

# SENIORS' RENTAL HOUSING

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## **GUIDE for Housing Providers**

**December 2010**  
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BC Housing



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# 1. Introduction

## 1.1 About this guide

This guide is intended to assist non-profit housing providers (“**providers**”) in the operation of Seniors’ Rental Housing (SRH) initiative projects. The guide is intended to supplement existing resources such as the:

- SRH Program Framework
- SRH Operator and Operating Agreements
- Housing Provider Kit – Rent Calculation, Financial Operations and Maintenance Guides

A number of appendices are also included in the guide to serve as reference points, and where possible, instructions on where to find additional information are included.

## 1.2 Seniors’ Rental Housing (SRH) Background

On January 27, 2009 the federal government announced its proposal to nationally invest in the creation and preservation of affordable housing through one time economic stimulus measures including Housing for Low-Income Seniors and Housing for Persons with Disabilities initiatives.

There are two basic types of developments funded through the SRH initiative. In some developments, 100% of the new units created will receive federal funding – these projects are owned by the **Provincial Rental Housing Corporation** (PRHC), and all units are Rent-Geared to Income (RGI). In other developments, only a portion of the units will receive federal funding, with the remainder of new affordable rental units created through BC Housing’s other partnerships or through its independent efforts (“**Blended Sites**”). In such cases, the remainder of the units must remain affordable for moderate income households. Table 1 provides an overview of the core elements of the two streams of the Seniors’ Rental Housing initiative. Of note, the two streams use different income thresholds to determine tenant eligibility.

**Table 1: Overview of SRH Streams**

<b>Core Elements</b>	<b>Federal-Provincial Cost-Shared Units (“RGI units”)</b>	<b>Provincial Leveraged Units (“Affordable Market Units”)</b>
<b>Tenant Eligibility</b>	Seniors or Persons with Disabilities, with Low Income:  Total household income is below the <b>Maximum Income Level</b> (lesser of the Non-Market Area Housing Income Limit for the region, or 5 times the established Maximum Market Rent x 12).	Seniors or Persons with Disabilities, with Low to Moderate Income:  Total household income is below the top of the 2 <sup>nd</sup> Income Quintile in BC.
<b>Rent Structure</b>	RGI as per Seniors’ Rental Housing Rent Scale.	Affordable Market
<b>Capital Repairs</b>	BCH responsible for M & I Repairs.	Society responsible for M & I.
<b>Eligible Sites</b>	Owned or leased by PRHC.	Society owned.
<b>Replacement Reserves</b>	Modular \$30-60 pupm Wood frame \$60-\$100 pupm	\$60-\$100 pupm
<b>Income Verification</b>	Verified by housing provider on commencement of tenancy, and annually thereafter.	Verified by housing provider at commencement of tenancy only.
<b>Management</b>	Managed by partners on behalf of PRHC, under an Operator Agreement.	Managed by partners under an Operating Agreement.

**Note for blended sites:** Throughout this guide, special information pertaining to the management of blended sites appears in a box such as this.

### 1.3 Glossary

**Affordable Market Unit:** An affordable rental unit, covered by an Operating Agreement. These are units owned by the non-profit housing provider. Rents are set at or below the market rent for similar units in the same community.

**Blended Site:** A SRHI project that contains units owned by both PRHC (**RGI Units**) and the non-profit housing provider (**Affordable Market Units**).

**Housing Income Limits (HILs):** Previously known as Core Need Income Thresholds (CNITs), they represent minimum income level required to obtain rental housing in good condition at not more than 30% of income. To be eligible for an RGI unit, total household income must not exceed the applicable HIL (the Non-Market Area HIL for the region applies to all SRH projects).

**Low to Moderate Income:** means a gross household income that does not exceed the top of the second quintile of household incomes for British Columbia households, as determined by BC Housing from time to time (based on Statistics Canada "Survey of Labour and Income Dynamics" reports, households of 2 persons or more). For 2010 this figure was \$61,223. To be eligible for an Affordable Market unit, total household income must not exceed this amount at move-in (regardless of household size or composition).

**Maximum Income Level:** Refers to the maximum eligible income for RGI tenants. The maximum is based on the lesser of:

**a)** Non-market area HIL for the region; OR

**b)** Five times the established Maximum Market Rent for the project, multiplied by 12 (where a market rent cap has been approved).

**Maximum Market Rent:** Refers to the maximum a Tenant will pay for rent in projects where BC Housing has approved the establishment of a market rent cap for RGI units.

**Provider:** Refers to the non-profit society responsible for operating and managing a Seniors' Rental Housing initiative project.

**Provincial Rental Housing Corporation (PRHC):** The Provincial Rental Housing Corporation is BC Housing's land holding company. Incorporated in 1973 (under the Business Corporations Act) PRHC buys, holds and disposes of provincially owned social housing properties and leases residential properties to non-profit societies and co-ops. PRHC is administered by BC Housing.

**RGI Unit:** A Federal-Provincial cost-shared unit, covered by an Operator Agreement. These are the units owned by PRHC. Tenants pay Rent Geared to Income, as per the Seniors' Rental Housing Rent Scale.

**Operator Agreement:** Agreement between the provider and BC Housing with respect to PRHC-owned, RGI units (all Federal-Provincial cost-shared units).

**Operating Agreement:** In a blended site, this is the agreement between the provider and BC Housing regarding the non-profit-owned units.

**Tenant Rent Contribution:** Monthly rent paid by the tenant.

## 2. Project Start-up

### 2.1 Agreements

There are two different Agreement types applicable in SRH. The SRH Operator Agreement covers all Federal-Provincial cost-shared, PRHC-owned units (the RGI units). In blended projects, an additional SRH *Operating Agreement* covers the operation of the Affordable Market units (those owned by the provider). In some instances, the Affordable Market units may be governed by a different program agreement<sup>1</sup>.

In a blended site, the two agreements are considered to be independent. However, in practice, the management of the entire project is “blended” in a number of areas. Each section of this guide provides information regarding where the project can be managed as one, and where the two components must be treated separately. In many cases, the management of blended sites will be driven by the nature of the project and the composition of the Strata in the building. See Section 3: Blended Sites – Operating within a Strata, for more details.

