



Regeneration  
Forum

**Housing  
Services  
Corporation**

## **Asset Planning Preparing for the Future**

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***HSC Regeneration Forum***

# Developing the “Guiding Vision”



# Asset Planning from an OCH Perspective

- Asset planning-holistic view
- Fiscal realities
- Impact of status quo
- What has changed
- The long term impact of our short term decisions
- Facing reality
- Intentional planning

# Putting the Puzzle Together



# Key Components-Portfolio

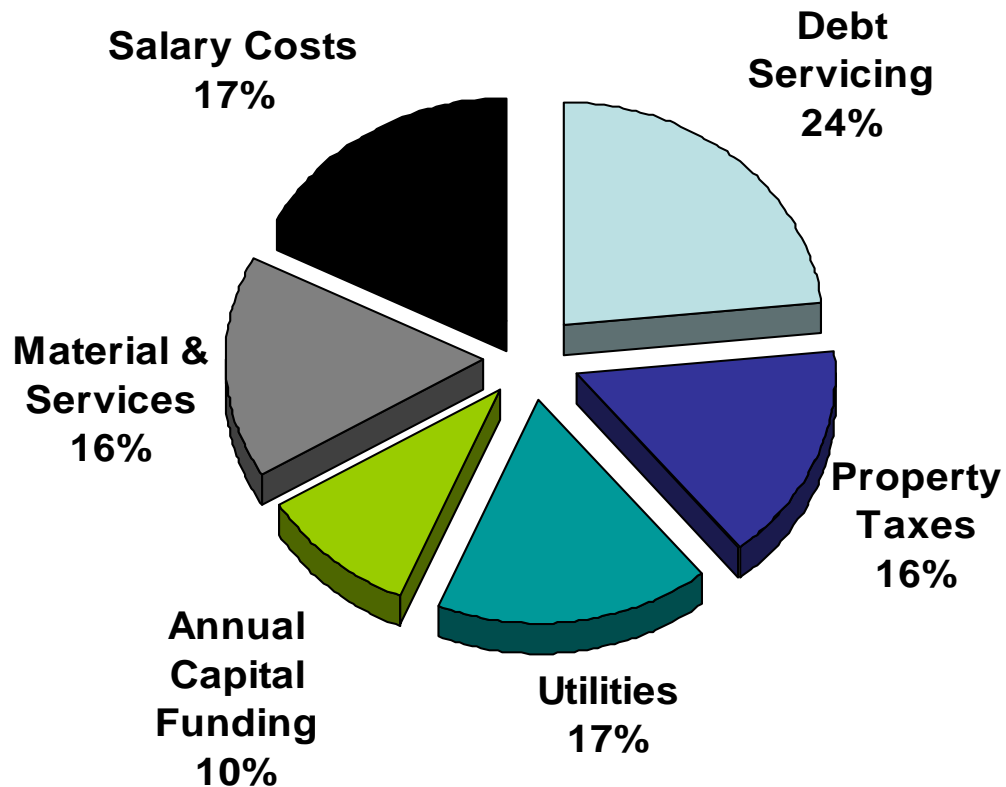
- Forecasts of tenant needs/support requirements
- Projecting development patterns around your assets
- Determining long term capital repair costs (BCA)
- Rationale projections for capital repair/replacement funding

# Financial Challenges

- Current state
  - Existing requirements exceed resources
  - Continued pressure to grow
  - Continued operating pressures
  - Operating deficits and growing capital repair backlog
- Growing expectations overall

Capital repair backlog is the single biggest risk to financial sustainability!

