



**Institute of Urban Studies**  
University of Winnipeg



THE UNIVERSITY OF  
**WINNIPEG**

Phase 1 Report

**The Expiry of Operating Agreements:  
Preparing Manitoba's Non-Profit Housing Sector**

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The Institute of Urban Studies (IUS) is an independent research arm of the University of Winnipeg. Since 1969, the IUS has been both an academic and an applied research centre, committed to examining urban development issues in a broad, nonpartisan manner. The Institute examines inner city, environmental, Aboriginal and community development issues. In addition to its ongoing involvement in research, IUS brings in visiting scholars, hosts workshops, seminars and conferences, and acts in partnership with other organizations in the community to effect positive change.

# The Expiry of Operating Agreements:

## Preparing Manitoba's Non-Profit Housing Sector

The Manitoba Non-Profit Housing Association (MNPHA) contracted the Institute of Urban Studies (IUS) at The University of Winnipeg to undertake research on the End of Operating Agreements (EOA) in Manitoba. The ultimate goals of the project are to assist social housing providers in Manitoba plan and prepare for the end of their individual agreements, to strengthen each provider's capacity, and to increase their sustainability. The primary intended outcome is the development of a comprehensive 'training' program or tool that can be used to assist individual providers with the creation of individualized plans for EOA.

This report provides a brief summary of the findings from phase 1 of the research, which involved:

1. Gathering data on the context of EOA in Manitoba and an environmental scan to identify key risk factors, strategies, and resources available for housing providers facing EOA.
2. A survey of non-profit housing providers across Manitoba to gauge their general level of preparedness for EOA or to collect information on their status and lessons learned post-expiry.

### *Background context*

There are approximately 390 non-profit housing projects in Manitoba operating roughly 17,500 units/beds.<sup>1</sup> Data provided by Manitoba Housing groups projects into several agreement program types:

- **Section 95** projects typically have lower RGI<sup>2</sup> percentages—15% is the minimum—as well as greater income mixing.
- **Section 26/27** projects are mortgage-only agreements. They do not have ongoing subsidies, though some have additional programs 'layered' to support operational costs, or to achieve specific purposes under subsequent housing programs.
- **Post 85** agreements are fully targeted and typically include a higher percentage of RGI units. Beginning in 2021, a large number of Post-85 (38%), Co-op (6%), Co-op 85 (6%), and Urban Native (7%) agreements in Manitoba will expire (see Figure 1 below).
- **Urban Native (UN)** projects mostly comprise scattered site, single-occupancy homes. They are 100% RGI.

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<sup>1</sup> As identified by Manitoba Housing data. In addition, there are approximately 17,500 units of Manitoba Housing (Cooper 2015).

<sup>2</sup> RGI stands for rent-geared-to-income, and means that the amount of rent charged is based on pre-tax household income.

- **Rural and Native Housing (RNH)** agreements include native and non-native households in small communities. They are 100% RGI.

Additionally, many projects are **owned by Manitoba Housing**, and some agreements are **associated with Manitoba Health**. Manitoba Housing's portfolio is 98% RGI (Cooper 2015, p. 146). Manitoba Health is associated with a number of housing projects, many of which are Personal Care Homes in rural communities with Section 95 or Section 26/27 agreements.

**Table 1: List of operating agreement program types**

Program Type	Agreement Type		Description
	Acronym	Full Name	
CO-OP	CPRE 86	Co-operative, Pre-1986	<i>Pre-86 - covered operating costs - "stacked" subsidies (1/4 low income)</i>
	ILM	Co-operative, Index Linked Mortgage	<i>Mortgage + stacked subsidies</i>
CO-OP85	PRIV NP	Private Non-Profit, Post-1985, Co-operative	<i>Post-85 (from 1986 on) - fully targeted - 25–30% RGI</i>
POST 85	PRIV NP	Private Non-Profit, Post-1985	
	WHRC NP	Winnipeg Housing Renewal Corporation, Non-Profit	
SEC 26/27	ENTREPR	Entrepreneurial	<i>Mortgage only, some with stacked subsidies</i>
SEC 95	PRIVNP PRE	Private Non-Profit, Pre-1986	<i>100% loans, minimum 15% RGI</i>
UN	UN PRE 86	Urban Native, Pre-1986	<i>Mostly scattered site, 100% RGI and therefore higher risk. But these currently have extended commitment from Provincial government.</i>
	UN SP	Urban Native, Special Project	
	UN PST 85	Urban Native, Post-1985	
UNC	UN PST 85	Urban Native, Post-1985, Co-operative	

According to Manitoba Housing data, of a total of 308 operating agreements set to expire, to date about 11% have expired, representing just under 2,000 units (see Figures 1 and 2). Most (60%) of those have been Section 95 agreements.

