodation in the community. (In communities with high vacancy rates, the option of purchasing and converting an existing building might be appropriate.)
- Privately owned assisted living.
- Projects supported by the health authority already in the planning stage. BC Housing and the health authority will always identify developments which will receive assistance through the for-profit rent supplement component of the Program.

The important point is not to design the Project based on the capacity of the Society's site or wait lists of people who might like to be Tenants or what design consultants or developers suggest. The health authority has to decide the eligibility of Tenants and will agree to support projects that support its Home and Community Care redesign plan.

Where the health authority identifies a specific community target, the Society should develop a design within that target. Where the health authority has not identified exact Program targets by community, particularly in more sparsely populated parts of the province, the Society may attempt a community-based process:

- The Society and its community partners identify appropriate "catchment areas" where there is sufficient need to justify a project-scale which can achieve reasonable standards and costs.
- The Society and the local communities within an appropriate "catchment area" determine the best available location within the area for serving the potential Tenants.
- The Society develops a Project based on a realistic assessment of the need indicators and the site capacity.

### **Community Profiles**

BC Housing has demographic profiles for all incorporated communities across the province. These are available to societies working on EOI submissions by contacting:

Tammy Bennett  
Research & Corporate Planning Department  
BC Housing  
E-mail: [tbennett@bchousing.org](mailto:tbennett@bchousing.org)  
Phone: 604-439-4103 or 1-800-257-7756, ext. 4103

Societies requesting data must indicate the specific communities they are seeking to serve.

### **Project Justification**

In its response to the EOI, the Society must relate the size of the Project it is proposing to the catchment area it seeks to serve and the community profiles within that area.

Societies with Projects larger than the data indicates for their self-defined area may propose to fund excess units outside the Program, however, they will then have to demonstrate they have the resources to fund the unsubsidized units.

**Support Documentation**

If the Society is proposing a catchment area for its Project that includes more than one community, it should include clear indications of support within those communities. These might include resolutions from town or village councils, tangible support from service, social clubs and religious organizations based in the various communities, etc.

Also indicate clearly (or include copies of) the community profiles used to provide the Project rationale.

**2.2.3 The Design Concept**

The Society's concept for the housing base will be assessed by looking at the feasibility and fit of the site and the Project's design with Tenant needs, the Program's requirements, and the draft capital budget.

In conversion Projects, the focus for evaluation will be the appropriateness of the housing being offered for the Tenants.

**2.2.3.1 Site Description**

The Society is asked in a questionnaire format to describe the site being proposed:

- civic address, owner, legal description, tenure proposed (e.g. leasehold or freehold), existing charges on title, current zoning;
- area of the site; and
- proximity to the services that future Tenants would require such as transportation, commercial and health services, and other amenities.

The evaluation review will look at the site from the following perspective:

- the location in relation to the needs of future Tenants with respect to amenities;
- the accessibility of the site for Tenants who may require mobility aids;
- the ability to develop the site in a cost-effective manner (e.g. availability of site services, geo-technical and environmental issues);
- any impediments to mortgaging the site (e.g. restrictions registered on title); and
- anything that would make it difficult to develop the site in a timely manner, e.g. uncertainty about rezoning.

**Support Documentation**

The only support document requested is a map situating the site in relationship to important amenities in the surrounding community.

### 2.2.3.2 New Construction Design

For new construction Projects, the Society must submit the following:

1. Site plan that lists municipal land-use restrictions (e.g. coverage allowed, setbacks, parking requirements).
2. Floor plans for each floor which has a different configuration (identifying all amenities).
3. Unit plans for all typical unit types, noting dwelling unit areas and dimensions of each room.

The Program's design requirements can be found in Section 2. "Design Guidelines" of the *Design and Construction Standards*. Section 2 also includes a "Functional Program" format that provides a quick summary of the features that the Society might consider in a large Project.

Specifications are not required at this stage.

#### Support documentation

If alternatives to the *Design and Construction Standards* have already been identified, they should be listed with a brief justification.

### 2.2.3.3 Renovation and Conversion Projects

#### Renovation

A "renovation Project" is defined as one in which the configuration of existing units and/or the existing building floor plan will be altered. For renovation Projects, the Society must submit the following:

1. Plans for each floor which has a different configuration (identifying all amenities).
2. Unit plans for all typical unit types, noting dwelling unit areas and dimensions of each room.

Renovation Projects do not require a site plan, unless some alteration of the building footprint is being proposed. While renovation Projects will not always be able to meet all of the standards established for new build Projects, they must meet the "Mandatory Building Conversion Requirements," in Section 2. "Conversion of Existing Buildings," in the *Design and Construction Standards*.

#### Conversion

A "conversion Project" is defined as one where there will be no alteration to the existing housing units and building layout. Funding may be requested for the installation of equipment (e.g. grab bars) or appropriate alterations or upgrades (e.g. replacing bathtubs with showers.)

As no alterations are being proposed, drawings are not required for conversion Projects; however, societies are asked to submit drawings of their existing buildings - typical unit types and amenity space floor plan – if they have them available.

