

# Subsidies in the Post-operating Agreement World

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**2011**

*The Year of Getting  
**Governance Right***

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# Workshop Objectives

- Understand what the post-operating agreement environment looks like
- Identify and discuss options for continuing to house lower-income members



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## Some Terms

- Resources and values
- ~~Subsidy, internal subsidy~~
- Full housing charges, reduced housing charges



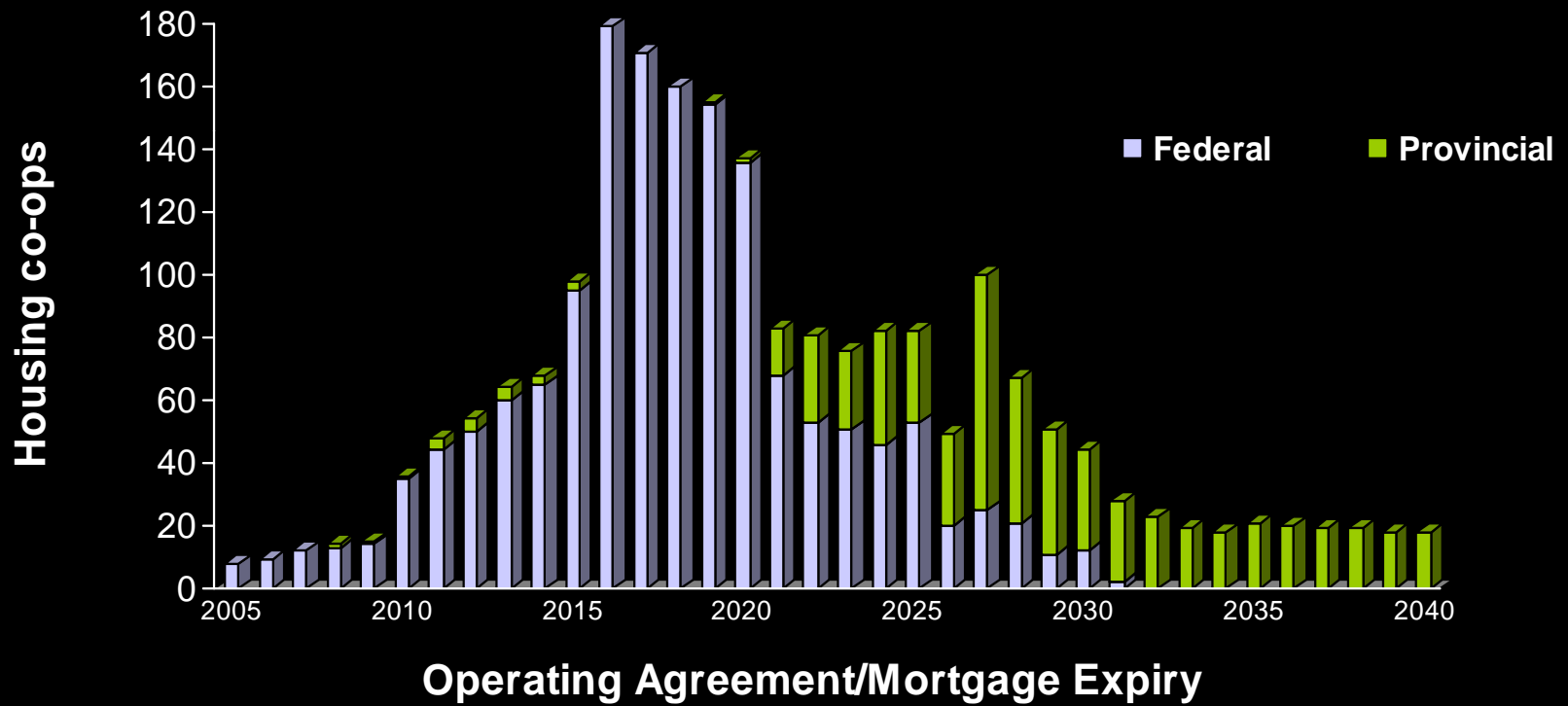
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# Outline

- Introduction, objectives
- The post-operating agreement environment
- The Challenge
  - sound operations, affordable homes
- The Choice
  - rely on ourselves, rely on government
- How will it work?
- Going forward



# Our future...



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## Profile of a Post-OA Co-op

- No more subsidy for low-income members
- Low-income members still in place
- First mortgage fully paid out
- Operating costs increasing
- Reserve contributions needed
- New debt service?
- No government safety net





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# Looking Ahead

If nothing changes other than the end of your operating agreement, after 5 years what kind of shape will your co-op be in:

- physically?
- Financially?
- as a community?



