

Burnaby Housing Authority

Business Plan
September 2023

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Burnaby Housing Authority Overview

Type and Scope of Operation

The Burnaby Housing Authority (BHA) will be incorporated under the *Business Corporations Act* of British Columbia. The BHA will be wholly owned by the City of Burnaby.

The mandate of the BHA is to increase the supply of non-market housing options in the City of Burnaby. The BHA's initiatives will support several City policies including the *Corporate Strategic Plan (2022)*, *HOME: Burnaby's Housing and Homelessness Strategy (2021)*, *Burnaby Housing Needs Report (2021)*, and the *Mayor's Task Force on Community Housing Final Report (2019)*.

The BHA will look for opportunities to collaborate with a range of partners to deliver housing projects, across the housing continuum, that serve a broad range of household income levels. Partners may include private and non-profit entities, in addition to other levels of government. Projects will encompass a variety of housing options including below-market rental and ownership, but also market rentals that cross-subsidize the delivery of below-market units.

Service Description

The Burnaby Housing Authority will conduct four primary functions in accordance with its mandate.

Land and Unit Acquisition

The BHA will analyze the residential real estate market and acquire lands and units, including City-owned lands and units, for the purpose of developing such lands to fulfill its mandate. The BHA will have the capacity to acquire, hold and dispose of freehold land, air space parcels, and strata titled properties for residential uses, as well as non-residential real estate assets that are ancillary to residential uses. The BHA may also transfer or assign its leasehold interests.

Housing Development

The BHA will create housing through a direct delivery model and through partnerships with other real estate development entities. For direct delivery, the BHA will be responsible for the design and construction of new housing developments. This includes securing land, pre-development and construction funding and financing (which could include funding from other levels of government), obtaining all required development approvals, as well as hiring and overseeing all required consultants and contractors to design and construct housing projects.

The BHA may also enter into partnership agreements with private, public, and non-profit sector entities to deliver on its mandate. These partnerships will enable the BHA to leverage external resources, expertise, and innovation. For housing created through partnerships, the BHA may participate in joint ventures as an equity partner, provide pre-construction funding, bulk purchase pre-sale units or purchase existing units or entire buildings.

Housing Operations

The BHA may provide property management services for any rental housing it develops, acquires, or manages on behalf of the City of Burnaby. These services will include, but are not limited to, tenant management, building maintenance and capital repair programs to ensure the housing is maintained properly and available for eligible tenants. These services will be delivered in accordance with any applicable requirements and/or restrictions stipulated by third party funders. BHA housing operations is anticipated to be done in partnership with the non-profit sector, especially for residents who require additional supports.

Housing Administration

Housing administration involves the oversight of non-market housing operated directly by the BHA or by third parties, to ensure compliance with City of Burnaby Housing Agreements or other funding and operating partner agreements. This oversight will involve reviewing all data submitted in accordance with reporting requirements, including but not limited to, tenancy and rental rate information, financial statements, the status of capital repairs as per facilities condition reports and working with the operators to resolve any identified items of concern.

Value Proposition

The Burnaby Housing Authority will be uniquely positioned to facilitate the City's goal of creating greater numbers of non-market housing units. The BHA will have financial support from the City including operating funding, a Project Development Capital Fund, the provision of City-owned lands at less than fair market value and a commitment from the City to expedite the review of any applications from the BHA, which will be set out in a Partnering Agreement between the City and the BHA.

Management Plan

Legal Structure

The City of Burnaby will create the BHA as a corporation pursuant to the City's authority under Section 185 of the *Community Charter*. The BHA will be a company incorporated under the *Business Corporation Act* of British Columbia.

The Burnaby Housing Authority Board of Directors will govern the business affairs of the BHA in accordance with the Articles, the Partnering Agreement and formal direction from the City as sole shareholder.

Code of Ethics

The BHA will develop a code of ethics based on the following six principles:

- Integrity
- Objectivity
- Competence
- Confidentiality
- Professionalism
- Equity & Inclusion

The Board of Directors will also be governed by the conflict-of-interest provisions set out in the Articles.

