LevelUp
Co-op Learning Series

End-of-mortgage (EOM) for HSA co-ops

About LEVEL UP

- The LEVEL UP Learning Series is a partnership between the **Co-operative Housing Federation of Toronto** (CHFT) and the **City of Toronto**.

- CHFT would like to thank the City of Toronto for providing financial support in bringing this series to the co-op housing sector.

Land Acknowledgment

Where we are has been the site of human activity for 15,000 years.

This land is the territory of the Huron-Wendat and Petun First Nations, the Seneca and most recently, the Mississaugas of Credit River. The territory was the subject of the Dish with One Spoon Wampum Belt Covenant, an agreement between the Iroquois Confederacy and Confederacy of the Ojibwe and allied nations to peaceably share and care for the resources around the Great Lakes.

Today, the meeting place of Toronto is still home to many Indigenous people from across Turtle Island. We are grateful to have the opportunity to work in the community, on this territory. We are also mindful of broken covenants and the need to strive to make right with all our relations.

Agenda

- Introductions
- Overview of End of Mortgage
  - What are the new rules
  - What is required in a service agreement
  - Best practices
- Next steps

Glossary of Terms

EOM: End of mortgage

BCA: building condition assessment

AMP: asset management plan

AFPS: asset and financial planning services (CHF Canada)

SM: service manager (municipal regulator)

COCHI: Canada-Ontario Community Housing Initiative

OPHI: Ontario Priorities Housing Initiative

- *COCHI and OPHI are federally/provincially funded programs designed to address local housing priorities, including renovation and/or rehabilitation of community housing units*

What is EOM?

- End of Mortgage is the date when your co-op's mortgage matures
- A new section of the Housing Services Act applies
  - Gives the co-op and service manager some new options

New framework, new thought processes

FROM

CURRENTLY

- Legislative program rules based on compliance and enforcement

TO

FUTURE

- Services agreements based on partnership and shared outcomes

Option #1: Service Agreement

A Service Agreement is:

- A contract negotiated by the co-op with the Service Manager
- A commitment to keep the co-op a part of the community housing system

Service Agreement Provisions

- Length of term: 10 years minimum
- Funding provided by the Service Manager:
  - Rent-geared-to-income (RGI) subsidy
  - Additional capital funding can be negotiated
  - Property tax and operating subsidies are gone
- Centralized wait list for RGI members remains

Service Agreement Key Points

- Funding: based on RGI subsidy and financial plans
- Opportunity for review:
  - Target plan for RGI units
  - Special needs units
  - Housing mandates

Financial Plans

Plans must show how:

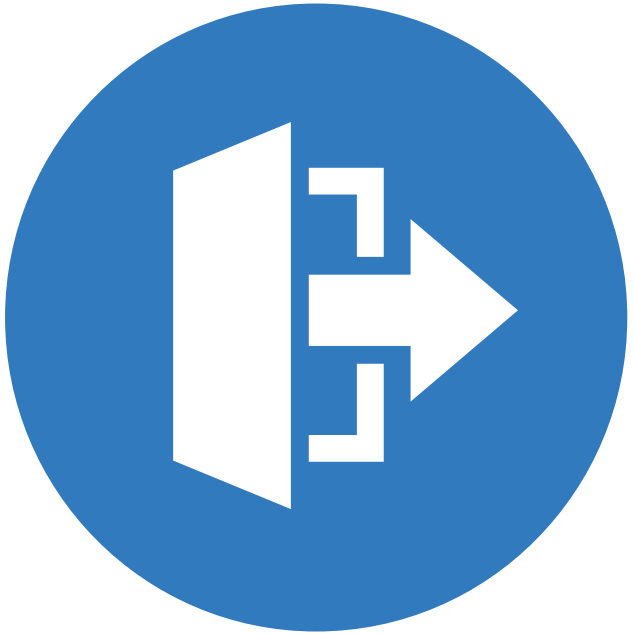
- Revenues will meet operating expenses
- Projected capital expenditures will be met
- Market housing charges will be set

Financial plans must:

- Have a term of at least 10 years
- To be reviewed at least every five years

Option #2: Exit Agreements

- This type of agreement allows your co-op to “exit” the HSA
- Caution – RESTRICTIONS!



