The Lodge Program Alignment
Financial Programs Update
Phased Build Plan and Financial Assessment

Wheatland Housing
Management Body

Feb16, 2023

Crash Course

Seniors Lodge Program

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Crash Course – Seniors Lodges

Governance and operations

The Wheatland Lodge is governed by its Ministerial Order. The responsibility of operations is that of the named Member Municipalities.

Within that order, the Foundation is empowered to requisition funds to off-set annual operating expenditures that exceed that of revenues.

The original intent of the Lodge program is to serve low-income seniors, and with the agreement, Lodge operations are subject to a regulatory environment.

Crash Course – Seniors Lodges

Services and Rates

The Lodge program provides rooms, meals, light housekeeping services and recreational opportunities for seniors who do not require care in a specialized health care facility.

Each local housing provider sets their own lodge rates and these rates vary between regions. Regardless of the monthly lodge rate, each resident must be left with at least $342 in monthly disposable income.

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Crash Course – Seniors Lodges

Services and Rates

The Government of Alberta manages the Lodge Assistance Program (LAP). Residents that have an income of less than $30,000 qualify for the program.

Currently the program pays $13.27 per day to offset the impact of discounted services and lodge service costs.

WHMB*:

Rent :	**$ 1,500**
LAP supplements	**$ 225**
Municipal requisition	**<u>$ 400</u>**
Operational break-even:	**$ 2,225**

***Based on current operations of 95 units averaged 2022 Budget**

65% occupants

LAP cutoff

35% occupants

Income	**Threshold rent ($342 remaining)**
$15,000	**$908**
$20,000	**$1,325**
$25,000	**$1,741**
$30,000	**$2,158**
$30,864	**$2,230**
$35,000	**$2,575**
$40,000	**$2,991**
$45,000	**$3,408**
$50,000	**$3,825**

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Community Service Model

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Program Alignment

	Community Service	Community Affordable ‘A’	Community Affordable ‘B’	Market
Current Income Mix (Existing Lodge)	< 30K (RGI)	30K - $40K	40K - $50K	+50K
	57%	12%	11%	15%

Portfolio Mix

	Private Room	Studio	One BR
Portfolio	42%	25%	28%
Existing Lodge	89 units		
Proposed Lodge		120 Units	

10% up-shift

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Community Affordable Model

Revenue Model and Program Alignment

Alberta Average Rent = $2855 'Bachelor/Private Room with Meals included'

		Units	Total Charge	
Community Service	Lodge (existing)	**89**	$ 1800 (avg)	*Lodge Assistance Program ($2200- RGI Discount)*
Community Affordable	Studio Basic	**12**	$ 2200	*AHPP Alignment*
	Studio /kitchenette	**72**	$ 2600	*AHPP Alignment*
	One Bedroom	**36**	$ 3100	

LAP cutoff

Income	Threshold Rent ($322 remaining)
$15,000	$928
$20,000	$1,345
$25,000	$1,761
$30,000	$2,178
$30,864	$2,250
$35,000	$2,595
$40,000	$3,011
$45,000	$3,428
$50,000	$3,845

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Community Affordable Model

Discussion

- Historical Role of Lodge
- Lodge Re-positioning, and
- Community affordable model

Demand, Delivery and Resource Rationalization

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Demand Assessment

	2021	+ 5 years	+ 10 years	+ 15 years	+ 20 years	+ 25 years	+ 30 years	35 years
Population 80+	820	1,253	1,858	2,456	2,954	3,322	3,361	3,255
Units to meet 10% of population 80+	89	125	185	250	300	330	340	325
Population 85+	365	569	876	1,277	1,636	1,881	2,075	2021
Units to meet 25% of population 85+	89	142	219	319	409	470	519	505
Average - Service Target	**89**	**134**	**202**	**285**	**355**	**400**	**429**	**415**

Current Lodge
89 rooms

Wait List = 20
(+ growing)

Demand assessment to meet current service levels

Demand assessment based on statistics Canada:

- Population assessment
- Mortality rates

Net migration not included in assessment

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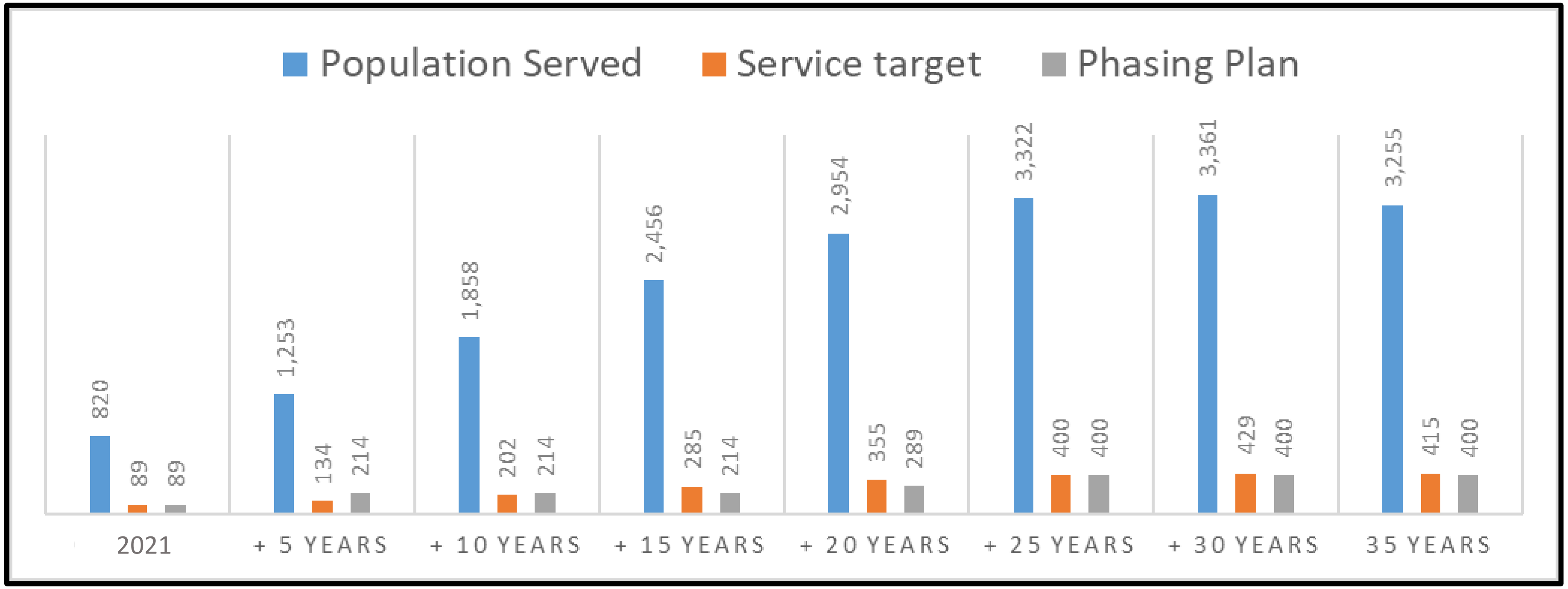
Demand Assessment and Delivery Strategy