**Existing Status Description**

Societies submitting renovation or conversion Projects are required to respond to a questionnaire about the following:

- the current use of the building;
- its funding (if it has been operated through a government Program) and outstanding mortgages; and
- a summary description of the building, e.g. its age, size, construction type, features, general state of major building systems.

**Support Documentation**

The support documentation requested is:

- drawings as specified above;
- most recent operating budget;
- a plan for dealing with existing tenants (if any) during the renovations;
- any information available on existing tenants who may already be receiving home care or other support services.

**2.2.4 Sponsor and Community Equity Contributions**

For their Projects to be viable under *Independent Living BC*, societies submitting new construction Projects must be able to mobilize equity outside of the support available through the Program.

Societies will be asked to summarize their equity in the following terms:

- source and nature (for example, cash raised by the Society);
- description (for example, grant provided by the municipality equivalent to Development Cost Charges);
- conditions (for example, donation from a foundation conditional on final approval of the Project); and
- value (for example, land being contributed can be valued at the assessment for property tax purposes).

**Support Documentation**

Copies of all written financial commitments for assistance are requested, for example, municipal resolutions, letters of conditional support from services clubs, property tax assessment on land being provided at no cost.

### 2.2.5 Capital Budget

A draft capital budget is required in the format specified in the EOI for all new construction and renovation Projects. Conversion Projects need a capital budget if they require funding for alterations.

The budget format is divided into four general expense categories:

- “Acquisition and Servicing Costs” which refers primarily to all costs related to acquiring the site and preparing it for construction;
- “Development Fees and Charges” which includes what are generally called “soft costs”, for example, all consultants, interim financing costs (interest) during construction, legal costs;
- “Building” which includes construction (or renovation) cost, appliances, equipment, landscaping; and
- “Other” which is Project contingency and Goods and Services Tax.

There is an additional budget category, “Financing,” to reflect equity contributions to offset the Project’s capital cost. That category is called “Financing” because the amounts included are deducted from the total expenses to arrive at the “Total Mortgage Financing Required.”

The evaluation of the budget will be guided by BC Housing’s underwriting requirements. Developing and refining the capital budget is one of the crucial Project management tasks and will require numerous iterations. A first budget may start with broad assumptions about major categories. As a Society identifies more accurate costs for the individual sub-categories, its budget becomes more credible.

### Support Documentation

The Society should include notes with its draft budget, explaining the basis for its estimates whenever possible, but particularly for major categories such as “Construction”.

The budget format in the EOI will provide notes on how to fill out some of the items which are BC Housing requirements, e.g. loan commitment fee, mortgage insurance fee, BC Housing inspections. These notes will explain also what to include in each sub-category.

### 2.2.6 The Concept for the Hospitality Services Delivery

The EOI will ask general questions about the delivery of the prescribed hospitality services including:

- the general strategy for meeting the hospitality standards of the Program such as retaining staff directly or contracting out the services;
- whether the Society has had any experience in the provision of meals, housekeeping and laundry services, and emergency support systems;
- any potential hospitality partner(s) and their experience and qualifications;
- the objectives the Society has identified for its hospitality services delivery; and
- an indication of the social and recreational opportunities which the Society intends to provide or facilitate for the Tenants.

### Support Documentation

Desirable support documentation for this sub-section would include:

- an overall implementation schedule, breaking down tasks required according to the strategy chosen and the timeline for doing each (e.g. staff positions to be defined and filled in a direct delivery strategy; sub-contractors to be identified and contracts drafted in an “outsourcing” strategy);
- the experience and qualifications of any partners (or sub-contractors) already identified to deliver hospitality services; and
- any letters of agreement and draft contracts, including the basis for determining the cost of services, with any partners or sub-contracts.

### 2.2.7 Delivery of Personal Care Services

The Society’s response to this sub-section must be within the parameters established by the health authority where the Society is located.

The range of responses to this sub-section, depending on the options acceptable to the health authority in question, is as follows:

- not applicable because the health authority will always organize the delivery of personal care services;
- the Society’s preference is that the health authority organize delivery of personal care services (where the health authority allows that choice);
- the Society’s preference is to organize delivery of personal care services (where the health authority allows that choice); or
- the Society accepts that it will organize delivery of personal care services because that is the requirement of the health authority.

As in the hospitality services section, the EOI asks general questions about the delivery of the personnel care services:

- What is the general strategy, to retain staff directly or contract out the services?
- What experience has the Society had any experience in the provision of personal care services?
- Does the Society have a qualified consultant identified who can assist in implementing the personal care strategy?
- Has the Society identified a potential personal care services delivery partner? What are that partner’s qualifications and experience?

**Support Documentation**

Desirable support documentation for this sub-section could include:

- a draft plan including staffing plan (job descriptions and schedule)
- an overall implementation schedule, breaking down tasks required according to the strategy chosen and the timeline for doing each (e.g. staff positions to be defined by job description and jobs filled, in a direct delivery strategy; partnership agreement to be negotiated and agreement executed in an “outsourcing” strategy);
- the experience and qualifications of the partner who will deliver personal care, if identified; and
- any letters of agreement with a partner, if identified that preferably include the basis for determining the cost of personal care services.

