4.2 PRESENTATIONS – WHISTLER 2020 DEVELOPMENT CORP. CHEAKAMUS CROSSING LOT 2 DEVELOPMENT PLAN

REGULAR COUNCIL – JANUARY 24, 2023

Whistler 2020 Development Corporation

Lot 2 Project Plan (Rev #1)

January 17, 2023

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1. Background

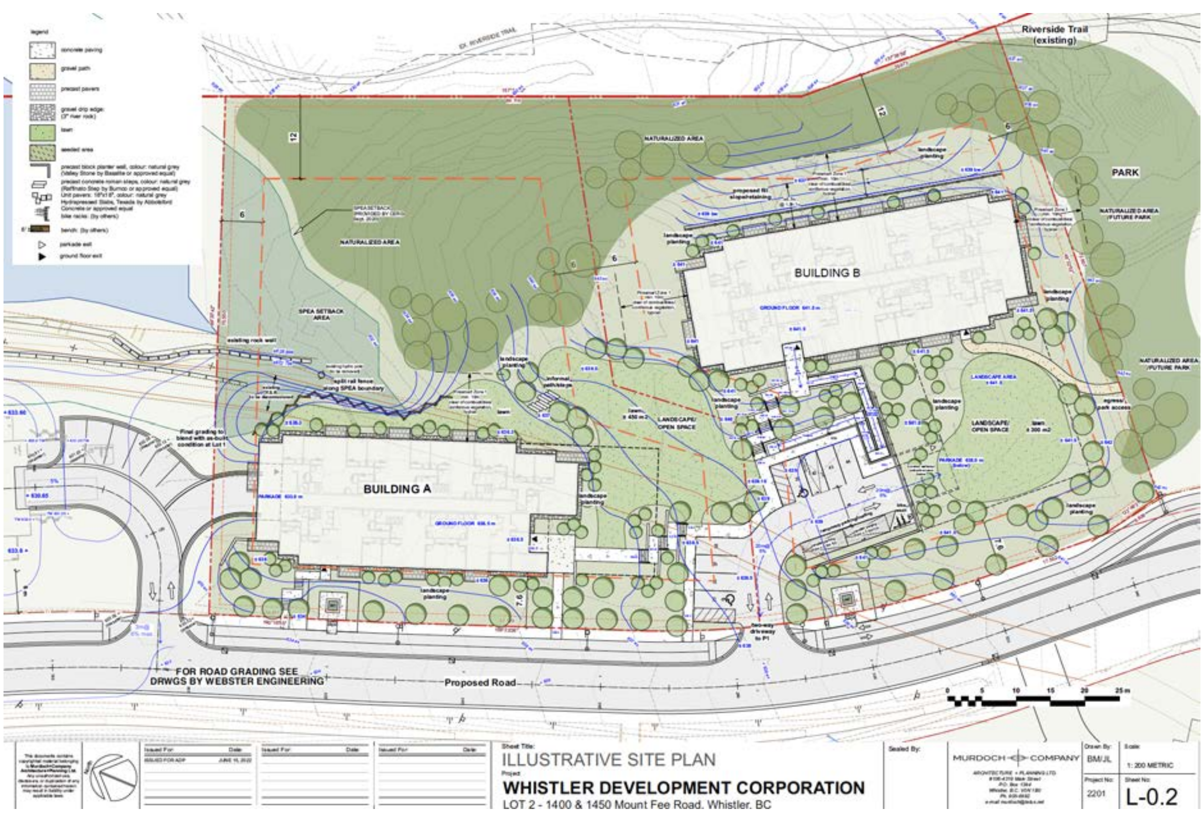
Lot 2 was zoned in 2020 for two three story apartment buildings with a site Gross Floor Area (GFA) of 4,900 sq.m and a maximum Floor Space Ratio (FSR) of 0.50. Approval to proceed with clearing, preliminary site grading and architectural design was obtained as part of the Parcel A Project Plan Update to RMOW Council in January 2022. The Project Plan was approved by the WDC Board on June 23, 2022. In August 2022, a Project Plan Update was prepared and shared with the RMOW in advance of WDC's Project Update to Municipal Council on September 6, 2022. An updated Lot 2 Project Plan was contemplated in the original Plan and this document represents that planned amendment. A Letter of Intent (LOI) was also signed with the Whistler Valley Housing Society (WVHS) for the purchase of one of the two rental buildings. The capacity for WVHS to buy an entire building is in question at the current time, and other options, including purchasing individual units (strata titled) in the first or second building is being explored. Preliminary building designs have been completed and were presented to the Advisory Design Panel on June 15, 2022. A DP submission for the first building has been submitted and will be considered further by the Design Panel in February 2023. The Whistler Housing Authority (WHA) is also doing a feasibility study to understand if it has the capacity to finance and own one of the rental buildings.