Board of Directors

The BHA's Board of Directors will include the following 10 members appointed by Council:

- Burnaby Council Members (3);
- Burnaby Senior Exempt Staff (1);
- Members with expertise or experience in the development or operations of private or non-profit housing (4);
- Member with expertise or experience in the financial sector (1); and
- Members with expertise or experience in the legal sector (1).

The Board of Directors will have the ability to establish committees to facilitate the work of the BHA.

Staffing Structure

The BHA's initial staffing complement will include:

Chief Executive Officer

The CEO is the principal management position in the BHA. The CEO will be accountable to the Board of Directors and will be the public face of the organization. The CEO's key responsibilities will include:

- Promoting the BHA's role in the creation of non-market housing in Burnaby to housing industry representatives, community organizations, financial institutions, non-profit housing societies operating in Burnaby and federal and provincial government representatives.
- Developing and maintaining effective working relationships with key non-profit, private, and government partners in the housing development sector.
- Setting the BHA's strategic direction and culture in collaboration with the Board of Directors.

- Managing overall operations of the BHA, making major corporate decisions including those related to financial and human resources, and developing annual work plans.

Chief Operating Officer

Reporting to the CEO, the COO will be a qualified Chartered Professional Accountant (CPA) and will be responsible for the development and monitoring of policies and procedures for financial management, procurement, operational administrative functions, and information technology requirements for the BHA. These policies will reflect the objectives of the BHA to be nimble and responsive to emerging business opportunities. The COO's key responsibilities will include:

- Facilitating project development financing arrangements with government and private lenders, including interim construction financing, long term mortgages and capital grant allocations.
- Developing and implementing an accounting system that enables effective monitoring and reporting of the BHA's financial position and key performance measures to the CEO and Board.
- Fulfilling all other corporate financial reporting requirements, including the external audit process and preparation of the annual Corporate Report.
- Establishing and maintaining the BHA's financial records and annual operating budget, which annual operating budget will include the BHA's overhead and payroll expenses, as well as annual capital and operating funding allocations.
- Monitoring and controlling expenditures within approved budget limits.
- Creating and maintaining HR and general administration policies for the BHA.

Director, Development

Reporting to the CEO, the Director, Development will lead the planning, design, and delivery of non-market housing projects in accordance with the BHA's strategic direction and annual work plan. The Director, Development's key responsibilities will include:

- Developing and maintaining effective working relationships with key non-profit, private, and government partners in the housing development sector.
- Developing project specific proposals for consideration by the CEO and the Board of Directors.
- Monitoring the budget, schedule, scope, and quality of approved projects to ensure they are

developed in accordance with the project plan.

- Overseeing the work of external consultants and conducting due diligence reviews to ensure risks are identified and that the BHA's interests are protected throughout the development process.

Office Manager

Reporting to the COO, the Office Manager will provide administrative and clerical support to ensure the efficient operation of the BHA. The Office Manager's responsibilities will include:

- Creating presentation materials and regularly scheduled reports.
- Developing and maintaining a record keeping system.
- Responding to phone calls, email and in-person visitor inquiries.
- Managing office equipment including IT, security, and janitorial services.
- Maintaining office inventory levels.
- Other related duties include invoice management, filing, and taking accurate meeting minutes.

Legal, Human Resources and Communications and Services

Other operational support services will be procured on an “if and when required” basis. Initially legal, human resources, IT and communication support services will be provided this way. To maintain an arm’s length, autonomous culture, the BHA will not contract with the City of Burnaby for any of these consulting services.

Project Specific Consulting Services

Project specific development consulting services will be procured as required to augment the capacity of the BHA for project management services including, but not limited to, feasibility studies including preliminary design, scheduling and cost estimating, project partnering agreements, public engagement, and appraisal services.

Market Analysis

Housing Supply and Demand

Housing demand is a function of population growth and the 2021 Census indicates that Burnaby is among the fastest-growing major municipalities in Canada. The city welcomed 16,370 new residents between 2016 and 2021.

Between 2021 and 2030 Burnaby's population is projected to grow by another 27,300 residents, a number that translates into the need for 14,990 housing units. By tenure, the projected housing demand is for approximately 5,700 rental units and 9,300 owned units.