**2.2.8 Operating Budget**

An operating budget is required in the standard format provided in the EOI. The best source of information for housing operations is through comparison with other multiple unit housing – social housing or market rental – in the community. The cost of delivering the hospitality and personal care services will require similar research in the Society’s community.

If the Society is going to sub-contract out hospitality and/or personal care services, its budget breakdown will be less detailed than if it is going to deliver services directly. “Direct delivery” by the Society, however, offers the greatest opportunity for finding operating economies. Staff who perform multiple tasks (e.g. housekeeping, laundry, light maintenance) may be more efficient than staff narrowly focused on one specialty.

The evaluation of the operating budget will be guided in part by BC Housing’s Program requirement that operating costs related to housing should not exceed \$375 per unit per month; however, societies are not asked to divide shared budget categories (for example, administration) into “housing” and “services” portions. BC Housing and the health authority will work with successful societies to establish the funding from each funding partner.

**Support Documentation**

As in the capital budget, the operating budget should include notes explaining the basis for the estimates provided.

**2.2.9 Project Schedules**

The following two Project schedules are required:

- an estimate of the time required to complete each of the major tasks necessary to develop a detailed proposal for consideration for Project Commitment, if the Society is asked to do so;
- an estimate of the time to complete the Project if BC Housing and the health authority give it Project Commitment.

### **Schedule I: From EOI Submission to Project Commitment**

The first schedule must include the major tasks necessary for the following:

- confirmation of the land and resolution of any title issues (for example, negotiating a final lease or dealing with an existing mortgage);
- municipal land-use approval;
- confirmation of the design and construction price certainty<sup>3</sup>,
- the capital budget substantiated in all major categories;
- development of a detailed hospitality services plan;
- development, if applicable, of a detailed personal care services plan; and
- confirmation of a consolidated operating budget.

### **Schedule II: From Project Commitment to Occupancy**

The second schedule must include the major tasks necessary for the following:

- satisfactory completion of contract documents;
- issuance of development and building permits;
- tendering (if applicable);
- execution of the construction contract;
- loan commitment;
- execution of mortgage, operating agreement, and, if applicable, lease execution or closing on land;
- contract award (if design-tender);
- construction start;
- first mortgage advance;
- commencement and implementation of building commissioning (i.e. implementation of management and services delivery plans);
- substantial completion;
- interest adjustment date; and
- first occupancy.

### **Support Documentation**

Support documentation confirming the time allowed for achieving each milestone could include written confirmation from any third party involved, for example, a letter from the municipality outlining its approval process and approximate timelines.

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<sup>3</sup> BC Housing will accept design drawings as the appropriate point to establish construction price as this is the stage at which a fixed-price contract can be executed with a design-build developer.

## **2.3 Evaluation and Selection**

The selection of a successful Society will be based on information from the Society's submission (including support documentation) and, potentially, an interview.

The information required is intended to help societies identify their strengths, indicate the need in their communities, outline how they will develop and operate appropriate Independent Living accommodation, and show how they have mobilized community resources to support the Project.

### **2.3.1 The Evaluation Process**

The evaluation of EOI submissions will be done by a team representing BC Housing and the health authority.

The evaluation process will include the following steps:

- An initial review will ensure that all mandatory requirements of the EOI have been met, that the submission is complete, and that the Project has a reasonable chance of success.
- If the above criteria are met, at least two evaluators will visit the site, interview the Society's representatives, and rank the submission.
- The evaluation team will rank all Projects within discrete geographic areas, i.e. within the same communities or those with overlapping catchment areas.
- The evaluation team will review the highest ranking submissions within each geographic area to insure that they meet the minimal attributes necessary to successfully develop and operate an ILBC Project.
- The evaluation team will identify any particular tasks that the societies with the highest ranking need to fulfil in order to respond successfully to an RFP.

Those societies showing the best potential and strong indicators of success will be asked to develop a detailed proposal. In some instance, they may be asked to address major issues prior to developing their proposals fully, for example, confirm site stability through a geo-technical report.

### **2.3.2 Evaluation Criteria**

Minimum points must be achieved by a proposal in all main categories. (See **Appendix F. Evaluation Criteria.**)

Failure to achieve the minimum in a mandatory category will result in the proposal's rejection no matter how well it may have evaluated in other categories. For example, a strong Society with a very weak proposal or a weak Society with a strong proposal will both fail.

## SECTION 3

### From EOI to Project Commitment

#### 3.1 Introduction

Societies asked to make a detailed proposal will be required to accomplish a series of major tasks in their RFP response to achieve Project approval or “Project Commitment.”

The tasks required may vary greatly among societies, depending on the nature of their Projects. For example, a conversion Project may have only minor tasks related to making ready its housing while a new construction Project will have substantial milestones to achieve.

The objective of this stage is for the Society to develop its Project concept, verify the basic information upon which it was invited to make the detailed proposal, and, thereby, minimize the risks to BC Housing and the health authority in approving the Project.

This section of the guidelines describes the process for meeting the conditions for Project Commitment and summarizes the roles of the respective parties.

#### **Housing Development Plan**

The major tasks in developing the physical component of the Project are:

- developing the Project design from schematic to design drawings stage;
- obtaining necessary municipal approvals for the Project; and
- refining and finalizing the capital budget including the construction price.