For ease of comparison please note that Lot 1 (Buildings 1A & 1B) will be completed and fully occupied by March 31 this year. Lot 2 (Buildings 2A & 2B) are the subject of this report. Any references to "Phase 2" are in respect of the Subdivision Plan creating Lots 1-6, registered in September 2021. (Plan below, previously referred to as parcels A, B/C, D1, D2 etc. during the rezoning process)

2. Project Summary (as of January 2023)

Lot 2 is a two-building rental development. Building 2A is proposed to contain 30 units with a gross floor area of 22,134 sq.ft, whereas Building 2B will house 48 units (up from 36 units in the original Project Plan by virtue of adding a 4th floor) and contain 34,345 sq.ft. The buildings will be constructed over separate one-story parking structures. A decision to enlarge Building 2B to include a 4th story was taken in September and WDC is working with RMOW staff to process the required zoning amendment. Both buildings offer a range of unit types that appeal to a wide variety of households. The unit designs are influenced by feedback from recent WHA buildings and the WDC Planning & Development Committee, as well as affordability parameters, and are generally slightly more compact than the 'for sale' units built on Lot 1.

Most recent conversations with the Whistler Valley Housing Society and the Whistler Housing Authority have concluded that traditional methods of funding rental buildings is challenging in the current economic climate and interest rate increases since March have only compounded that challenge.



Lot 2, Site Plan as at June 2022

Both building sites on Lot 2 have all underground services stubbed to the property line, ready for construction. In 2022 WDC also completed all bulk blasting and excavation for both buildings. Detailed excavation, structural fill (2B) and foundation preparation will continue through the winter to ensure at least Building 2A is ready for construction by March 2023. The site has generally been prepared for site offices, sub-trade site offices, construction power and crane pad preparation.

Lot 2 Building B Foundation Blasting & Grading

3. Lot 2 (Affordable Rental Housing)

Budget, Building 2A

At present, both the WVHS and WHA are seeking financing options with lenders to determine if either of the buildings are financially viable. WDC is also exploring both construction funding and permanent financing opportunities. Thus, the Project Plan for Lot 2 provides an updated budget for Building 2A (with the Building 2B to be lower on a per square foot basis due to a lower incremental cost for the 4th floor, and higher site density) and provides options for WDC to proceed with either building and theoretically both buildings if for some reason neither the WVHS nor WHA choose to proceed. The budgets for the Lot 2 buildings will follow a similar cost structure to budgets for the Lot 1 Buildings A & B that are now substantially complete. Included are hard construction costs, consulting fees, permit and related soft costs, insurance, financing fees, interest expense, construction management costs and contingencies. Off-site and On-Site land development and servicing costs are allocated to Lot 1 and were budgeted separately from construction costs.

At this time, it remains somewhat challenging to estimate with certainty the cost of the Lot 2 buildings due to continued material supply challenges and inflationary pressures. This challenge is not unique to Whistler. A recent survey of CHBA (Canadian Home Builders Association) members confirmed this is a universal challenge in Canada due to interest rates, lack of qualified labour, increased regulatory demands and continuing supply and pricing challenges.

On a positive note, the two building designs are now complete, including full consultant design, specification, material take-offs and issued for tender (IFT) drawing sets. WDC anticipates some of the extreme swings in pricing relating to lumber, engineered wood products, steel, glazing …etc will have stabilized by mid-late 2023 and is therefore budgeting for approximately 15-18% over the Lot 1 buildings, or $423 per sq.ft of gross floor area (GFA) and $465 per sq.ft of net rentable area (NRA), prior to contingency. Off-site and on-site land development and servicing costs to deliver the Lot 2A site are estimated at $1.36M.

The current Building 1A & 1B construction budget is presented in Table 3.1 for comparison purposes and summarizes 140 specific budget categories in 22 divisions.

Lot 1 Construction Budget, Dec 2022 Division			Net Rentable 78,943		GFA Gross 90,498
General Requirements	$	1,853,211	$ 23.48	$	20.48
Site Works	$	2,603,897	$ 32.98	$	28.77
Concrete	$	4,203,021	$ 53.24	$	46.44
Masonry	$	233,990	$ 2.96	$	2.59
Steel	$	522,304	$ 6.62	$	5.77
Wood and Plastics	$	5,000,901	$ 63.35	$	55.26
Thermal and Moisture	$	3,001,966	$ 38.03	$	33.17
Doors and Windows	$	1,120,978	$ 14.20	$	12.39
Finishes	$	3,549,275	$ 44.96	$	39.22
Specialties	$	43,425	$ 0.55	$	0.48
Equipment	$	408,957	$ 5.18	$	4.52
Furnishings	$	233,997	$ 2.96	$	2.59
Special Construction	$	41,272	$ 0.52	$	0.46
Conveying Systems	$	450,875	$ 5.71	$	4.98
Mechanical	$	3,691,391	$ 46.76	$	40.79
Electrical	$	2,464,455	$ 31.22	$	27.23
Management Fees	$	1,063,034	$ 13.47	$	11.75
Consultants	$	634,295	$ 8.03	$	7.01
Soft Costs	$	1,667,352	$ 21.12	$	18.42
Sub Total (excl GST)	$	32,788,595	$ 415.35	$	362.31
Contingency (Reduced)	$	750,000	$ 9.50	$	8.29
TOTAL	**$**	**33,538,595**	**$ 424.85**	**$**	**370.60**

Table 3.1, Lot 1 Construction Budget, December 2022 (w/reduced contingency)

WHA "Rental" waitlist & non-WHA rental demand

The WHA rental waitlist continues to grow as the economy improves and employees return to Whistler. It is also generally accepted that some % of the workforce have been displaced from market suites because of current (market) rental rates or owners' preference to use their properties personally. This is adding to demand for affordable and secure rental housing.