### 2.2 Start-Up Package

BC Housing will send a Start-up Package at least three months prior to rent-up. The package will include the following:

#### 1. SAFER Information and Cancellation Form

- a. *This form is for SRH applicants who are receiving SAFER subsidy in their current housing. The form explains that tenants in RGI units are not eligible for SAFER, and must cancel SAFER upon moving into a SRH RGI unit. It includes the form needed for the cancellation.*

#### 2. Building and Unit Information Form

- a. *Building and unit information to be submitted to BC Housing.*

#### 3. Application for Rent Subsidy for RGI unit tenants

- a. *Although there are no ongoing subsidies to providers in Seniors’ Rental Housing, the Application for Rent Subsidy form must be completed by all RGI tenants. The form is required to collect the information needed to confirm eligibility, and for rent calculation and BC Housing reporting purposes.*

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<sup>1</sup> In some projects, additional units have been built under other funding programs, such as CPI. In these cases, an alternative agreement will apply.

#### 4. Notification of Tenancy Change

- a. *This form must be completed and submitted to BC Housing any time a tenant moves in or out of an RGI unit.*

For more information on these forms, please refer to the Housing Provider Kit, available online at <http://www.bchousing.org/providers/kit>.

### 2.3 Housing Registry Set-Up

Providers are required to use the Housing Registry to fill all RGI units. Therefore, providers must be members of the Housing Registry prior to rent-up. If you are not already a member of the Housing Registry, your Property Portfolio Manager will discuss this with you. Our Housing Registry staff will contact you to begin the process of joining the Housing Registry, including training and set-up.

For more information, you can also visit the Housing Registry webpage at: [www.bchousing.org/providers/registry](http://www.bchousing.org/providers/registry)

**Note for blended sites:** While providers are required to use the Housing Registry for filling all RGI units, providers with Affordable Market units may also maintain an independent applicant list for the Affordable Market units. While use of the Housing Registry for all units is encouraged, you may need to seek out tenants with incomes above the HILs for their community for Affordable Market units (i.e., above HILs but still within the definition of Low to Moderate Income, as per the Operating Agreement).

### 2.4 Tenant Policies

Written tenant policies must be developed prior to rent up, as all tenants should receive a written copy of tenant policies prior to move-in.

**Note for blended sites:** Tenant policies must comply with Strata Bylaws, but are not required to comply with BC Housing's tenant policies on issues such as smoking, pets, storage of scooters, etc.

In strata projects, you must provide the tenant with a copy of the strata bylaws, and explain that they are expected to abide by all applicable bylaws (e.g., pets, parking, etc.) Where applicable, the tenancy agreement should state that tenants are required to adhere to strata bylaws, and that continual violation of strata bylaws is a material breach of the tenancy agreement. Tenants must also sign a Form K under the Strata Property Act. See Section 3 for more details.

### 3. Blended Sites – Operating within a Strata

This section is intended to provide general guidelines regarding the management of strata titled units in blended sites, and does not provide advice pertaining to strata management services. Please note that each SRH development will have unique requirements based on the particular composition of the development and the Strata Corporation.

As a Seniors’ Rental Housing provider within a blended site, you will need to manage the SRH units in accordance with the Strata Property Act, regardless of whether or not you are responsible for strata management services. Knowledge of the requirements of the Strata Property Act and associated Regulations is required.

The Financial Institutions Commission (FICOM) is responsible for administration of the Strata Property Act and related regulations. The FICOM website contains a number of documents and resources regarding Strata Property Management, and can be accessed at:

<http://www.fic.gov.bc.ca/responsibilities/strataowners/overview.htm>

The Instruction Guides in this website provide a good overview of information, and can be accessed from the webpage above, or at:

[http://www.fic.gov.bc.ca/responsibilities/strataowners/instruction\\_guides.htm](http://www.fic.gov.bc.ca/responsibilities/strataowners/instruction_guides.htm)

#### 3.1 Property Management

##### Providing Strata Management Services

All Strata Corporations must be managed under the Strata Properties Act, through the elected Strata Council. The Strata Council may choose to delegate some of the property management functions to a contracted, licensed Strata Manager, or through ‘self management’.

Where the SRH Provider is an “owner” as defined in the Strata Property Act, they may provide strata management services, exempt from the licensing requirements. Where feasible, this can help to reduce operating costs

##### **Licensing exemption for strata lot owners under the Real Estate Services Act:**

**2.17** (1) *Subject to subsection (2), an individual is exempt from the requirement to be licensed under Part 2 of the Act in respect of strata management services if the individual*

*(a) is the owner, as defined in the Strata Property Act, of a strata lot,*

*(b) provides the strata management services to or on behalf of the strata corporation of which the person is a member by reason of being the owner of the strata lot, and*

*(c) provides strata management services under the exemption provided by this section to no more than two strata corporations.*

(2) *On receipt of any strata fees, contributions, levies or other amounts levied by, or due to, the strata corporation under the Strata Property Act, the exempt individual must promptly deliver the money to the strata corporation.*



compared to the hiring of a licensed property management firm. However, the management of a strata property entails a variety of obligations under the Strata Property Act (e.g. records management), and a solid knowledge of the Act is needed.

Where feasible, providers who manage the strata corporation should have one licensed property manager on staff, in order to ensure full understanding of the requirements of the Act. Conversely, they should ensure that staff become familiar with all of the requirements of the Strata Property Act and associated regulations (see the web site links at the beginning of this chapter for more information).

### **BC Housing Strata Correspondence**

All strata correspondence pertaining to RGI (PRHC-owned) units must be forwarded to BC Housing, including all notices and agendas for upcoming Annual General or Special General Meetings and meeting minutes.

### **Strata Council Representation**

In many SRH sites, Strata bylaws allow BC Housing (PRHC) to appoint up to two council members. The decision as to who will represent PRHC on strata council will be made by BC Housing staff. BC Housing may appoint the provider to sit on council on behalf of PRHC, as indicated in the Operator Agreement. In this capacity, the provider must work to ensure the property is well managed, in accordance with the Operator Agreement and the intent and principles of the Seniors' Rental Housing initiative.

### **Annual and Special General Meetings**

BC Housing staff will decide whether they will attend Annual and Special General Meetings of the Strata Corporation, or give PRHC's Proxy to the Provider. Proxy to represent PRHC (BC Housing) can only be provided to the Provider through the Proxy Appointment Form. (A sample is included in Appendix D.) If you are unclear about who is representing BC Housing at an upcoming meeting, please contact your Property Portfolio Manager to discuss.