#### **Housing Approval Process**

Achieving the milestones required by BC Housing for Project Commitment will be an incremental approval process involving regular communication between the Society’s Project team and BC Housing. The Society will submit to BC Housing major components of the proposal, for example, the design drawings and the capital budget, for review and approval.

#### **Service Delivery Plan**

Parallel to planning the housing, the Society must complete its service delivery plan including:

- developing its hospitality services plan;
- developing its personal care services delivery plan, where applicable;
- developing an integrated management plan; and
- relating implementation of the operations plans to the construction schedule.

#### **Operating Budget**

As part of developing an “integrated management plan”, the Society will develop its operating budget incorporating all aspects of operations (basic housing as well as service delivery costs).

### **Capacity Building Workshops**

BC Housing will develop with the health authorities, aids for societies in the RFP stage working toward Project Commitment. These might include workshops or resource material. The focus will be on operations, particularly on service delivery, Project commissioning, integrating the management of all facets of the Project and budgeting.

### **Project Commitment**

If the detailed proposal confirms the original EOI concept submitted by the Society, Project Commitment will be granted by BC Housing and the health authority.

With Project Commitment, the Society can proceed to complete all the tasks necessary for the start of construction, including working drawings and specifications and the execution of the necessary agreements (e.g. construction contract, the lease for the site, if applicable, the mortgage documents, the operating agreement and service contract, etc.).

## **3.2 Applying for Proposal Development Funding**

Once a Society has been invited to develop a detailed proposal, BC Housing will make available Proposal Development Funding (the "PDF") to help societies pay their consultants' fees.

Proposal Development Funding can be used for:

- Project management fees up to construction start;
- design fees when the consultants are retained directly by the Society;
- Society legal fees;
- environmental and geo-technical reports when the Society controls the site;
- health and service delivery consultants; and
- such other costs as are approved by BC Housing.

**Note:** Societies are eligible for PDF to cover direct costs they incur during the RFP stage and, after Project Commitment, through to the first mortgage advance. If they have a design-build agreement with a developer, they cannot use PDF to pay the developer's costs, for example, the architect and design consultants' fees incurred by the developer.

PDF takes the form of a non-interest bearing loan secured by a promissory note from the Society. The PDF expended will become part of the overall capital cost for the Project and part of the mortgage if the Project succeeds. If a Project fails to receive Project Commitment, the loan will be written off by BC Housing after three years.

Funds for this stage of the Project will be applied for by the Society at the beginning of the RFP stage, using an application form and guidelines provided by BC Housing. The PDF budget submitted by the Society must be related to the capital budget submitted in the EOI and the tasks that have been identified in **Schedule I: From EOI Submission to Project Commitment**. Failure to achieve a major milestone early in the RFP stage. For example, an essential municipal approval may result in the termination of further PDF advances.

### 3.3 Design Drawings and Construction Price

The design approval for the Project will proceed through three stages which approximately correspond to the phases identified in the *Canadian Standard Form of Contract for Architectural Services*:

- the design information requested at the EOI stage is the schematic design phase;
- the design information required for Project Commitment is the design development phase; and
- construction documents (working drawings and specifications), which are required before construction can start.

Design drawings are required in order to receive Project Commitment because that is the point where construction price can be established with reasonable certainty.

#### Schematic Design

The schematic design at the EOI stage determined that the site can accommodate the Society's building concept, including all the amenities and service space specified.

This stage, which is the most creative in planning the new development, occurs while the Society is preparing its EOI submission. The schematic design should reflect the Society's aspirations and the Program's requirements; it must also address challenges presented by the site or regulatory issues such as easements, access and servicing requirements.

#### Design Drawings

The design development stage involves transforming the schematic plan to the level of detail that can be "priced" prior to the commencement of working drawings. Any problems in the schematic design should be identified and resolved. As with schematic drawings, the Society needs to ensure that, as the design has evolved, it continues to meet the objectives of the Society and the needs of the client group and funding partners.

BC Housing will review the design drawings to confirm compliance with the *Design and Construction Standards*. Design drawings will include elevations, floor and unit plans, a landscape concept plan, typical details and assemblies, and an outline specification. (See Section 1. "Drawings and Specifications Requirements - Project Commitment Stage" in the *Design and Construction Standards*, for details on BC Housing's requirements.)

#### Setting Construction Price

The design drawings stage is crucial in establishing the Project construction price.

In a design-build Project, the developer is expected to confirm his construction price on the basis of the information provided in the design development drawings. A cost consultant (quantity surveyor) will be required to confirm the construction price to the satisfaction of BC Housing.

For a design-tender proposal, a cost consultant will work with the design team through design development and, on the basis of the design drawings and outline specifications, provide an estimate of the range of construction prices which should be received in a bid process. (The cost consultant will be required also to identify the cost of any extra facilities and amenities or non-subsidized units being funded separately by the Society.)

For a renovation Project, the cost consultant will use the design drawings supplemented by an earlier feasibility assessment study to establish the construction price range.