# 2010 OCH Operating Expenses

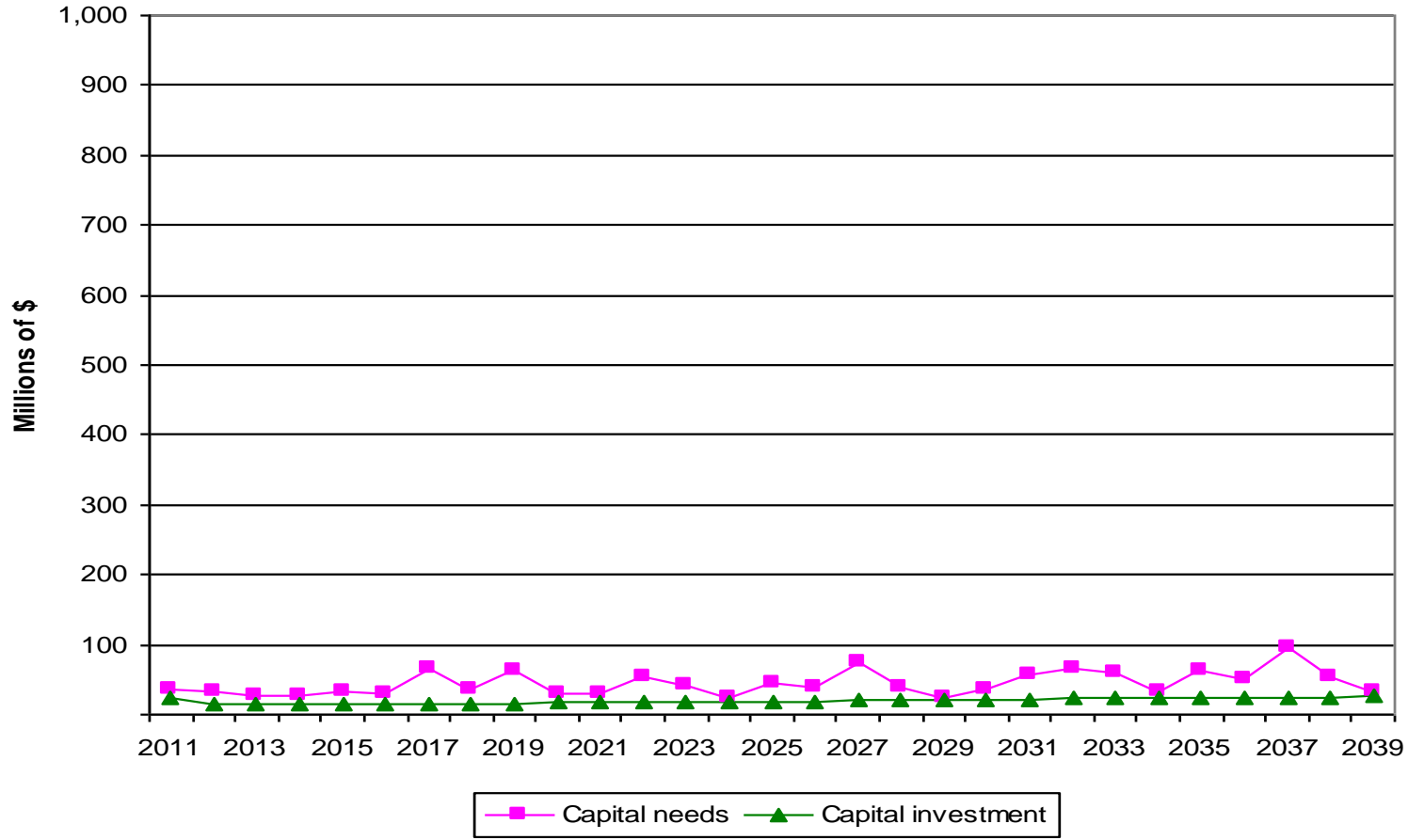


**Debt servicing, utilities, taxes = 57% of Operating Expenses**



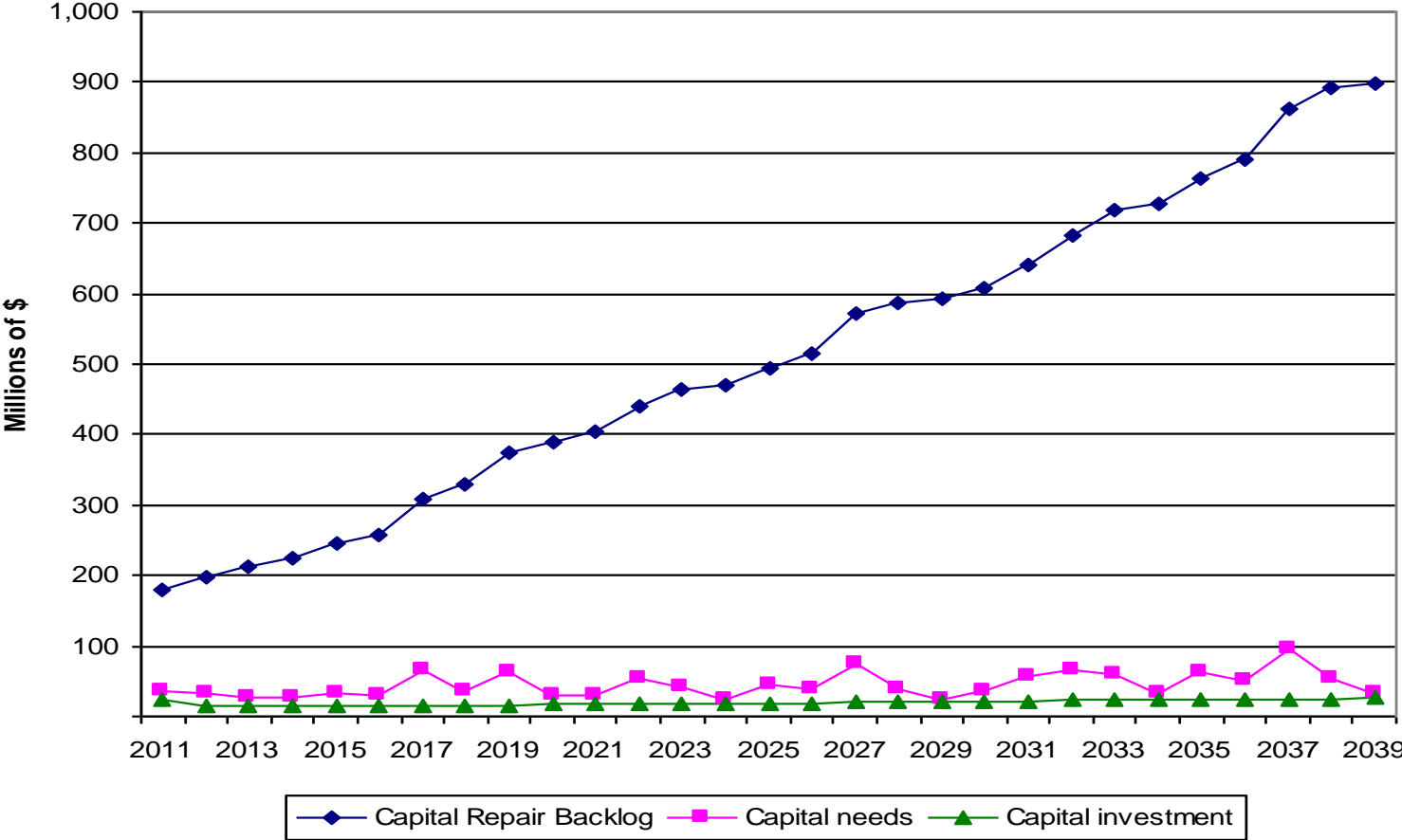
# Capital Repairs 2011 - 2039

Capital Repair Backlog



# Capital Repairs 2011 - 2039

Capital Repair Backlog



# Status Quo is not an option !



# What has Changed?



# Ability to Quantify the Challenges

- First long range assessment of capital repairs completed in 2008 BCA