### **Tenancies under the Strata Property Act**

Under the Strata Property Act, landlords (Providers) have a number of obligations in addition to the requirements of the Residential Tenancy Act (RTA). Please refer to the Strata Property Act and associated Regulations on the FICOM website ([www.fic.gov.bc.ca](http://www.fic.gov.bc.ca)) for details. A good place to start is the "*Strata Property Instruction Guide #6: Roles and Responsibilities of Tenants and Landlords in Stratas*", available at the link below:

[http://www.fic.gov.bc.ca/responsibilities/strataowners/instruction\\_guides.htm](http://www.fic.gov.bc.ca/responsibilities/strataowners/instruction_guides.htm)

Some key requirements for landlords in a strata are:

1. Provide the tenant with a copy of the strata bylaws prior to move-in.
2. Have the tenant sign a **FORM K: Notice of Tenant's Responsibilities**, and submit a signed copy of this form to the Strata Corporation within two weeks of tenant move-in.

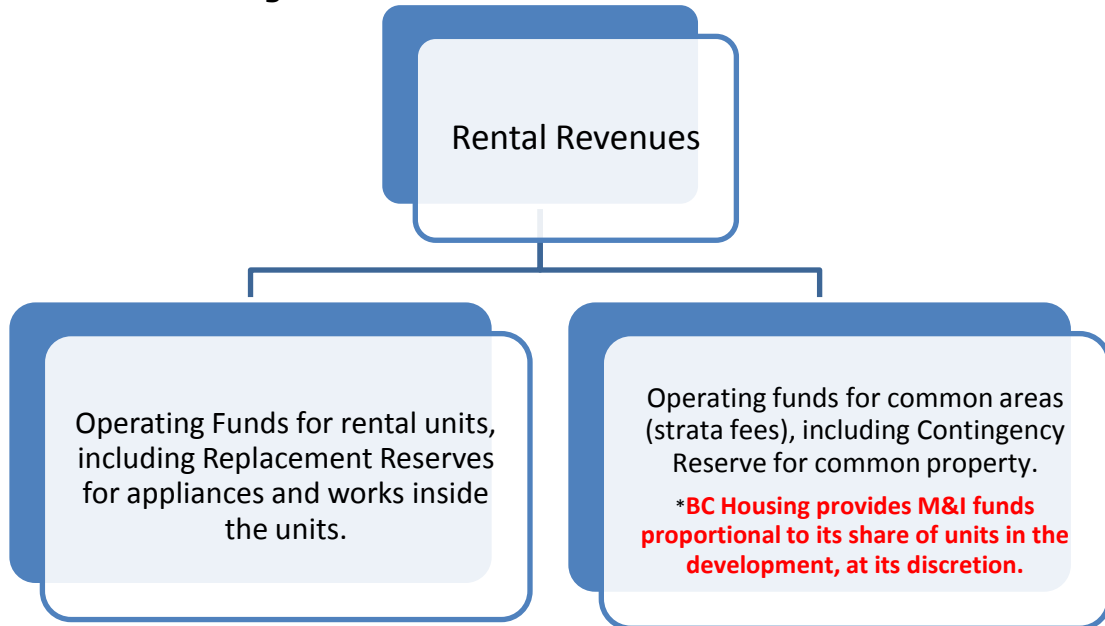
A sample *Form K: Notice of Tenants Responsibilities* is included as Appendix C.

In addition, tenancy agreements should state that tenants are required to adhere to strata bylaws, and that continual violation of strata bylaws constitutes a material breach of the tenancy agreement.

### 3.2 Financial Organization

Tenant rent revenues will need to flow through a variety of channels in order to comply with the Strata Property Act. This may vary depending on the particular project, however, the basic financial organization will be as follows:

**Figure 1: Financial Organization in Strata Properties**



### 3.3 Reserves and Capital Repair funds in Blended Sites

Providers are responsible for all replacement reserve contributions, and for the costs of major capital repairs or replacements in units not owned by PRHC. BC Housing will, at its discretion, provide M&I funding proportionate to the number of PRHC-owned (RGI) units only.

As noted above, the Strata Corporation will be required to establish a Contingency Fund for the repair and maintenance of the common property. A separate Replacement Reserve fund will also be required to cover the cost of repairs and replacements related to the strata lots (units). The particular items which are included in the Strata's operating budget and Contingency Fund are determined by the Strata Plan for each project (i.e. what is defined as common property), and the Strata Property Act.

Key points when developing Reserves and Capital Repair plans are:

- The replacement reserves for all units must be funded as per the operator and operating agreements, but the total contribution may be split between the Contingency Reserve and the Replacement Reserve fund.
- Contingency Reserves must comply with the Strata Property Act.
- The provider is responsible for all costs associated with both PRHC-owned and provider-owned units, e.g., the provider is responsible for paying strata fees, etc. At BC Housing's discretion, M&I funding will be provided as indicated in the Operator Agreement.
- Where common area repair costs will not be covered entirely by a reserve fund (e.g., require M&I), all costs will be split according to proportionate unit share.

See Section 6 for more details on Maintenance and Capital Planning.

## 4. Tenants

For both RGI and Affordable Market Units, eligible applicants must be Seniors or Persons with Disabilities. However, the income threshold for the two unit types is different:

	RGI	Affordable Market
Income Threshold	<p>Low Income: Total Household income below the Maximum Income Level, defined as the <b>lesser of</b>:</p> <p><u>Non-Market HIL<sup>2</sup></u> for region <b>OR</b> 5 times the established Maximum Market Rent, (if applicable) for the development, multiplied by 12.</p>	<p>Low to Moderate Income: Total household income is below the top of the 2<sup>nd</sup> income quintile</p>

### 4.1 Tenant Eligibility and Selection for RGI Units (PRHC-Owned):

All RGI tenants must be selected from the Housing Registry. See Section 2.3 of this guide for information on setting up a Housing Registry membership.

In order to be eligible, households must:

- Have an income below the Seniors' Rental Housing Maximum Income Level,
- Have less than \$100,000 in assets, as per BC Housing's Asset Policy.

#### Maximum Income Level

Because the Seniors' Rental Housing initiative has no operating subsidies, a unique Maximum Income Level has been developed for this program, which includes a wider range of income levels than subsidized RGI programs.

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<sup>2</sup> HIL = Housing Income Limit. The Non-Market Area HIL for each region applies for all Seniors Rental Housing Projects, regardless of location. \*2010 HILs are included in Appendix A. For current HILs, see the updated version of the Rent Calculation Guide available on the BC Housing website at: [http://www.bchousing.org/providers/kit/Rent\\_Calc](http://www.bchousing.org/providers/kit/Rent_Calc)

The Maximum Income Level for each project is determined as follows:

The Maximum Income Level equals the lesser of:

**a)** Non-market area HIL for the region;

**OR**

**b)** 5 times the established Maximum Market Rent for the project, multiplied by 12 (where a market rent cap has been approved).

