

# Asset Management Planning

Long-term planning is critical to co-op success. CHF BC offers a variety of planning services to support co-ops and ensure they remain able to provide members with good-quality housing and remain sustainable, thriving communities.

An asset management plan (AMP) is designed to manage a co-op's capital assets over time, and to answer the question, "How much of our money should we spend on what, and when should we spend it, to keep the co-op performing as we want, and at the lowest life-cycle cost?"



# 1

## ENGINEERING REPORTS

The foundation of a good plan is a **professional assessment** of a co-op's biggest assets — its buildings. CHF BC's AMP team can work with co-ops with existing engineering assessments if they meet accepted standards. If a co-op doesn't have a building condition assessment (BCA) carried out by a qualified professional, or if it has an out-of-date study (typically more than three years old), we can assist in getting a new one.

Each co-op has different concerns and requirements. CHF BC can help co-ops get the specific information they need to make sensible choices.

A building condition assessment report commissioned by CHF BC typically covers a 30-year period and provides observations and recommendations, and estimates for the costs of replacing building components. We've also been able to accommodate clients wanting more in-depth reviews of plumbing, balcony, and envelope systems.



IRC Group is CHF BC's current partner engineering firm and has more than three decades' experience. IRC can prepare building condition assessments (BCAs) and building envelope condition assessments (BECAs) depending on co-op requirements. IRC staff can offer other kinds of testing and assessment services as needed.

Some co-ops also seek to combine detailed unit inspections into a plan. We can help with that, too.

# 4



## FINANCIAL PLAN

The AMP team will create a cash flow for a period of up to 30 years. There will be two main parts: (1) a set of **operating budget** projections, and (2) a set of **capital budget** projections.

The heart of the asset management plan is an inter-linked set of financial projections — operating and capital. These allow a co-op to plan for the future, based on current conditions, anticipated changes in relationships with government (e.g. operating agreement expiries), debt obligations and reasonable assumptions about future costs (inflation and interest rates).

The AMP team will analyze a client's situation and develop a recommended approach to looking after the co-op's buildings and finances.

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA	CA
<b>OPERATING BUDGET</b>																	
Revenue	\$ 440,896	\$ 455,427	\$ 468,132	\$ 479,948	\$ 491,824	\$ 503,761	\$ 515,758	\$ 527,815	\$ 539,932	\$ 552,109	\$ 564,346	\$ 576,643	\$ 589,000	\$ 601,417	\$ 613,894	\$ 626,431	\$ 639,028
Expenses	\$ 230,142	\$ 238,237	\$ 246,738	\$ 254,748	\$ 263,268	\$ 271,298	\$ 279,837	\$ 287,885	\$ 296,442	\$ 304,509	\$ 313,086	\$ 321,173	\$ 329,779	\$ 337,905	\$ 346,551	\$ 354,717	\$ 363,404
Replacement Reserve Allocation	\$ 215,985	\$ 216,881	\$ 217,777	\$ 218,673	\$ 219,569	\$ 220,465	\$ 221,361	\$ 222,257	\$ 223,153	\$ 224,049	\$ 224,945	\$ 225,841	\$ 226,737	\$ 227,633	\$ 228,529	\$ 229,425	\$ 230,321
<b>NET OPERATING INCOME</b>	\$ 204,769	\$ 210,309	\$ 210,394	\$ 214,500	\$ 228,556	\$ 232,500	\$ 236,944	\$ 241,388	\$ 245,832	\$ 250,276	\$ 254,720	\$ 259,164	\$ 263,608	\$ 268,052	\$ 272,496	\$ 276,940	\$ 281,384
Debt Repayment	\$ 300,931	\$ 308,424	\$ 316,917	\$ 325,410	\$ 333,903	\$ 342,396	\$ 350,889	\$ 359,382	\$ 367,875	\$ 376,368	\$ 384,861	\$ 393,354	\$ 401,847	\$ 410,340	\$ 418,833	\$ 427,326	\$ 435,819
Operating Surplus/Deficit	\$ -101,162	\$ -98,115	\$ -96,523	\$ -94,931	\$ -93,339	\$ -91,747	\$ -90,155	\$ -88,563	\$ -86,971	\$ -85,379	\$ -83,787	\$ -82,195	\$ -80,603	\$ -79,011	\$ -77,419	\$ -75,827	\$ -74,235
Operating Surplus Allocated to RR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Surplus/Deficit	\$ -101,162	\$ -98,115	\$ -96,523	\$ -94,931	\$ -93,339	\$ -91,747	\$ -90,155	\$ -88,563	\$ -86,971	\$ -85,379	\$ -83,787	\$ -82,195	\$ -80,603	\$ -79,011	\$ -77,419	\$ -75,827	\$ -74,235
ENDING SURPLUS/DEFICIT	\$ 89,617	\$ 93,000	\$ 96,383	\$ 99,766	\$ 103,149	\$ 106,532	\$ 109,915	\$ 113,298	\$ 116,681	\$ 120,064	\$ 123,447	\$ 126,830	\$ 130,213	\$ 133,596	\$ 136,979	\$ 140,362	\$ 143,745
<b>CAPITAL BUDGET</b>																	
Operating Balance	\$ 361,071	\$ 239,370	\$ 328,807	\$ 428,244	\$ 527,681	\$ 627,118	\$ 726,555	\$ 825,992	\$ 925,429	\$ 1,024,866	\$ 1,124,303	\$ 1,223,740	\$ 1,323,177	\$ 1,422,614	\$ 1,522,051	\$ 1,621,488	\$ 1,720,925
Annual Reserve	\$ 114,985	\$ 115,985	\$ 116,985	\$ 117,985	\$ 118,985	\$ 119,985	\$ 120,985	\$ 121,985	\$ 122,985	\$ 123,985	\$ 124,985	\$ 125,985	\$ 126,985	\$ 127,985	\$ 128,985	\$ 129,985	\$ 130,985
Capital Reserve	\$ -	\$ -	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proposed Reserve	\$ 114,985	\$ 115,985	\$ 156,985	\$ 117,985	\$ 118,985	\$ 119,985	\$ 120,985	\$ 121,985	\$ 122,985	\$ 123,985	\$ 124,985	\$ 125,985	\$ 126,985	\$ 127,985	\$ 128,985	\$ 129,985	\$ 130,985
Total Reserve/Cost	\$ 276,056	\$ 255,355	\$ 375,792	\$ 235,970	\$ 238,966	\$ 241,962	\$ 244,958	\$ 247,954	\$ 250,950	\$ 253,946	\$ 256,942	\$ 259,938	\$ 262,934	\$ 265,930	\$ 268,926	\$ 271,922	\$ 274,918
BALANCE ENDING	\$ 204,769	\$ 210,309	\$ 210,394	\$ 214,500	\$ 228,556	\$ 232,500	\$ 236,944	\$ 241,388	\$ 245,832	\$ 250,276	\$ 254,720	\$ 259,164	\$ 263,608	\$ 268,052	\$ 272,496	\$ 276,940	\$ 281,384
DEBT COVERAGE RATIO	1.02	1.07	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
LOAN TO VALUE RATIO	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%

