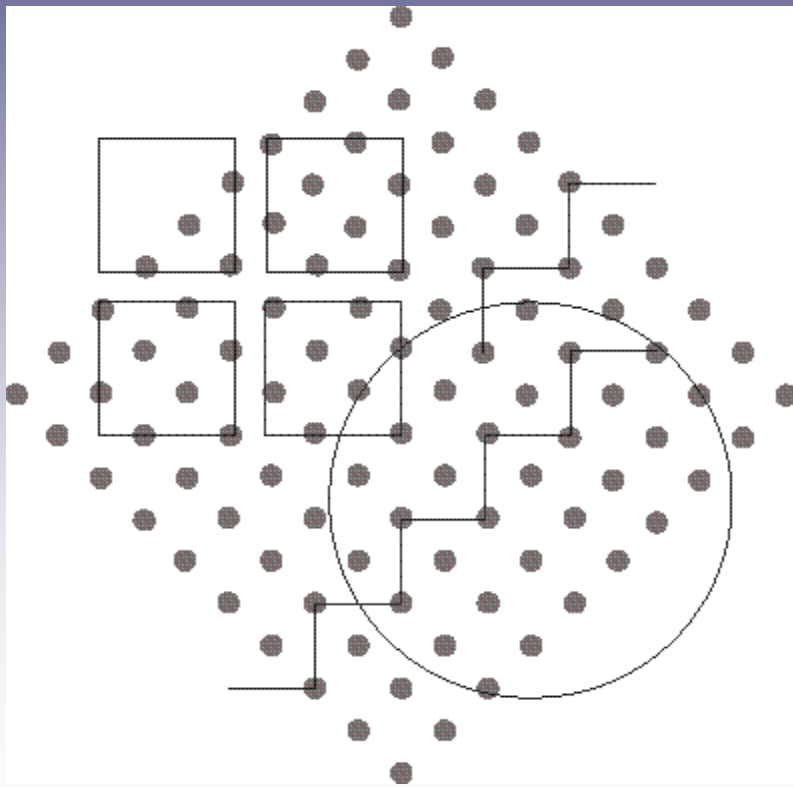




The Agency for Co-operative Housing
L'Agence des coopératives d'habitation

Introducing The Agency for Co-operative Housing

Presentation to the Ontario
Ministry of Municipal Affairs
and Housing
February 16, 2007





Introducing the Agency for Co-operative Housing

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Introducing the Agency for Co-operative Housing

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Introducing the Agency for Co-operative Housing

Where the Agency came from

CHF Canada first proposed an agency in late 1995 as an alternative to the transfer of CMHC's co-op programs to the provinces and territories.

A nine-year journey culminated in the May 2005 signing of a service agreement with Canada Mortgage and Housing Corporation.



Introducing the Agency for Co-operative Housing

The Agency is

a non-governmental, not-for-profit organization.

Our vision: The Agency aspires to be a superlative administrator of co-operative housing programs, recognized for its leadership by governments across Canada and valued by housing co-operatives as a partner in their success.



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The Agency is

In 2006 we assumed substantial responsibility for administering the CMHC co-operative housing programs in B.C., Alberta, Ontario and PEI. We expect to assume responsibility this year for the federal co-op housing programs now managed by Manitoba.

In time the Agency will market its services to other jurisdictions.



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The Agency's mandate is

to ensure that public funds directed to the co-op programs are used as intended and properly accounted for, and

to protect the public's investment in the programs by improving their performance and by managing CMHC's risk as mortgage lender or guarantor.



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The Agency is governed by

a highly qualified, regionally representative board of directors including, as officers,

Ray Hession: former President and Chairman of CMHC

Jill Kelly: the general manager of a Vancouver credit union and former director of the Credit Union Central of B.C.



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The Agency is governed by

Peter Crawford: a former Chief Financial Officer at The Co-operators

The three other directors are present or former co-op residents who have substantial experience in the development and management of co-operative housing.



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The Agency's operates within a robust accountability framework

5-year renewable agreement with CMHC

quarterly reporting against measurable performance standards

annual financial-statement and compliance audits and CEO report to CMHC

periodic evaluations



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The Agency's structure

is regionally based.

The Support Centre and a small satellite service centre serving Northern and francophone co-ops are in Ottawa.

Our three Regional Service Centres are located in Vancouver, Calgary and Toronto.



Introducing the Agency for Co-operative Housing

The Agency's structure

The Agency contracts with local firms and individuals, as necessary, for property inspections and other functions.

Thirty-eight staff work in three divisions: program-management services, information services and best practices, and corporate services.



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The Agency's business strategy is

to offer an expert, small-shop approach crafted to the needs of a specialized portfolio

to bring efficiency and consistency to program administration through highly automated processes

to harness co-ops' self interest with the movement's expertise in the pursuit of superior program outcomes



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The Agency's business model is

co-op focused

risk-based

data-driven.



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Co-op focused means that

the Agency has adopted a client-centred service culture with published standards of service, and

co-ops have web access, in the official language of their choice, to plain-language program guidelines and their own records with the Agency.



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Co-op focused means that

Agency staff offer courteous, fair and sympathetic service, while enforcing operating agreements and taking a business-like approach to co-op difficulties, and

the Agency invites feedback from co-ops, sector partners and CMHC about its services and has an effective process for redressing complaints.