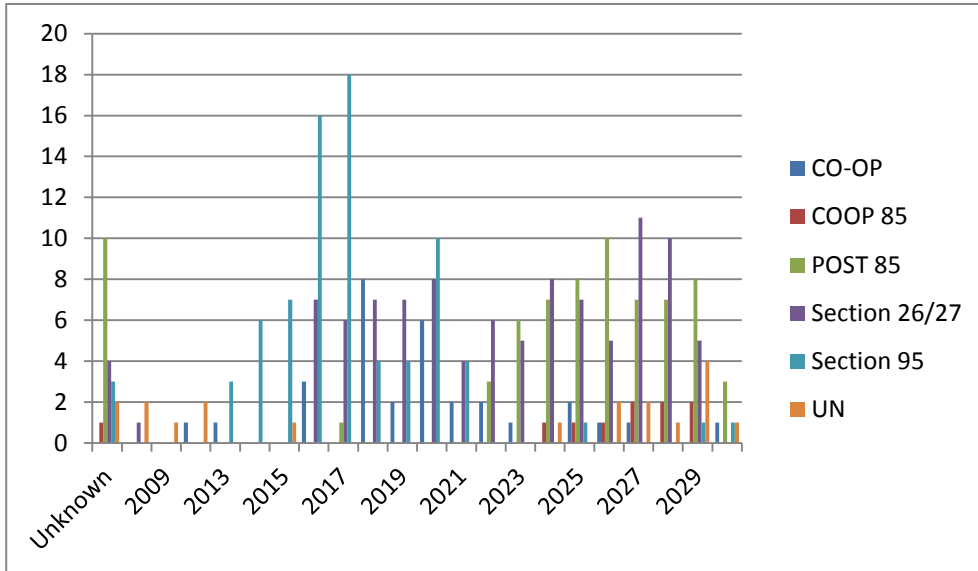
- In the next **2 years** (until March 31, 2018), 53 agreements operating about 2,100 units/beds will expire. The majority of these are Section 95 (62%) and Section 26/27 (25%) agreements. These projects face fewer challenges for sustainability post-expiry.
- In the next **5 years** (until March 31, 2021), 102 agreements will expire (48% Section 95, 31% Section 26/27, and 20% Co-op). These represent roughly 5,000 units/beds.
- From the start of the fiscal<sup>3</sup> year 2021 until June 2030, 156 agreements will expire. A higher proportion of these will be Post-85 (38%), Co-op (6%), Co-op 85 (6%), and Urban Native (7%) agreements. **These projects arguably face greater challenges for**

<sup>3</sup> Fiscal year refers to April 1 of any given year until March 31 of the following year.

**sustainability post-expiry**, as agreements tend to cover operating costs, are more likely to be fully targeted, and typically have higher proportions of RGI units.<sup>4</sup>

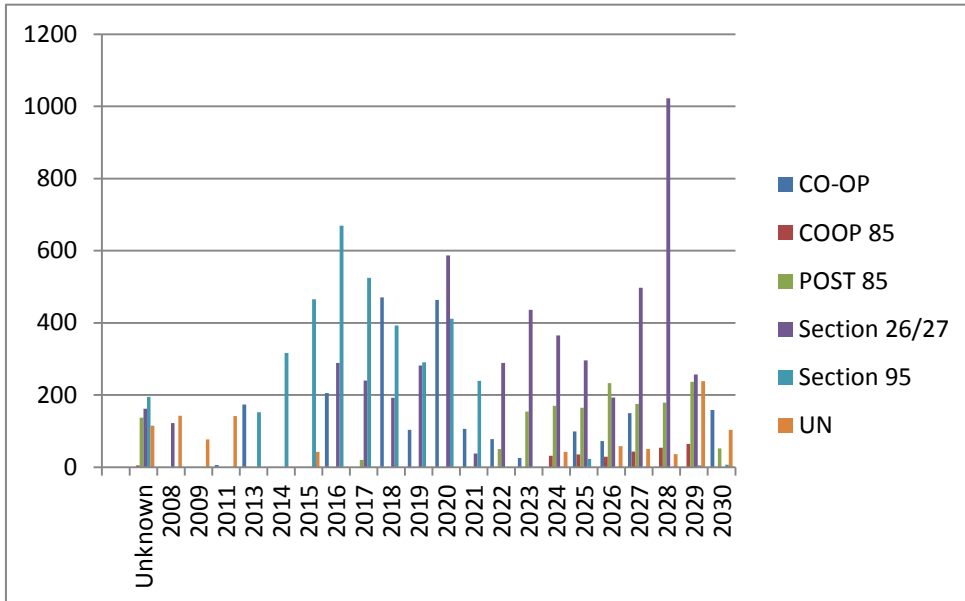
Projects with expiring agreements are located province-wide. The majority of units (62%) are located in Winnipeg (137 agreements).

**Figure 1: Number of agreements expiring in Manitoba by program type, 2008–2030**



Source: Derived from Manitoba Housing data, July 22, 2015

**Figure 2: Number of units/beds in expiring agreements by program type, 2008–2030**



<sup>4</sup> See Appendix 1 for overview of risks associated with various program agreement types.

## *Survey of housing providers in Manitoba*

In 2015 the IUS conducted a survey of non-profit housing providers across Manitoba to assess their level of awareness and planning regarding the end of their operating agreements or their status post-expiry. The survey also aimed to identify particular strategies or lessons learned by providers who have already transitioned through the EOA, and if possible to identify organizations in need of assistance.