Built Form and Affordability

The development sector is responding to this demand in Burnaby. The 2021 Census data shows that Burnaby is adding new homes at a faster rate than the regional average. Burnaby's private dwelling count is up 9% from 2016, compared to the 7% average for the Metro Vancouver region.

Current gaps in the supply include non-market rental housing, as well as ownership options that are attainable for moderate income households. There is no data available to project the need and demand for below-market homeownership. However, with a projected demand for 9,300 ownership units between 2021 and 2030, it is reasonable to expect that there would be market demand for a below-market homeownership option in the Burnaby real estate market.

The 2021 Burnaby Housing Needs Report (HNR) reports a significant unmet need for non-market rental housing in Burnaby for housing affordable to individuals and households with very low incomes, defined as households earning less than 50% of the median household income (MHI) in Burnaby.

This unmet need is evidenced by the 1,805 households in Burnaby currently on BC Housing's waitlist and an estimated 554 individuals experiencing counted or hidden homelessness in Burnaby, as of 2020. While recent funding commitments by the provincial and federal governments will assist in addressing this unmet need there remains a substantial gap in the required supply.

While the need for low-income rental units is most significant, there is a need for rental housing at all affordability levels, including market rental. The 2022 Canada Mortgage and Housing Corporation (CMHC) Rental Market Report notes the current vacancy rate in Burnaby is 1.1%. A healthy vacancy rate is typically defined as being between 3% and 5%.

Recent changes in the financial and real estate markets have created a challenging environment that has significantly impacted the viability of purpose-built market rental developments. Relevant risk factors include construction cost inflation, increasing interest rates, and workforce labour shortages. In the past year, several market rental housing projects in the Vancouver census metropolitan area (CMA) have been shelved due to rising interest rates and construction costs.

Appendix A includes a summary of current market trends in purpose built rental supply provincially, rental market key indicators in the CMA and homeownership trends in Burnaby. The impact these trends are having on housing affordability in Burnaby is a key issue that the BHA will be addressing in its role.

Marketing Plan

The marketing plan for the business activities of the BHA will be fully developed by BHA staff and endorsed by the Board of Directors. The plan's objectives will be to ensure that potential market and non-profit real estate development partners, consultants and consumers are aware of the organization's mandate and capacity. This marketing plan will include the development of the BHA identity through the creation of a mission, vision and values statement, a logo, website, and outreach including networking sessions with development sector organizations, senior government funders and financial institutions.

Operations Plan

The BHA will be housed in its own fully equipped office space that will include a reception area, conference room and staff offices. The offices will be separate from City of Burnaby offices in order to reinforce the independence and autonomy of the organization.

The staffing plan reflected in the financial plan will be sufficient for the start up phase of the organization. These staff resources will be augmented by external consulting services for project specific work on an "if and when required" basis.

Financial Plan

The BHA will receive a range of financial support as defined in the Partnering Agreement and as summarized below. These supports are intended to fully support the operations of the BHA, as well as enable the BHA to carry out its project development activities for the first five years of its existence.

- Startup Expenses: The one-time capital startup costs associated with establishing the BHA's office are estimated to be \$475,000. A startup capital budget is included in Appendix B.

- Annual Operating Expenses: These expenses will be covered for an initial five-year term. The annual operating expenses, including the initial staff complement, are estimated to be \$2,000,000 per year. An operating budget is included in Appendix B.
- The City of Burnaby may provide the BHA with a Project Development Capital Fund of up to a maximum of \$100,000,000.00 drawn from City Reserve Funds, subject to the terms and conditions set out in the Partnering Agreement.
- The provision of City lands to the BHA at less than fair market value, and other City supports will be defined in the Partnering Agreement.

The operational funding model will be reviewed as part of the renewal of the Partnering Agreement at the end of the first five years of operations when it is expected that the organization will become more of a self-sustaining entity that will require less operational funding from the City.