We'll examine in detail the co-op's revenue (and housing charges), regular operating expenses (utilities, taxes, maintenance costs, etc.) existing debt and capacity to contribute to its reserve fund. We'll develop a recommended scenario for the co-op based on its individual situation.

Sometimes the recommended scenario will include borrowing to supplement reserve contributions. This is a standard approach in business, but not all co-ops will need new debt. The AMP team will look at borrowing as an option on a case-by-case basis, and, if recommended, will forecast when best to look at approaching a lender.

As always, the co-op makes the decisions on how to proceed, but with an AMP it can do so with the information it needs. Plans should be updated every three to five years.

### What will it cost?

Plan prices vary. Does your co-op need engineering reports, or does it already have a recent assessment? For most co-ops, engineering services generate the bulk of the costs, and depend on building type, number of units, location and whether there are elevators or not. Contact CHF BC to discuss details.

### How do I start?

Contact the AMP team at CHF BC. Staff will answer your questions and, when you're ready, help arrange engineering studies (if needed) and begin working with you on a long-term plan for your co-op.

Email: [renewal@chf.bc.ca](mailto:renewal@chf.bc.ca) or call 604-879-5111.

# 2

## MEMBER INPUT

When developing an asset plan for a co-op, CHF BC wants to hear from co-op members. At the start of the process, we offer co-op members a survey to share their observations of conditions at the co-op and their priorities and goals for the co-op. The AMP team incorporates those comments throughout its work. Ultimately, the plan is developed to meet the needs of the co-op board of directors.

We seek direction from the board from the start and ask for feedback during the AMP drafting process. Unless alternate requests are made, we schedule a workshop with the broad co-op membership to explain the AMP and the analysis that went into it. We take comments and make adjustments again before issuing a finalized plan.



# 3

## RENEWAL SCHEDULE

Based on the engineers' recommendations and the co-ops' priorities, the AMP team will create a **renewal schedule**. This is a schedule of capital works that takes into account what the co-op buildings need, what members want, and the most effective way of grouping similar or related activities (like window replacements being timed with siding replacements).

This schedule will usually cover a 30-year period, the period covered by an IRC building condition assessment. The schedule will make adjustments for inflation, and consider associated professional fees and taxes.

The information from the optimized schedule will link to the overall financial plan for the co-op.



"How much of our money should we spend on what, and when should we spend it to keep the co-op performing as we expect, at the lowest life cycle cost?"

# 5

## PLAN IMPLEMENTATION

Once a co-op has a finalized plan, it can use that plan to help develop annual budgets, prepare for each year's scheduled capital projects, submit short-term capital plans to regulators, plan for lease negotiations or anticipate major works.

If a co-op needs to borrow, an AMP can support a loan application, and CHF BC can assist with other preparations and project co-ordination.