The “End of Operating Agreements in Manitoba” survey closed on December 13, 2015. A total of 203 invitations to complete the survey were emailed out, and we received 85 (42%) total responses. This is a good response rate (the typical response rate for this type of survey is 15% or less).<sup>5</sup>

Housing providers/organizations were asked to complete the survey on behalf of their entire portfolio. If respondents were the contact for multiple agreements, only some of which had expired, they were directed to answer the “already expired” questions.

In total, we were able to analyze **70 responses**.<sup>6</sup>

- **16 (23%)** respondents completed the survey on behalf of a post-expiry project/portfolio
- **54 (77%)** respondents had operating agreements that had not yet expired

The data collected through the survey were linked to the data provided by Manitoba Housing for analysis.

One objective of the survey was to identify, if possible, organizations in need of assistance. Through the survey 16 organizations indicated they “are not comfortable with their level of preparedness, and may require assistance planning for EOA.” Another 21 respondents indicated they are “not sure” whether their organization is comfortable with its plan for EOA. A strategy to reach these organizations should be implemented immediately.

### *Survey findings – Providers whose agreements have ALREADY expired:*

A total of 16 (23%) survey respondents indicated that their operating agreement had already expired (as of December 2015). Of these 16:

- Most agreements had expired recently (past 2–3 years)

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<sup>5</sup> Note that these results should be viewed with the understanding that the survey was a sample of the larger total population of non-profit housing providers. There may be some self-selection bias for those that participated—that is, those already engaged with EOA-related issues would be more likely to complete the survey.

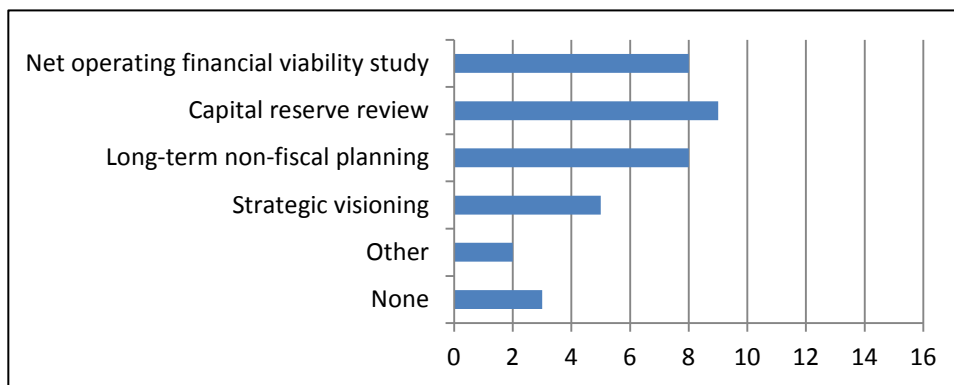
<sup>6</sup> The sample size was reduced because some incomplete and duplicate responses could not be analyzed, and one set of responses had to be excluded from analysis because the respondent completed the wrong version of the questionnaire. Also note that not all respondents answered all questions, so the total number of responses for questions will vary.

- Most of the projects were Section 95 or Urban Native
- There was a relatively even number of small, medium, or large sized projects<sup>7</sup>
- 40% of respondents represented projects/portfolios located in Winnipeg, 60% elsewhere in the province
- Half indicated they are members of MNP/PHA (5 indicated they were not, and 3 were not sure)
- Most respondents (10/16) were involved in project administration (e.g., project manager, director, CEO, financial/treasurer), and many (5/16) were property managers/landlords. One respondent identified as a board member.

### Planning actions and resources

The survey asked for information related to planning leading up to the EOA. Many respondents whose agreements had expired indicated their organizations engaged in some planning activities, and Figure 3 summarizes these results. Of our sample of 16, about half indicated they had engaged in financial planning, conducted a capital reserve review, and/or engaged in non-fiscal long-term organizational planning (e.g., strategies, policies). About one-third also engaged in strategic visioning, which might involve changes to mandate or organizational structure.

**Figure 3: Actions taken in planning for EOA**

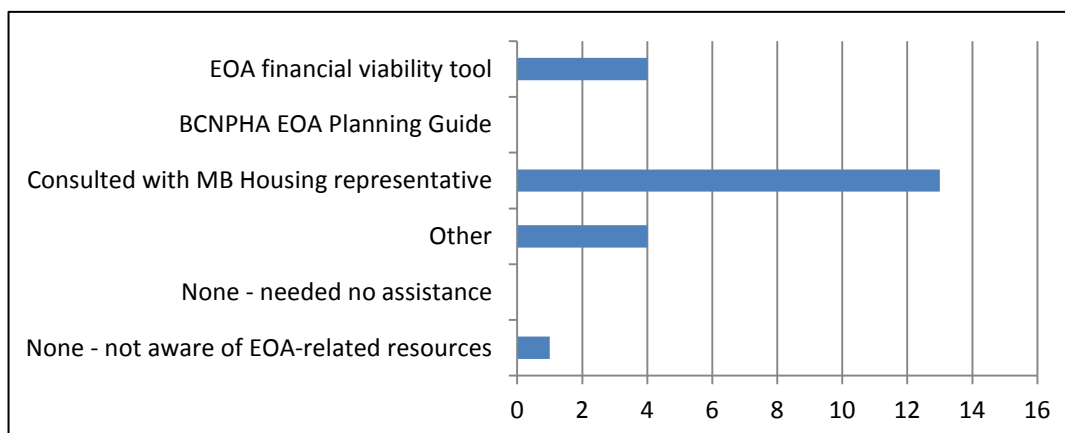


There was a cross-section of actors involved in planning for EOA. These included a relatively evenly distributed mix of board members, property managers and caretakers, and accountants/financial managers. Very few respondents indicated that lawyers/legal services or building trades professionals were involved in their planning. One project (a Section 95) wrote in to indicate that tenants were actively involved in their planning process.