The BHA will establish financial controls through a series of policies that will be approved by the BHA Board of Directors and in compliance with the Articles of Incorporation. These will include Signing Authority and Procurement policies. The policies will be based on categories typical for a real estate development organization of a comparable size and nature, including but limited to:

- Development and Acquisition
- Financial
- Income Properties
- Office Administration
- Employment Agreements
- Service Agreements

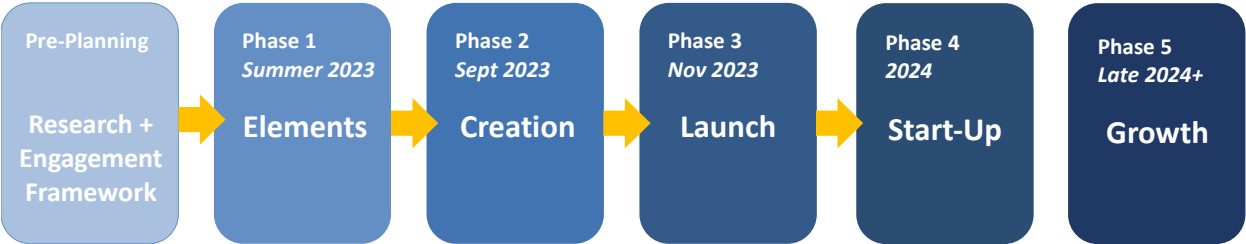
Risk Analysis

Risk	Consequence	Mitigation Plan	Risk Rating
<p>Conflicts of Interest Conflicts of interest due to Board composition that include Burnaby councillors and staff.</p>	<p>The BHA will not have the mandate to act in the best interests of the company.</p>	<p>Include conflict of Interest provisions that mirror those for Burnaby councillors and Burnaby staff members, respectively, in the Articles of Incorporation.</p>	<p>Medium</p>
<p>Governance As a newly formed board with a mandate distinct from a municipal council, there may be a lack of clarity and consensus regarding the board governance model</p>	<p>Due to the Board composition and because of a lack of clarity and understanding of the BHA governance model, the BHA will not operate with the autonomy needed to be nimble and effective.</p>	<p>A board governance training program will ensure the new board is clear on the governance model and their roles and responsibilities related to the new BHA entity.</p>	<p>Low</p>

<p>Recruitment</p> <p>The BHA is unable to attract top talent to the board and staff of the BHA.</p>	<p>The BHA will not achieve the objectives envisioned by Burnaby council</p>	<p>A recruitment strategy developed and implemented by a third-party Human Resources firm.</p>	<p>Medium</p>
<p>Expectations</p> <p>The delivery of BHA sponsored housing units takes longer than expected.</p>	<p>Burnaby council and the BHA are criticized for not delivering on expectations.</p>	<p>A communications strategy for both council and the BHA that is based on clearly defined performance expectations as part of the BHA’s five-year strategic plan.</p>	<p>Low</p>
<p>Autonomy</p> <p>As an entity created, funded, and governed by the City, the BHA may not be fully autonomous.</p>	<p>The BHA will not be sufficiently nimble to act on real estate development opportunities.</p>	<p>Development of a risk tolerance policy and a procurement policy geared to private sector best practices that includes clear spending authority guidelines.</p>	<p>Medium</p>
<p>Self-Sustaining Entity</p> <p>The BHA will be working to generate sufficient profits to fund its operational costs including staffing and overhead.</p>	<p>Failure to generate sufficient profits will put the entity in financial and reputational difficulty.</p>	<p>Create and implement a Strategic Plan that will generate the required profits to have the BHA become more of a self-sustaining entity after the first 5 years of operating subsidies from the City.</p>	<p>Low</p>

Implementation Plan

The BHA will become an active player in the housing development sector in late 2024, based on the following implementation schedule:



Phase 1: Elements

The City has completed the development of the basic elements of the BHA including legal structure, mandate scope, and governance model.

Phase 2: Creation

The City will submit the business plan and draft Articles of Incorporation to the provincial Inspector of Municipalities to seek approval to create the BHA.

Phase 3: Launch

The City will prepare a Partnering Agreement that will define:

- The assistance the City will or may provide to the BHA (funding, lands, etc.)
- The services BHA will or may provide on behalf of the City.

The City will approve the BHA's start up capital and annual operating budget.

