



2023 Facility Condition Index (“FCI”) Report

Item 9a

July 17, 2024

Building Investment, Finance and Audit Committee

Report: BIFAC:2024-52

To: Building Investment, Finance and Audit Committee

From: Vice President, Facilities Management

Date: May 23, 2024

PURPOSE:

This report provides the Building Investment, Finance and Audit Committee (“BIFAC”) with an update on Toronto Community Housing Corporation’s (“TCHC”) 2023 Facility Condition Index (“FCI”) as calculated by Ameresco Canada Inc. (“Ameresco”), TCHC’s third party capital planning auditor.

RECOMMENDATIONS:

It is recommended that the Building Investment, Finance and Audit Committee receive this report for information.

REASONS FOR RECOMMENDATIONS:

Background

Since 2019, TCHC has reported its annual FCI measure to the BIFAC.

TCHC continues to make major investments in the capital renewal of its portfolio to achieve improved quality of housing for tenants with an objective of achieving a portfolio averaged FCI target of 10% by 2027.

FCI is the industry standard to measure the condition of buildings and physical infrastructure. FCI assesses the value of deferred repairs against the asset replacement values to determine the FCI of buildings and/or building portfolios.

An average FCI of 10% would represent a “Fair/Reasonable” condition rating. This is achieved when deferred repair is valued at approximately 10% of an asset’s overall replacement value.

2023 Status Update

In 2023, TCHC delivered its full \$350M capital budget resulting in a year-end close out FCI of 13.03%. This exceeds both the original 2017 forecast of 14.50% as well as the 2022 year-end reforecast for 2023 of 13.30%. This improvement can be attributed to several factors including:

1. The 2023 numbers are based on the actual work completed while the 2017 and 2022 numbers were estimated forecasts.
2. In 2023, the Building Condition Assessment (“BCA”) process started again resulting in an updated set of needs for the buildings for which BCA’s were completed.
3. Estimates for 2023 were that 55% of the capital work completed would be attributable towards FCI however the actual results, as calculated by Ameresco, were 62%.

Table 1 outlines TCHC’s progress to the ten-year FCI target against the 2017 forecast.

Table 1: Capital Repair Plan – 2017 Forecast vs. Actual FCI

Year	Capital Plan	Original 2017 Forecasted FCI	2023 FCI
2017	\$250M	16.20%	16.20%
2018	\$300M	16.40%	15.00%
2019	\$313M	18.20%	15.60%
2020	\$350M	18.40%	15.70%
2021	\$350M	17.60%	13.20%
2022	\$350M	15.90%	12.50%
2023	\$350M	14.50%	13.03%
2024	\$350M	13.10%	13.43%*
2025	\$340M	11.40%	12.35%*
2026	\$336M	10.10%	11.97%*
2027	\$332M	10.10%	11.37%*
2028	\$160M		12.39%*
2029	\$153M		13.13%*
2030	\$153M		13.36%*
2031	\$153M		13.91%*
2032	\$153M		14.24%*
2033	\$160M		14.79%*

*Estimated re-forecasted FCI based on 2023 actual results

The FCI for 2027 is currently forecast to be 11.37% which is higher than the 2017 objective of 10%. Not achieving the 10% FCI was recognized in 2023 and actions were implemented to reduce the amount of capital used for smaller demand capital projects to allow more capital to be used for larger capital projects which have a more positive impact on FCI. This action plan is ongoing and early indications in 2024 are favourable.

TCHC continues to closely monitor the impact of inflation and the impact it has on the cost of construction and FCI. Upon completion of the National Co-Investment funding in 2027, TCHC will require additional funding over and above the current amounts to maintain the portfolio in a “fair” state of good repair.

A recent study completed by the City of Toronto, suggested that capital repair funding for TCHC should be \$334M (not including funding required to meet Net Zero requirements) per year which further substantiates that TCHC requires significantly more capital funding starting no later than January 1, 2028 than what is currently guaranteed.

SIGNATURE:

“Allen Murray”

Allen Murray,
Vice President, Facilities Management

Attachment:

1. Ameresco Presentation

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Toronto Community Housing Corp.