New Build A (2 phases) 120 units + 80 units

Current Lodge 89 Units

New Build B - Future 200 units

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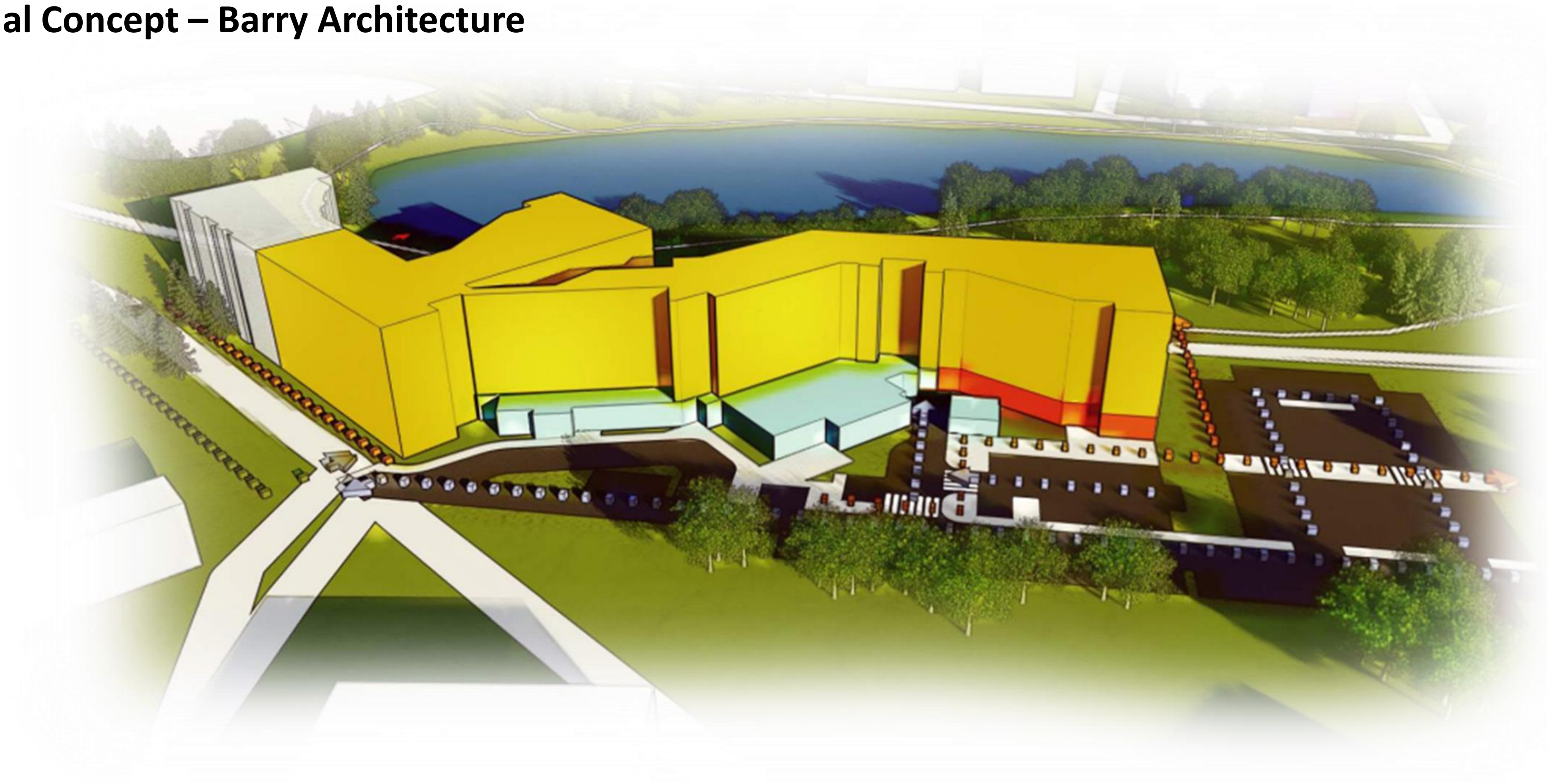
Project Rationalization

Original Concept – Barry Architecture



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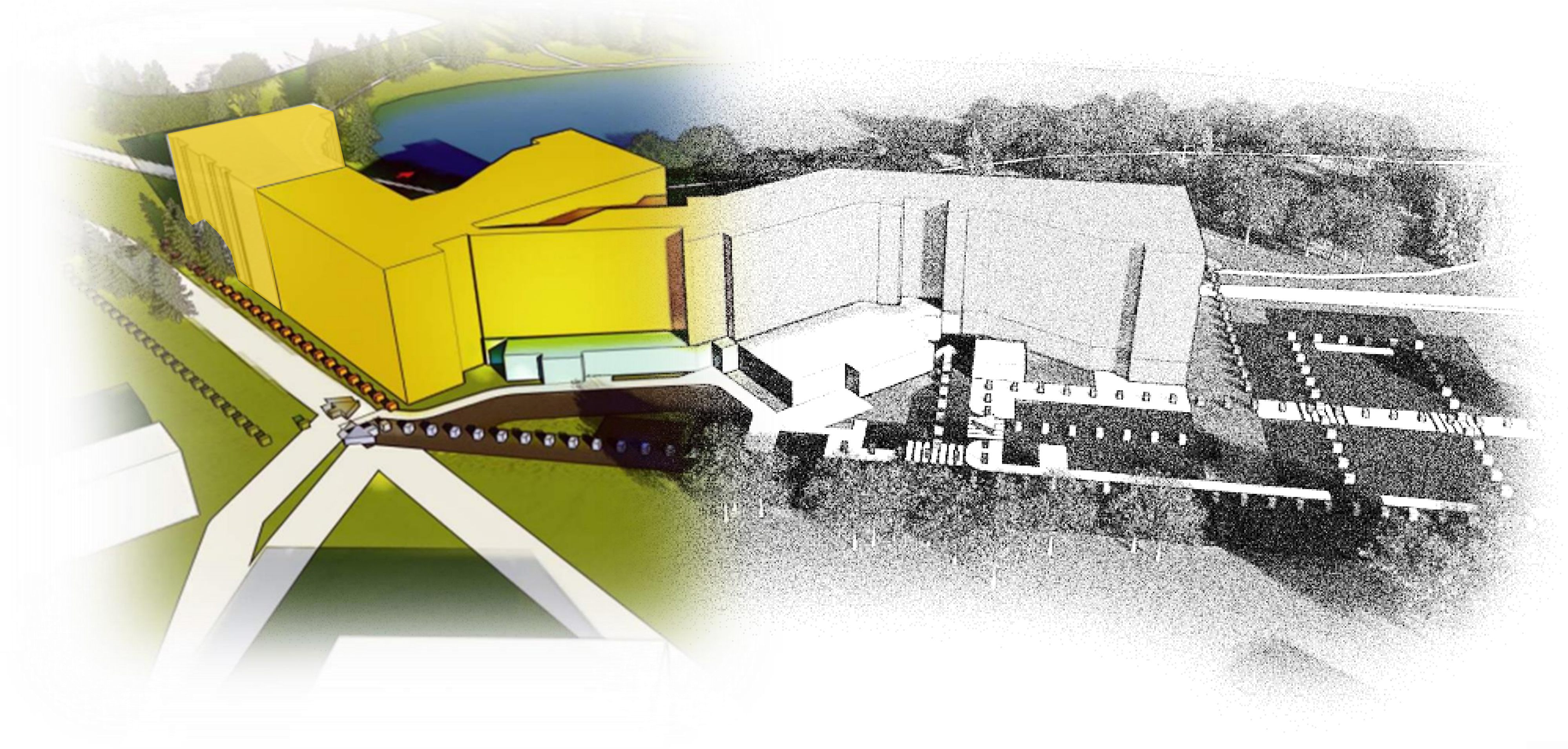
Project Rationalization

Reduced Scope



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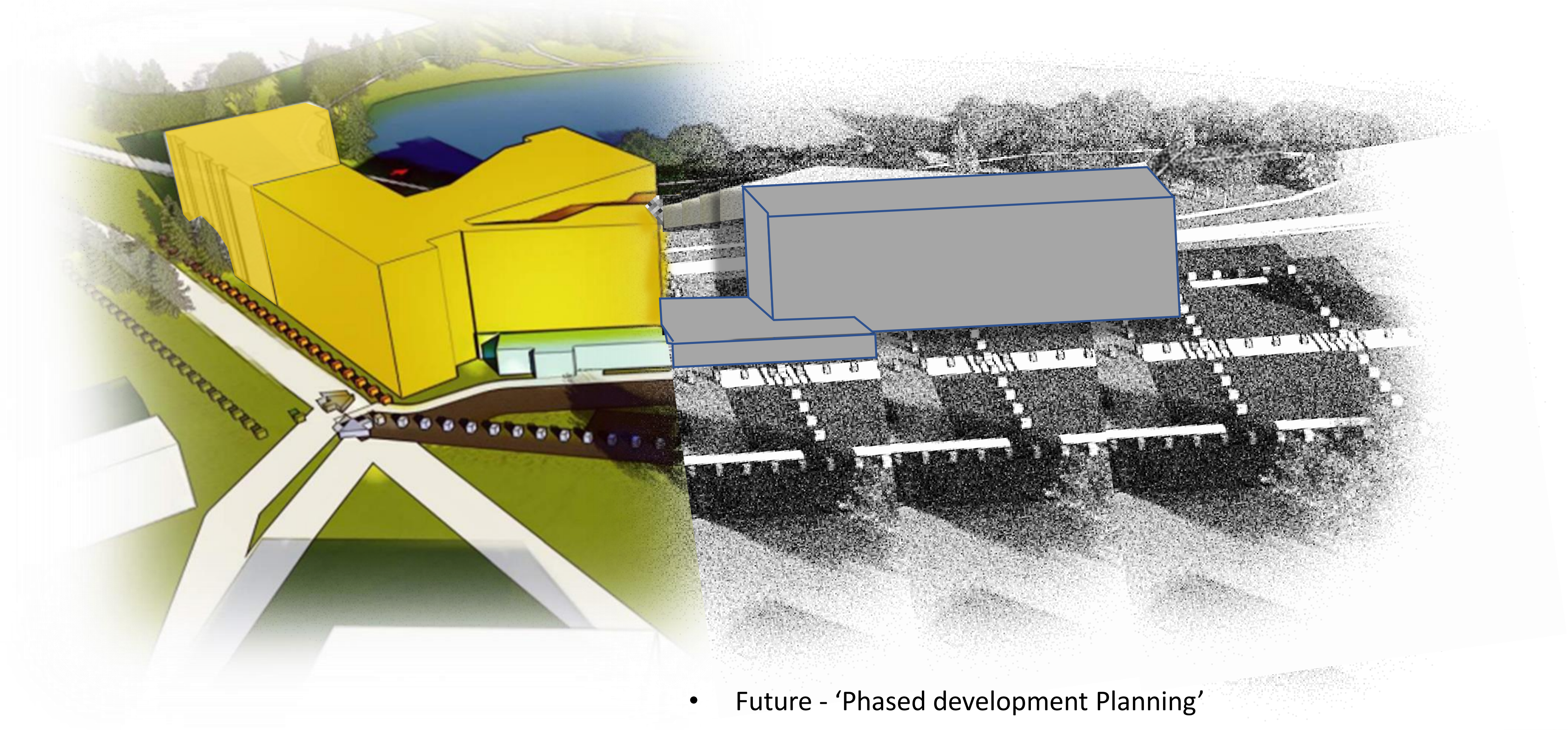
Project Rationalization