**Example: Determining Maximum Income Level for RGI units (Southern BC, 1 BR units)**

	Maximum Market Rent	Non-Market HIL (A)	Max Market Rent x 5 x12 (B)	Maximum Income Level (lesser of A or B)
<b>Project 1</b>	None	\$51,700	N/A	\$51,700
<b>Project 2</b>	\$900	\$51,700	\$54,000	\$51,700
<b>Project 3</b>	\$700	\$51,700	\$42,000	\$42,000

**Income Blending within RGI Units:**

In order to maintain ongoing project viability (i.e., revenue equals operating cost), operators must select tenants with a range of incomes below the Maximum Income Level. The example below illustrates income blending in a four unit project:

**Example Project: Quesnel, BC – 1 Bedroom Units**

Non-Market HIL for a 1 Bedroom in Quesnel is \$44,000 per annum (no market cap) so the Maximum Income Level is \$44,000. The Per Unit per Month Operating Cost is \$415.<sup>3</sup>

	Monthly Household Income	Tenant Rent Contribution
Tenant 1	Income Assistance	\$375
Tenant 2	\$3,367	\$1100
Tenant 3	\$2,600	\$780
Tenant 4	\$1,667	\$500
<b>Total per month rent revenue:</b>		<b>\$2,755</b>
<b>Average per unit, per month revenue:</b>		<b>\$689</b>

In the above example, the Maximum Income Level is \$44,000 per annum or \$3,367 per month, for a 1-bedroom unit. So the operator must give priority to persons with incomes below this level. Operating costs come to \$415 per

<sup>3</sup> Heat Rebates do not apply for Seniors Rental Housing projects.

unit per month. This means that for the development to continue to be viable, the operator must get at least an average of \$415 per unit per month in rent revenue.

Tenant 1 is on income assistance and pays the flat \$375 per month. The other tenants pay 30% of income, with rents ranging from \$375 to \$1100. Overall, the average per unit per month rent revenue is \$689, so the operator is well positioned to meet the operating costs.

When selecting applicants to fill a vacancy, providers should strive to meet the needs of lower income applicants, but must also ensure that rental revenues will support ongoing operation of the project.

In cases where providers encounter difficulty filling vacant units, Seniors or Persons with Disabilities with moderate incomes above the Maximum Income Level may be eligible. Providers should contact their Property Portfolio Manager if they encounter difficulty filling vacancies with eligible households.

#### **4.2 Tenant Eligibility and Selection for Affordable Market units:**

Eligible households are Seniors or Persons with Disabilities who are low to moderate income households, with household income below the top of the second quintile of household incomes for British Columbia households. For 2011 this figure was \$64,999.<sup>4</sup>

The provider must verify the household income of all Affordable Market tenants prior to move-in **only**, in order to ensure eligibility. Income verification is not required in subsequent years. However, providers must keep a record of the incomes of all market tenants at move-in, as this must be reported to BC Housing on an annual basis (for more information on reporting, see Section 7.1).

Initial tenant selection will be from the Registry, but where providers encounter difficulty finding suitable applicants, they may use their own waitlist, provided all tenants are Low to Moderate Income Households. If providers are unable to fill a vacancy with a low to moderate income tenant, despite their best efforts, they may select a tenant whose income exceeds the low to moderate income threshold. NOTE: The provider requires BC Housing's permission to fill more than 15% of the units with tenants whose incomes exceeded the income threshold at move-in (as per Operating Agreement, Schedule D).

SAFER Eligibility: Tenants in Affordable Market units may apply for SAFER, however, tenants in RGI units are not eligible for SAFER.

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<sup>4</sup> If BC Housing ceases to determine this amount, the Low to Moderate income threshold can be calculated as described in Schedule A of the Operating Agreement (annual CPI increase).

### 4.3 Tenant Rents

#### **RGI Unit Rents:**

The Tenant Rent Contribution in RGI units is calculated as per the Seniors' Rental Housing Rent Scale included in your Operator Agreement.

Additional information on determining household income and calculating rents can be found in the Rent Calculation Guide available on the BC Housing website at: [http://www.bchousing.org/providers/kit/Rent\\_Calc](http://www.bchousing.org/providers/kit/Rent_Calc). **However, it is important to note that the Seniors' Rental Housing Rent Scale differs from standard RGI rents, and therefore, certain portions of the Rent Calculation Guide do not apply.**

Key components of the Seniors' Rental Housing Rent Scale are:

- Households pay 30% of total household income for rent, subject to the minimum Tenant rent Contribution for the household size<sup>5</sup>.
- Households in receipt of Income Assistance pay the full shelter component of Income Assistance for rent. For a household of two related persons, the rent will be the full shelter component provided for two related persons. For two unrelated persons, the rent will be two times the shelter component for single persons.
- Tenants in Seniors Rental Housing units are not eligible for the Heat Rebate.
- Where a market rent cap has been approved by BC Housing, RGI tenants will pay no more than the established Maximum Market Rent for the development.

#### **Maximum Market Rent for applicable RGI units:**

In some communities, RGI rent for many eligible households far exceeds the average market rent in the community. In some cases, this can lead to a lack of demand for RGI units. Where this occurs, BC Housing may approve the establishment of a market rent cap.

For example, if the average market rent for similar units in the community is \$700, but an eligible household's RGI rent at 30% of income would yield \$1000, a market cap may be warranted in order to maintain the interest of eligible renters while ensuring that the social benefit of affordable rental housing is maintained. In this case, a Maximum Market Rent of around \$700 per month may be implemented. Contact your Property Portfolio Manager if you are experiencing difficulty filling vacancies in your project and feel that a market rent cap may be warranted.

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<sup>5</sup> Minimum rents are set by BC Housing from time to time. Please refer to the latest Minimum Rent Table, which can be found at [www.bchousing.org/providers/kit/rentcalc](http://www.bchousing.org/providers/kit/rentcalc) for the up to date minimum rent levels.

Where a rent cap (Maximum Market Rent) has been established, tenants in RGI units pay 30% of income for rent, *up to the Maximum Market Rent*. See the examples below illustrating how the rent cap applies:

**Example: Project with approved rent cap, Maximum Market Rent = \$700**

	Household Income	RGI Rent (30% of income) (A)	Max Market Rent (B)	Tenant Rent Contribution (lesser of A or B)
<b>Tenant 1</b>	\$24,000 (\$2000/mo)	\$600	\$700	\$600
<b>Tenant 2</b>	\$39,600 (\$3,300/mo)	\$990	\$700	\$700
<b>Tenant 3</b>	Income Assistance (single)	\$375 (full shelter component)	\$700	\$375

**Example project with no market cap**

	Household Income	RGI Rent (30% of income) (A)	Max Market Rent (B)	Tenant Rent Contribution (lesser of A or B)
<b>Tenant 1</b>	\$24,000 (\$2000/mo)	\$600	N/A	\$600
<b>Tenant 2</b>	\$39,600 (\$3,300/mo)	\$990	N/A	\$990
<b>Tenant 3</b>	Income Assistance (single)	\$375 (full shelter component)	N/A	\$375

BC Housing is responsible for determining which projects are eligible for a market rent cap for RGI units, and for working with the provider to determine the appropriate Maximum Market Rent at that time.

