

2017 CHASEO Fall Education Event
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Healthy Businesses

End of Mortgage Workshop for HSA Co-ops

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The CO-OPERATIVE HOUSING FEDERATION *of Canada*

coop

Workshop Agenda

- Introductions
- Historical context
- Funding model review
- Moving forward
- The end... a new beginning
- Questions and wrap up



In the beginning (historical context)

- Provincial
 - i. Operating Agreement
 - ii. Devolution
- SHRA – Social Housing Reform Act
- HSA – Housing Services Act
 - i. Funding model



End of Mortgage

- End of Mortgage is the preferred way to refer to the end of the obligation for the service manager to pay an operating subsidy.



Historical Provincial Timeline

- 1985 – 1991 Federal government ended Section 95 and ILM housing programs
- 1986 – Province **STARTS** funding housing programs
- 1995 – Province **STOPS** the housing program
- 2000 – Social Housing Reform Act (SHRA) is passed
- 2001 – Province devolves funding and administration to municipalities
- 2011 – The Housing Services Act (HSA) is passed
- 2012 – January 1 the HSA comes into effect



Operating Agreement

- Operating Agreements were signed between the Ontario Government and housing co-ops
- The length of the agreement was 35 years and tied to their mortgage.



The Cancellation of the Operating Agreement

- When the Social Housing Reform Act (SHRA) came into effect, all operating agreements under these programs, were **CANCELLED**.
- the TERM “*End of Operating Agreement*” does not apply to co-ops legislated under the HSA.



Devolution

- Means the handing over or "downloading" of social housing administration and funding, from the Province to the Service Managers.

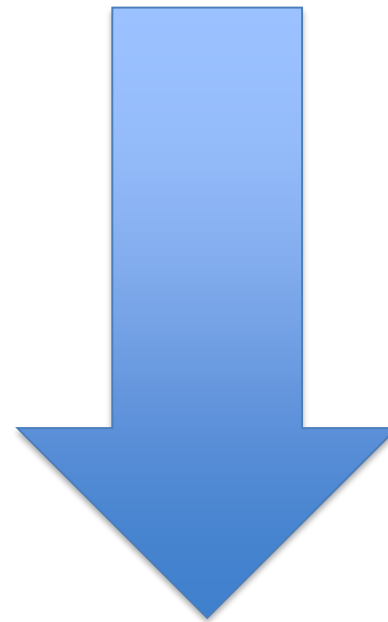
ONPHA – Overview of Funding Models, 2011

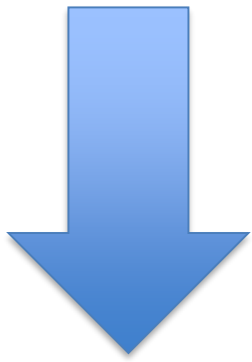




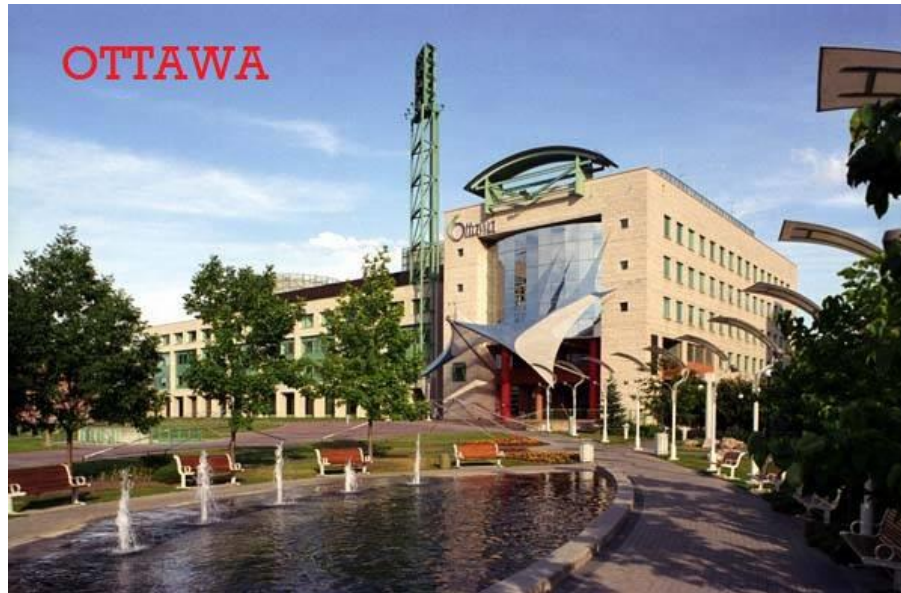
Ontario

Province





Cities



Social Housing Reform Act (SHRA)