Several respondents specifically referenced the Manitoba Housing Portfolio Officer as a key figure. When asked about EOA-related resources used in planning, all but one provider that did engage in planning (81% of respondents) indicated they consulted with a representative from Manitoba Housing (Figure 4).

<sup>7</sup> Size has been defined as follows: “small” as fewer than 30 units, “medium” as 30–80 units, and “large” as more than 80 units. Note that this refers to the size of a project covered by a particular operating agreement, and may not be indicative of the overall size of an organization’s portfolio.

**Figure 4: Resources used in planning for EOA**



One-quarter of respondents used the EOA financial viability assessment tool that is available on the MNPHA website. All of them indicated they are MNPHA members. No one used the *EOA Planning Guide* developed by the BC Non-Profit Housing Association (BCNPHA),<sup>8</sup> but all of the respondents' agreements had expired before the guide was launched.

The one Co-op respondent again referenced the CHF 2020 Vision Certification process, and another project hired an accounting firm to determine their financial viability. One respondent noted the Residential Tenancies Branch website was a helpful resource.

The majority of respondents indicated they started planning at least 1–2 years before expiry (69%). Two responded that they undertook no planning specific to EOA, and one of them indicated they were not aware of any EOA-related resources.

### Basic outcomes post-expiry:

- Most projects retained all assets.
  - Only one respondent indicated their portfolio lost assets post-expiry. The project is a small one (with fewer than 30 units), but they did say they have other projects whose agreements will not end until 2021, and they are exploring the possibility of changing rents on expired units to affordable<sup>9</sup> rates (from RGI) to cover the costs.
- No projects in the sample had lost non-profit status.

<sup>8</sup> *Expiring Operating Agreements: A Planning Guide for BC's Non-Profit Housing Societies*. November, 2014. BC Non-Profit Housing Association and BC Housing.

<sup>9</sup> To be "affordable" the amount spent on shelter should not exceed 30% of pre-tax household income. In Manitoba's Affordable Housing Rental Program the household pays an affordable rent based on median rents in the private market. Affordable rental rates vary by market, from \$594/month for a two-bedroom apartment (utilities not included) in northern rural areas to \$1,027/month in Winnipeg (utilities included). For complete lists of this program's rental rates, see: <http://www.gov.mb.ca/housing/mh/progs/pil.html#affordable>.



- About half of the respondents indicated they raised rental rates because of EOA. There was no noticeable difference between those that did or did not raise rates across agreement program type or project size.
- Just over half of respondents (55%) indicated they did **not** experience a net loss of affordable units; 9% indicated they did.
- 23% experienced a change in their % of RGI units. One project experienced an increase in the % of RGI units, but this is likely due to their overall loss of affordable housing.
  - All projects that experienced a net loss of affordable units also had a decrease in the proportion of RGI units.
  - However, only about half of those who experienced an overall %RGI loss also experienced a net loss of affordable units (indicating they are probably converting RGI units to subsidize other affordable units).

### **Effects on tenants:**

Two respondents indicated positive effects on tenants, and four respondents noted negative effects on tenants. Most organizations cited higher than normal dissatisfaction or confusion and disruption due to renovations.

*“Tenants no longer need to provide all of their income figures to us if they do not want to. We have both RGI suites and market rent suites.”*

*“Numerous capital infrastructure improvements were initiated to the benefit of both the landlord and the tenants.”*

*“Prior to the transition tenants were worried (stressed) about their RGI rents. Residents meetings helped to resolve their concerns (PowerPoint presentations were very helpful).”*

*“Disruption due to changes in rent calculations; lack of understanding of the processes now that we have both RGI and market rents.”*

### **Strategies and lessons learned from the post-expiry group:**

- **“Early planning is essential.”** At least 2 years of planning prior to expiry was common, and encouraged.
  - Some recommended planning at least 3–4 years in advance, which reduces pressure with adjusting rental rates near the end of the process.
  - Understand the impact of improvements/renovations on the capital fund years in advance of transitioning EOA.

- **Review and update Mission, Vision, and Guiding Principles** of the organization. This process is important when confronting change. Hire a consultant to help update them, if needed. This process takes far more time than organizations anticipated
- **Seek outside assistance:**
  - Seek outside counsel for legal and accounting assistance.
  - Maintain a good working relationship with Manitoba Housing.
    - They have assisted many providers as they transition through EOA.
    - They have negotiated agreement extensions for subsidies for some projects.
  - Several respondents noted that engagement with MNPHA (through workshops and conferences) was helpful through their planning and transition.