Going forward, the provider should increase the Maximum Market Rent annually by the maximum allowable under the RTA (exceptions may be made with approval of BC Housing). The provider must also submit a Maximum Market Rent recommendation to BC Housing for review and approval, as part of the Operational Review.



**Note for blended sites:** Where a market rent cap is implemented for the RGI units in a blended site, the Maximum Market Rent must not exceed rent charged for comparable Affordable Market units in the development.

### **Affordable Market Units:**

Rents will be set at or below the current market rent for comparable housing in the community or area, as determined by a market rent survey/appraisal of comparable units in the community.

All households will pay the set rent for their unit type – rents are not to be adjusted to tenant income.

When setting Affordable Market Rents, providers must achieve a balance between two competing priorities:

1. Provide the social benefit of affordable rental housing, by offering units at affordable rates.
2. Generating enough rental revenue to ensure a balanced operating budget for the *entire* development.

Providers must manage their Affordable Market unit rents closely, increasing them as needed, (subject to the RTA) to ensure long-term financial viability of the project. Annual review of affordable market rents relative to the prevailing market rents in the community, together with a review of the long-term financial outlook of the project, will help to prevent financial difficulties.

### **4.4 Security Deposits**

Providers may require a security deposit from tenants of RGI and Affordable Market units. However, security deposits may not exceed half of the first month's rent<sup>6</sup>.

### **4.5 Tenancy agreements**

Tenancy Agreements for RGI units must meet requirements specified in Appendix H of the Operator Agreement. Providers should understand these requirements and ensure appropriate RGI tenancy agreements are ready prior to rent-up.

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<sup>6</sup> For RGI tenants, the security deposit may not exceed half of the market rent for the unit.

**Note for blended sites:** Tenancy agreements should state that tenants are required to adhere to strata bylaws, and that continual violation of strata bylaws is a material breach of the tenancy agreement. Under the Strata Property Act, the provider must also provide the tenant with a copy of the strata bylaws prior to move-in, and have the tenant sign a *Form K: Notice of Tenant's Responsibilities*. See Section 3 for more details.

#### **4.6 Tenant transfers**

Providers who operate existing non-profit housing near their new SRH developments may receive requests from tenants wishing to transfer to the new units. In this case, new units must first go to eligible households who are on a waitlist or do not already have affordable housing. However, in the event that your SRH units cannot be filled with new applicants within a reasonable time frame, you may allow the transfer of eligible tenants into the new project.

## 5. Financial Operations

### 5.1 General Information

All SRH projects are expected to operate with no additional funding from BC Housing for operating deficits or extraordinary expenses. Therefore, providers **must** plan and manage their costs and revenue streams carefully. This section reviews the overall financial operation of SRH projects, along with suggestions for helping providers avoid and/or meet any operating deficits. Information on financial reporting/monitoring can be found in Section 7: Reporting and Monitoring.

As referenced in the Operator and Operating Agreements, providers for all SRH projects are responsible for collecting all rents and revenues, and for all costs of operating the development. This includes property taxes, strata fees, maintenance and administration costs, utilities and disposal, etc.

Please refer to the *Housing Provider Kit – Financial Management Guide* for additional information on financial management of non-profit housing. The Housing Provider Kit can be accessed at <http://www.bchousing.org/providers/kit>

### 5.2 Blended Sites

Blended sites will be subject to the Strata Property Act, and costs related to common areas will be managed by the Strata Corporation. See Section 3 for more details. Note that Providers must pay for all strata fees out of rental revenues.

**Note for blended sites:** The provider may direct surplus operating revenue from the Affordable Market units to cover operating deficits in the RGI units.

### 5.3 Replacement Reserves

All SRH projects require a replacement reserve fund. The provider will prepare a replacement schedule setting out projected capital repairs over a 30 year period. A sample template is provided in Appendix B. The schedule of capital repairs will help inform the per unit per month (PUPM) Replacement Reserve contribution. However, PUPM contributions should fall in the following ranges:

For modular housing: \$30 - \$60 per unit, per month

For site-built housing: \$60 - \$100 per unit, per month

**Note for blended sites:** In a blended site, replacement reserve contributions will be split between the Replacement Reserve and the Contingency Reserve applicable to common areas, as required by the Strata Property Act. See Section 3 for more details.

### **Changing Replacement Reserve Contribution Amount**

Where revenues permit, a provider may increase the per unit reserve contribution, as long as the increased contribution is justified by an upcoming expense. BC Housing must be notified in advance.<sup>7</sup>

In the event of an operating deficit that cannot be remedied via income blending or market rent adjustments, the provider may temporarily reduce replacement reserve contributions with the permission of BC Housing<sup>8</sup>. In such cases, providers must develop and implement a plan for making up the lost contributions and interest once the deficit has been remedied. However, providers must strive to meet deficits via other avenues before depleting reserve contributions.

### **5.4 Major Capital Repairs/M&I**

For PRHC-owned units, BC Housing will (at its discretion) provide M&I funding for major capital repairs and replacements not covered by the Replacement Reserve schedule, including:

- Roof and roof membrane
- Bearing walls
- Foundations and seismic upgrades
- Major repairs to fire alarm and safety systems,
- Storm drainage systems
- Major geotechnical repairs
- Other such major repairs in excess of \$5000 in one occurrence.

In blended sites, BC Housing will provide a proportionate share of the funding for such repairs, based on the number of units in the building that are owned by PRHC, and in compliance with the Strata Property Act.

### **5.5 Operating Surplus/Deficit Management**

#### **Operating Surpluses**

Operating surpluses from RGI units may be retained by the provider, subject to the operational review. As per the Operator Agreement, the provider must keep the accumulated operating surplus in a CDIC/CUDIC insured account, and obtain BC Housing's permission to spend the funds as outlined below.

<sup>7</sup> Must also comply with Strata Property Act and Strata Bylaws, where applicable.

<sup>8</sup> Must also comply with Strata Property Act and Strata Bylaws, where applicable.