- December 2000



SHRA continued

Housing co-ops had many concerns

The Social Housing Reform Act:

- too complicated
- co-ops' independence was taken
- RGI rules were punitive



Housing Services Act (HSA)

- Came into effect January 2012

The Act had two identified purposes :

- Community based planning and delivery of housing, with provincial oversight.
- Give service managers and providers more flexibility



HSA cont'd

Challenges

- Not much flexibility for providers seen in act
- Service manager can set more local rules

Upside

- Huge improvement over SHRA, despite flaws



Funding Model



Subsidy – Key Concepts

Three types of subsidy:

- ✓ Operating
- ✓ Rent Geared to Income (RGI)
- ✓ Property Tax



Property Tax Subsidy

- Property tax subsidy = your property tax payments
- Your budget amount for taxes might be different from what you actually pay
- Service manager will only pay the actual tax amount



Rent Geared to Income (RGI) Subsidy

- RGI subsidy is paid to whichever is less – either the co-op's actual market housing charges or the indexed benchmarks housing charges



Operating Subsidy

- A bridge between co-op revenues and co-op costs
- The calculations are based on a formula
- The base comes from benchmarks



The operating subsidy formula

indexed benchmark operating costs
+ mortgage costs (ex. sector support)
- indexed benchmark revenues

operating subsidy



Benchmarks

Revenues

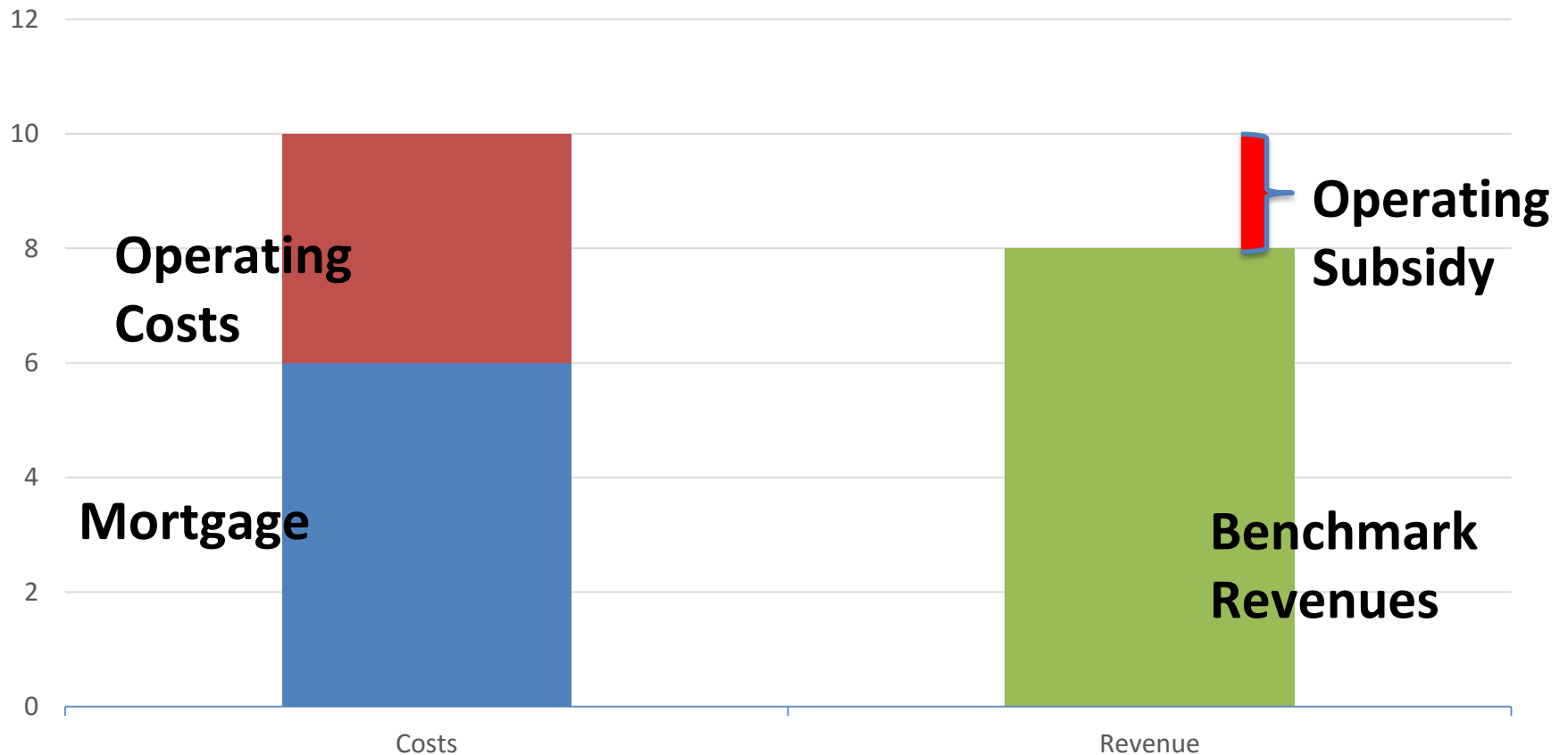
- Market rent
- Non rental revenue (parking and laundry)
- Market vacancy loss