Burnaby City Council will appoint the BHA's Board of Directors

Phase 4: Start-Up

The Board of Directors will conduct the CEO search supported by an external Human Resources consultant. The CEO will recruit the balance of the staff, develop, and implement a 90-day plan following Board endorsement. This plan will include the development of mission, vision, and values statements. These will inform the development of the first-year strategic plan that will include measurable performance targets.

Phase 5: Growth

By the fourth quarter of 2024 the BHA will be actively engaged in delivering on its mandate by a range of activities that may include:

- Entering into Joint Venture Partnerships with private and non-profit developers.
- Acquiring land for development.
- Pursuing entitlement approvals and direct development of BHA sponsored real estate projects.

Appendix A: Current Real Estate Market Trends

BCH Purpose Built Rental Supply Data

The 2022 New Homes Registry Report shows that 14,546 purpose-built rental homes were registered in B.C. in 2022, the highest yearly total reached since BC Housing started collecting this data in 2002. For context, in 2012, BC Housing recorded fewer than 2,000 new rental units registered.

CMHC Migration and Rental Rates Data

The rental market tightened in the Vancouver census metropolitan area (CMA) in 2022. Following a surge in international migration and homeownership costs, the overall vacancy rate for purpose-built apartments fell to 0.9%

British Columbians lead the country in rent costs, with one in every five people in Greater Vancouver spending over half their paycheque or more for rent.

Migration to the Vancouver CMA from both international and domestic origins contributed to growth in rental demand. Arrivals of international immigrants to British Columbia doubled in the first half of 2022. Most of these immigrants settled in Metro Vancouver. The reopening of international borders also contributed to an increase in arrivals of non permanent residents. This group includes international students, many of whom rent.

The purpose-built rental apartment vacancy rate decreased from 1.2% in 2021 to 0.9% in 2022. Higher homeownership costs and migration to the region led rental demand to increase faster than supply.

Asking rents for vacant units are now, on average, 43% higher than those paid for occupied units. This represents a strong disincentive to moving for existing tenants, resulting in lower turnover.

The tightening conditions caused rent growth to accelerate to 6.3% overall. New renters paid, on average, 24% more than the previous tenant for 2-bedroom units rented in 2022.

CMHC data show that lower-income households face significant challenges finding units that they can afford. The purpose-built rental universe in the Vancouver CMA increased by a record 3,805 units (+3.3%) following elevated construction of new units in recent years.

Homeownership Trends

In 1996, approximately 42% of all housing in Burnaby were single-family or two-family homes — the most common of all housing types. As of 2021, that number has nearly halved to 22%. Homes in low-rise buildings have also slightly decreased during the same period, from approximately 28% to 25%.

All other forms of housing have increased. Row houses have increased from approximately 7% to 9%, duplexes have more than doubled from about 7% to 16%, and homes in high-rises have increased from 18% to 29% — the highest of all types of housing, as of 2021.

Increases in mortgage interest rates limited the ability of existing renter households to move to homeownership. The borrowing capacity of a worker aged 25 to 54 earning the average wage in the Vancouver CMA fell by nearly a quarter, or about \$100,000, in 2022.

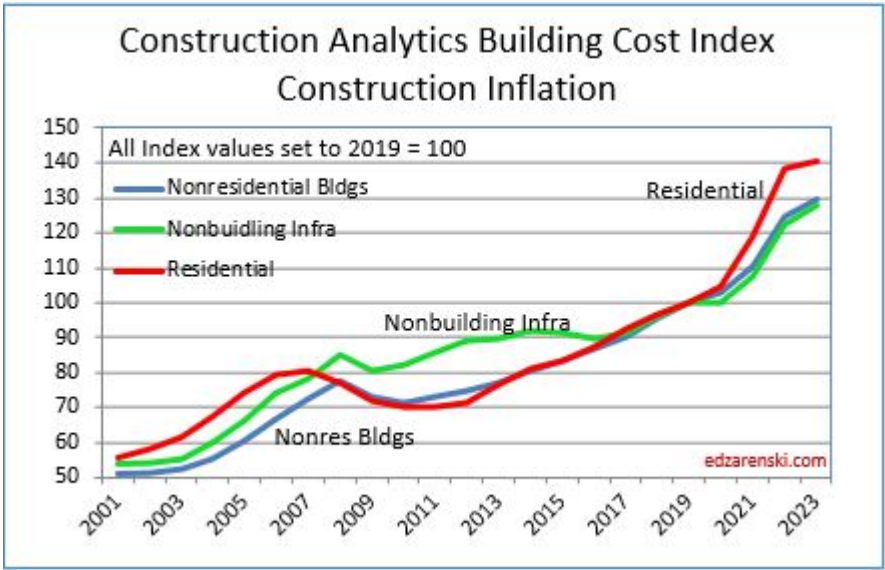
Entry-level home prices haven't declined as fast as buying power, meaning many prospective homebuyers continue to rent.