BIFAC - July 17th, 2024

Item 9A - BIFAC:2024-52 - PRESENTATION

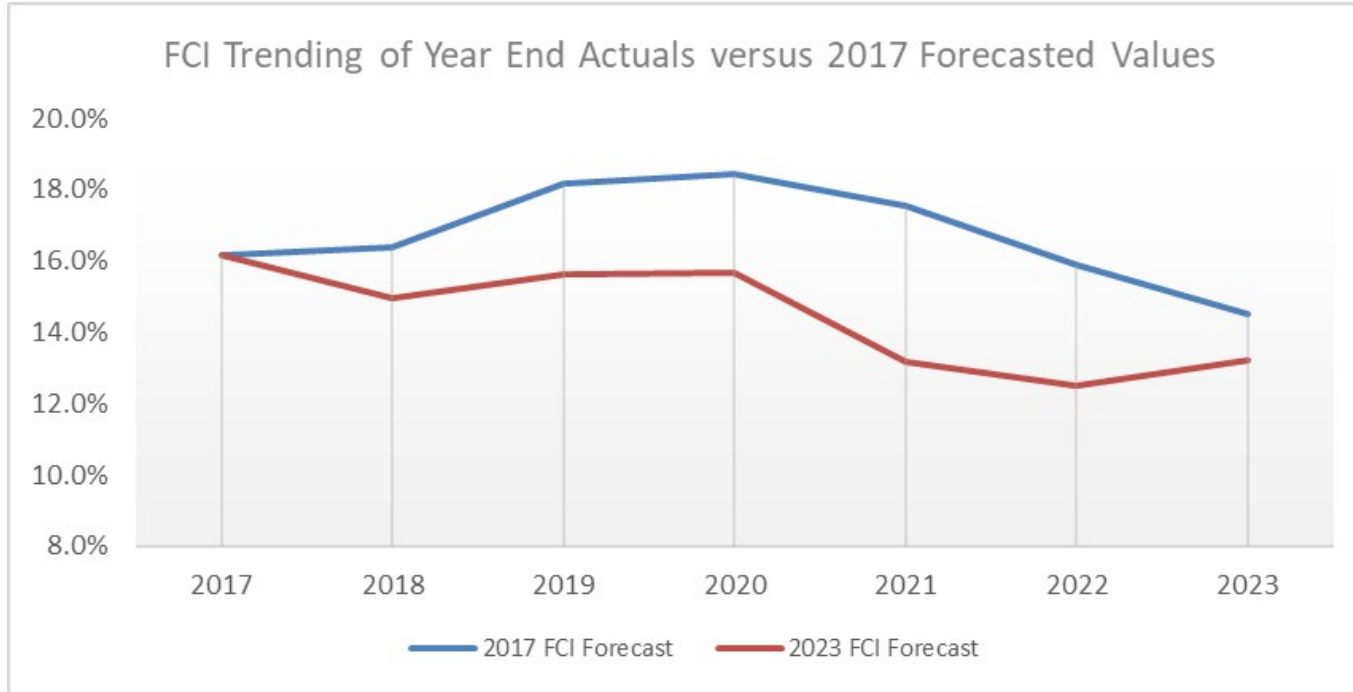


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Opening Remarks

- TCHC has a strong understanding of portfolio condition and capital needs.
- The City of Toronto Asset Management Plan 2024 describes TCHC Data Maturity as High
- TCHC is demonstrating sound capital planning principles over the years.
- TCHC is prioritizing planned work over demand spend with a view to achieving a portfolio FCI of 10% in 2026/2027.

2023 Executive Summary



Source: 10 Year Capital Financing Plan (CFP) – Updated June 2024

Overview



In 2023, TCHC continued invest ~\$370M into the renewal of its portfolio.

These investments resulted in the betterment of housing for its tenants and continued positive progress towards their target of **10% FCI** by end of **2026**.

The FCI at the end of 2023 was **13.5%** - exceeding the **14.5%** forecast that was set out in the original 2017 plan.

Without investment, the capital renewal needs for TCHC are projected to increase to \$3.74B by 2032.