Costs

- Administration and maintenance
- Insurance
- Utilities (3 components)
- Capital reserve contribution
- Bad debts

Benchmarks only set the funding level, co-op still makes its own decisions on spending and revenues

Operating subsidy



Operating Subsidy

The following is an example of a negative operating subsidy

								Year Ended December 31, 2016		
								2016	2015	
								Actual	Actual	
Statement of Operations										
								Note 13		
								Budget		
Revenues										
Occupancy charges, Note 10								\$ 57,090.00	\$ 377,322.00	\$ 352,137.00
Government subsidies, Note 11								\$ 391,132.00	\$ 371,718.00	\$ 355,373.00
Other revenues, Note 12								\$ 1,900.00	\$ 2,040.00	\$ 1,839.00
Total Revenues								\$ 750,122.00	\$ 751,080.00	\$ 709,349.00
Note 11 Government Subsidies										
								2016	2015	
								Note 13		
								Budget		
								Actual	Actual	
Operating								\$ (122,901.00)	\$ (127,812.00)	\$ (118,792.00)
RGI								\$ 421,865.00	\$ 400,596.00	\$ 386,386.00
Municipal taxes								\$ 92,168.00	\$ 98,934.00	\$ 87,779.00
								\$ 391,132.00	\$ 371,718.00	\$ 355,373.00



Funding changes over time

- Property tax subsidy increases if property tax increases
- RGI subsidy increases if housing charges increase (only up to benchmarks)
- Operating subsidy can go up and down but generally decreases
 - Benchmark revenue increases are usually more than benchmark cost increases

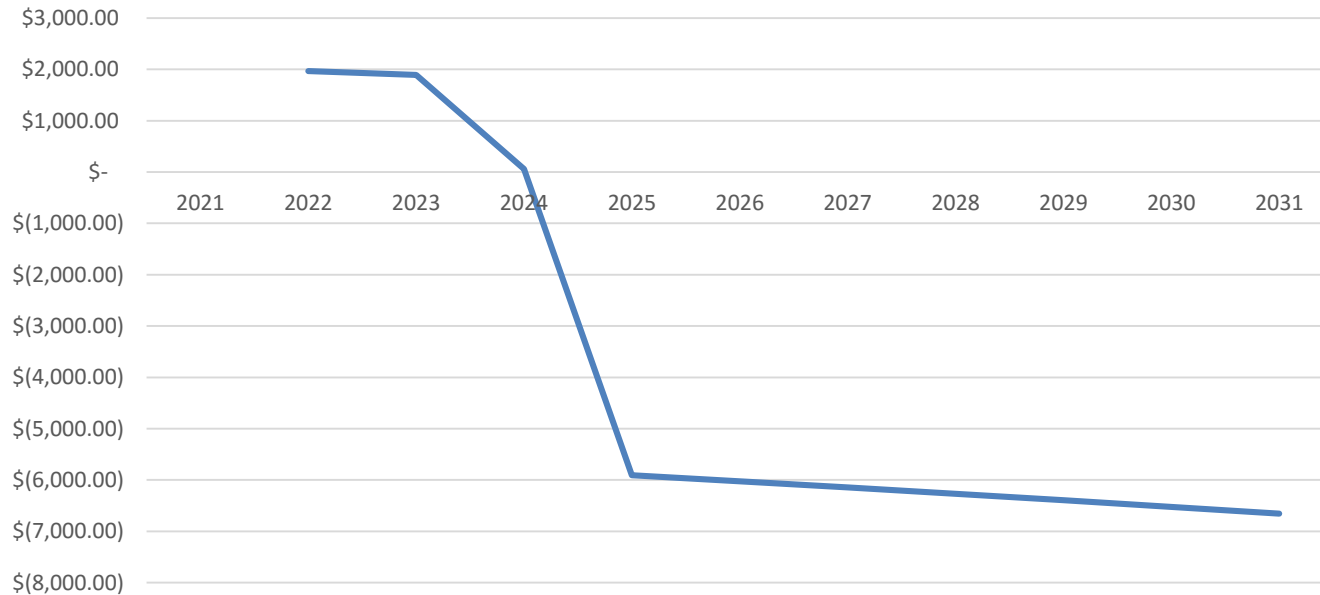


What happens at end of mortgage

- HSA silent. This means that without changes:
 - Co-op continues to receive RGI subsidy, property tax subsidy and operating subsidy (negative)
 - Co-op continues to provide RGI units
 - Service manager continues funding and regulatory role
- Negative operating subsidy will become a problem
 - Will offset some RGI or property tax subsidy

