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Capital Replacement Planning

Calculate how much to set aside in annual reserves for future repair and replacement needs.

A capital replacement plan lists all the major building components, such as windows, doors, siding, roofs, heating systems, and flooring, and provides an estimate for the remaining useful life of the components, and their replacement cost. With this information, an organization can calculate how much to set aside in annual reserves to meet future repair and replacement needs.

A capital replacement plan is not a maintenance plan. A maintenance plan is also a useful tool, but it focuses on yearly maintenance items, such as painting, cleaning, minor building repairs and upkeep, rather than on the replacement or repair of major building components.

Free CRP Planning Tools

If you are looking to prepare a capital replacement plan, CMHC can help.

Get our Free CRP Manual (PDF)

The manual will be useful to all housing providers who are undertaking capital replacement planning. The manual can be used as a stand-alone document or in conjunction with CRPS and the CRP-Simplified Spreadsheet.

Why Make a Capital Replacement Plan?

Planning for major repairs and replacements is a housing management best practice, and there are a number of benefits, such as:

Fewer surprises

A building has many items that will inevitably need to be replaced. Without a plan, housing organizations risk being caught by surprise that something needs to be replaced immediately – and if the capital cost has not been budgeted for, borrowing costs would be incurred. A capital replacement plan helps to avoid such surprises by accurately forecasting what repairs or replacements will be needed and when.

Cost savings

Having a capital replacement plan in place will improve the financial viability of a housing project. Some of the financial advantages of planning ahead include:

- more time for a tendering process, resulting in better quotes and lower prices;
- reduced borrowing costs due to planned annual savings that allow an organization to pay for the repair out of the reserve completely or with a smaller loan; it may also be possible to earn interest income by investing the annual savings; and
- lower maintenance costs due to having building components replaced before they fail; also, newer building components generally require less maintenance.

Better marketability

Older windows, roofs and floors can make it harder to rent units, resulting in higher vacancies and turnover rates, and less revenue for capital improvements. With a capital replacement plan in place, the housing project can use a methodical and financially controlled approach, resulting in fewer vacancies, lower turnover, and less negative feedback from tenants about any possible increases in housing charges.