

**Slocan Valley Seniors' Housing Society
Special Meeting of the Board of Directors**

Sat., March 24 2017

Note that this meeting focused solely on the Slocan project. These meetings are a continuation/expansion of those started by the finance/executive committees. Sally is chairing this ongoing set of meetings, therefore she cannot vote but Rita can.

Board members present: Sally Mackenzie (chair), Rita Moir (minutes), Paul Wilkinson, Ruth Hackett, Sue Harder, Don Currie, Wilf Rimmer

Regrets: Lynnda Moore, Willie Harasemow, Mabel Kabatoff, Penny Tees

Guests present: Slocan Project Co-Ordinator Tamara Smith and Design Architect Eric Clough

Meeting called to order at 3:30 p.m.

- 1. Agenda** – to work through issues of the Provisional Project Agreement (PPA) and other paperwork concerning BC Housing, as outlined in a new document created by Tamara and distributed at this meeting: THINGS TO DO BEFORE SIGNING PPA
- 2. Minutes** of the regular Feb. 20, 2017 board meeting will be dealt with at the next regular board meeting Monday, April 24th (note date change due to Easter weekend.)
- 3. General update:** A lot of work has gone on in discussion with George Maniotakis, our BC Housing rep, and Tamara, Eric and Paul.
 - As of now, the grant would be \$800,000 or less, and the mortgage could be \$600,000 or less.
 - Wilf notes this is a substantial investment by them, but also by us. We are business partners. Anything we do shouldn't be shy about saying any surplus is ours to use. Unlike Passmore Lodge, Slocan is not subsidized. We are taking the risk and we need to have the ability to manage both our revenue and expenses. Wilf expressed concerns that;
 - The debt service ratio shown in the last operating budget of 1.2 is artificially high given we are using a 1% vacancy rate rather than a lending industry standard of 5%.
 - A 1.2 debt service ratio is fine for an existing commercial property that has a history of rents and expenses to rely on but for new projects this should be higher. Suggested 1.3 is more conservative.
 - The surplus / debt service ratio is very sensitive to interest rate fluctuations between now and when the rate on the long-term mortgage is fixed.
 - An upward swing in rates of 200 basis points from the 3.0% used in the estimate to even 4.0% would potentially put the project in a negative cash flow position.
 - The rents used in the operating budget are quite low and to achieve a reasonable surplus / debt service ratio of 1.2% in the event that vacancy rates are as high as 5% and interest rates do rise to as high as 5.0 rents would need to be increased by some 17% which is likely still a bargain and below market.

- While BCH does not wish us to build up huge surpluses, we are the ones that are taking the risk over the next 35 years and any surpluses in excess of the project needs would be used to further the society's seniors' housing mandate.
- Wilf's read of the operating agreement and loan documents is that BCH would like to see any surpluses used to reduce rents / increase the number of affordable housing units / create further housing units on the Slokan property but the initial 12 units max the property out. Wilf would prefer to see BCH recognize our mandate is to provide affordable seniors' housing in our market area and work with us to meet our mutual goal of ensuring we have the future wherewithal of providing seniors housing throughout the valley.
- Tamara notes that George says to talk to Wayne Schmuck of BC Housing about any surplus.
- If the vacancy rate is too low, it affects our debt servicing ratio. We should look for a higher surplus especially during our first years, when – if Passmore Lodge is a good example – turnover and therefore vacancy rates may be higher as people try out the project and area until it all really settles down with long-term tenants. Also, where are we if interest rates rise? Tamara will talk to Wayne about these issues.
- Discussion of Financial section (B) of operating agreement (on p. 13) concerning accumulated revenue: whether clause D.1.a. which says “to increase the number of below Affordable Market Rent units **in the Development**” could instead say “increase the number of below Affordable Market Rent units **in our area.**”

D. ACCUMULATED OPERATING REVENUE

- 1. Accumulated Operating Revenue.** The Provider will retain the Accumulated Operating Revenue. The Provider will use the Accumulated Operating Revenue on the following:
- a.** to increase the number of below Affordable Market Rent units in the Development; or
 - b.** on costs relating directly to the Development.

Discussion generally agreed that BC Housing is unlikely to allow surplus for future units. Sally reads this clause to mean that any surplus should be used to lower rents. But we think we should look for higher accumulated revenue to help offset any future interest rate increases and a higher vacancy/turnover rate in the first years of operation.

- Licensed contractors: the new provincial building regulations require licensing for home builders but not for commercial builders. Because we may receive tendered bids from commercial builders, we want to make way for all possibilities.
 - ***Moved by Rita Moir, seconded by Ruth Hackett that we apply for exemption from the HPO (Home Protection Office) warranty and not require a licensed builder. CARRIED unanimously.***
 - ***Moved by Wilf Rimmer, seconded by Sue Harder that we accept from our designer Eric Clough that the amount of \$1 million for E and O (Errors and Omissions) and Liability insurance is acceptable. CARRIED unanimously.***
 - ***Moved by Wilf Rimmer and seconded by Ruth Hackett that we grant the Executive the authority to execute the contract with our designer (Eric Clough) after it's been vetted by our lawyer and BC Housing. CARRIED unanimously.***

- Our lawyer Leon Piggot is looking at lease comments from the village.
- Paul, Eric and Tamara will work out pre-qualification issues for contractors before going to tender.
- Tamara will look into p. 2 of March 22 Forgivable loan document under Loan Forgiveness Conditions – some words are missing...” the loan will be forgiven 1/ each year.” ????
- And p. 5 of March 22 Forgivable loan document: the first bullet that reads: “an option to purchase the lease in favour of Provincial Rental Housing Corporation over the Property.”
- We will apply for property tax transfer exemption after consolidation.
- Sally, Ruth and Penny will work on required Society and by-law update issues on March 31.
- Sally is looking into GST issues.

Adjourned at 5:45.

Next Special Board Meeting: Sunday, April 2nd 3:30 p.m.
Passmore Lodge.

Sally Mackenzie
Meeting Chair

Rita Moir
Meeting Secretary