*“We learned a lot about Manitoba Housing’s expectations. We had not always been compliant. Communication with the Portfolio Officer is very important.”*

- **Determine priorities and plan** for those:
  - Determine tenant population that would be accommodated in a post-expiry reality. (One group determined that they still wanted to have RGI units and established a policy for offering them, creating several budget scenarios.)
- **Confirm financial viability** (internally and with assistance from Manitoba Housing).
  - Engage in current and long-term capital planning—and adhere to that plan.

*“To ensure we had a strong reserve, we did a lot of capital planning. Also, an internal subsidy program was developed and is funded by our members to maintain some RGI units—even though it is lower than what it was prior EOA.”*

- **Community and tenant engagement** is an important piece that may be under-recognized. Several respondents emphasized the importance of transparency and communication—of having regular resident meetings and staff involvement to review and discuss options throughout the entire process.
- **Conduct research on rental rates and develop a rent increase strategy.**
  - Raising rental rates on at least some units was a strategy for many projects.
  - Manitoba Housing assisted many providers to determine the market rate in an area and helped them develop a plan to steadily increase rents to ensure sustainability post-expiry.
    - Several respondents suggested raising rents as high as possible to have a higher rate registered with RTB before expiry—and then offer discounts to tenants.

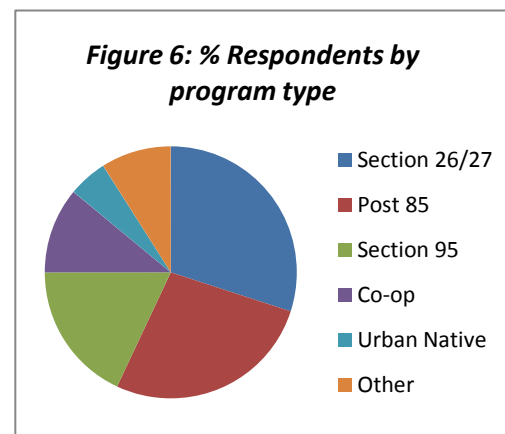
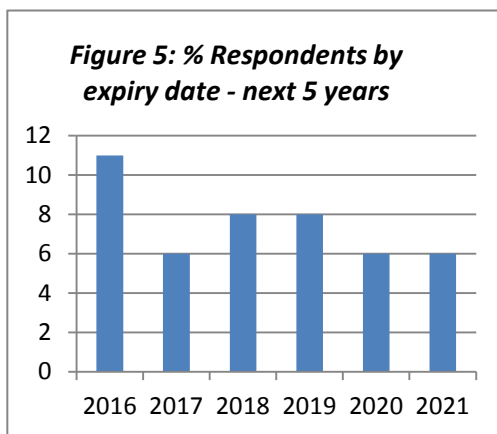
*“Be familiar with and start building a relationship with the Residential Tenancy Branch. Understand their rental structure and terminology.”*

- Projects with 100% **RGI units will be “impossible to maintain without subsidies.”**
- Projects that are **mostly single-family housing will experience challenges** with EOA.
- Some projects may be less affected by EOA because of their ties to MB Health.
- There was some loss of affordable housing, but in some cases this may have been to preserve RGI units.

### **Survey findings – Providers whose agreements have NOT YET expired:**

A total of 54 (77%) survey respondents indicated that their operating agreement had not yet expired (as of December 2015). Of these respondents:

- About half represented projects located in Winnipeg
- The majority of respondents represented projects that were small or medium in size (about 15% represented large projects)<sup>10</sup>
- Of those with a known expiry date, 11% are due to expire this year (2016), and altogether about half (45%) will expire in the next 5 years (Figure 5)
- Most respondents represented Section 26/27 (30%), Post-85 (27%), or Section 95 (18%) agreement program types (Figure 6)



- Just under one-quarter (23%) of respondents are members are MNPHA (16% were not, and 45% were not sure)
- Most respondents (31 of 54, or 57%) were property managers/landlords/caretakers (1 caretaker took the survey), many (17 of 54, or 32%) were involved in project administration (e.g., project manager, director, CEO, financial/treasurer), and 6 (11%) were board members.

<sup>10</sup> Size has been defined as follows: “small” as fewer than 30 units, “medium” as 30–80 units, and “large” as more than 80 units. Note that this refers to the size of a project covered by a particular operating agreement, and may not be indicative of the overall size of an organization’s portfolio.

- The majority of respondents indicated their organizations use accounting, legal, and property management services. Very few use HR professional services.

## Planning and level of preparedness for EOA

**Awareness of expiry date:** More than three-quarters of respondents indicated that the board executives or other primary decision makers of their organization are aware of the expiry date. The remaining one-quarter were either not aware or not sure of the date (though 12 of them did indicate they have a copy of their agreement). The majority (60%) have a copy of their agreement, but 19% said they did not have a copy of their agreement (22% were not sure).

**Planning:** More than one-third (35%) have already started planning for transition. Among those who have already engaged in some planning, the average time before expiry date was 5 years (some started as few as 1 month and some more than two decades prior to expiry, but most fell in the 2–5 year range).

Of the 48% who said they had not yet started planning, about one-third intend to engage in planning for EOA, and 4% (2) respondents indicated they are not going to plan (both have Section 26/27 operating agreements). Of those who have not begun planning, only 14% are due to expire in the next 5 years—most of them will not expire until after 2021.