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# Life in the Post-OA Environment

We want our co-ops to be:

- Well governed membership associations
- Soundly managed, viable businesses
- Well maintained real estate assets
- Healthy, inclusive, mixed-income, cooperative communities



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## Co-op Mission Statements

In a safe, inclusive, and accessible community, we will provide affordable, well maintained, sustainable co-operative housing.

Working together to provide well-maintained, affordable homes in a safe, respectful and diverse community.

We provide affordable, sustainable housing within a safe, self-governing community open to diverse membership.



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# Co-op Mission Statements

Safe

Affordable

Sustainable

Diverse



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# The Challenge

How can we meet the requirements for sound operation and still offer reduced housing charges to low-income households after our government assistance ends?



**EOA Financial Scenario 1****S95 co-op 86 units**

	<b>Now</b>	<b>Post-OA</b>
Occupancy charges: members	649,033	649,033
Housing Charge subsidy applied	110,527	-
Operating subsidy	-	-
Other revenue	21,537	21,537
<b>Total revenue</b>	<b>781,097</b>	<b>670,570</b>
Operating expenses	270,246	270,246
Reserve contributions	150,000	150,000
Debt Service	338,550	-
<b>Total operating expense</b>	<b>758,796</b>	<b>420,246</b>
<b>Net surplus (deficit)</b>	<b>22,301</b>	<b>250,324</b>

**EOA Financial Scenario 2****S95 co-op 86 units**

	<b>Now</b>	<b>Post-OA</b>
Occupancy charges: members	649,033	649,033
Housing Charge subsidy applied	110,527	-
Operating Subsidy	-	-
Other revenue	21,537	21,537
<b>Total revenue</b>	<b>781,097</b>	<b>670,570</b>
Operating expenses	270,246	310,246
Reserve contributions	150,000	150,000
Debt Service	338,550	285,592
<b>Total operating expense</b>	<b>758,796</b>	<b>745,838</b>
<b>Net surplus (deficit)</b>	<b>22,301</b>	<b>(75,268)</b>
New loan (25-year loan, 4.5%)		4,300,000

**EOA Financial Scenario 3****S95 co-op 86 units**

	<b>Now</b>	<b>Post-OA</b>
Occupancy charges: members	649,033	746,602
Housing Charge subsidy applied	110,527	-
Operating Subsidy	-	-
Other revenue	21,537	21,537
<b>Total revenue</b>	<b>781,097</b>	<b>768,139</b>
Operating expenses	270,246	310,246
Reserve contributions	150,000	150,000
Debt Service	338,550	285,592
<b>Total operating expense</b>	<b>758,796</b>	<b>745,838</b>
<b>Net surplus (deficit)</b>	<b>22,301</b>	<b>22,301</b>
New loan (25-year loan, 4.5%)		4,300,000

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# The Choice

To maintain the income mix we have now **and** the value of our homes:

1. Most members will have to pay more than the real break-even housing charge so that some members can pay less

**OR**

2. We have to persuade government to provide assistance to our lower-income members



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# Your Task

Make the case for and against option 1

Make the case for and against option 2



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# Discount Housing Charge Programs

To set up a discount housing charge program in your co-op:

- Decide capacity
- Determine eligibility
- Decide how to define and verify income
- Link to occupancy guidelines?
- Establish admin procedures
- Entrench it in governance structure



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# Going forward

- Having the discussion
- Any advice for the CHFT and CHF Canada boards?



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**Wrapping up**

**Thank you !**