Over the last couple of years, the WHA has successfully introduced Arcori, a new management and waitlist software package, that provides up to date summaries of qualified rental applicants. In addition, the application process provides more information about an applicant's household, housing need and gross income. The household income is critical to the rental rate that an applicant/tenant can afford, based on the WHA Rent Geared to Income (RGI) rental policy.

The current waitlist is predominately made up of single employee households followed by couples. Table 3.2 below provides an indicative summary of recent application numbers, and median household incomes. The table also calculates what the average household income can pay in rent ($/SqFt net rentable area) for several unit types. The plans for Lot 2A include 1 Bedroom and 2 Bedroom units and 2B is proposed to include Studios, 1 Bedroom and 2 Bedroom units. As is discussed in the assumptions section, WDC is proposing rents of $3.00/sq.ft to $3.25/sq.ft for financial planning purposes. This is the minimum economic rent that the project needs to meet or exceed, albeit with very significant equity (cash) from available sources, estimated at $5-6 million for Lot 2A alone! With the exception of couples without dependents, Table 3.2 suggests many households cannot afford rents of $3.00+/sq.ft to support new development, without substantial subsidy.

			Average Household	RGI, 30% Hhld Income		Rental rate per SqFt based on RGI formula			
						Studio, SqFt	1 Bdrm SqFt	2 Bdrm SqFt	3 Bdrm SqFt
WHA Rental Waitlist	**#**	**%**	**Income**	**Rent/Yr**	**Rent/Mth**	**420**	**577**	**825**	**1,050**
Single person households	294	60%	$ 47,500	$ 14,250	$ 1,188	$ 2.83			
Couples, no dependents	114	23%	$ 82,500	$ 24,750	$ 2,063	$ 4.91	$ 3.57		
Two-Parent Household	49	10%	$ 88,000	$ 26,400	$ 2,200			$ 2.67	$ 2.10
Single Parent Household	21	4%	$ 43,000	$ 12,900	$ 1,075			$ 1.30	$ 1.02
Group of unrelated adults	8	2%	$ 66,500	$ 19,950	$ 1,663			$ 2.02	$ 1.58
Total number households	**486**	100%							

Table 3.2, Generalized WHA Rental Waitlist Summary, December 2022

By contrast, existing WHA rental rates range between a minimum rent of $1.50/sq.ft, to a maximum of over $4.00/sq.ft. The rate varies based on the age of project, unit size, parking, storage and other features. The upper limit of rents was developed a number of years ago to ensure WHA rents were competitive and generally below competing market rates and were tiered based on an occupants' household income and ability to pay a fair rate for secure housing. Since that time competing market rents have increased substantially, and worse, availability has declined. It should be noted that the last four WHA rental buildings have substantially increased in quality, energy performance, livability and access to secure underground parking. These features are not necessarily offered in competing market options such as basement suites or non-WHA staff housing.

In addition to the WHA rental waitlist, there are other employees who are competing for housing, such as seasonal and temporary foreign workers, who are not Permanent Residents of Canada and do not qualify for WHA rentals. A recent meeting with representatives of the major hotels suggested the tourism sector is missing hundreds, if not thousands, of workers. A similar message is also coming from the Whistler Chamber of Commerce, service industries, institutions and the construction sector. Housing is one of factors contributing to the problem. WDC understands that many businesses expect to subsidize rent to secure long-term leases for their employees, and the housing secured and supplied typically involves shared accommodation. Examples of businesses subsidizing rents to secure employee housing demonstrates that there are other factors to considering rental rates that are not based on occupant incomes alone. WDC recognizes more work needs to be done to understand the potential of developing new housing products to finance future non-WHA rentals.

In the context of a Resort that requires somewhere between 14,000 and 16,000 employees at peak times, the existing WHA rental waitlist represents less than 5% of the workforce currently residing in Whistler. Of that, 25%-30% of the waitlist is currently accommodated in WHA or employer supplied housing. Also, what WDC does not know is outside of the WHA rental waitlist and businesses, what can independent employees afford for rent, and what type of housing needs to be considered to replace any loss in market housing? Clearly, employee housing demand is far greater that represented by the WHA rental waitlist, and the solutions to addressing the housing crisis go beyond traditional solutions to providing appropriate accommodation to specific user groups.