Phased Development and Demand Alignment



- Future - 'Phased development Planning'
- May be by WHMB, for future community affordable or possible attraction for market level development

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Resource Rationalization

Planning and Demand

- Project scale modified 120 units from original 170 units proposed to reduce costs
- Retention of the existing lodge to support projected demand

Methodology

- Introduce new lodge housing streams to strengthen ongoing revenues
  - Community Service (existing lodge)
  - Community Affordable (proposed project rent model)

Capital Requirements

- Order of Magnitude budget re-assessed.
  - Updated cost estimate is > $290,000 per door for units plus $160,000 per door for supportive living gross up requirements.

Funding Programs

- Leverage Affordable Housing Partnership Program (Province) for capital contribution.
- Leverage CMHC National Housing Co-Investment Program for loan and capital contribution.

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Demand, Delivery and Resource Rationalization

Discussion

- Demand projections
- Use of existing lodge and phased development planning
- Role of the lodge / resource strategy

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Financial Programs

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Government of Alberta

Future of Lodges

The province has embarked on a 10-year program to revise how affordable housing is managed, including the Lodge program.

The objective of the province is to shift away from direct ownership and update the approach to regulations and support.

This fundamental shift allows the Lodges to re-focus on needs of the community, not just low income.

The Affordable Housing Partnership Framework program was announced Dec 7, 2022 - $55M cost sharing program.

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Government of Alberta

Affordable Housing Partnership Program

What does it require?
- 70% of units meet affordability definition

What's the benefit?
- Up to 1/3 Contribution
- Maximum contribution defined as $85K per *qualifying* unit

What does it promote?
- Mixed below market affordable rental/service bands
- Fund Stacking

Program Intake
- April – June 2023

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Government of Canada

CMHC - National Co-Investment Funding

What does it require?

- Energy Efficient
- Accessible
- Affordable
- Higher level of oversight

What’s the benefit?

- Low Interest Rates (current indicative rate 2.85%)
- Forgivable loan portion
- Up to 50-year Amortization
- Low Debt Coverage Ratio Accepted

What’s the requirement?

- Minimum 30% of units 20% below market
- Minimum 25% equity contribution from partner(s)

10 yr Program Scheduled to complete 2026

Canada

CMHC SCHL

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Financial Programs

Discussion

- Federal and Provincial programs
- Provincial strategy, and
- Municipal responsibility for capital

Financial Assessment

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KEY ASSUMPTIONS

CAPITAL PERFORMANCE

- Minimum Debt Contribution Ratio of 1.1
- Loan interest rate 3.85%
  (current indicative rate 2.85%)

REVENUES

Two Person Occupancy

- 50% service charge for second occupant
- 6% of units double occupied

Misc. Revenues

- Alignment with existing Lodge on per unit basis
- $40 per unit per month parking – 30% of units

Requisitions

- $500K assumed for new building (debt repayment)
- Requisitions for existing lodge building to continue

CAPITAL BUILD

- Wood Construction / Concrete Podium
- Surface Parking
- Designate common areas follow provincial guidelines
- Additional capital costs for Hospice 100% funded
  (assessment for lodge only – not included)

OPERATING

Based on Current Lodge

- No Municipal Taxes
- 5% Efficiency adjustment
- 5% Energy consumption adjustment

Hospice

- Annual operating budget is funded
  (assessment for lodge only – not included)

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Capital Requirements and Resources

Capital Requirements

Cost category	Value	Notes
Land	$ 1,400,000	
Hard costs	$ 39,427,200	370 PSF
Groundwork and Parking	$ 1,500,000	$7000 per surface stall and landscaping
Soft Costs	$ 4,911,264	12%
Fixtures & Equipment	$ 1,008,000	Unit equipment allowances and $600K building allowance
Construction Financing	$ 400,000	3.85% interest rate
Hard Cost Contingency	$ 4,092,720	10%
ROM Estimate	**$ 52,739,184**	

Capital Resources

Source	Value	Notes
CMHC Loan	$ 36,914,429	
CMHC (forgivable)	$ 2,636,959	
Subtotal	**$ 39,554,388**	CMHC Maximum value at 75% loan to equity ratio
GoA AHPP Program	$ 7,140,000	Maximum value based on $85,000 per affordable unit
Total Loan and Contributions	**$46,694,388**	
Municipal up-front equity	$ 4,644,796	Total municipal contributions = $ 6,044,796
Municipal land value	$ 1,400,000	
Total Capital Assembly	**$52,739,184**	

Wheatland Housing
Management Body

Equalized Assessment – One Time

	Equalized Assessment (current)	Land Equity Contribution	$ Equity	Total Contribution
Wheatland	65.9 %		$ 3,062,778	$ 3,985,938
Strathmore	32.5 %	$ 1,400,000	$ 566,372	$ 1,966,372
Rockyford	0.5 %		$ 23,224	$ 30,224
Standard	0.8 %		$ 34,836	$ 45,336
Hussar	0.3 %		$ 12,541	$ 16,321
One Time Requisition Total		**$ 1,400,000**	**$ 3,244,796**	**$ 6,044,796**

‘2024’ - Timing of capital to be based on project cashflow schedule and on timing of AHPP contribution

Wheatland Housing
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Equalized Assessment – Ongoing / Loan Repayment

	Equalized Assessment (current)	Annual Requisition 50 yr amortization
Wheatland	65.9 %	$ 461,580
Strathmore	32.5 %	$ 227,710
Rockyford	0.5 %	$ 3,500
Standard	0.8 %	$ 5,250
Hussar	0.3 %	$ 1,890
Annual Requisition Total		**$ 700,000**

Requisitions start at YR 1 operations
Values do not account for impact of CMHC loan forgiveness (years 1 – 10)

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GoA and CMHC values

GoA Contribution

- Based on current AHPP program definitions
- AHPP definitions are based on Lodge, a higher cost base form of housing
- WHMB has at its option to ask for funding greater than the current program definition
- If contributions greater than what is outlined are requested, the project team is to justify such request.

CMHC Loan and Contribution

- Calculations are based to maximize the possible loan value with CMHC due to interest rates provided are currently lower than municipal borrowing rates.
- Municipal Requestions are to support debt repayment only, the strengthened revenue stream model removes operational requisitions for the new lodge.
- CMHC 'forgivable' loan portion is provided over the first 10 years. Assuming no changes to the initial order of magnitude assessment, municipal requisitions may reduce or be used accelerate payment of the loan.