Introducing the Agency for Co-operative Housing

Our risk-management model

Underlying principles

Our approach to the supervision of co-ops focuses on **outcomes**, not **processes**, while pointing to reasons for those outcomes.

For each co-op the nature and intensity of our supervision depends on its specific risk profile.



Introducing the Agency for Co-operative Housing

Our risk-management model

Underlying principles

The Agency focuses its attention on co-ops that need assistance.

Co-ops that do well—maintaining their property in good condition, complying with their CMHC operating agreement and meeting their financial obligations—see their independence respected.



Introducing the Agency for Co-operative Housing

Our risk-management model

Underlying principles

The Agency acts quickly with troubled co-ops to reduce losses while developing long-term solutions.

Dealing with troubled co-ops requires a collaborative effort among all stakeholders: the Agency, our sector partners, CMHC, the lender and the co-op itself.



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Our risk-management model

Co-ops complete our new federal Annual Information Return within four months of their year end, after their annual financial audit. The form is filed on line by the co-op's auditor.

The Agency inspects each co-op's properties every two years (in place of CMHC's five-year intervals).



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Our risk-management model

Each year, the Agency rates each co-op, using information from the annual return, the most recent property inspection and other sources.

The rating process focuses on a co-op's present and future ability to meet its financial obligations as they fall due.



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Our risk-management model

Four composite risk ratings are possible:
Low, Moderate, Above Average and High.

Future ratings will indicate an improving, stable or worsening outlook.



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Our risk-management model

Co-ops of Above-Average risk

can meet their current expenses, but cannot contribute adequately to their replacement reserve, or



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Our risk-management model

Co-ops of Above-Average risk

have a low replacement reserve balance, limited cash resources and properties in only fair condition, or

carry unusually high vacancy losses or rental arrears.



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Our risk-management model

High-risk co-ops

are in poor physical condition, or

are losing money, or

have an accumulated deficit, a low or non-existent replacement reserve and few other cash resources, or



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Our risk-management model

High-risk co-ops

have an accumulated deficit, a low or non-existent replacement reserve and few other cash resources, or

are behind in their mortgage or taxes, or

are displaying significant failures in governance.



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Our risk-management model

Co-ops can be re-rated between annual reviews in response to their actions, or failure to act, or to any new information that comes to our attention.

We may become aware of a problem between reviews through a replacement-reserve spending request, a report of new mortgage arrears or an appeal for help from the co-op.



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Our risk-management model

Our composite risk rating is derived from

three leading indicators

further risk indicators

supplemental information.



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Our risk-management model

Leading indicators

The **Physical-Condition Indicator** is an overall physical-condition score of Poor, Fair, Good or Excellent.

The **Liquidity Ratio** looks at cash, investments and near-cash resources, less near-term obligations, against non-negotiable monthly obligations.



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Our risk-management model

Leading indicators

The **Net-Income Ratio** tells whether, in its most recently completed year, the co-op was able to meet its debt service and operating costs and contribute adequately to its replacement reserve.



Our risk-management model

Further indicators of Above-Average risk

a qualified audit opinion

an auditor's letter reporting material
weaknesses in internal controls

insufficient insurance (other than fire)

members of the board in arrears...



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Our risk-management model

Further indicators of Above-Average Risk

no quorum of directors in office

material contingent liabilities, e.g., a lawsuit

failure of any major building component

Agency filings overdue



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Our risk-management model

Further indicators of High risk

mortgage arrears

property-tax arrears

insufficient fire insurance

an adverse audit opinion

a major loss of assets not fully insured.



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Our risk-management model

Our automated risk analysis produces a range of supplemental information that

informs our judgement when we assign the final composite rating, and

helps direct the guidance we offer co-ops.



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Our risk-management model

Co-ops receive a risk-assessment report giving them their composite risk rating and the reasons for it.

Co-ops with a risk rating of Low or Moderate receive a report with the Agency's observations and encouragement to maintain or improve their performance.



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Our risk-management model

Co-ops with a risk rating of Above Average or High are subject to further supervision and specific interventions, as necessary.

All co-ops rated as High risk are referred to the Agency's **Risk Management Team**. Co-ops at Above-Average risk go on a watch list.

Follow-up continues until the co-op's next risk assessment.



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Housing

Co-op Housing Agency Information System (CHAIS)

The Agency's custom information system plays a central role in automating data collection and service delivery.

Auditors file the federal Annual Information Return on line through a password-protected area of the website.



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CHAIS

Using AIR data, CHAIS generates

risk assessments

compliance reviews

comparative-data reports (as of Spring '07)

updates to co-ops' tombstone information.



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Operating-agreement compliance

Using AIR data in CHAIS, the Agency reviews each co-operative's compliance with program guidelines and its operating agreement.

The co-op then receives a compliance report listing any variances and giving instruction on how to return to compliance.



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Comparative-data reports

Through CHAIS, data gathered across the Agency's portfolio is reassembled to produce comparative-data reports.

In mid-2007, each co-op will receive its first customized comparative-data report, which shows its own trends and contrasts its results with those of its peers.



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CHAIS

Comparative-data reports

This is only one report among the wealth of information co-ops can view using their password to access a protected area of CHAIS.



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Future Services

Best practices

Within a few years, the Agency plans to use CHAIS data to develop a new service, in collaboration with the SHSC.

As we review co-ops' results, we will take note of those that performed best.



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Future Services

Best practices

With their permission, we will make other co-ops aware of their stories and achievements and encourage the adoption of their most effective strategies.