Lastly, and critical to Whistler's well-being, many essential service employees (RCMP, medical and mental health staff, educators & day-care workers) cannot be assured housing via the current waitlist timelines to meet their personal or family needs. Without some form of subsidy it is becoming ever more challenging to retain and attract employees to these critical jobs. Again, the historic approach to housing employees does not adequately address this dilemma.

In summary there is no shortage of potential tenants for rental units on Lot 2. The challenge is to finance the project in such a way that the rental rates are as affordable as possible to the array of potential tenants.

Financing

Financing for construction of either or both of Buildings 2A & 2B would be a combination of equity (cash, grants, etc.) and third-party debt from either a conventional lender (e.g. RBC) or a CMHC insured loan. While no applications have been made as of yet, preliminary discussion with lenders has given WDC a reasonable idea of rates, terms, etc. to be expected. RBC provided the first two loans to WDC in 2021 and 2022 and have indicated a strong willingness to consider future loans with WDC. Unlike the buildings on Lot 1 which were "for sale" or ownership, Buildings 2A & 2B are rental so both construction and permanent financing on completion will be required. Looking ahead, WDC is in a much stronger position from a financing point of view than a year ago and it now has a strong balance sheet, a track record of being able to build on time and on budget, and through the "Housing Reserve", access to equity or "seed money" as required. Notwithstanding, the increase in interest rates from March 2022 until the present of over 4 percentage points will make financing very challenging and will have the dual impact of increasing interest costs but also reducing the amount of construction funding available for each building, thereby increasing the equity that will need to be invested.

The anticipated reserve fund balance is limited and must be managed carefully in order to optimize its impact on affordable housing projects. To be most effective, each successive project needs to use as much equity (capital) as reasonably possible at the outset to minimize interest on construction financing and then repatriate equity at completion (by way of maximizing permanent mortgage financing) to fund future projects. In the case of Buildings 2A and 2B, it is expected that 2A will deploy $5-6 M of reserve funds and 2B will require $8-9 M of the projected $15 M available from the affordable housing reserve.

4. Lot 2 Assumptions and Proforma

Table 4.0 summarizes the parameters for delivering Building 2A on Lot 2. Buildings 2A and 2B are somewhat similar in size and scale and only vary slightly in unit mix, therefore only one building is used for demonstration purposes to identify the relationship between construction cost, rental rates, income, interest rate assumptions and equity requirements. Building 2B, when rezoned, will have a higher site density and therefore a lower cost per Sq.Ft for common development and land value allocation. Compounded by the higher construction efficiency, WDC expects to deliver Building 2B at approximately 5% less than Building 2A.

PROJECT Building 2A, 1400 Mt Fee Rd, Cheakamus Crossing

LOCATION 1400 Mount Fee Road, Cheakamus Crossing, Whistler

SITE AREA, SqM	4,950	INTERIM FINANCING	5.50%
(Less SPEA)	(600)	LAND HOLD TIME	0 Months
Net Land Area for FSR Calculation	4,350	CONSTRUCTION TIME	18 Months
FSR, Zoning	0.50		
GROSS BUILDING AREA, SqM, Zoning	2,175		
NUMBER OF UNITS	30		

DEVELOPMENT COST SUMMARY

Land Cost	$ 1,245,110	(incl. on & off-site servicing)
Total DCC	$ 135,239	
Total Construction Hard Cost	$ 9,812,002	
Total Soft Cost	$ 509,082	
Total Development Overhead	$ 206,422	
Total Finance	$ 275,000	
GST	$ 526,375	
TOTAL DEVELOPMENT COST	$ 12,709,230	

RENTAL RATES, GROSS INCOME, Excluding misc income from laundry, parking etc

Unit Type	# Units	Sq.ft/ Unit	Net Sq.Ft Rented	$/SqFt Rents *	Proposed Rents/Unit	Gross $ Mthly Rent	Gross Annual $ Income **
1 Bedroom	18	577	10,386	$ 3.25	$ 1,875	$ 33,755	$ 405,054
2 Bed	3	840	2,520	$ 3.00	$ 2,520	$ 7,560	$ 90,720
2 Bed Cnr	9	802.7	7,224	$ 3.25	$ 2,609	$ 23,479	$ 281,748
	30		20,130			$ 64,793	$ 777,522

* For proforma purposes only. Actual rents at completion may be higher

** Excluding additional revenue from parking, laundry & other incidentals

Table 4.0, Project overview, Building 2A

The summary Worksheet in Table 4.1 breaks down the cost of the project, including a 10% contingency. The development and construction budget, as described above, is a conservative estimate based on actual costs of the Buildings 1A & 1B. WDC is currently working with consultants to complete the remaining design work and is using many of the same consultants as Lot 1 due to a high degree of familiarity with Whistler's bylaws, local trades, building typology and the Cheakamus Subdivision. Such expertise and existing (positive) working relationships also reduce risk.