The provider can use these funds to:

- Reduce rents payable by tenants
- Target lower-income RGI households
- Cover costs related to the Development (repairs, etc.)

In blended sites, any operating surpluses from Affordable Market units can be used to cross-subsidize the operations of the RGI units. Operating surpluses can also be applied to lower the Affordable Market rents or to pay for major capital repairs.

### **Operating Deficits**

Operating deficits will not be covered by BC Housing. However, providers will have a number of options for preventing and/or meeting operating deficits:

- Employ income blending among RGI tenants upon turnover, as described in Section 4.1.
- In blended sites – apply any operating surpluses from Affordable Market units to the operation of RGI units. Adjust Affordable Market Rents annually/upon turnover as necessary to generate sufficient funds to eliminate the operating deficit (within the parameters of the program intent and Operating Agreement). See Section 4.2.
- Review the operating budget for areas where savings can be achieved.
- Take appropriate management action to address arrears or vacancies, if applicable.
- Use any accumulated surplus held over from previous years.
- Reduce the Replacement Reserve contributions temporarily – subject to approval by BC Housing and Strata bylaws where applicable. See Section 5.3 for details on changing Replacement Reserve contributions.

## 6. Capital Planning and Maintenance

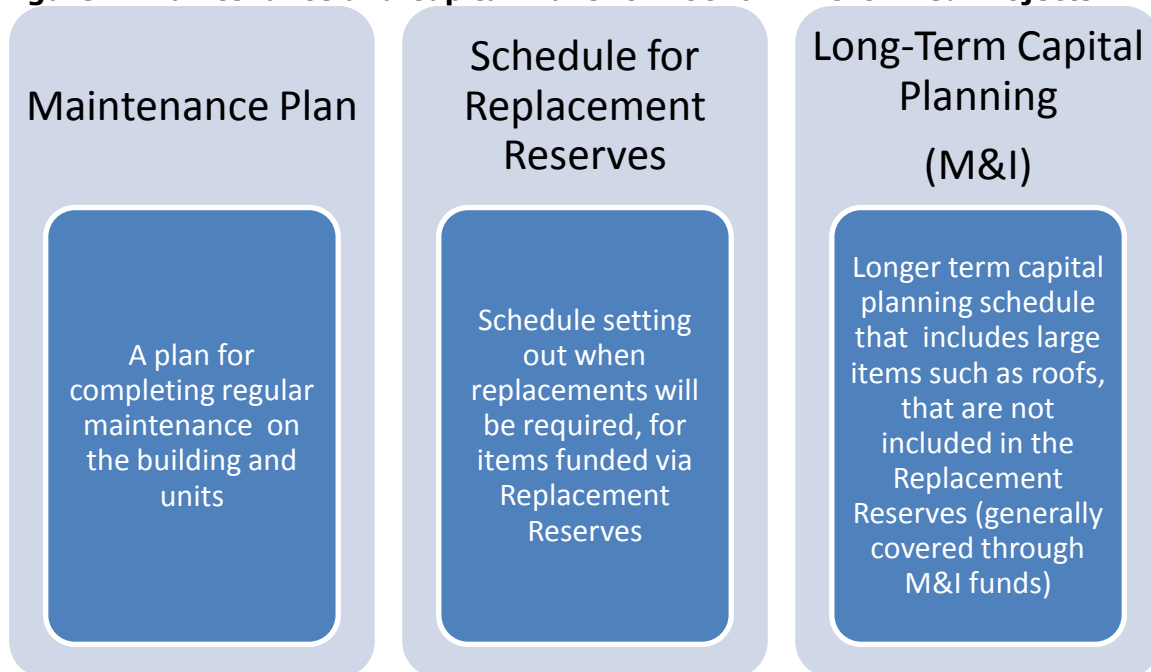
### 6.1 100% RGI (PRHC-owned) projects

Providers are required to:

- Establish a Maintenance Plan and Procedures, updated at least every five years
- Establish a Schedule of Capital Repairs directing the use of the Replacement Reserve fund (as per Schedule K of the Operator Agreement).
- Ensure the building/development meets all statutory requirements, as per the operator/operating agreements.

We recommend that providers develop a long-term capital plan that projects future capital replacements and major repairs that are not covered by the replacement reserves/schedule of capital repairs. Note that BC Housing will, at its discretion, cover the cost of such repairs in PRHC-owned projects through M&I funding (see Section 5.4).