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Financial Assessment

Discussion

- Provincial cost sharing
- Debt Financing
- Equalized Assessment

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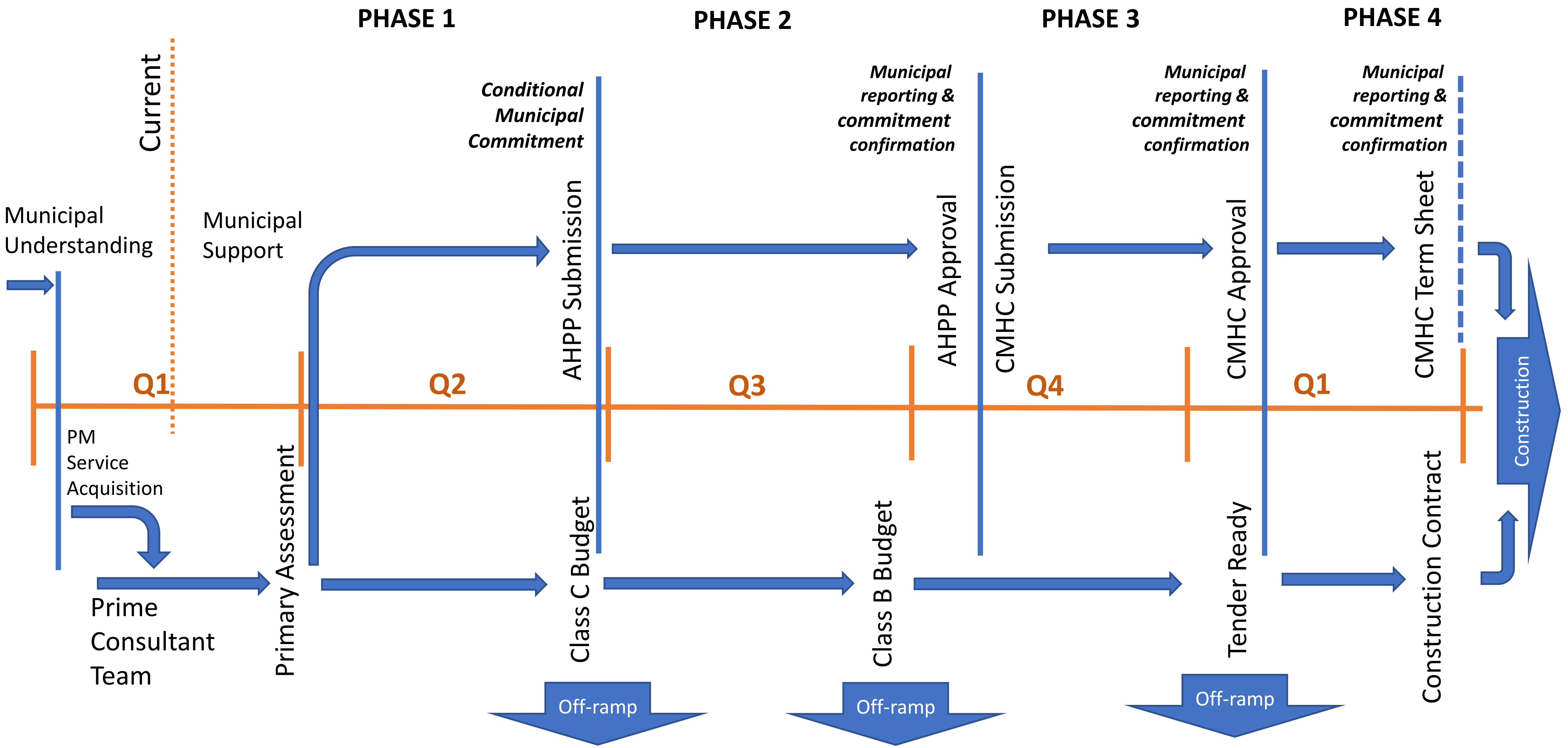
Project Advancement

and off-ramps

Development Milestones



Work to Date

Background Work completed

- Needs Assessment and Business Case – Gordon & Associates 2019
- Community Engagement – Barry Architecture 2022
- Schematic Design Report – Barry Architecture 2021
- Geotechnical and Environmental Site Assessment 2021
- Appraisal Report (existing lodge) – Altus Group 2022

Phase 1 - Current Work   (Feb – June 2023)

- Procurement of Owners Representative (underway)
- Revised Schematics to reflect project scope
- Class D – Class C costing review
- Supporting Phase 1 deliverables
- Initial/conditional Municipal Commitments
- Preparation of AHPP partnership proposal submission, due June 2023

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BACKGROUND

Federal Financing and Contributions: CMHC Co-Investment Program

- The projects pro forma is based on utilizing the CMHC Co-Investment Program financial assessment tool required for application submissions.
- Loan values are based on a debt contribution ration of 1.1. The minimum accepted by CMHC is 1.0. Simply put, the project proforma projects a financially sustainable performance with a modest surplus.
- CMHC requirements also include building reserve development, calculated at $50,000 per year.
- Project assumptions generate the percentage of the loan as debt forgiveness based on CMHC program requirements for affordability, accessibility and energy performance.
- The CMHC affordable housing program is based on a 10-year funding program, terminating in 2026, however is also subject to available funding at time of application.

For More information: [National Housing Co-Investment Fund: New Construction | CMHC (cmhc-schl.gc.ca)]

Government of Alberta contributions: Affordable Housing Partnership Program

- The program is based on up to 1/3 capital contribution with a maximum contribution of $85,000 per affordable unit.
- The program is directed at general housing units[1], and the calculation of $85,000 per unit is based on ministry benchmarks $255,000 per unit construction cost.
- Two intakes for project proposals have been announced January 2023 (closed) and June 2023. There is an indication there will be an annual intake between April and June in future years, however future funding is not announced.

For more information: [Affordable Housing Partnership Program | Alberta.ca]

Stacking Current programs recognize and promote fund stacking .

PROJECT PROPOSAL

Rents and Services

Both the Federal and Provincial programs are based on general housing and do not provide indicators for lodge service charges in terms of affordability but rent charges only as the programs are based on creation of affordable housing not seniors/serviced housing. CMHC has approved past projects in Alberta based on Lodge accommodations. AHPP has opened the program to include Lodge proposals.

Rent Model Basis

A rent and service total charge model is based on meeting both programs as set out in the general affordability criteria prescribed under both programs. Both programs state the percentage of units required to meet their affordability definition, and the percentage below median market rents.

[1] Lodge housing units require significantly more capital due to large common area and service requirements. The program currently makes no distinction between general affordable housing and lodge housing.

Rental Revenue, Requisitions and Sustainability

Proposed rental charges are higher than the current lodge today; the additional revenue removes the requirement for ongoing requisitions for operational sustainability[2]. The greater impact to overall financial sustainability are the ongoing service costs related to a lodge environment vs debt servicing.

	Proposed Units	Total Charge (rent and services)	Notes[3]
Studio Basic	12	$ 2200	Meet program requirements for AHPP (Min 10% of units set >60% of median market rents[4])
Enhanced Studio	72	$ 2600	Meet program requirements for AHPP (Min 60% of units set between 60% to 90% of median market rents)
One Bedroom	36	$ 3100	Up to 30% of units may be set above 90% of median market
	120		

Rent levels are based on a 'community affordable model'. The average rent in Alberta for a private room with meals included in 2021 is reported as $2855[5]. Rents in Alberta are generally either materially lower than this average, primarily the Lodges, or materially higher than this average, being for profit environments.

Rents are positioned higher that the current lodge, but below that of a commercial model. Existing to lodge to remain in operations to serve full community affordable spectrum with average rent below $2,000.

Building Scale

As noted previously, building size is highly influenced by the gross-up factor for common area. A standard apartment building may have a gross-up of x1.2 to account for hallways, lobby, service rooms, mechanical etc.

A lodge building may have a gross up ranging from x1.8 to x2.2 depending upon the amenities provided and number of units served. Standard amenities and service areas additional to that of an apartment building include, kitchen, dining, laundry, office, common lounge area, activities area, healthcare room, spiritual space etc.

[2] It is proposed the existing lodge remain in operation which will provide the deepest subsidy based on the current rent geared to income model. The current level of requisitions would remain to sustain its operations.
[3] Provincial average is $2855, which includes lodge operators and other not-for profits. Provincial Average is not reflective of commercial operation break-even.
[4] 12 units are assumed further discounted with application of LAP (Lodge Assistance Program) to meet 60% calculation estimate.
[5] CMHC Seniors Rental Housing, Vacancy Rate and Average rent for Bachelor/Private Rooms: https://www03.cmhc-schl.gc.ca/hmip-pimh/en#TableMapChart/48/2/Alberta

	Sq. ft	Notes
Net Floor Area (120 suites)	57,600	
Gross up: Common Area and Operating	48,960	Gross up for common area and operating (gross up ratio = x1.85 of net floor area
Gross Floor Area	**106,560**	

Project Capital Requirements

The 2023 Canadian Cost Guide[6] recently published by Altus Group estimates a construction cost of $230 to $310 PSF for hard cost construction. The project budget is based on concrete podium with wood frame upper stories and surface parking. A project hard cost of $ 370 PSF has been utilized to develop the budget with other development costs based on % cost assessment of hard costs. It is assumed municipal services (power/gas/sewer/water) are available at the lot line.

This project cost is based on a recently completed study of a similar project and intended to be reflective of 12 months' inflation contingency, however, the reader is to recognize the budget is order magnitude only. Location assessment, plans, and specifications will be required to ascertain a budget with a higher degree of accuracy (see Phasing Schedule).