WORK SHEET ANALYSIS				
LAND			Total	
Land Value, Historic			$ 106,822	
Land Improvements, Servicing 2021-2022			$ 980,216	
Land Improvements, Servicing 2023			$ 144,472	
Property Transfer Tax			$ 8,600	
Legal Aquisition, Land Transfer			$ 5,000	
Land Total			**$ 1,245,110**	
DEVELOPMENT COST CHARGES	Gross SqFt	$/sq. ft.		
Works & Services Charges	22,134	$ 6.11	$ 135,239	
Total DCC			**$ 135,239**	**$1,380,349**
CONSTRUCTION				
Hard Cost	Gross SqFt	$/sq. ft.		
Building	22,134	$403.00	$ 8,920,002	
Site Servicing, included in Land			$ -	
Contingency	10%	$ 40.30	$ 892,000	
Total Hard Cost			**$ 9,812,002**	**$11,192,351**
Soft Costs	Gross SqFt	$/sq. ft.		
Consultants	22,134	$ 10.50	$ 232,407	
Building, DP & Plumbing Permit		$ 3.50	$ 77,469	
Other soft costs		$ 4.50	$ 99,603	
Insurance		$ 4.50	$ 99,603	
Contingency	10%	$ 2.30	$ 50,908	
Total Soft Costs			**$ 509,082**	**$ 11,701,433**
DEVELOPMENT OVERHEAD	2%		$ 206,422	
Total Development Overhead			**$ 206,422**	**$ 11,907,855**
FINANCE				
Construction loan fee + interest			$ 250,000	
Other Finance Costs (legal, cost consultant)			$ 25,000	
Total Finance			**$ 275,000**	**$ 12,182,855**
GST			**$ 526,375**	
TOTAL PROJECT COST			**$ 12,709,230**	

Table 4.1, Project budget, Building 2A, 1400 Mt Fee Rd

The rental rates and incidental revenue assumed in Table 4.2 generate gross income in excess of $800,000 per year, prior to inflation beyond year 1. The recent and aggressive increase in available mortgage rates effectively doubles the amount of equity required compared to one year ago to allow the building to break even on a cashflow basis. Table 4.2 is a preliminary cashflow and operating budget, assuming a 5.65% take-out mortgage rate.

Scenario, Building Lot 2A_30 Rental Units		Year 1
Revenue		
Rent		777,522
Vacancy Loss, 1%		(7,775)
Parking, Laundry		50,400
Total Revenue		**820,146**
Operating Expense		
Insurance		45,000
Landscaping		6,500
Professional fees, Bank Charges		3,000
Property Mft Fee, 5.0% Gross Rent		38,876
Property taxes, Utility fees		40,000
Recycling & garbage removal		15,000
Repairs and maintenance		25,000
Snow Removal		6,000
Utilities		32,500
Total Operating Expenses		**211,876**
Income for Mortgage Calculation		**608,270**
Mortgage Expense, Interest Rate (Year 1)		5.65%
Debt Interest @ 5.65%, 25 yr Am		423,750
Debt Principal @ 5.65%, 25 yr Am		143,582
Total Mortgage Expenses		**567,332**
Surplus Before CRR	**$**	**40,939**
Capital Replacement Reserve (4%)		32,806
Net Operating Cashflow	**$**	**8,133**
Mortgage Calculation from Proforma, incl DSC 1.1	**$**	**7,500,000**
Equity Required		
Project Cost (including Land & Servicing)	$	12,709,230
Less Mortgage	$	(7,500,000)
Required Equity	**$**	**5,209,230**

Table 4.2, Proforma Year 1, Building 2A, 1400 Mt Fee Rd

Ideally a partner organization will purchase the land and WDC will carry out development and construction work. Property transfer tax would be applicable to the current land value which is much less compared to a finished building. This also keeps WDC in its primary role as developer/builder and partnering organizations owning and operating rental buildings.

If WDC retained a building or buildings until such time as a partner organization was able to purchase and re-finance the assets, WDC would not be required to "purchase" the land, reducing the amount of equity required. A transfer of a building at a later date would trigger property transfer tax on a much higher valuation than the vacant (undeveloped) land. Accordingly, a later purchase by WHA or WVHS is not recommended unless the interest rates decrease significantly over the next two years when permanent financing will be required.

5. Cashflow

In all financial scenarios previously considered, any funding obtained from the RMOW and 3rd party lenders to complete the Phase 2 land development and Parcel A (Lot 1) was expected to be recovered with the sale of the remaining apartments at 1360 Mt Fee Rd, scheduled in March 2023. Progress on debt repayment is ahead of schedule as the initial RBC loan of about \$13.5M has been repaid from Lot 4 sales, and the second loan of about another \$8.9M was repaid from 1340 Mt Fee (Bldg A) apartment sales in September 2022. The historic RMOW debt amount of about \$9.7M plus accrued interest was also paid in October 2022, and the \$10M line of credit will be paid back in March/April 2023 from the apartment sales referenced above. The repayment to the RMOW of over \$19 ½ M in total will be made possible by the sale of the Lot 4 market lots with almost \$29M in gross sales and 22 of the 23 lots sold to date, with all but one of the sold lots having closed. Table 5.0 below reflects the estimated cashflow for WDC as of December 2022, without including any of the vertical construction for the Lot 2 Buildings. The budget includes completion of all civil works and public amenities, in addition to completing detailed site preparation of Lot 2 and substantial blasting on Lot 3. WDC is in a very strong financial position going forward and is now well capitalized and stable.