The biggest shift has been in terms of the kinds of housing found in Burnaby. In 1996, about 42% of all housing in Burnaby were single-family or two-family homes — the most common of all housing types. As of 2021, that number has nearly halved to 22%. Homes in low-rise buildings have also decreased during the same period, but only slightly, from about 28% to 25%.

Meanwhile, all remaining types of housing have increased. Row houses have increased slightly from about 7% to 9%, duplexes have more than doubled from about 7% to 16%, and homes in high-rises have increased from 18% to 29% — the highest of all types of housing, as of 2021.

Construction Costs

The chart below is indicative of the rapid rise in construction costs that has been experienced in the Vancouver CMA.



Appendix B: Startup and Operating Capital Budgets

Startup Capital Budget	
Expense	Budget
Legal fees (create legal framework)	\$100,000.00
Furniture	\$94,000.00
Technology (Laptops, accessories, switches, and cabling)	\$50,000.00
Premises update (paint and carpet)	\$50,000.00
Website Creation/Set Up	\$30,000.00
Tax/Accounting Set Up	\$70,000.00
Budget:	\$394,000.00
Contingency (20%)	\$78,800.00
Total Budget	\$472,800.00

Annual Operating Budget

Expense	Estimate	Notes
Premises	\$150,000.00	3,000 sq. ft. Class A Space (Burnaby) 5-year lease/sub-lease \$30.00 per sq. ft + \$20.00 op. cost (triple net) Ideally, premises are fully demised and may require a cosmetic refresh (paint, carpets), signage.
Wages and Benefits	\$930,000.00	Chief Executive Officer: \$275,000 + 20% benefits = \$330,000.00 Chief Financial Officer: \$220,000 + 20% benefits = \$264,000.00 Director, Development: \$200,000.00 + 20% benefits = \$240,000.00 Administrative Coordinator: \$80,000.00 + 20% benefits = \$96,000.00
Telephone and Internet	\$30,000.00	Includes monthly charges from Telco provider, including telephone lines and internet service. Does not include capital cost of telephone equipment, network cabling or switches
I.T. Support (outsourced)	\$18,000.00	Based on number of workstations, hardware, software costs
Accounting & Tax	\$20,000.00	Annual financial statement review and tax advice
Printed Materials and Office Supplies	\$16,000.00	Includes all miscellaneous office supplies. This allocation expected to be higher in the first year
Membership and Education	\$5,000.00	Urban Development Institute, Burnaby Board of Trade and related/similar organizations
Travel	\$10,000.00	Allowance to attend conferences, travel throughout the province including Victoria and mileage for personal use of vehicles
Marketing	\$60,000.00	Higher in first year. Engage with a marketing agency to help promote the new housing authority and develop a marketing strategy and ongoing website maintenance
Insurance (Property)	\$5,000.00	Premises insurance
Insurance (Liability)	\$15,000.00	Corporate liability insurance and Directors & Officers liability insurance

Equipment Leases	\$36,000.00	Includes monthly lease cost for printers, copiers, scanners
Consultants	\$200,000.00	Retention of Consultants or other professionals for feasibility studies, such as engineers, architects
Corporate Legal	\$20,000.00	Retained counsel for corporate records and employment matters
Development Legal	\$150,000.00	Retained counsel for project specific due diligence
Board Compensation	\$50,000.00	
Budget:	\$1,715,000.00	
Contingency	\$285,000.00	17% contingency allowance
Total Budget	\$2,000,000.00	