The project capital requirements presented below do not include the proposed respite care centre and are additional to the project.

Capital Requirements

Cost category	Value	Notes
Land	$ 1,400,000	
Hard costs	$ 39,427,200	370 PSF
Groundwork and Parking	$ 1,500,000	$7000 per surface stall and landscaping
Soft Costs	$ 4,911,264	12%
Fixtures & Equipment	$ 1,008,000	Unit equipment allowances and $600K building allowance
Construction Financing	$ 400,000	3.85% interest rate
Hard Cost Contingency	$ 4,092,720	10%
ROM Estimate	**$ 52,739,184**	

Project Capital Assembly

CMHC Minimum Requirements

- CMHC requires a minimum up-front equity contribution of 25% of the project total.
- Up-front equity contribution = $11,784,796 ($52,739,184 x 25% - $1,400,000)

[6] Altus_Group_Canadian_Cost_Guide_2023.pdf (pardot.com)

Capital Resources

Source	Value	Notes
CMHC Loan	$ 36,917,429	
CMHC (forgivable)	$ 2,636,959	
Subtotal	**$ 39,554,388**	CMHC Maximum value at 75% loan to equity ratio
GoA AHPP Program	$ 7,140,000	Maximum value based on $85,000 per affordable unit
Total Loan and Contributions	**$46,694,388**	
Municipal up-front equity	$ 4,644,796	Total municipal contributions = $ 6,044,796
Municipal land value	$ 1,400,000	
Total Capital Assembly	**$52,739,184**	

The direction received is to maximize the use of CMHC capital due to the low borrowing costs and minimize the upfront equity requirements of the municipalities. To achieve this, ongoing requisitions to support the debt financing requirements is then necessary.

Capital requisitions are separate from current operations which focus on maintaining operations. The proposed capital requisitions are purely to close the revenue gap the operational model is not able to support for loan repayment.

The one-time capital requisition is demonstrated below based on equalized assessment:

	Equalized Assessment (current)	Land Equity Contribution	$ Equity	Total Contribution
Wheatland	65.9 %		$3,983,521	$3,983,521
Strathmore	32.5 %	$ 1,400,000	$564,559	$1,964,559
Rockyford	0.5 %		$30,224	$30,224
Standard	0.8 %		$48,358	$48,358
Hussar	0.3 %		$18,134	$18,134
One Time Requisition Total		**$ 1,400,000**	**$ 4,644,796**	**$6,044,796**

Municipal Up-front equity requirement

Forecasting the project enter construction in 2024, the municipal up-front equity requirement stated above is required in that year. This represents a one-time payment only.

Capital Requisitions for CMHC loan repayment

To enable the project to sustain the maximum available loan from CMHC, Municipalities must also commit to ongoing capital requisitions. This additional form of revenue support allows the proforma to meet the target viability threshold DCR of 1.1.

Without capital requisitions, it is calculated the project may only sustain a CMHC loan value of approximately $22,000,000[7]

[7] Not including forgivable loan portion that may be available.

The annual requisition demonstrated below is based on 50 year amortization:

	Equalized Assessment (current)	Annual Requisition 50 yr amortization
Wheatland	65.9 %	$ 461,580
Strathmore	32.5 %	$ 227,710
Rockyford	0.5 %	$ 3,500
Standard	0.8 %	$ 5,250
Hussar	0.3 %	$ 1,890
Annual Requisition Total		**$ 700,000**

CMHC Loan Information

CMHC provides loans for affordable projects with the following allowances:

- Mortgage Rates – the latest indicative rate is 2.85% and proformas are ran at 3.85%
- Debt forgiveness at 5% of project costs, up to $25,000 per qualifying unit
- 50-year amortization (allowable by CMHC), 10-year fixed term

DCR calculations improve with time as debt is paid down; meaning, the project has the potential of either reducing ongoing requisitions or reducing the projected mortgage period after completion of the first term (10 years).

Interest Rates and ongoing Payments

The following chart tests the loan value relative to amortization period and requisition requirements:

$ 39,917,429.00	CMHC Loan Value (value includes 'forgivable loan portion')
3.90%	Interest Rate used for testing
1.1	DCR used for testing

	50 year Amortization	40 year Amortization	30 year Amortization	20 year Amortization
Annual Capital Requisition	$ 700,000	$ 870,000	$ 1,160,000	$ 1,790,000
Principal	$ 39,917,429	$ 39,917,429	$ 39,917,429	$ 39,917,429
Total Interest	$ 50,880,686	$ 38,973,598	$ 27,862,586	$ 17,633,029
Total Paid	$ 90,798,115	$ 78,891,027	$ 67,780,015	$ 57,550,458

Notes:

- With DCR at 1.1 approximately $100,000 net positive cashflow would be generated
- Forgivable loan portion total $2,636,959 forgiven in first 10 years, (impact included in calculations
- Current Indicative rate is 2.9% and if remains stable, the requisition value may reduce.

Reduction to Requisitions based on current indicative rates:

50 year Amortization	40 year Amortization	30 year Amortization	20 year Amortization
$300,000	$280,000	$260,000	$240,000

Financial Risks, Opportunity and Mitigants

Risk Identification	**Opportunity**	**Risk and Mitigant**
DCR projection of 1.1	Projection remains constant and surplus generated returned to Wheatlands	*Financial Model lower performing* .1 Buffer within project proforma Adjusted revenue model to compensate
CMHC indicative rate of 2.9%	CMHC rates lower that current municipal borrowing rate. 10-year term	*Borrowing Rates Rise* Project tested at 3.9% 1% Buffer within project proforma
Amortization Period	Any surplus revenues generated (including loan forgiveness) could be used for additional debt payment to reduce debt at a faster rate.	*Interest Rates materially higher 10 years out* Project DCR performance increases over time CMHC as loan provider has vested interest to work with borrower for continued viability
10-year fixed rate term	Long term stabilized period at low rates	*Financial Model lower performing* Forgivable loan portion paid back over 10-year term provides an additional off-set
Project Costs	Early program management with scope and phasing approach if necessary to mitigate impact	Project scale adjustment with future phasing considerations

About the AHPP contribution calculation

- The provincial contribution calculation is based upon the current published guidelines in their newly announced Affordable Housing Partnership Program.
- Note: *"Applicants submitting proposals that vary from the per-unit cost guidelines must provide detailed rationale for costs that vary from the guideline, including geographic location or other unique considerations that may impact construction costs"*.
- An AHPP submission may request partnership capital beyond the stated per unit maximum values in the guidelines (see bullet above).
  - Possible rationale: Construction Cost impact - Lodges are more expensive to build.
  - Example: Municipalities could ask for an additional $4,644,796, thus removing the up-front capital requirement and leaving the ongoing capital requisition as their contribution.
  - The reader is cautioned that the program is competitive, with over 60 applications received in Round 1 and deviating from the set maximums may reduce the funding opportunity.

Commitments and Schedule

Responsibility of the board

- Advancement of Phase 1 and AHPP submission development
    - Placeholder value of $300,000,
    - Value to be refined with costing by owners' representative and cost consultant,
- Future phases requirements and budget requirements are TBD in Phase 1
    - Commitments at the board level are based on phase deliverables only.
    - Board commitments are also determined to both advancing the proposed schedule, ongoing municipal commitments, and outcomes of applications for partner funding and financing.

Responsibility of Municipalities

- Commitment to Phase 1 'AHPP Contribution' Submission
    - Municipal understanding will be advanced with Phase 1 of project refinement.
    - Project is to be developed based on understanding presented in this document.
- Commitment at Phase 2 'CMHC Financing' Submission
    - Municipal understanding will be advanced with Phase 2 project refinement.
    - Project is to be developed based on parameters approved in Phase 1
- Commitment at Phase 3 'Construction Ready'
    - Municipal understanding will be advanced with Phase 3 final costing.
    - Project is to be developed based on parameters approved in Phase 2

Phasing Plan and intent

The intent of each phase is to provide further project definition, provide reasonable stage gates, and define controls at both the board level and municipal level. It is recognized that up to construction, commitment may be withdrawn at the municipal level. However, to realize the schedule, refine scope and costs, and meet requirements of other programs (AHPP and CMHC), the board will advance predevelopment commitments as per the phasing plan.

The municipalities and the board are to recognize with all projects in the development stage, projects advance with known risk of cancellation by either entity if projected outcomes are not able to reasonably meet the parameters initially set out.