**Figure 2: Maintenance and Capital Plans for 100% PRHC-Owned Projects**



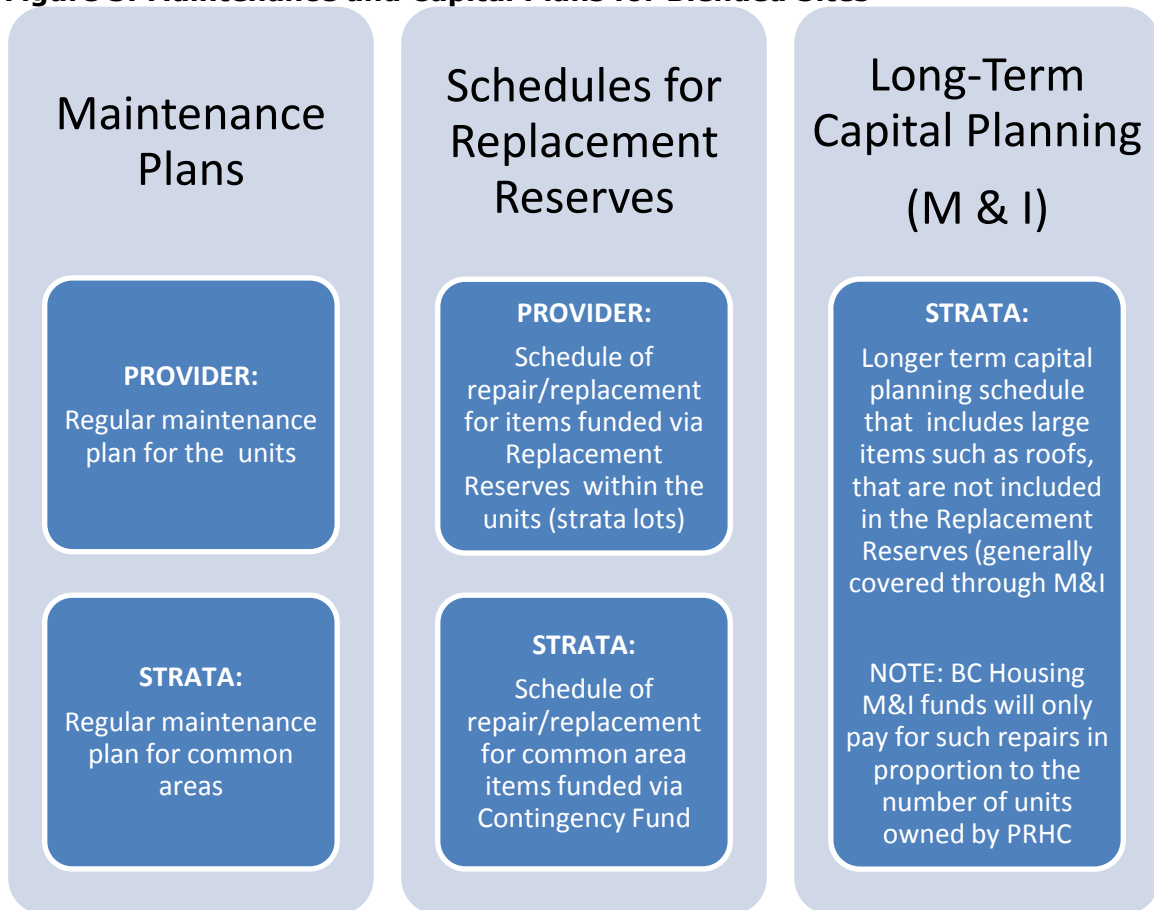
### 6.2 Blended Sites

In blended sites, there will be plans relating to common area works, under the responsibility of the Strata Corporation, and plans relating to works in the strata lots (units), under the responsibility of the provider. Thus, the provider must work together with other owners (if any), through the Strata Corporation, to develop an agreed upon maintenance plan and schedule of

capital repairs for common areas. The provider is responsible for developing plans for the maintenance and repair of the strata lots (units).

A long-term capital plan which projects major repairs and future replacements not covered by the replacement reserves is also recommended, as the cost of such repairs will be shared between BC Housing, the provider, and any other owners in the development.

**Figure 3: Maintenance and Capital Plans for Blended Sites**



Please refer to the *Housing Provider Kit – Maintenance Guide* for more information on maintenance practices. This can be found on the BC Housing website at <http://www.bchousing.org/providers/kit/maintenance>

## 7. Reporting and Monitoring

### 7.1 Financial Reporting and Budgeting

Providers must submit an annual Financial Report. For blended sites, a separate report should be submitted for the RGI and Affordable Market components of the project, including the financial statements of the Strata Corporation. A Financial Reporting Template is attached at Appendix E.

Providers are not required to submit operating budgets for approval, except at project start-up. However, because there are no operating subsidies available if the project runs an operating deficit, your Property Portfolio Manager may request copies of annual operating budgets for information purposes only. By proactively reviewing budgets, your Property Portfolio Manager may be able to help you manage your costs and revenue streams.

### 7.2 Household & Tenant Data Collection and Reporting

**RGI units:** As discussed in Section 2, all RGI tenants are required to fill out an *Application for Rent Subsidy Form* at move-in, and annually thereafter, in order to confirm their eligibility for RGI. A *Notification of Tenancy Change Form* must be completed when tenants move-in/out of RGI units. These forms must be submitted to BC Housing<sup>9</sup>.

**Affordable Market Units:** The provider must collect household data from affordable market tenants at the time of move-in. **Annually**, providers must submit a report to BC Housing, including the following information, for EACH UNIT:

- Address
- Age of Primary Tenant (or age group)
- Household Type (Sr or PWD)
- Household income at move-in
- Move-in date
- Current rent

BC Housing has developed a template which may be used to submit this information. A sample is attached as Appendix F.

### 7.3 Operational Review

Operational Reviews will be conducted at least once every three years. BC Housing will provide advance written notice of an Operational Review. The review process typically includes a Provider Report, completed by the provider and submitted to BC Housing, and a site visit, which may include

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<sup>9</sup> Forms should be submitted to the Applicant Services department.



discussions with management and staff, as well as an inspection of the building or selected units.

#### **7.4 GHG<sup>10</sup> Emissions – FOR INFORMATION ONLY**

As per the requirements of Bill 44 (the Green House Gas Reductions Targets Act), BC Housing is required to report to the Provincial Government, through the Climate Action Secretariat, on emissions from all PRHC owned or leased properties.

In order to facilitate this reporting, BC Housing collects energy consumption data (i.e., electricity and heating) for all buildings that are owned or leased by PRHC. **This data is collected directly from utility companies, so Providers do not have to collect any data.** However, Providers should be aware that the way you manage the building can play a significant role in terms of energy efficiency. For example, by turning off unnecessary lights, and properly maintaining heating systems, we can all work together to reduce our GHG emissions.

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<sup>10</sup> GHG – Green House Gas

## Appendix A:

### **2011 Non-market Area Household Income Limits/Core Need Income Thresholds for BC**

2011 HILs/CNITs Non-Market Areas					
Lower Mainland	Bach	1 Bdrm	2 Bdrm	3 Bdrm	4+ Bdrm
Lower Mainland	N/A	\$52,800	\$59,400	\$68,200	\$73,700
Southern BC	N/A	\$51,700	\$58,300	\$67,100	\$71,500
Vancouver Island	N/A	\$51,700	\$58,300	\$67,100	\$71,500
Northern BC	N/A	\$44,000	\$50,600	\$60,500	\$66,000

Housing Income Limits represent the income required to pay the average market rent for an appropriately sized unit in the private market. Average rents are derived from CMHC's annual Rental Market Survey, done in the fall and released in the spring. The size of unit required by a household is governed by federal/provincial occupancy standards.

## Appendix B: Sample Replacement Reserve Schedule

\*\*Please note that in blended sites where the Strata Corporation is responsible for maintenance of common property – common area replacement items (such as exterior paint) should be included in the schedule for the Strata’s Contingency Reserve Fund – not in the Replacement Reserves that apply to the Strata Lots.

Item	Number	Unit Cost	Total Cost	Life in Years	Years Left	Year 1	Year 2	Year 3	Year 4	Continue to Year 20 . . .
Stoves										
Fridges										
Carpets										
Linoleum										
Drapes										
Blinds										
Hot Water Tanks										
Boilers										
Air Conditioner										
Washers										
Dryers										
Furnace / Heaters										
Interior Paint										
Exterior Paint										
Floor Coverings										
Other:										
TOTAL										

# Appendix C: Strata Form K: Notice of Tenant's Responsibilities

## Strata Property Act

### Form K

#### NOTICE OF TENANT'S RESPONSIBILITIES

(Section 146)

Re: Strata Lot .....[strata lot number as shown on strata plan] of Strata  
Plan .....[the registration number of the strata plan]

#### Table 1:

Street Address of Strata Lot .....  
.....  
Name(s) of tenant(s) .....  
.....  
Tenancy commencing .....[month day, year].