WDC Cashflow Forecast
Updated to Dec 31, 2022 **11-Jan-23**

	Total Forecast	Actual to Date	Remaining	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Construction Outflows										
Building A	20,387,245	19,713,365	673,880	50,000	50,000	0	43,000	0	0	0
Building B	13,948,126	10,525,151	3,422,975	784,361	518,314	373,861	139,395	-	77,942	
Development/Siteworks	13,690,000	14,101,642	(411,642)	350,000	257,500	112,500	330,000	722,500	357,500	0
G&A Costs (2022 only)	160,139	69,777	90,362	30,000	15,000					
Note: Forecasts are cashflow only and do not include allocations, eg parkade, roads										
Total Outflows	**48,185,510**	**44,409,934**	**3,775,576**	**1,214,361**	**840,814**	**486,361**	**512,395**	**722,500**	**435,442**	**0**
Inflows, Sales and Other										
Lease, net (2022 only)	47,042	28,001	19,041	4,227						
Market Lots	28,978,103	25,481,103	3,497,000				1,650,000			1,849,000
Sales Costs	(869,343)	3.00%	(869,343)	0	0	0	(49,500)			(55,470)
Building A	18,630,000	0	18,630,000							
Sales Costs	(186,300)	1.00%	(186,300)							
Building B	22,870,000	0	22,870,000			0	22,870,000			
Sales Costs	(228,700)	1.00%	(228,700)		0	0	(228,700)			
WVHS Lot 2 (part) Sale (removed)	0	0	0							
Builders Lien Holdback, 7%, Outflow	(4,804,030)		(4,804,030)	0	0	0	(1,716,400)	0	0	
Builders Lien Holdback, 7%, Inflow	4,339,860		4,339,860	1,272,950	0	0	0	0	1,716,400	
Log Sales	24,000	32,802	0							
OAP Funding (2022 to Mar 31 2023)	1,000,000	0	1,000,000	321,806			350,000			250,000
GST Rebate										
GST Collected on Sales										
Deposits		273,245								273,245
Construction Holdbacks, 10%				0	0					
Total Inflows & Other	**69,753,590**	**25,787,150**	**44,248,487**	**1,598,983**	**0**	**0**	**22,875,400**	**0**	**1,716,400**	**2,316,775**
Cash Transactions and Debt										
Opening Cash Balance				3,014,413	2,481,000	1,266,639	1,625,820	12,766,094	12,253,694	13,247,589
Prior Month Outflows					(1,214,361)	(840,814)	(486,361)	(512,395)	(722,500)	(435,442)
Current Month Inflows				1,598,983	0	0	22,875,400	0	1,716,400	2,316,775
GST on Sales				0	0	0	0	0	0	0
Current AP				(1,840,000)						
Additional monthly purchases				(300,000)						
RBC Loan Interest				0	0	(5)	(5,955)	(5)	(5)	(5)
RMOW Pre 2020 (historical)	9,436,959	9,436,959	0							
RMOW Construction LOC	10,000,000	9,850,000	150,000				(10,042,810)			
RBC Loan 1	14,407,000	13,415,787								
RBC Loan 2	14,262,000	8,938,623				1,200,000	(1,200,000)			
Ending Cash Balance				**2,473,396**	**1,266,639**	**1,625,820**	**12,766,094**	**12,253,694**	**13,247,589**	**15,128,917**

Table 5.0, WDC Cashflow as of December 31, 2022

By Spring 2023, WDC will have sufficient equity available via any operating surplus from OAP funding and the Housing Reserve to advance the development of Lot 2 through the first year of construction (2023). Table 5.1 below is a preliminary Lot 2 construction cashflow, based on the cost estimates described above and a construction start in March/April. Table 5.2 is WDC's preliminary 2023 cashflow to be discussed at WDC's Audit & Finance Committee Meeting on January 19, in advance of the February Board Meeting and budget approval.

WDC and its potential partners have the remainder of 2023 and most of 2024 to explore preferred long-term financing through traditional lenders, CMHC, BC Housing and/or a combination of these and other strategies to ensure sufficient equity and long-term debt to support the most affordable rental rates possible in the circumstances.

Alternatively, the RMOW may consider allocating additional capital from other sources to support rental housing for a specific market need, such as essential services, the tourism economy or RMOW staff transitional housing.

WDC Lot 2 2023 Construction Cashflow, based on cost estimates, December 2022.