Please see **schedule** below for further details

Schedule

Municipal Governance Schedule

PHASE 1 - MEETING AHPP SUBMISSION DEADLINE

Activity	Schedule	Notes
Municipal Understanding	Current	review with respective municipal council on project and project commitments
Municipal 'Support'	March 2023	Confirmation of conditions that may need to be sorted out consistently between the member municipalities of WHMB
Execution of 'conditional' LOI	June 2023	*Conditional LOI may include:* 1. Approved provincial funding partnership 2. advanced budget assessment (required for CMHC funding/inancing) meets municipal requirements for advancement 3. Approved CMHC funding/financing 4. Tendered values meets municipal requirements for advancement

End of Phase 1

PHASE 2 - PROJECT ADVANCEMENT TO BE CHMC CO-INVESTMENT READY

Activity	Schedule	Notes
Municipal Update	Sept 2023	AHPP funding submission results
Municipal Conditional Approval Review	Sept 2023	AHPP funding submission results
Municipal Update	Oct 2023	Class B Budget Report
Municipal Conditional Approval Review	Oct 2023	and financial requirements relative to Budget

End of Phase 2

PHASE 3 - PROJECT ADVANCEMENT TO CONSTRUCTION READY

Activity	Schedule	Notes
Municipal Update	December	Notification to tender
Municipal Conditional Approval Review	February 2024	Projected Financial performance update and financial requirements relative to the Tender Results and possible options if/as required

End of Phase 3

PHASE 4 - Construction

Activity	Schedule	Notes
Municipal equity	May 2024 - Sept 2024	Fund draw releases as applicable to approved values and as per projected cash flow requirements. (Municipal and provincial monies will be first in prior to CMHC)

End of Phase 4

PHASE 5 - Operations

Activity	Schedule	Notes
Capital Requistions	Annual	Annual Requisitions for debt financing repayment to CMHC. Term based on amortiation period or can be advanced by municipal partners

Project Advancement Schedule

PHASE 1 - MEETING AHPP SUBMISSION DEADLINE

Activity	Schedule	Notes
RFP for owners representatiive /	Feb 8 - 20, 2023	manage development teams and phasing process, schedule procurment, contracts and all general owner requirements (by project phases)
RFP for prime-consultant	Feb 21 - Mar 7, 2023	Design Development Team (Arch/MechElect/Struct/Landscape/other)
Schematic Design	Mar 7 - Jun 1, 2023	Approx. 30% design development complete
Preliminary Investigation/other	March 7 - June 1, 2023	geotechnical
Class D or C Costing	Jun 1 - Jun 7, 2023	C-level preferred submission level as defined by AHPP program
Application final Development	Jun 7 - Jun 21, 2023	

AHPP Application Deadline **June 30th - 2023** (fixed deadline)

PHASE 2 - PROJECT ADVANCEMENT TO BE CHMC CO-INVESTMENT READY

Activity	Schedule	Notes
Project design advancement	July - October 2023	Approx. 60% design development complete
Development services / other		environmental update, land survey
Class B Budget Costing		
Notification by AHPP on Phase 1 funding submission		expectation is 60 to 90 day review period from June 30th submission date
Development Permit Submission		

CMHC Financing Submission **October 30th-2023** (flexible submissio dat)

PHASE 3 - PROJECT ADVANCEMENT TO CONSTRUCTION READY

Activity	Schedule	Notes
Project design advancement	Nov 2023- Feb 2024	Completion of tender ready drawing sets
CMHC LOI		CMHC LOI based on satisfactory review of submission. LOI requirements must be then satisifed for term sheet, including final costind (tender) and independent Quantity Surveyor Report then submitted
Project Tendering		General Contractor Services
Contract Negotiations and Post tender value engineering as required		

Project Final Approvals **Feb-24**

PHASE 4 - Construction

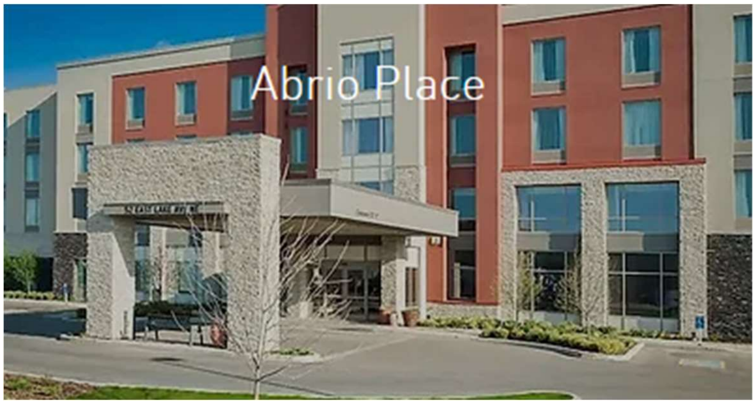
Activity	Schedule	Notes
CMHC Term Sheet		Execution of termsheet for loan with satisfaction of LOI conditions
Execution of Constructor Contract		
Project Construction	27 - 30 mos beginning April 2024	

Construction Completion **Sep-27**

1. **Could Derek comment on the other Lodge / Senior's Housing options available in the region – i.e. Chestermere – Lakeshore Manor, Airdrie – Abrio Place, Carseland – Chara Seniors Facility, Strathmore – Agecare Sagewood. How do they compare to our project – when were they built (renovated), what was the cost to renovate / build, what is the vacancy, what are their rates, how do the room sizes/amenities compare to our proposed offering?**

RESPONSE

ARBO PLACE – Airdrie



Rockyview Foundation currently operates two facilities under the lodge program:

- Big Hill Lodge,
- Rockyview Lodge

Abrio Place will their third lodge facility. It was a hotel purchase and currently under renovations to meet the requirements to modernize and meet other requirements to operate as a lodge.

92 units:

- 64 subsidized – studio rooms Rents based on RGI
- 28 community affordable* – studios with larger sitting area
- *Rents are not set, but indicated at $2700 (conversation only with administrator)
- Current waitlist 265
- Project to open Aug 2023
- Total project budget including renovations not provided.

LAKESHORE MANOR – Chestermere

- 80 Units
- Opened June 2021
- Current Pricing $2000 - $2600 (entry level room 340 sq ft)
- Total project budget, including renovations, not provided.

Antidotal – no one bedroom suites and one couple recently rented two units for more space.

Strathmore – Agecare Sagewood

Agcare Sagewood provides two levels of seniors housing, Independent Living Apartments, and a Seniors Care Centre

Independent Living
42 Apartment units: 1 BR = $1,184   2 BR= $1340 no services – discounts may be available for low income qualifying individuals.
Waitlist unknown, but approximate wait time average 9 – 12 mos

Seniors Care Centre – this is different service category than lodges, and is a long term care facility (nursing home) Agecare Sagewood is on contract with Alberta Health[1] which pays for healthcare staffing and other costs associated with higher care, and Sagewood is the facility operator.

Sagewood Care Centre has a direct tenant charge of $2200 mo and additional/optional fees.

Chara Seniors Community – Proposed / not built

Project has been in the planning stages for number of years and cites the following challenges: water and waste water servicing, regulatory approvals, Highway 817 realignment plans, COVID-19 restrictions, supply chain issues and inflation.

- Project is based on independent living and is not a lodge environment
- Project is currently on hold and hopes to break ground in 2024

[1] Lodge Program is associated with Seniors Community and Social Services, and not Alberta Health.

2. **Could Derek comment on the possibility of doing a similar project using the Days Inn in Strathmore.**

RESPONSE

The Days Inn has 114 of rooms (20 rooms studio sized, 4 HC equipped units and 90 standard rooms), common space consisting of a breakfast room and pool area.

To adapt lodge environment would require assessment for conversion, and ability to add or adapt common area and service needs associated with a lodge environment would require assessment.

Assuming the objective is to maintain existing capacity, a large addition to the building would be likely required to house associated services. Another key cost consideration is meeting universal design requirements especially related to washrooms. Age and condition is unknown and should also be factored in to any detailed review.

Size of standard rooms is unknown and may not accommodate a sitting area or kitchenette. The resulting product should consider all possible factors defining success.

The rental model would need to be evaluated relative to offering and re-assess the relationship between investment cost and municipal contributions.