Estimates of the cost of the building must fall within a reasonable range of the preliminary capital budget for the Project and be viable for financing in accordance with BC Housing's underwriting guidelines. Should the budget and lending value established for the Project exceed the limits, the Project will fail to achieve Project Commitment.

Design drawings are also used to obtain design approval from a municipality where a rezoning, development permit or development permit variance is required.

### 3.4 Refining the Capital Budget

The construction cost is the main “driver” of the capital budget and will have a direct impact on other items ranging from the interest accrued during construction to Goods and Services Tax.

The Society should seek to minimize those items that are linked to the final construction cost contractually, for example, consultants' fees. Societies are encouraged to negotiate set fees rather than relating fees to the final construction costs or the total final capital cost (architects' and project managers' fee, respectively).

Part of the process of refining the capital budget is confirming all of the commitments of community equity support prior to Project Commitment.

Throughout the pre-construction development phase, the Society may also continue its efforts to mobilize more financial support for its Project, either through on-going fund-raising or by seeking ways to reduce costs. The progress of Project planning often uncovers previously unidentified costs, for example, off-site servicing requirements or new levies. The options faced may be finding ways of reducing costs, in the above example by seeking exemptions from the levies, or new fund-raising initiatives.

**Note:** For Projects containing ineligible space (e.g. non-residential space), a separate budget will be required for that component as well as one all-inclusive budget.

### 3.5 Developing the Services Delivery Plan

The quality of the hospitality and personal care services is essential to the success of Independent Living. Developing an integrated management and implementation plan requires expertise different from what is needed in a housing development and also different from residential care.

BC Housing is committed to working with the health authorities to help societies put together the necessary management plan. This will take the form of capacity building workshops and/or other forms of assistance. The major tasks include developing:

- an integrated staffing plan including job descriptions (responsibilities, qualifications, remuneration, reporting relationships, personnel policies) and duty schedules;
- procedures for personal care – the roles and responsibilities of personal care staff and protocols with the health authority;
- Tenant selection protocols and procedures;

- a plan for recruiting, hiring, orienting and training staff;
- the administrative and information systems required to manage Project operations;
- the other components of a management plan including administrative systems, reporting procedures, and financial and maintenance polices and procedures; and
- a “commissioning plan” and schedule for implementing the management plan (related to construction progress) and starting operations.

### 3.6 Confirming the Operating Budget

Refining the operating budget is closely related to developing the services delivery plan. During this phase of proposal development, BC Housing and the health authority will give guidance to the Society’s operating budget parameters.

### 3.7 Achieving Schedule I and Refining Schedule II

All of the milestones indicated in Schedule I must be met before Project Commitment can be granted. In addition to the confirmation of design, construction price, capital budget, service delivery plan, and operating budget, the Society has to resolve any fundamental site and/or land use issues.

See **Appendix C. Real Estate Considerations** for background information on the due diligence required to establish that the Society has a mortgageable interest in the land and the standard lease form, mortgage, and other agreements BC Housing requires as the lender. (See **Appendix D. Third Party Ground Lease** and **Appendix E. Section 219 Covenant and Option to Purchase.**)

If the Society is leasing the site (even if only for a nominal amount), the lease must be in the BC Housing’s prescribed form. In addition, the business terms of the lease must be settled before Project Commitment. Leases that involve multiple uses can be challenging and can have an impact on the ability of the Society to obtain the mortgageable interest necessary for financing. Similarly, any other title issues, including covenants on title and existing mortgages, will need to be resolved.

Another basic land-use issue is municipal approval. This may involve a relatively simple Development Permit or complex approvals involving sub-divisions, variances, or rezoning. Those would need to be confirmed before Project Commitment.

Developing a realistic Schedule II for the development of the Project is important to the Society both as a monitoring tool but also as the basis for some budgeting decisions. On the simplest level, the projected period from the mortgage advance to construction completion is a crucial variable for estimating the cost of financing (interest) during construction.

The tasks related to commissioning the Project as Independent Living will need to be cross-referenced to the development schedule. This will be a significant planning task for the Society and its consultants during the RFP stage. The commissioning schedule will have cost implications that need to be identified and allocated. For example, some staff must be hired before the building is completed. Moving new Tenants into the Project may need to be extended over a few months. Will the staff costs come out of the first year operating budget or be capitalized? Will the loss of revenue during rent-up be capitalized or included in the first year operating budget?

### 3.8 Project Commitment

Project Commitment is funding approval for the Project and will be issued by BC Housing and the health authority in letter form.

The Project Commitment letter will list the tasks still remaining before the mortgage can be registered and construction advances can begin, including:

- completion of the contract documents (working drawings and specifications) to the satisfaction of BC Housing;
- the construction schedule;
- confirmation of all municipal approvals, including building permit;
- confirmation from Canada Customs and Revenue Agency of tax status for the purposes of tax (e.g. existing charitable or municipal status);
- confirmation that the builder will be covered for warranty purposes under the Homeowner Protection Act;
- confirmation that the builder has course of construction insurance in force for the Project;
- evidence that the builder has a performance bond and a labour and materials bond in place for the Project to BC Housing's standards; and
- confirmation of builder's Worker's Compensation Board clearance.