#### IMPORTANT NOTICE TO TENANTS:

- 1 Under the *Strata Property Act*, a tenant in a strata corporation **must** comply with the bylaws and rules of the strata corporation that are in force from time to time (current bylaws and rules attached).
- 2 The current bylaws and rules may be changed by the strata corporation, and if they are changed, the tenant **must** comply with the changed bylaws and rules.
- 3 If a tenant or occupant of the strata lot, or a person visiting the tenant or admitted by the tenant for any reason, contravenes a bylaw or rule, the tenant is responsible and may be subject to penalties, including fines, denial of access to recreational facilities, and if the strata corporation incurs costs for remedying a contravention, payment of those costs.

Date: .....[month day, year].

#### Table 2:

..... Address of landlord, or agent of landlord:  
Signature of Landlord, or Agent of Landlord .....  
.....  
.....

Signature of Tenant

.....

Signature of Tenant

# Appendix D: Strata Form A: Proxy Appointment

**Strata Property Act**

**Form A**

**PROXY APPOINTMENT**

**(OPTIONAL FORM)**

*(Section 56)*

Re: Strata Lot .....*[strata lot number as shown on strata plan]* of Strata Plan.....  
*[the registration number of the strata plan]*

*[Check only one box]*

**1  General proxy**

I/We, .....*[name(s)]*, the owner(s)/tenant(s)/mortgagee of the strata lot described above, appoint .....*[name of appointee]* to act as my/our proxy beginning.....*[month day, year]* until .....*[month day, year]*.

**2  Proxy for a specific meeting**

I/We, .....*[name(s)]*, the owner(s)/tenant(s)/mortgagee of the strata lot described above, appoint .....*[name of appointee]* to act as my/our proxy at the annual or special general meeting to be held on .....*[month day, year]*.

**3  Proxy for a specific resolution**

I/We, .....*[name(s)]*, the owner(s)/tenant(s)/mortgagee of the strata lot described above, appoint.....*[name of appointee]* to act as my/our proxy with respect to the following resolution at the annual or special general meeting to be held on .....*[month day, year]*.

*[wording of resolution]*

*[voting instructions]*

**Limitations on Proxy, if any**

*[set out limitations]*

Date: .....*[month day, year]*.

.....

Signature of Owner/Tenant/Mortgagee

.....

Signature of Owner/Tenant/Mortgagee

# Appendix E: Financial Reporting Template

## STATEMENT OF CHANGES IN OPERATING FUND

HOUSING PROVIDER:

FISCAL YEAR END:

	BUILDING1		BUILDING2		BUILDING3		TOTAL
	SHELTER	NON-SHELTER	SHELTER	NON-SHELTER	SHELTER	NON-SHELTER	
<b>REVENUE:</b>							
OTHER MINISTRIES' SUBSIDY							
TENANT RENT							
INTEREST *							
LAUNDRY							
PARKING							
OTHER:							
<b>Total</b>							

**EXPENDITURES:**

REPLACEMENT RESERVE PROVISION**							
BAD DEBT							
CABLE							
ELECTRICITY							
HEATING							
WATER & SEWER							
WASTE REMOVAL							
NON-RECURRING MAINTENANCE							
ADMINISTRATION SALARIES							
OFFICE OVERHEAD							
MAINTENANCE LABOUR							
BUILDING MAINTENANCE							
GROUNDS MAINTENANCE							
SERVICE CONTRACTS							
OTHER MAINTENANCE:							
INSURANCE							
MEMBERSHIP & DUES							
OTHER:							
<b>Total</b>							

EXCESS (DEFICIENCY) OF REVENUE  
OVER EXPENDITURES:

OPERATING FUND BALANCE,  
BEGINNING

OPERATING FUND BALANCE, ENDING

\* Please exclude Interest revenue on Replacement Reserve Fund account.

\*\* Please exclude Replacement Reserve expenditures from maintenance expense reported on this statement.

**STATEMENT OF CHANGES IN REPLACEMENT RESERVE FUND**

HOUSING PROVIDER: \_\_\_\_\_

FISCAL YEAR END: \_\_\_\_\_

	BUILDING1	BUILDING2	BUILDING3	TOTAL
FUND BALANCE, BEGINNING				
INTEREST REVENUE				
REPLACEMENT RESERVE PROVISION				
EXPENDITURES:				
APPLIANCES				
PAINTING				
FLOORING				
HOT WATER TANK				
OTHER:				
OTHER:				
OTHER:				
OTHER:				
OTHER:				
Total Expenditures				
FUND BALANCE, ENDING				

RESTRICTED CASH IN ACCOUNT				
----------------------------	--	--	--	--

## STATEMENT OF FINANCIAL POSITION

HOUSING PROVIDER: \_\_\_\_\_

FISCAL YEAR END: \_\_\_\_\_

BUILDING1      BUILDING2      BUILDING3      TOTAL

**ASSETS:**

CASH - OPERATING				
CASH/INVESTMENT-REPLACEMENT RESERVE				
SHORT TERM INVESTMENTS				
ACCOUNTS RECEIVABLE				
OTHER RECEIVABLE				
PREPAID EXPENSES				
SECURITY DEPOSITS				
FUNDS IN TRUST				
CAPITAL ASSETS				
OTHER:				
Total				

**LIABILITIES:**

BANK OVERDRAFT				
ACCOUNTS PAYABLE				
ACCRUED LIABILITIES				
CURRENT PORTION OF MORTGAGE				
DEFERRED REVENUE				
SECURITY DEPOSITS				
MORTGAGE				
OTHER:				
Total				

**FUND BALANCES:**

REPLACEMENT RESERVE				
OPERATING				
OTHER:				
Total				

APPROVED BY:

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR



# Appendix F: Market Unit Tenant Information Report Template



## Affordable Market Tenant Information

## Seniors' Rental Housing Initiative

Date: \_\_\_\_\_

### A. Provider Information

Provider Name: \_\_\_\_\_

Develop Name: \_\_\_\_\_

Provider Address: \_\_\_\_\_

Develop Address: \_\_\_\_\_

### B. Tenant Information

Please provide the following household data for Affordable Market tenants, based on the information at move-in.

In subsequent years, only provide this information for **new** tenants.

Move-In Date	Unit Number	Age of Primary Tenant (or age group)	Household Type		Household Income at Move-In	Current Rent
			Senior	Persons with Disabilities		