3. **The Alberta Government contracted MNP to conduct a study addressing quality of life in Facility-Based Continuing Care, and the resulting report – "Improving Quality of Life for Residents in Facility-Based Continuing Care", April 30, 2021, recommends replacing the 107 facilities in Alberta that are over 40 years old and do not meet current standards. Given that we are suggesting that we keep our existing Lodge, how does this project address this?**

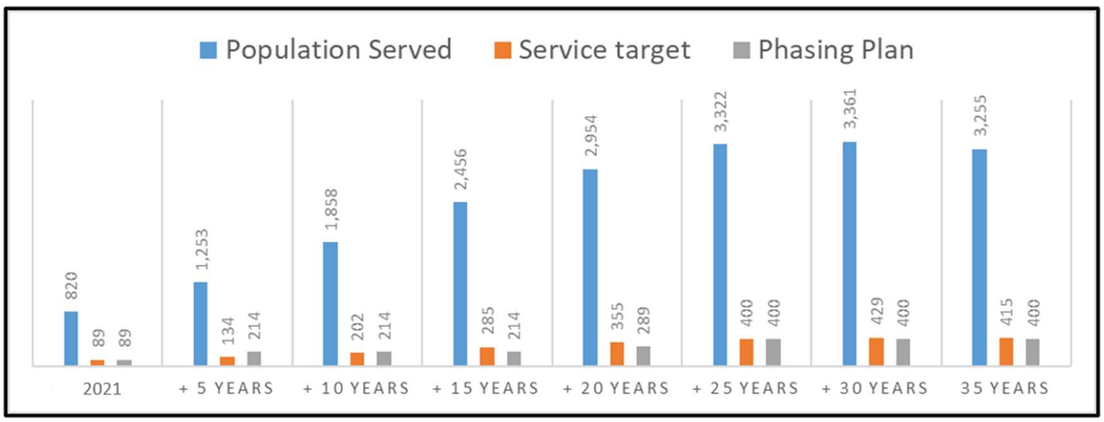
RESPONSE

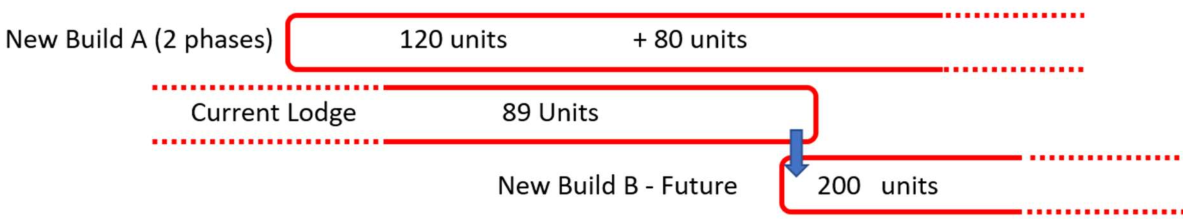
This MNP Report was commissioned by Alberta Heath Services, not Alberta Seniors and Housing (Seniors, Community and Social services). Facility Based continuing addresses two streams of services: Long Term Care (LTC) and Designated Supportive Living (DSL SL4 – 4D). The Lodge Program and related Lodge facilities (SL1 and SL2) was not the subject of this report.

That said, it is recognized that the current lodge does not meet current standards as it relates to SL housing (SL1 and SL2). While the Lodge do not meet current standards, the current lodge remains in good physical condition.

The original project proposed through the concept planning of Barry Architecture proposed 170 units both to address replacement of the lodge and increasing demand. The revised plan, reducing the project to 120 units and keeping the lodge with its 89 units is proposed to manage cost and rising demand.

The plan includes a transitional strategy for retirement of the lodge in the future, and it is also recommended that the Municipal Partners include such eventuality as part of the larger strategic planning for replacement of community assets.





4. This report also suggests that facilities that currently do not offer private accommodation (i.e. shared rooms) should be prioritized for replacement / refurbishment. How do we think we can compete with this greater need?

RESPONSE

As per answer #3 above the report issued by AHS was not reviewing the Lodge program. Wheatland Lodge currently provides private rooms are of very small scale, however and cannot address a basic living environment for a couple.

This is not about competing, this is about rising demand in all categories Roughly speaking, approximately 50% of 'congregate housing' housing for seniors over the age of 85 is associated with higher levels of care ie – DSL (nursing home) and 50% for seniors who are still relatively independent (lodge).

Related Information: The strategy for lodges is part of the Stronger Foundations affordable housing strategy and the GoA intends to continue to shift further into the role of a regulator. Lodges are generally seen as a community housing issue while healthcare/housing is a provincial issue.

Healthcare housing is centrally managed through assessment and placement, while Lodges are community based housing solutions.

5. On page 4 of the "Funding and Financing" document, could Derek explain the difference between the $ Equity and Total Contribution in the chart?

The author recognizes an error took place when transferring information to the report. The chart is updated below, and the corrected report is also attached.

	Equalized Assessment (current)	Land Equity Contribution	$ Equity	Total Contribution
Wheatland	65.9 %		$3,983,521	$3,983,521
Strathmore	32.5 %	$ 1,400,000	$564,559	$1,964,559
Rockyford	0.5 %		$30,224	$30,224
Standard	0.8 %		$48,358	$48,358
Hussar	0.3 %		$18,134	$18,134
One Time Requisition Total		**$ 1,400,000**	**$ 4,644,796**	**$6,044,796**

Please be advised the calculation of equity will fluctuate as the project assumptions are refined.

6. Is there a way that Wheatland County could provide more upfront requisition and lesser annual requisition?

RESPONSE

The current model presented is based on maximizing debt financing advantages of CMHC. Increased up-front capital can be incorporated to reduce ongoing obligations.

It is recommended to have a consistent approach agreed upon with all municipal partners to avoid complications of ongoing calculations required by customization, during the ongoing project assessment and future administration.

7. At the bottom of page 5 in the Notes section, he says that approximately $100,000 net positive cash flow would be generated. How full would the new building have to be before realizing this?

RESPONSE

This is based on project stabilization and an operating vacancy of 2%

8. **Could Derek provide more details on the Needs Assessments provided. How can we be sure we will have the seniors who want this service? What is the plan if we don't have it?**

9. **"Through the Community Care Capacity Needs Assessment, AHS will identify and prioritize communities with the greatest need for designated supportive living spaces". The needs assessment helps to determine what level of designated supportive living services are needed, and the number of spaces, for the size of each community. This I assume would have been the very first step, can we see a copy of that report.**

RESPONSE

Alberta Health Services serves Higher Levels of Care SL4 and L4D and considered a care facility The needs assessment takes place at an individual level to determine supportive living 'care' requirements.

WHMB is falls under Seniors, Community and Social Services, and the Lodges serve SL1 and SL2. AHS is not involved with the intake process of a community lodge.

Question has been referred to WHMB further information on local intake process.

10. **I might be wrong, but I think the calculation of numbers of seniors in the Demand Assessment in the presentation might be high. It appears that he might be double counting – he takes 10% of 80+ and 25% of 85+, but maybe it should be 10% of 80-84 year olds and 25% of 85+. If the numbers are re-calculated this way, it would show that there is a need for 105 rooms in 2026 when this project is completed. This is 10 more rooms than we currently have. We wouldn't need 120 more rooms until 2036 (in 15 years).**

The assessment was completed twice and averaged: once based on the population segment 80+ and uses a 10% unit to population forecast to project requirement and the same exercise was completed at 85+ and uses a 25% unit to population forecast. As the population diminishes, the ratio of use increases. Understanding that the majority of people enter the lodge between 80 and 85, averaging the results provides a better outlook on meeting current supply and demand ratios.

To meet total supply and demand of the community also then requires continued expansion of the private market and AHS for higher care at a similar pace.

Side note:

- Statistics Canada by 2046 the number of seniors 85+ will <u>triple</u>.
- Alberta, while a younger average population than other provinces, will experience the same effect and the make-up of seniors of the total population will more than double
- Rural population is aging faster than urban counterparts in terms of change in the share of the population that is senior.
- The study of the local catchment area provides the same conclusion.

10. In either needs assessment (Barry and Weiss) was the following factored in?
A - 80 unit congregant care in Chestermere (Lakeshore Manor)
B - Chara will be building between 50-75 "Age in Place" units

How do these affect the numbers ?

Cannot comment on Barry Architecture assessment, other than the report discusses historical trends and short term projections to 2026. The report is not clear how their study correlated to the recommended project scale. The study does not identify that a market scan was conducted

Weiss:

Chara

Chara is offering independent living (50 – 75) and not a comparable product category .

Lodge environments are based on supportive living, with residents average age of entry typically 80+ . Chara are suggesting offering micro-communities (under 10 units), designed more as a communal environment with the ability for outside services.

Lakeshore Manor

The assessment was based on maintaining the same community presence by % served,

If we take a different approach that the market is in balance with the addition of Lakeshore manor, demand could be viewed as follows:

	# seniors 85 +	Wheatland Lodge and Lakeshore room count combined	% of seniors served	Additional Units required to maintain 30% catchment unit count
2026	569	169	30%[2]	
2031	876		19%	+ 93 units
2036	1277		13%	+214 units
2041	1636		10%	+490 units

In 2021 CMHC reports that "near one in three live of people over the age of 85 lived in collective dwellings" Wheatland lodge + Lakeshore lodge combined would align with this observation in 2026, however the % drops off rapidly.