COMBINED CASHFLOW		Jan 2023	Feb 2023	March 2023	April 2023	May 2023	June 2023	July 2023	Aug 2023	Sept 2023	Oct 2023	Nov 2023	Dec 2023
LOT 2 A	10,300,000			257,500	515,000	618,000	772,500	927,000	927,000	1,030,000	1,030,000	927,000	772,500
LOT 2 B	15,250,000						610,000	762,500	915,000	1,067,500	1,220,000	1,372,500	1,525,000
	25,550,000			257,500	515,000	618,000	1,382,500	1,689,500	1,842,000	2,097,500	2,250,000	2,299,500	2,297,500
				Accumulated Total, $M	$ 0.77	$ 1.39	$ 2.77	$ 4.46	$ 6.30	$ 8.40	$ 10.65	$ 12.95	$ 15.25

Table 5.1, WDC Anticipated Lot 2 Construction Cashflow, 2023

WDC Cashflow Forecast
Updated to Dec 31, 2022 13-Jan-23
All values are 2023 constants

	Forecast/Actual	Actual to Date	Remaining	Unallocated	Jan-23	Feb-23	Mar-23
Construction Outflows							
Building A & B	1,970,250	-	1,970,250	(0)	800,000	600,000	300,000
Lot 2 A	10,300,000	-	10,300,000	-			257,500
Lot 2 B	15,250,000	-	15,250,000	-			
Civil/Common	1,832,500	-	1,832,500	-	257,500	112,500	330,000
G&A, Annual	147,275		147,275	-	12,273	12,273	12,273
Note: Forecasts are cashflow only and do not include allocations of civil/common							
Total Outflows					1,069,773	724,773	799,773
Inflows, Sales and Other	Forecast/Actual						
Falls Lease	45,450	Annual			3,788	3,788	3,788
OAP							275,000
Building B, sales	22,870,000						22,870,000
Building B, selling costs	(228,700)	1.00%					(228,700)
Market Lots, 3G, 15/16	3,499,000						
Market Lots, selling costs	(104,970)	3.00%					
Builders Lien Holdback		7.00%					(1,600,900)
Contract Holdbacks	(1,657,800)						(400,000)
Total Inflows & Other					3,788	3,788	20,919,188
Cash Transactions and Debt							
Opening Cash Balance					2,481,000	1,270,426	204,441
Prior Month Outflows					(1,214,361)	(1,069,773)	(724,773)
Current Month Inflows					3,788	3,788	20,919,188
GST on Sales					0	0	0
Current AP							
Additional monthly purchases							
RBC Loan Interest					0	0	0
BMOW Construction LOC							
RBC Line of Credit							
RBC Mortgage, Lot 2A							
RBC Mortgage, Lot 2B							
Transfer from other account							
Transfer (to) from investment							
Ending Cash Balance					1,270,426	204,441	20,398,856

Table 5.2, WDC Preliminary 2023 Cashflow (not yet reviewed by A&F, or WDC Board)

6. Beyond Lot 2, Lots 3 & 5

WDC is very aware of the community's desperate need for additional housing, and Council's desire to facilitate all viable options. As noted above, WDC has nearly completed all site work on Lot 2. In 2022, WDC also completed 80% of Lot 3 blasting, based on preliminary plans for 48 townhouse units as presented to the Advisory Design Panel in June 2022. Approximately half of the blasted rock has been used on completing all the underground servicing and roads within the subdivision, and structural fills required for the Lot 4 market lots (River Run). WDC intends to continue minor retaining and grading on Lot 3 in 2023, including using suitable material to backfill the Lot 2 foundations and underground parking structures as required.

WDC has made applications to rezone Lot 2B and Lot 3 to increase density, by adding a 4th floor. The rezoning for Lot 3 proposes the additional GFA to be accommodated on the northern portion of Lot 3, immediately to the east and behind the future park, and away from the lower density single family and duplex River Run neighbourhood. The rationale for the additional density is described above with respect to Building 2B with lower site development costs per SqFt and other construction efficiencies as well as minimal visual impact to the surrounding neighbourhood.

Lot 3, 1600 Mt Fee Road, Rezoning Application Image w/added density

In November 2022 WDC received a Development Permit to partially clear Lot 5 (1475 Mt Fee Road) to provide supporting laydown, storage and parking areas lost due to the development of Lot 2. Lot 5 is zoned for rental apartments and is anticipated to be a future WHA or WDC asset. Given the current mortgage challenge to new home purchasers on the WHA "Ownership" waitlist, WDC anticipates Lot 5 to be the next "shovel ready" project for external Federal and Provincial funding opportunities. If the WDC Board and Council is in agreement, the rough timeline below (Table 6.0) would suggest, subject to financing, that a foundation on Lot 5 could be contemplated in the spring of 2024 with building completion in the fall/winter of 2025. The WHA has indicated previously that by 2025, one of its existing loans will be paid off and combined with a healthy cashflow, will be in a stronger financial position to undertake another large investment. WDC anticipates working with the WHA in 2023 to explore the feasibility of Lot 5 and specifically the ideal unit mix based not only on the rental waitlist but other projects and locations that best suit the household types represented on the waitlist.