Respondents were asked to identify their intention to engage in particular measures related to planning for their EOA. These are summarized in Table 2.

**Table 2: Intention to engage in measures related to EOA planning**

	<i>Number of respondents (out of 54 total)</i>				
	Will NOT do	Willing to do	Plan to do	Already done	Not sure
Study of financial viability	1	6	22	15	9
Capital reserve review	1	8	17	18	9
Audit/building condition assessment	1	12	12	15	10
Use EOA financial viability assessment tool (Pomeroy)	3	14	11	7	16
Consult BCNPHA <i>EOA Planning Guide</i>	5	14	7	2	20
Long-term organizational planning other than fiscal (e.g., strategies, policies)	2	11	19	5	13
Strategic visioning (e.g., changes to mandate or organizational structure)	4	12	16	5	14
Other planning: raising rents on annual basis	-	-	1	-	6

The majority of respondents have already or plan to assess their financial viability post-expiry (69%) and to conduct a capital reserve review (64%) or a building condition audit (50%). Many also have already or plan to engage in long-term organizational planning (44%) or strategic visioning (39%). Fewer have or plan to consult the Financial Viability Assessment tool developed by Steve Pomeroy (18%) or the *EOA Planning Guide* developed by the BC Non-Profit Housing Association (9%), but many respondents (26%) indicated they would be willing to do so. **Promoting awareness of such tools might encourage their inclusion as part of an organization’s planning process.**

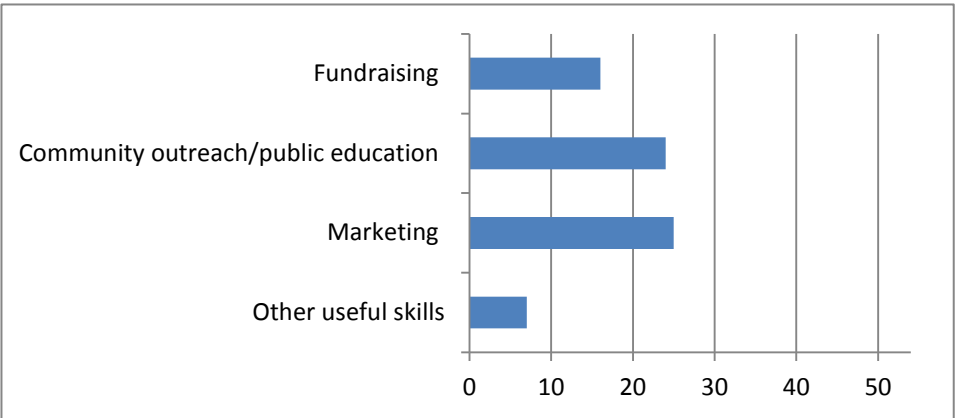
**Organizational governance**

Respondents overwhelmingly felt their board/primary decision makers are committed to maintaining their current number of affordable<sup>11</sup> housing units—80% answered agree or strongly agree (and only 3 respondents, or 6%, indicated disagree or strongly disagree).

Also, board members or other decision makers appear to be engaged in most projects in the survey sample (meaning that they meet regularly, hold/attend meetings, record minutes, review policy, approve budgets, etc.). Additionally, all respondents felt their board (or other decision makers) and the property management have a good working relationship.

Respondents were also asked about their organizational capacity as it relates to planning for and transition through EOA (Figure 7). Just under half indicated they have some expertise in marketing (e.g., advertising properties) and community outreach/public education (e.g., selling their project to the community). About one-third also feel they have experience in fundraising, that is, in raising money outside of government grants.

**Figure 7: Organizational skills relevant to transition through EOA**



Other skills that were mentioned include financial planning capacity and human resources knowledge.

<sup>11</sup> To be “affordable” the amount spent on shelter should not exceed 30% of pre-tax household income. See footnote 9 above for the operational definition of affordable housing as referenced in the survey.

- One organization noted that they have: *“Lots of human resource expertise around collective agreements, workplace health and safety legislation, and a high knowledge around Accessibility for Manitobans Act.”*
- Another said their *“skill set is changing with experienced board members leaving at the end of 2016,”* and they expressed concern about their *“ability to bring on people who will continue to hold the project together.”*

Several respondents indicated that, given a far-off expiry date, it is still too early for them to assess what their organizational capacity will be leading up to transition.

### **Project viability**

Of the 54 respondents whose agreements had not expired, just over 60% believed they were likely or very likely to be able to maintain their current number of units of affordable housing (40% indicated unlikely or unsure).

Many organizations had undertaken large capital improvements recently (61%), and large and medium sized organizations were more likely to have done so. Commonly listed replacements included: roofs, windows, exterior envelope, HVAC, fire alarm and suppression systems, water and power-saving renovations, and suite renovations including kitchens, baths, and appliances.

Additionally, many organizations (52%) indicated they are anticipating large capital improvements in the short-term. Again, more of these organizations were large and medium sized. Short-term improvements that are planned are similar to those that have been completed, with a strong emphasis on building envelope improvements (siding, windows, doors, roofs).