- First long range financial forecast completed in 2010
- OCH's first opportunity to have a comprehensive long term view of the future of the portfolio



# Financial Initiatives

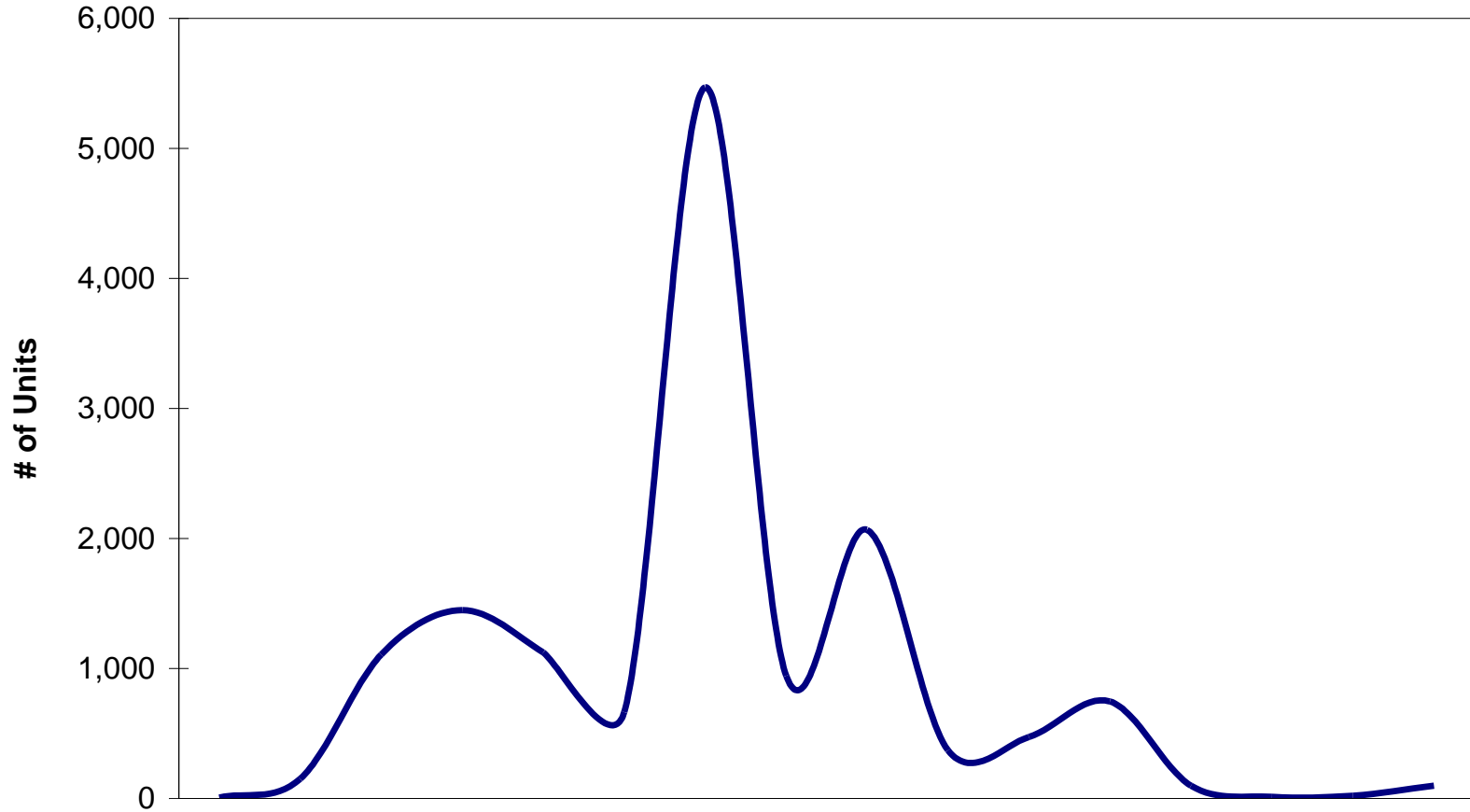
- Long Range Financial Strategy
- Capacity Building
  - Reporting, Analysis, Forecasting, Risk Management
  - Purchasing Program
- Mortgage Refinancing and Recapitalization
- Energy and Utility Savings
- Development of Other Revenue