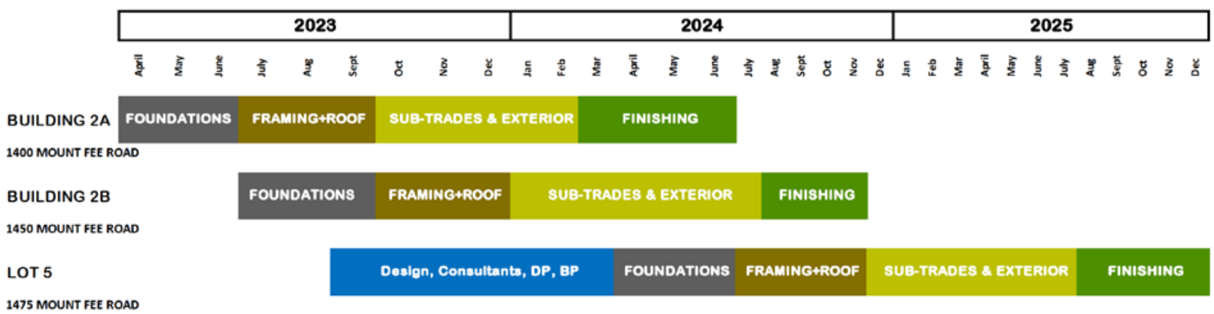


Table 6.0 Lot 5, Preliminary timeline, relative to the development of Lot 2

Assuming inflation and labour challenges will continue through 2025 an early estimate of the Lot 5 project cost, including land and site servicing and maximizing the allowable GFA (66,000 SqFt) would be in the vicinity of $32,000,000 and generate in the order of 90 rental units. WDC has budgeted consulting fees to advance the design in partnership with the WHA in 2023.

7. Conclusion & Recommendation

WDC intends to proceed with two rental buildings on Lot 2. WDC continues to have conversations with WVHS and the WHA regarding long-term investments in rental housing. At this time WDC understands that interest rate volatility is making it difficult to obtain preferential rates or long-term commitments that make rental buildings viable without significant equity contributions by those entities. Further, discussions are ongoing with lenders regarding construction financing with the required commitments expected to be in place by summer 2023 or before when additional funding commitments will be required.

The two building designs are advanced sufficiently for potential partners to make formal applications to CMHC and BC Housing for grants or lower cost financing. Following the outcome of application feedback, WDC may be able to be more certain about the sale of Buildings 2A & 2B building sites to the WVHS and/or WHA. In the meantime, WDC will continue to prepare the two building sites for construction in 2023 and continue to explore long-term ownership by WDC if the project is not viable for WVHS or WHA. If a new form of rental housing is considered, potentially to essential services and businesses, the only option to successfully finance the project (and return as much equity to the Reserve Fund as possible) will likely require a review of rental rates to address mortgage interest rates in 2024.

Currently, this amended Project Plan for Lot 2 provides the necessary information for approval by the WDC Board to proceed with Lot 2 development and the shareholder, the RMOW, to endorse proceeding forward with start of construction while continuing discussions with the WHA and WVHS with respect to purchase of one or more buildings or individual units in one or both buildings. There will be further reports to the Board when tendering is concluded, and construction budgets confirmed for both buildings although current costing is viewed as reasonably conservative and realistic and is not likely to be exceeded. It is expected that Building 2A will commence construction later in March once permits are issued and Building 2B will follow approximately two months later (upon rezoning and issuance of permits), such that both buildings can be enclosed with the exterior envelope (windows, roof, cladding) largely complete prior to winter 2023.

To achieve the timeline above WDC's Construction Manager has confirmed that windows & critical pre-cast concrete components need to be ordered in January 2023, followed closely by elevator shop drawings and appliance procurement in February 2023. Delays in enclosing Building 2A and getting a roof on Building 2B would likely result in significant additional costs, as were incurred on Building 1B due to the winter conditions experienced in December 2021. In addition to the $175,000 approximate extra cost, the project required high intensity propane heaters to keep the project moving and protect the work done to date.

In conclusion, there is no question that the construction of affordable housing continues to be very challenging in terms of escalating costs related to both construction and financing. It is unquestionable that some people will find the rents beyond their means, especially at the 30% RGI threshold. The issue is that these projects are being built 'at cost' and without significant additional subsidy, no building will occur which will make the problem even more acute. The fact remains, however, that the demand for both rental and ownership housing outstrips supply by a wide margin and the need to continue to build, despite adverse circumstances, is unquestionable. Housing for employees remains the #1 issue for the community and Municipal Council and WDC is well equipped to carry out the mandate on an ongoing basis. Continued support from staff and Municipal Council, in terms of endorsing this amended Project Plan, is an essential component of fulfilling the mandate and a sense of urgency is required as it is evident that overall costs are not likely to decrease, with a flattening of the cost curve perhaps the 'best case' scenario.

Action Required: That the Lot 2 Project Plan, as updated, be endorsed by the RMOW Council at the earliest opportunity.