Respondents were also asked whether their organization would be willing to undertake any common strategies to improve fiscal viability (cash flow or capital standing). Table 3 summarizes the responses based on 53 respondents.

Table 3 indicates that among the survey sample, there is a preference to retain RGI units and avoid loss of affordable housing. However, many housing providers recognize that some rental rates will have to increase to remain financially viable. Improving energy efficiency of buildings is a popular strategy. Most organizations surveyed are strongly against site intensification/expansion or redevelopment as strategies, and they are even more strongly against selling assets.

These findings suggest that housing organizations are committed to continuing to provide affordable housing, but that they are reluctant to undertake significant change such as redevelopment. Most organizations indicate that rental rates will have to be increased to attain viability.

**Table 3: Willingness to undertake strategies to improve fiscal viability**

	Very Unlikely	Unlikely	Not Sure	Likely	Very Likely	No Answer
Lower the percentage of units that are RGI	6	14	15	8	6	4
Convert a portion of units to market rental rates to subsidize others	10	13	9	8	8	5
Increase rental rates	2	6	14	15	11	5
Improve energy efficiency performance	3	8	9	24	6	3
Site intensification (add buildings or units)	23	11	11	2	1	5
Site expansion or redevelopment	21	11	9	7	1	4
Sell property	31	4	13	0	0	5
Other	3	1	7	1	1	40

**Partnering**

According to the survey findings, organizations were not in favour of partnering with others (to pool resources for improved efficiency)—45% were opposed or very opposed to partnering, with 32% unsure. Of those in favour of partnering, more were small to medium sized organizations. There did not appear to be a strong relationship between willingness to partner and the location of the organizations in the province.

Organizations were equally unwilling to consider merging with other housing organizations to achieve economies of scale—46% were opposed or very opposed to merging and 39% were unsure. Only 11% were in favour. Neither the size nor the location of organizations appeared to impact their willingness to merge with other organizations.

**Communications**

The vast majority of organizations would consult resources or seek assistance related to their EOA transition. Of 52 respondents, 71% would be willing to use EOA-related resources, 4% would not, and 23% were unsure (their willingness would likely depend on the type of resources offered).

Respondents were asked how they would prefer to be contacted. Most organizations are fine with any kind of communication (email, phone, postal, fax). Approximately 13% of organizations indicated that they do not have access to high-speed internet. This would affect their ability to access video or other resources requiring online streaming.

Regarding the preferred method for delivery of EOA-related resources, respondents were strongly in favour of a guidebook (74%), a government contact person (60%), or a workshop (58%). The survey findings suggest that a guidebook and dedicated contact person are likely to see the highest use by organizations. Only 38% of organizations were interested in an online tutorial, and three-quarters of those were from Winnipeg. All respondents without high-speed internet were located outside Winnipeg.

### *Learnings from the Pre-Expiry Group:*

As with the Post-Expiry group of respondents to the survey, there are lessons to be learned from the Pre-Expiry respondents. There is a remarkably strong commitment by housing organizations to maintain affordable housing and to meet their mandates. Many have started planning for EOA, and those that haven't are already thinking of starting. According to the survey findings, there are opportunities for efficiencies, be they energy efficiency measures or possibly sharing resources amongst organizations. However, this does not extend as far as organizations being willing to merge for efficiencies. There seems to be a preference among organizations for 'doing it themselves', but there is also a clear need for guidance, and organizations prefer a Guidebook and a Contact Person for assistance.



## *Recommendations for Next Steps:*

1. **Proceed with Case Studies:** The survey was highly effective at understanding the readiness of organizations. It also helped to raise awareness among organizations. However, it was not designed to elicit details of organizations' experiences or to understand their strategies in-depth. Case studies will allow us to follow up on some questions raised by information collected in the survey, and will provide important outcomes, including:
  - a. More **in-depth examination of the nuts and bolts of strategies** and how providers arrived at and implemented them.
  - b. Details of experiences transitioning through EOA and a better understanding of longer-term impacts.
  - c. **Revealing local conditions.** Through the survey we have identified Manitoba-specific issues that provide context and should be incorporated in the development of an EOA planning toolkit. Any additional local conditions we can identify will be important.
2. We recommend conducting the case studies concurrently with the development of a Manitoba-specific EOA Toolkit (e.g., studying the process as a contact person walks an organization through a toolkit draft).
3. **Adapt the BCNPHA EOA Planning Guide for Manitoba.**
  - a. The **BC Planning Guide is recent, and well crafted.** The Guide contains all the strategies and tools identified in the literature.
  - b. The *BC Planning Guide* will have to be adapted for the local context. Therefore, MNPFA will still receive a **Manitoba-specific toolkit.**
  - c. The *BC Planning Guide* **already contains aspects of planning** that MBNPHA and MB Housing had raised concerns about, for example: reviewing organization mandates and integration within community plans.
  - d. **Additional modules** for the *BC Planning Guide* are under development.
  - e. The *BC Planning Guide* has been **adopted in other provinces**—the beginnings of a national EOA-related network and standards of best practice are developing.
4. **Contact Person:** Pursue as quickly as possible the development of a support position for Manitoba housing organizations dedicated to addressing EOA. The role of this position would be to provide planning assistance and information to organizations—to talk them through the process as needed.