[2] Consistent with Statistics Canada reporting 28% in congregate living over age 85

11. - Did you take into account that there are 1500 Hutterites, that will never access WHMB What are the actual "needs" for the County if you remove the 1500 Hutterites?

RESPONSE

The impact of the Hutterite population was not taken into account.

Assuming the age distribution of Hutterites is relatively consistent with that of the general population, and we remove the Hutterite population from the assessment, the percentage of seniors served by the lodge today shifts to 11.6% form 10.9%. This adjustment would then increase the projected number of rooms required by WHMB to maintain the percentage of seniors served.

13. The existing site is a wetlands that was filled in by the railroad a 100 + years ago, to create the towns railway station. What could be the implications if the railroad didn't compact the earth to current specifications and the new build has to build the foundations, to compensate for building on wetlands?

RESPONSE

A Geotechnical site investigation was completed in 2021 by Parkland GEO whereby borehole testing examined subsurface conditions and provided recommendations for site preparation and appropriate foundation requirements.

" Overall, the site soil conditions are considered suitable for the development from a geotechnical perspective. Environmental considerations for development may impact some of the geotechnical recommendations in this report and should be addressed during detailed development planning." – Parkland GEO

This same process with Geotechnical investigations and foundation recommendation will be required on all sites under consideration.

14. When the lodge is open there will be 120 new rental units in Strathmore. If they are filled at the same rate as Lakeshore Manor in Chestermere. 30% occupancy 1st yr, 50% occupancy 2nd yr, 70% occupancy 3rd yr, 90% occupancy 4th yr and 98% occupancy 5th yr, Will that not create a $6.2 million hole in the finances?

RESPONSE

Lakeshore manor indicated they opened June 2021 and nearing 50% occupancy, and based on current trajectory their rent up period to stabilization will be approximately 12 mos.

CMHC currently provides ability whereby the 'construction loan' flips to a 'mortgage' at stabilization, primarily mitigating the impact of this time period. Other mitigants include phased operational opening to manage associated operating costs accordingly.

15. If and when the new lodge is open and if 50% of the residents of our current lodge decide to move into the new lodge (because a large percentage of seniors living in the lodge, could afford to pay more). Will that not leave a $900K - $1 million shortfall in the budget for our current Lodge?

RESPONSE

Based on income levels currently served, it is an unlikely occurrence that this level of 'flight to quality' will happen. Recommendation to keep the current lodge operating is based on the modelling projections for overall increased demand.

If two situations occur, both a 'flight to quality' and demand projections are lower, opportunity exists to reduce the operating footprint of the existing lodge, reduce its operating costs, and modify operations for independent living (IL) to recoup revenues.

It is worthwhile surveying current applicants, residents and their families at a future point further assess 'flight to quality' to pro-actively diminish this risk.

16. Was there any discussion of building the new lodge, using a P3 model? If not, why not?

RESPONSE

P3 was discussed as a future opportunity that could be developed in the masterplan whereby a second building location building could be sited to provide an 'at market' independent living building, with access to optional lodges services. The lodge would benefit from an additional revenue stream, both by services and possibly through a land lease defraying operating costs. The developer partner is able to market an added value 'enhanced independent living' offering by leveraging the service opportunity with high quality suite offering.

17. The new lodge is supposedly is self supporting, is there any circumstances that would require that the new lodge would have an operating deficit and there would need to be a requisition to fund it?

RESPONSE

The project is based on key assumptions driving a financial model. The financial modelling tool (pro forma) is that of CMHC utilized for co-investment loan assessment.

Operating performance is a result of:

- Assumptions on construction costs
- Assumptions on interest rates for debt financing
- Assumption on provincial contributions
- Assumptions that future lodge operating costs align with existing lodge operating costs (with adjustments for scale and labour costs, energy performance etc)
- Assumptions on rent and revenues

Assumption on required operational reserves

There is the assumption revenues and operating costs remain in balance with inflation. When in-balance occurs to a point creating negative performance, additional requisitions may be required.

Circumstances related to the cost of construction, contributions and financing are manageable risks, meaning, as the design development advances, these values are re-tested and adjustments are made, and if circumstances require it, a change to future requisitions is identified. If not acceptable, work is halted and the construction does not proceed.

18. If the new lodge was built on a rectangular/square piece of land, that allowed for access during the construction phase. The construction costs would be 25-30% less. What was the boards reasoning to pick an irregular shaped lot and building an irregular shaped building that will add $13 million dollars to the price? There were 5 other properties that were discussed in the Gordon and Associates report, was there any discussion on how the current location with the added $13M price tag was chosen?

19. If you build an irregular shaped building that has 100 corners, on an irregular shaped lot, could that increase building costs up to 30%?

RESPONSE

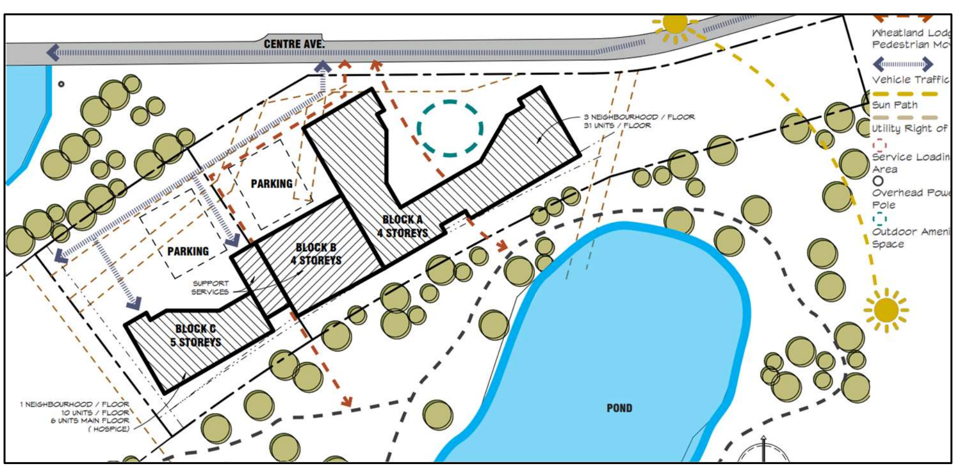
Design

The concept design proposed by Barry Architecture is conceptual only responding to the community engagement, and not necessarily a budget response and does not have to represent the final form.

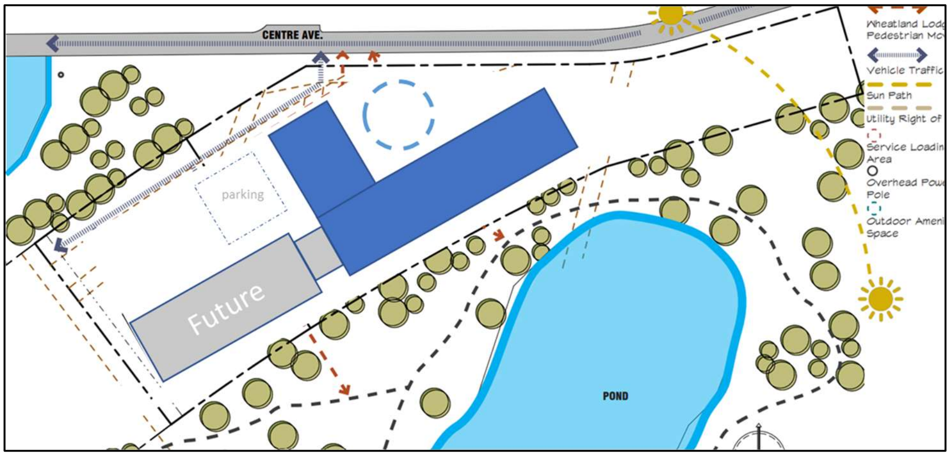
Lot Shape

While the lot is irregular shaped, it does not necessarily require an irregularly shaped building and can be simplified.

Barry Architecture Plock Plan



Simplification



Cost / Building shape

Based on a general conversation with a cost consultant, highly irregular buildings can create a cost differential, however this is also dependent many factors, quality of finish materials, wastage created, ease of installation, ability to modularize, and additions such as balconies, and detailing (ie flourishes). Assuming materials and detailing were similar, and the only objective was to reduce corners and it was suggested 5%, but as noted it only plays a factor determining cost.

Cost - General

The early opportunity exists for value engineering and directive provided by WHMB with design advancements. As the procurement of the prime-consultant team has not yet been undertaken, expectations on project capacity and budget can utilized to drive the outcome to ‘contain’ architectural solutions.

Note: The current order of magnitude costing is based on general industry costing on $ PSF not a reflection of the Barry Architecture Plan as the project scope proposed is substantively reduced.