# Capital Funding?

- If all revenue generation and cost saving initiatives are successful, capital repair backlog will still increase by \$150M by 2015
- Annual capital funding is less than requirement
- No indicators to suggest Municipal, Provincial or Federal funding will increase



# Age of OCH Buildings



<b># of Units</b>	6	150	1,105	1,448	1,122	664	5,469	943	2,065	371	472	746	97	13	21	97
<b>Age (yrs)</b>	0	10	15	20	25	30	35	40	45	50	55	60	65	75	80	100

Age



# Building Component Service Life

Building Component	Service Life	Sample costs in a highrise
Painting	5-10	\$30K
Carpet	5-10	\$50K
Asphalt	15-20	\$100K
Roof	15-25	\$250K
Elevators	30-35	\$600K
Windows	25-30	\$1.5M
Cladding	30-50	\$3M
Waste Piping	40-50	\$1M

# What is the Service Life of a Building?

- A building is the sum of the parts - most parts can be replaced
- Fundamental structural deficiencies occur and affect a portion of the stock
- Decisions to renew, divest or demolish are usually economic/social - not structural
- Inadvertent decisions are often made during capital repair planning that impact the service life

# Key Challenges

- Portfolios will shrink due to building failure
- Capital backlog → Distressed buildings
- Many buildings are antiquated from a social standpoint:
  - Not aligned with current tenant requirements
  - Stigmatization/isolation
  - Insufficient social services

# Sustainability Implications of Maintaining Existing OCH Stock

- Replace 10% of stock ~ \$330M (estimated loss over 20 years)
- Fund capital repair backlog ~ \$600M by 2031
- Vast majority of housing stock still antiquated

# Next Gen Stock-part of any strategy

*Based on a 80 year life cycle you would need to invest 1.25% of your asset value each and every year in new construction to be sustainable*



# Reality for Many-Reduce and Renew

- Increase quality/suitability at the cost of number of units provided
- Realignment of portfolio with tenant needs
- Sell properties not aligned with vision:
  - Redirect proceeds to fund key redevelopments and address repair backlog
  - Eliminates associated capital repair backlog

# OCH Journey to date

- Completed BCA, Financial Review and Risk Analysis
- Completed 3 community renewals
- Commenced modest new development
- Commencing first full redevelopment
- Planning stages on larger scale redevelopment
- Selling assets not aligned with strategic direction
- Working with Board on longer term vision

# Be Intentional

- Ensure all the tools are in place to forecast
  - Building Condition Assessment
  - Long Range Financial Forecast
  - Population growth data, city master plans
- Arrive at clear direction = planned, intentional approach
- Categorize properties for planning purposes (GYR)
- Align capital planning processes with long term asset vision
- Ensure stakeholder buy-in to vision
- Accept that change will be very gradual!