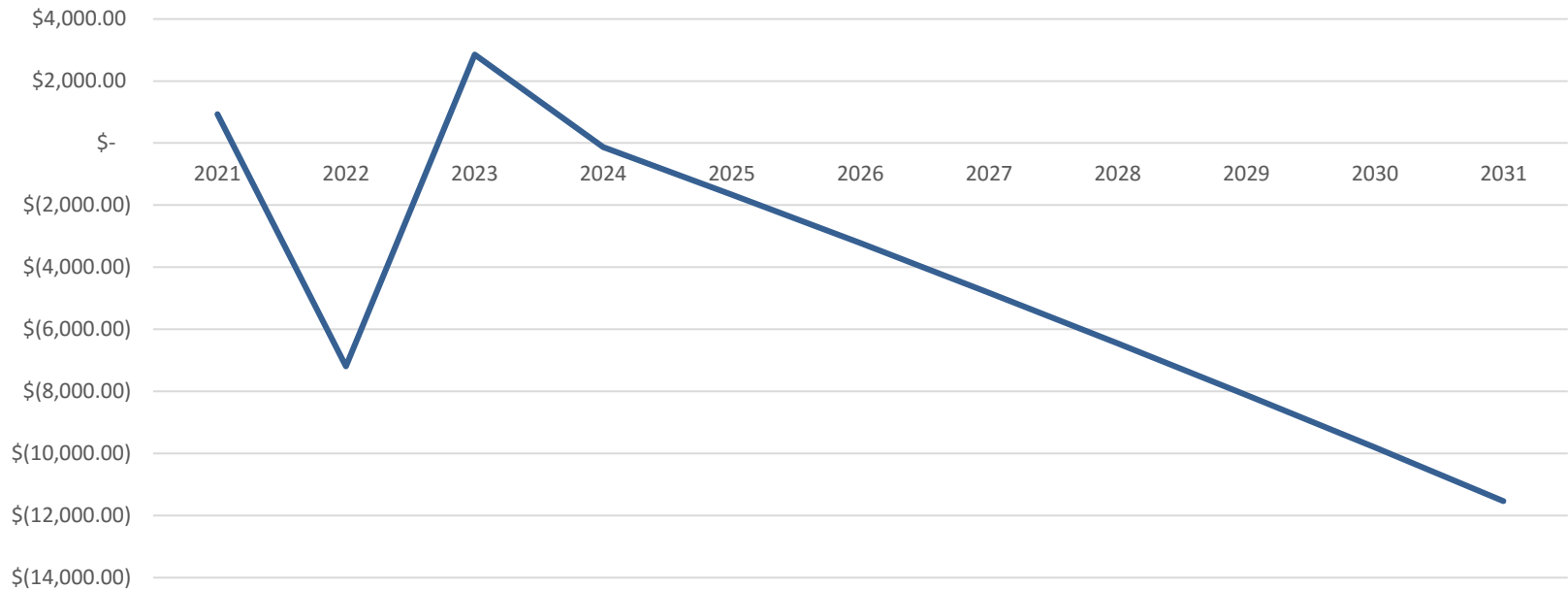


Operating Subsidy (per unit)



Should the operating subsidy continue, this co-op will have negative operating subsidy of **-\$6800** per unit in 8 years.

Operating Surplus/ Deficit



While there are no mortgage costs expensed after 2023, the current operating subsidy system will cause this co-op to incur deficits into the fiscal year 2031.

End of Mortgage

What stays the same:

- Co-op remains a non profit housing co-operative
- Board and members' governance remains as per the Ontario Co-operative Corporations Act



What might **change** at EOM?

HST Rebate:

- Eligibility
- Implications



Table discussions

- EOM – what would be the benefits to remain with the Housing Services Act?
- EOM – what would be the challenges to remain with the Housing Services Act?
- EOM – as the Board, how do you prepare?
- EOM – what changes would you like to see post mortgage?



How to prepare for EOM

- Find out when your co-op's mortgage ends!
- Do a good job financially. Maximize revenues and minimize costs. Know the funding model.
- Take advantage of any capital programs that become available.
- Work with the sector and service manager if the funding model begins to cause financial difficulties.
- Support the co-op sector's push for changes to EOM



For more information

- For more information about End of Mortgage please contact :
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