The builder must meet the standards in either Appendix A (design-tender) or Appendix B (design-build) "Supplementary General Conditions to the Stipulated Price Contract," *Independent Living BC Design and Construction Standards*.

In addition to tasks listed above, which relate only to the housing base, the health authority may list tasks that it may require by construction start.

## SECTION 4

### Project Commitment, Construction and Commissioning

#### 4.1 Introduction

Following Project Commitment, the Society has the approval to complete all tasks necessary to begin construction. These tasks will have to be completed satisfactorily and in logical sequence before construction can begin.

##### 4.1.1 Contract Documents

Primary among those tasks related to the housing base will be the completion of contract documents.

“Contract documents” comprise a final, complete, fully co-ordinated set of construction documents which form part of the contract that the Society will execute with its builder. These include the design, structural, mechanical, electrical, and landscape drawings, all bearing the stamp of the appropriate professional, and complete specifications.

See Section 1. “Drawings and Specifications Requirements – Construction Documents Stage” (pages 14 to 19 inclusive) in the *Design and Construction Standards*.)

This is the stage where important detail is set. Examples are exterior and interior materials and finishes, interior and exterior lighting, stair details, window and door schedules, cabinetry, appliances and plumbing fixtures, and landscaping elements. Again, the Society’s representatives must ensure that the needs of the client group will be met.

##### Design-Build

In a design-build Project, BC Housing will review the contract documents to ensure compliance with the *Design and Construction Standards* and any variances approved at the Project Commitment stage.

##### Design-Tender

In a design-tender Project, the Society’s contract documents will be reviewed by a cost consultant, at about 70% completion, to ensure that the Project is within budget. BC Housing will review the contract documents to ensure compliance at around 95% completion. Once this has been established, the Project design is ready for tender.

##### 4.1.2 Executing Final Documents

A number of key documents can be executed by the Society at the point when all obligations necessary for construction start have been met. However, the execution of these documents can only proceed in tandem with signing the contract for services between the health authority and the Society.

The key development and housing documents include:

- a Stipulated Price Contract CCDC2 with the builder (See Appendix A and B of the *Design and Construction Standards*);
- BC Housing Standard Mortgage Documents;
- a lease agreement, if applicable, in the acceptable form;
- the Operating Agreement between BC Housing and Society; and
- BC Housing's Section 219 Covenant and Option to Purchase.

## **4.2 Major Tasks during Construction – the Society as Owner**

The major objectives for this stage of development are to ensure that:

- proper documentation and reporting procedures are in place;
- the Project is built on time and within budget;
- the building quality is appropriate;
- the preparations are made for a smooth and timely start-up of the building; and
- implementation of the service delivery plan is co-ordinated with construction progress.

As Project owner, the Society has the contract with the builder and is responsible for managing the contract. The following are the major tasks that are the responsibility of the Society as owner during construction.

### **4.2.1 Establishing Documentation, Procedures and Reporting**

An important responsibility for the Society as owner is to establish proper documentation, reporting, and approval procedures for the Project including:

- contract administration documentation and reporting procedures;
- regular reporting to the owner by the project manager on Project progress and Project financial status;
- mortgage advance request documentation including architect's certificate of payments, contemplated change notices, change orders and statutory declarations;
- procedures to define the role of the owner's directors in approvals (e.g. through a building committee) and delegation to the project manager; and
- appropriate schedules and procedures for meetings, progress claims and approval of change orders.

Typically the project manager, acting for the owner will initiate a start-up meeting that should include representatives of all principal parties, the builder, the architect of record, and BC Housing. This meeting will set up contract administration procedures and roles, particularly the frequency and conduct of site meetings, a schedule for mortgage advances, information requirements for advances, and the approval process for change orders.

#### **4.2.2 Progress Claims and Payment**

A central activity for the owner is preparing the progress claims (or mortgage advances) for the Project, checking the title for liens, and submitting the claims to BC Housing. Undertaking this in a timely manner is very important.

The contractor's claims will be certified by the architect of record (referred to on the construction contract as the "Consultant") and other design professionals and all other claims are invoiced in accordance with contracts.

The Society should pay out funds in accordance with the approved claim upon receipt of the mortgage advance from BC Housing. The actual payment process is straightforward and does not require the expense of using the Society's lawyer.

#### **4.2.3 Design Consultant Supervision**

For both design-build and design-tender Projects, the architect must approve or certify construction claims on the basis of regular inspections to ensure builder performance in accordance with the contract and verify the progress claimed since the last advance.

In design-build or design-tender Projects, the project manager is responsible for monitoring the performance of the Society's contractors (architect and/or builder) on behalf of the owner. If there are performance issues, the project manager must undertake to have them corrected in accordance with the governing contracts (e.g. between the Society and the architect or the Society and the developer).

This "monitoring function" must not be mistaken with "supervision" or the provision of expert advice and direction. The project manager acts as a prudent owner would, being familiar with the contracts in place, observing how they are being fulfilled, and being on the lookout for issues which might indicate a departure from the contracts or disagreement among the Society's contractors (i.e. the architect, the sub-consultants, the builder). The project manager is not expected to exercise "extraordinary diligence" on site and must never give direction to the architect or others that would relieve them of responsibilities outlined in the Society's contracts.

