

Advice to Section 95 co-ops: Don't Keep Your Housing Charges Too Low

Many Section 95 co-ops are making their best efforts to manage their income-tested assistance – the subsidy they get to help low-income households with their housing charges. Subsidy is scarce because of low mortgage interest rates and the way subsidy has been calculated over the years. So Section 95 co-ops are doing their best to use what they have wisely.

But some co-ops are keeping their housing charges lower than they should, thinking this helps them cope with subsidy shortages. The short answer? **It doesn't help. Not one bit.** In the box below, we give you a simple example to show you why that's true. The fact is, **A co-op with higher housing charges will have more money than a co-op with lower housing charges.** It's that simple. More money to pay the bills, more money for running and maintaining the co-op, more money to put into the replacement reserves. You don't even have to charge your income tested members more. You'll still be better off.

So raise your housing charges if you need to. It can only help your co-op.

(see next page for example)

Here's a very simple example that shows why a co-op is better off with a housing charge increase, even if it has no more subsidy to spare.

Imagine a two-unit housing co-op. This is what we know about its housing charges:

- The full market housing charge is \$800 each month.
- One household, Unit A, is paying the full housing charge.
- The other household, Unit B, is paying a reduced charge, based on household income. Let's say it is paying \$400 a month. The other \$400 is coming from subsidy. That's all the subsidy the co-op has.
- So our two unit co-op is earning \$800 from each unit, \$1,600 a month in total from housing revenue. \$1,200 is coming from the member's payments and \$400 is coming from subsidy.

So what happens if the co-op increases the market housing charge to \$900?

- Unit A, the household paying the full housing charge, now pays \$900
- Unit B, the household paying the reduced housing charge, still pays \$400.
- \$400 still comes from subsidy (remember, that's all the co-op is getting).

Now our two-unit co-op is earning \$900 from Unit A, which is paying the full charge. It still collects \$800 from the subsidized Unit B, as before: \$400 from the member and the \$400 from subsidy. So the now co-op is collecting \$1,700 from housing revenue: \$1,300 from the members' payments and \$400 from subsidy.

So the co-op has more money -- \$100 more. It's true that there isn't enough subsidy to collect the new market housing charge of \$900 for Unit B. The co-op collects \$800 for this unit like it did before because it doesn't want to make the low-income household pay more. But the co-op's revenue has still increased. The table below summarizes our example.

As we said, It's very simple: keeping your housing charges low because you are short of subsidy hurts your co-op. Increasing them, to earn the money you need to run the co-op, is the right thing to do – for all the members.

	Before the housing charge increase		After the housing charge increase
The member in Unit A pays	\$ 800		\$ 900
The member in Unit B pays	400		400
This amount comes from subsidy	400		400
This is the co-op's total housing revenue	\$ 1,600		\$ 1,700