## Appendix 1: Summary of the Literature:

### *Risk Indicators, Planning, and Strategies*

More than a dozen studies have looked at the challenges facing non-profit housing providers presented by the End of Operating Agreements. Steve Pomeroy of Focus Consulting / University Ottawa Centre on Governance has been the primary contributor to this discussion since at least 2003. Focus Consulting created the most recognized tool for assessing the viability of housing projects as they transition through EOA—supported by non-profit housing organizations across Canada, including the Manitoba Non-Profit Housing Association. The CMHC, the CHRA, and other authors have contributed to our understanding of the issues around EOA and strategies moving forward.

These studies have identified factors that may indicate a housing project will be under more serious risk as it transitions through EOA. They also point to strategies that organizations can use to address their transition challenges. These risks are summarized below.

#### Identification of housing projects at-risk

- **Lack of planning:** emerges as the single greatest risk factor for housing organizations. Housing organizations typically require a minimum of 2–3 years of planning to successfully transition EOA. Organizations planning at less than one year can expect significantly higher challenges.
  - **Lack of awareness** of tools that forecast operational viability through EOA is an additional indication of lack of planning/preparation.
  - The literature, as well as the experiences of BCNPHA and MB Housing suggest that as many as **one-third of housing organizations will be unprepared for expiry** of their agreements.
- **A high percentage of RGI units:** housing projects with a high percentage of RGI units – usually over 65% - will have increased financial challenges post EOA, because of the loss of subsidies for those units. This is especially true for organizations that have close to 100% RGI units. This includes public housing, Urban Native projects, and some ‘deep subsidy’ projects. For all of these projects, there is a gap between the rent paid, and the cost of operating the unit. Because the project has a very high percentage of RGI units, there is little opportunity to ‘cross-subsidize’ these units from within the project. Organizations may have to cover the operating gap by raising rents, lowering the percentage of RGI units, or selling assets. Currently, the Provincial government has committed to c subsidies for Urban Native projects in five-year increments.
- **Small projects** expose the added challenges of lack of resources. Small projects in Manitoba typically would have only a single building or have less than 30 units total.
  - Small projects have fewer resources—capital, funds, administration, and experience—to face the challenges of EOA.

- Small projects typically have less ability to plan, and are less aware of the challenges of EOA. This is closely related to the lack of resources.
- Small projects have little financial flexibility—linked to their lower level of capital and lower income streams.
- Small projects are unable to take advantage of economies of scale—financial, or administrative.
- These small projects will likely require proactive support from the province or sector.
- Projects with **high capital liabilities** have lower financial viability through EOA. This includes buildings in need of significant repairs or renovations; buildings that have poorly maintained; and many single-occupancy homes.
- **Ineffective boards** have been identified in the literature and by Manitoba Housing as a risk factor for housing organizations. Organizations work most effectively when they have a model that encourages a commitment to a clear direction and vision; organizational capacity, appropriate structures, policies and procedures to achieve this direction; accountability to funders and community stakeholders; sufficient adaptability to meet changing circumstances; the ability of the organization to develop and maintain effective partnerships; and, the ability of the board and staff to work as a team. Addressing the challenges of EOA requires a board to be *Committed*, to *Plan*, and to be *Active*.

### Risk by agreement program type

- **Section 95** projects typically have lower RGI percentages—15% is the minimum—as well as greater income mixing. This results in lower viability risk for the project through EOA.
- **Section 26/27** projects are mortgage only agreements provided by CMHC. They do not have ongoing subsidies, though some have additional programs ‘layered’ to support operational costs, or to achieve specific purposes under subsequent housing programs. These projects are usually considered low-risk transitioning through EOA.
- **Post-85** agreements are fully targeted and typically a higher percentage of RGI units. Beginning in 2021, large number of Post-85 (38%), Co-op (6%), Co-op 85 (6%), and Urban Native (7%) agreements will expire. These projects will arguably face greater challenges for sustainability post-expiry, as agreements tend to cover operating costs, are more likely to be fully targeted, and typically have higher proportions of RGI units.
- **Urban Native (UN)** are mostly scattered site, single-occupancy homes. They are 100% RGI. These would be higher risk, but currently have extended commitments from the Manitoba Provincial government in 5-year increments.

- **Rural and Native Housing (RNH)** RNH applies to native and non-native households in small communities. They are 100% RGI and are considered higher risk.
- Many agreements are **associated with provincial government departments**—Manitoba Housing of Manitoba Health. It is unknown how large an effect the loss of subsidies will have on these departments. Manitoba Housing—whose portfolio is 98% RGI—is the largest housing organization in the province and arguably has the largest resource base to draw upon. Manitoba Health is associated with a number of housing projects though these appear to mostly be Personal Care Homes in rural communities and to be mostly Section 95 or Section 26/27. Again, Manitoba Health arguably has a large resource base to draw upon, and these projects are at low risk.
- **To date, the majority of agreements that have ended in Manitoba have been of one of the low-risk categories. As well, in the coming five years the majority of expiring agreements will be Section 95 and Section 26/27. These projects have lower risk and therefore create lower demands for assistance than could be.**

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