#### **4.2.4 Issues Management**

Typical issues during construction range from unanticipated site conditions to the problems of poor workmanship, design errors or omissions, poor construction scheduling, and tardiness in the correction of the deficiencies.

Although the design professionals are primarily responsible for the resolution of these matters, the project manager, as the owner's representative, needs to closely monitor what is happening and ensure resolution occurs. The Society as owner should also be kept aware through regular reporting on the status of the Project. When action is required on behalf of the owner, a variety of measures may be adopted, from requests to the Project architect to formal communications with the developer/contractor.

#### 4.2.5 Project Commissioning

Well before Project completion, preparations need to be undertaken for the full occupancy and operation of the building. This task is primarily all the one-time tasks entailed in implementing the management plan approved at Project Commitment.

If the project manager is not directly involved in Project commissioning, the Society needs to establish clear procedures, lines of communication, and responsibility for co-ordinating the start-up tasks with construction progress. Construction delays, caused by factors ranging from weather to strikes, can have costly implications for commissioning.

The work of commissioning may be co-ordinated by the Society directly, especially where the Society has similar existing or complementary Projects. It may involve hiring the project manager early in construction or re-assigning existing Society staff. For all but the most experienced societies, commissioning will likely involve assistance from consultants.

Commissioning will involve implementing the management plan including:

- recruiting, hiring, training and orienting staff as required;
- selecting equipment and furnishings (well in advance of Project completion to allow ordering and installation);
- setting up the basic records and filing systems (personnel, financial, maintenance, Tenant files);
- developing the fire and emergency plan;
- familiarizing all new staff with emergency procedures, the fire plan, alarms. and exiting plans;
- developing maintenance plans appropriate for the building's major systems;
- establishing purchasing arrangements for food and supplies;
- equipping and starting up kitchen operations; and
- establishing with the Health Authority the Tenant referral protocols and procedures, a move-in and out plan and schedule.

#### 4.2.6 Completion of the Construction

The process for “handing over” a new building is outlined in the contract between the Society and its builder.

The builder has to give formal notice to the Society of his intention to request a “substantial performance review” on a certain date. The architect of record (usually with the project manager and the BC Housing inspector) will attend the site on that date and the architect is responsible for issuing (or denying) a “certificate of *Substantial Performance of the Work*,” that is, certifying that the builder has substantially performed his contractual obligations.

This is not a subjective or arbitrary judgement; it is guided by the *Builders Lien Act* and the contract. Typically, the municipality will also inspect at that time and issue an “occupancy permit” or otherwise agree that the building is fit for occupancy.

The architect, during the substantial performance review will compile a list of all deficient and incomplete items of work and will estimate a value for each item. This review is the basis for calculating the “deficiency holdback” provided for in the contract – the amount withheld from the builder until the deficiencies are corrected.

In summary, the Society, through its consultants and the contractor, will be responsible for ensuring a number of tasks are completed which include:

- certificate of substantial performance is obtained from the architect;
- occupancy permit is obtained by the builder from the municipality;
- deficiency inspections are completed and complete lists are compiled;
- deficiencies are corrected in a timely manner;
- operating manuals and warranties for equipment are received from the builder;
- list of chattels for the mortgage is completed;
- home-owner warranty is registered and demonstrated by the builder;
- “as built” drawings are complete and received;
- lien holdbacks are resolved according to the *Builders Lien Act*;
- final advances are made; and
- post-completion procedures are established for building performance/warranty items and the one year warranty inspection are in place.

### **4.3 Major Tasks during Construction – BC Housing**

BC Housing will perform its role as lender in much the same way as a private lender would in approving monthly claims. BC Housing will also satisfy itself that the *Design and Construction Standards* are being met.

BC Housing’s specific tasks during construction are: site inspections; review and processing of claims; review and approving of change orders or requests for alternatives; monitoring the schedule in preparation for placing the take-out mortgage; and initiating operating assistance.

If the Society is contributing cash equity to the Project, this equity should be used to pay claims before any advances are made from the mortgage loan. This will reduce the interest incurred during construction. The claims process will be the same as above, with BC Housing reviewing the claim in the usual manner.

Designated BC Housing staff perform these tasks to ensure consistency throughout the development/construction phase. Site inspections for BC Housing may be contracted to an outside consultant, referred to as the “BC Housing inspector.”

#### **4.3.1 Project Inspection**

BC Housing inspects the Project as project lender. This begins with the review of the contract documents prior to construction and continues as regular on-site inspections during construction to ensure that:

- the Project is being constructed in accordance with the approved drawings and specifications; and
- the monthly claims from the contractor are based on work in place.

BC Housing's project inspection reports are provided monthly to all parties for information. In the event that issues arise, BC Housing will communicate to the Society as owner through the project manager and architect, rather than directly to the contractor. The Society always remains responsible for enforcing its contracts.

#### **4.3.2 Progress Claim Review**

BC Housing reviews all claims for completeness and budget compliance, confirms that there are no liens on title, and reviews the inspection reports to verify that the claim is based on work in place and the cost to complete the Project.