2023 Executive Summary

Description	2017	2018	2019	2020	2021	2022	2023	Trend
Backlog Capital Spend (\$)	\$ 220.0	\$ 264.7	\$ 249.0	\$ 305.0	\$ 243.8	\$ 237.9	\$ 235.5	
Total Capital Spend (\$)	\$ 250.0	\$ 300.0	\$ 313.0	\$ 367.0	\$ 342.3	\$ 350.9	\$ 369.9	
Planned (% of Total)	88.0%	88.2%	79.6%	83.1%	71.2%	67.8%	63.7%	
Cumulative Backlog Capital Spend (\$)	\$ 220.0	\$ 484.7	\$ 733.7	\$ 1,038.7	\$ 1,282.5	\$ 1,520.4	\$ 1,755.9	
Cumulative Total Capital Spend (\$)	\$ 250.0	\$ 550.0	\$ 863.0	\$ 1,230.0	\$ 1,572.3	\$ 1,923.2	\$ 2,293.1	
Planned (Cumulative % of Total)	88.0%	88.1%	85.0%	84.4%	81.6%	79.1%	76.6%	

Key Insights:

1. From 2017 - 2020, TCHC successfully allocated over 80% of it's Capital Renewal budget to Planned Capital (Backlog).
2. Since 2021, there has been an increasing trend towards Demand (Non-Backlog) allocations.
3. In 2022, the cumulative allocation of Capital Renewal budget to Planned Capital dipped below 80% and continues to trend lower.

Capital Renewal Threshold

- Many organizations establish a minimum cost and useful-life based threshold to avoid the cost of capitalizing immaterial items.
- **Canada Housing Comparison:**
 - **Toronto Community Housing: \$1,500**
 - **CMHC \$5,000**
 - **BC Housing \$10,000**
 - **City of Ottawa \$10,000**
- Capital investments made on components with a low replacement cost value have little to no impact on FCI.

FCI Context

- The facility condition index (FCI) is an industry standard to measure the condition of buildings and physical infrastructure (renewal needs / replacement value).
- TCHC's target FCI value is a 10% portfolio average by the end of 2026. ('Fair/Reasonable' condition).
- A 'Fair/Reasonable' FCI rating is achieved when the unfunded liability for the asset(s) is approximately 10% of the current asset(s) replacement value (CRV).

FCI Levels
Good (0% to 5%) <i>Considered near perfect conditions</i>
Fair (6% to 10%) <i>Considered in reasonable condition</i>
Poor (11% to 30%) <i>Increased risk of component failure, increased O&M costs, and negative impact on residents</i>
Critical (Over 30%)

FCI Analysis – Housing Industry

Data Source	Average Age	Current FCI	5-Year FCI (Unfunded)	10 Year FCI (Unfunded)
TCHC (Capital Program)	59	13.49%	19.99%	28.92%
Canadian Housing Clients	48	11.86%	19.69%	28.12%
US Housing Clients	68	18.25%	24.75%	35.04%
All Housing Clients	50	12.5%	20.10%	28.75%
All Ameresco Clients		16%		37.7%

Key Insights:

- TCHC's portfolio is 11 years older than other CDN housing providers within the AssetPlanner® database
- Historically, until 2017, TCHC's portfolio was underfunded compared to industry standards (i.e., <2% of Current Replacement Value per Year)
- The 5-Year and 10-Year unfunded FCI projections highlight that TCHC's portfolio is catching up; this is a strong indicator that the 10-Year CFP is having a positive impact on the capital renewal need within the portfolio.

FCI Analysis – All Sectors

- [City of Toronto Corporate Asset Management Plan 2024:](#)
Corporate Real Estate facilities Poor (10-30%) to Very Poor (>30% FCI).
- [University of Toronto:](#)
Deferred Renewal Backlog at 18.8% FCI (2023 Report)
- [Infrastructure Ontario 2017 Report:](#)
Average FCI 19.22% (3-5 Year FCI)
Includes Hospitals, Schools, College/University, Gov & Admin, Tourism
- **Ameresco Clients (all sectors):**
16.5% FCI in 2024 and 37.7% in 10-Years
Includes K-12, Higher Ed, Housing, Municipal and Government, Commercial

Summary

- TCHC continues to make progress by lowering its portfolio FCI and enhancing the Quality of Resident Life.
- Recent years have seen a trend towards non-backlog capital allocations (demand); continued focus on Capital Renewal Backlog (planned) is required to maximize impact on FCI in the coming years.
- Consider adjusting policy to increase the Capital Renewal Threshold from \$1.5k to \$10k; enhancing the impact of capital on FCI.
- Ensuring that the BCA program remains a priority so that capital needs are validated and aligned with tactical priorities.

Thank You!

Ameresco Asset

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