Key work in preparing for EOM

- Building condition assessment (BCA)
- Asset management plan (AMP)

EOM: The Importance of a Building Condition Assessment

To create a detailed understanding of the co-op's buildings

To measure the functional condition of co-op facilities and when to replace them

To take the guesswork out of capital planning

EOM: The Asset Management (financial) Plan

a plain language report

actionable by everyone

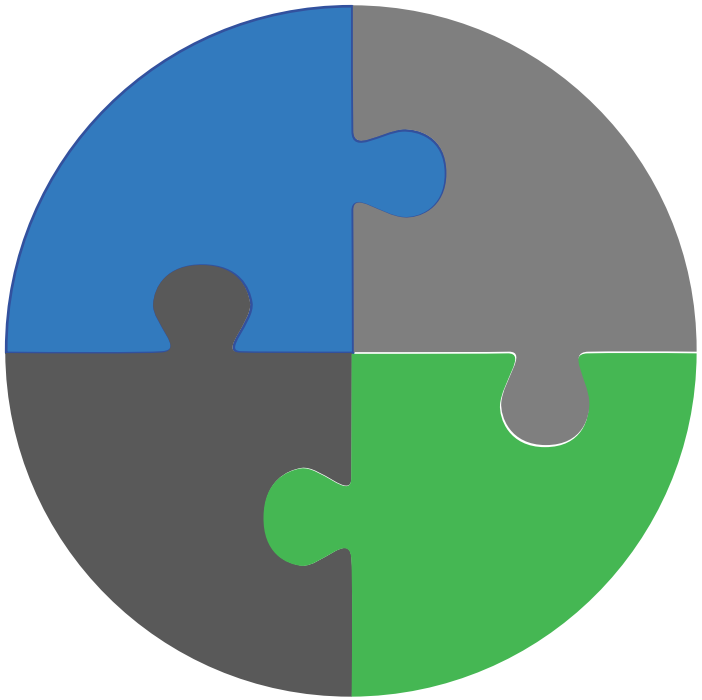
provides the most viable scenario

considers co-op's goals and needs to ensure long-term sustainability

BCA vs. AMP

BCA

- What components are present on the property?
- When should building components be replaced?
- How much will it cost?



AMP

- How to pay for the work?
- How building components should be upgraded?
- How to bundle projects so that economies of scale can be achieved

Asset Management Plan & Service Agreements

A 25+ year report

Analyzes additional funding requirement

Provides operating and capital budgets

Recommends housing charges

BCA and AMP Costs

- **BCA update:** expect to spend $7,000-$10,000 to update an existing BCA
- **AMP:** For example, CHF Canada's Asset and Financial Planning Services charges $80 per unit to a maximum of $9,600
  - A provincial program may cover the cost of your AMP – contact CHF Canada for details.

Estimates as of November 1, 2023

Service Agreements: Best Practices

What should be included?

- Financial Plan
- Reporting and Accountability
- Dispute Resolution Process

The Financial Plan: Best Practices

Your financial plan needs to show how you are going to keep your co-op in a good state of capital repair and how you will adequately fund reserves for current and future capital needs through a mixture of:

- **Adequate housing charges;**
- **Grants; and**
- **Refinancing**

- Allowing for:
  - Flexibility for your co-op to address capital needs (additional funding; refinancing; possible loan forgiveness)
  - New development funding (if that's part of your vision) and/or the flexibility for the co-op to join or form a new entity

The Financial Plan: Annual housing charge increases

- Annual increases to the initial housing charges in the agreement should be tied to the agreed upon financial plan for the length of the agreement
- It should be possible for the five-year review to increase housing charges above inflation if there are extenuating circumstances

The Financial Plan:
Considerations for the 10-year plan

- Your 10-year financial plan should include these items:
  - New BCA
  - New AMP
  - Annual Board training
  - Community Development
  - Member education
  - Co-op Development

Interim Funding

- Interim funding - there will be a gap between EOM date and beginning of new service agreement.

Accountability: Best Practices

- The board should consider the following as best practices:
  - Maintain membership in CHF Canada and the Regional Federation
  - Consent to share information with the federations
  - Mandatory training for new Board of Directors
  - Mandatory staff/management training each year
  - Opportunities for member training consistently offered

Reporting: Best Practices

- ✓ Quarterly subsidy reconciliation
- ✓ An annual audit report
- ✓ Sufficient property insurance coverage
- ✓ An annual strategic plan progress report
- ✓ An annual progress report on AMP/financial plan

Dispute Resolution: Best Practices

- ✓ Both sides make good faith efforts to resolve a dispute
- ✓ Reasonable notice periods that reflect co-op governance
- ✓ Goal is to protect affordable housing and success of co-op housing
- ✓ Co-op member's rights protected
- ✓ Use neutral outside professions as appropriate

Next Steps

- EOM planning sessions
- Preparing financial plan including BCA and AMP
- Deciding what you want in a service agreement or exit agreement
- Getting a co-op team to negotiate with the service manager based on an EOM plan approved by the co-op

Planning Sessions

- Plan and hold membership sessions.
- We work with consultants, including CHF Canada, who could be approached about AMP.
  - Confirm if the existing BCA is adequate and update if not.
- Confirm any existing agreements and contracts that may impact EOM negotiation, e.g., COCHI/OPHI
- Update your Service Manager

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