BC Housing, as mortgagee, withholds all lien holdbacks required and advances the approved funds to the owner who then makes the payment to the contractor and consultants.

#### **4.3.3 Project Completion, Interest Adjustment Date, and Occupancy**

The major landmarks in the transition from construction to occupancy are:

- the builder's request for a review by the architect for certification of substantial performance;
- the architect's issuing (or denying) the certificate of substantial performance;
- the setting of the Interest Adjustment Date (see below) on the first day of the month immediately following the certification of substantial performance; and
- the commencement of occupancy.

The Interest Adjustment Date (the "IAD") is the day at which mortgage repayment calculation begins. It must be the first day of a month. As monthly mortgage (principal and interest) payments are repayable one month in arrears, the first payment becomes due on the first day of the month following IAD.

BC Housing's primary roles during this transition are:

- liaising with the Society on the builder's formal written notice for substantial performance;
- establishing with the Society the final loan amount, based on actual costs and projected outstanding costs;
- tendering the mortgage (as part of a larger package of mortgages) to private sector lenders;
- ensuring that the necessary documents are in place (including the certificate of substantial performance, the occupancy permit, and the warranty); and
- modifying the mortgage (requiring the Society's co-operation) in order to transfer it to the private sector lender selected through the tender process.

After IAD, BC Housing continues to process advances for work still in progress, for example, deficiency corrections, sometimes landscaping, and lien holdbacks.

#### 4.3.4 Commencement of Financial Assistance

The crucial role for BC Housing at IAD from the immediate perspective of the Society is activating the monthly subsidy and remitting the first payment to the Society before the end of the month and prior to the first mortgage payment coming due. This will occur if the Society and its project manager are aware of the necessary information which BC Housing requires and forward it in a timely manner.

The Society should project its cash flow needs for the months during which initial occupancy will occur with special attention to two factors: seasonal expenses and revenue. Depending on when the Project is completed, the Society could incur one-time seasonal expenses, e.g. property taxes or high heating bills. Normally, the subsidy remitted by BC Housing is based on one twelfth of the annual total but that can be adjusted to accommodate seasonal anomalies.

A more serious issue is the revenue shortfall caused in the first year through the gradual move-in process. The ideal for rental housing is to achieve full occupancy at IAD or shortly thereafter. In the case of Independent Living, several factors make that goal even more challenging than usual, including:

- the desire shared by all partners to ensure that all systems are working properly and services can be provided to avoid any risks or stress for the Tenants; and
- the need for the health authority and the Society to plan the referral process to accommodate the needs of the potential Tenants.

The Society and the health authority will have to carefully plan this “rent-up” process. Part of that plan has to be the revenue Projection balanced against the actual costs being incurred. The shortfall can be capitalized, that is the cash allowance can be included in the capital budget and will be included in the mortgage loan. That may present a problem if the capital budget is tight. Another alternative is to find one-time funding to offset the first year revenue shortfall.

#### 4.4 Major Tasks during Construction – the Health Authority

The primary roles for the health authority during construction of the Project are helping the Society refine and implement the commissioning plan and preparing the health authority’s case managers to refer Tenants to the Society as the Project nears completion.

##### 4.4.1 Project Commissioning

The major tasks in commissioning the Project relate to the provision of hospitality and personal care services, and the process for selecting and referring Tenants. The health authority will take the lead role in working with the Society to ensure successful commissioning.

In addition to the general tasks outlined above (See **Section 4.2 Major Tasks during Construction – the Society as Owner.**), each health authority will have its preferences and policies around things such as the use of Managed Risk Agreements, processes around ensuring quality of care and preventing abuse, evaluation procedures, information and/or reporting requirements, delegation of tasks, and the Tenant referral process. It is the responsibility of the health authority and the Society to ensure these are considered and/or incorporated as required into the operations of the Project during the initial set-up.

#### **4.4.2 Tenant Referral**

A smooth initial Tenant referral process is essential from the perspectives of all parties, particularly the Tenants but also the Society. The health authority is responsible for working out its needs in this process, particularly the lead time case managers need to identify and prepare potential Tenants, and working closely with the Society to co-ordinate that lead time with the Project schedule.

The Society is responsible for keeping the health authority informed of any changes or developments in the Project's progress that might have an impact on the occupancy date and the referral of Tenants.

The referral of Tenants with particular needs that require special attention, for example, the negotiation of a Managed Risk Agreement, will also require close co-operation between the health authority and the Society.

#### **4.4.3 Personal Care Services**

The delivery of personal care services will occur in different ways across the Province.

When the health authority is organizing the personal care services, it will need to identify the agency which will provide the personal care services and co-ordinate closely with that group and the Society to plan and schedule the personal care services as Tenants are referred and their move-in dates set.

Where the Society is organizing the personal care services, it will be working directly with the health authority in identifying Tenant needs as they are referred and scheduling its staff to meet those needs.

#### **4.4.4 Commencement of Financial Assistance**

The agreement (or service contract) between the health authority and the Society should establish the procedure for activating its support to the Society and specify the regular assistance which will be received.

In addition, there needs to be clear agreement on how any one-time start-up costs will be handled, for example, pre-occupancy training and orientation expenses and the revenue short fall that may occur during move-in.