

BANFF
HOUSING
CORPORATION

Presented to: BHCS
Date: May 9th 2011
File: 3.1

To: BHC Shareholder (BHCS)
From: BHC Board
Date: May 9th 2011
Re: BHC Administration Fees

NOTE: Given the potential conflict of interest for Homeowner Board Members in discussing admin fees, the Board engaged the Town's legal counsel for an opinion and were advised that as a BHC homeowner they would be considered in conflict with respect to the Board's consideration of BHC administration fees. Based on this, Board members Baxter/Hopkins/Snowsell chose not to attend the March 25th meeting with an understanding that the attending Board members would not transact any business other than 'Admin Fees'.

ISSUE: Per the action plan to the BHC shareholder (January 24th 2011) and the BHC's 2011 Business Plan, the Board has committed to returning to the shareholder with a report specific to administration fees by April 30th 2011. This report is required as a function of the shareholder motion BHCS10-21 which was a result of the working group's recommendations through the BHC mandate review.

BHC Shareholder motion BHCS10-21

BHCS10-21 Moved by Mayor Stutz to adopt the following consensus recommendation: Prior to any further consideration of increasing homeowner administration fees, the working group recommends that the Shareholder direct that, based on the forecasted operating costs of the Banff Housing Corporation, effort be made to estimate the relative costs (taking into account the level of various tasks) of providing:

- 1) Administration of existing homes
- 2) User-pay functions, and
- 3) Community housing plans, policies and initiatives

And that

- 1) Homeowner administration fees (with the maximum noted in 3(b) of the sublease)
- 2) User pay fees, and
- 3) A grant from the Town

Be calibrated accordingly. The working group further recommends that any changes to existing fees arising from the calculations go through the public process that we've established, as outlined in the resale process recommendation.

Resale Process – Public input

Public policy as it affects the re-sale of Banff Housing Corporation properties will be established by the Shareholder through a public process requiring public notification via media, door-drops to all Banff Housing Corporation homeowners and a minimum of at least one public hearing

Administration Fees

The BHC has a homeownership portfolio of one hundred and eighty three (183) units and each homeowner (sub-lessee) has a leasehold interest in the property through a sublease agreement. The term of the sublease agreement is slightly less than the forty- two (42) year head lease the BHC has with Parks Canada for the same parcel of land.

Article 3b of the Sublease agreement (Attachment 1) indicates that, if required, the BHC can charge an annual administration fee in “an amount determined by the Corporation from time to time”. This fee is not to exceed twenty five cents per square foot of gross floor area, a definition of gross floor area is provided in the same Article. (**Note:** The subleases for the ten (10) Peyto Place units’ state “TWENTY- FIVE (25) cents per square foot of floor area, or \$250, whichever is greater” and a definition of floor area is provided in the same Article).

Article 3:

ARTICLE 3 – CONSIDERATION

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- a. The Sub-Lessee shall, in consideration of and for the grant of this Sublease, upon execution of this agreement, pay to the Corporation the Corporation’s total cost of the Lands as specified in **Schedule “B”** hereto, which the Sub-Lessee accepts and agrees to be correct.
- b. If required by the Corporation, the Sub-Lessee shall also pay during the Term of this Sublease to the Corporation, at the office of the Corporation, on or before SEPTEMBER 15TH in each and every year of the Term, an Annual Administration Fee being an amount determined by the Corporation from time to time, having reference to the actual costs of administration to this development, not to exceed TWENTY-FIVE (25) CENTS per square foot of gross floor area. Gross floor area mean the total floor area of the building or structure with a clear ceiling height of 1.8 metres or more, contained within the outside of the exterior and basement walls or glazing line of windows, but excluding parking areas located below grade and floor areas devoted exclusively to mechanical or electrical equipment servicing the development.
- c. In the event that the Sub-Lessee fails to make the payment referred to in **Article 3(B)** herein when due, without limiting any remedies the Corporation may have for such default, the Sub-Lessee shall pay interest on such arrears at the rate per annum equal to the Bank of Canada prime rate of interest as announced from time to time, plus ONE (1%) PERCENT from the date any such amount is due until paid.

These are the functions related to the administration of the existing portfolio

The functions related to administering the existing BHC portfolio include: point of contact specific to housing related issues for the existing BHC portfolio; address questions/concerns of BHC homeowners vis a vis the sublease agreement ; attend, write reports and provide information for BHC Board meetings (most items related to existing BHC homeownership portfolio); prepare agendas and minutes for Board meetings; advise BHC Board on policies and activities of BHC; develop financial plan for BHC Board approval; financial monitoring and reconciliation of BHC operations; invoicing and deposit of payment for annual administration fees; know and interpret BHC sublease agreements; organize and facilitate public meetings related to the existing portfolio and notifications of such.

This is the level of position at which those functions could be carried out

The Board of the BHC believes that an individual who could fill a clerical position with financial acumen and report preparation abilities would be able to complete the functions outlined above. The Board estimates that the full time staffing costs of this position would be \$52,200 (rounded) as follows:

Staffing	Salary	Benefits	Total cost
Full Time Employee (FTE)	\$45,000	\$7,200	\$52,200

This is the percentage of the full time employee's (FTE) time at that level required to carry out those functions

The Board believes that it would take sixty percent (60%) of the FTE's time to complete the functions associated with the management of the existing BHC portfolio.

This the total cost

In addition to the staffing costs other annual on-going costs that the BHC would incur associated with the management of the existing BHC portfolio include: legal; insurance; audit; office supplies/printage/postage; telephone. The Board estimates that, not including an annual increase for inflation, the total cost to administer the existing BHC portfolio is currently \$45,020 (rounded):

Employee costs	Salary	Benefits	Total cost
Full time employee (FTE)	\$45,000	\$7,200	\$52,200
60% of FTE	\$27,000	\$4,320	\$31,320
Operating Costs			
Legal			\$ 5,000
Insurance			\$ 4,000
Audit			\$ 3,000
Office supplies/printing/postage			\$ 1,200
Telephone			\$ 500
Total Costs			\$45,020

This is the cost per unit

Given that the BHC currently has 183 units within its homeownership portfolio, the current estimated cost per unit is \$246 (rounded) (\$45,020/183).

The phase-in recommendation

The current estimated cost to administer the existing BHC portfolio (2011:\$246/unit) does not account for an annual inflationary increase. For the sake of discussion if the Board were to use the Bank of Canada's historic target for inflation of two percent (2%) per annum, that would mean that in 2012 the costs of administering the existing BHC portfolio would increase from \$246/unit to \$251/unit (rounded (\$246*1.02)).

The phase-in recommendation (continued)

The BHC Board recommends that an increase to the annual administration fee be phased in over two years, therefore the 2011 administration fee would be \$165 +GST (\$173.25) and the 2012 administration fee would be \$250+GST (\$262.50). The Board further recommends that administration fee invoices be: personalized; due December 31st of the year invoiced; and that all late payments (i.e. after December 31st of the year invoiced) will be subject to a \$30 administrative penalty plus interest on all outstanding amounts per Article 3c of the sublease agreement.