Questions and Answers The Agency's Performance Report

THE AGENCY FOR CO-OPERATIVE HOUSING
L'AGENCE DES COOPÉRATIVES D'HABITATION

What is the Performance Report?

A service for Agency clients, the Performance Report combines information from your co-op and many others and shares it in a usable form.

You know your co-op from the inside. This report lets you see how you compare with others. It gives you a fresh viewing every year after you file your Annual Information Return (AIR). Visits to our HomeRun website are recommended for co-ops interested in richer comparisons with their chosen peer group.

Who should see our Performance Report?

We send you the report as soon as it is ready. We also post it on the password-protected area of our client website so that you can easily find it at any time. We encourage your board to discuss the report and to share it with others in your co-op.

What does the report show?

The numbers shown are drawn from the AIRs filed with the Agency.

The report presents data in different ways:

- A short description compares your results with those of co-ops that might fairly expect to have similar results (your "peers").
- A bar graph shows your co-op's year-by-year results, along with those of your peers.
- The graph also shows the mid-point for your peers. Is it better to be above or below that point? It depends on the topic. Lower is better for arrears, for instance, while higher is better for capital replacement reserves.
- For vacancy loss, the graph also shows the vacancy rate for similar rental housing in your area, based on the average size of your units. Information on market vacancies comes from CMHC's periodic Rental Market Reports.

Can you help us understand what the report means for our co-op?

To get the best value from this report, think about how each measure may relate to the others. Look at your current results and year-by-year trends and compare both with your peers' results. The remarks below offer you a few points to consider as you study your performance. (Please remember that not all comments below will apply to your co-op, and some measures may not appear on your report.)

For a detailed discussion of your own Performance Report, we invite you to call your Agency contact.

VACANCY LOSS

For the clearest picture of your results, look first at the vacancy rate for your community and then compare your vacancy loss with other co-ops'. If your loss seems high for your area, or higher than your peers', your board will want to ask why.

Co-ops often worry that higher losses are due to higher housing charges. But experience shows that a co-op with good curb appeal can stay full, or nearly so, even when its charges are at market. The key is keeping your co-op in excellent repair and paying attention to marketing. Some co-ops in soft markets have had good success in staying full by offering move-in incentives and adopting a streamlined process for admitting new members.

Your present vacancy losses may leave your co-op feeling too poor to spend the money, but no co-op can afford to skimp on maintenance or marketing if the neighbourhood has a high vacancy rate.

Is your vacancy loss low? Low losses are the goal, but a unit that has been lived in for a long time will need attention before the next member moves in. Keeping it empty long enough to correct normal wear and tear and do any necessary updating will be a wise investment.

ARREARS AND BAD DEBTS

This measure sums up your year-end arrears and your annual bad-debt expense. We compare the result to the total amount you charged your residents for housing over the year (i.e., the reduced rate for households who have a subsidy or rent supplement and the full rate for others).

We look at these two items together because not all co-ops treat doubtful accounts and bad debts in the same way.

A co-op's arrears and bad debts tell a clear story about the quality of its management and governance. Lower arrears and bad debts point to collection practices that work, supported by firm leadership.

Your local federation or CHF Canada can share tips on what to do and not to do in managing arrears. You can also consult the good practices on the Agency's HomeRun site.

MAINTENANCE SPENDING AS A SHARE OF OPERATING COST

This measure presents maintenance spending as a share of the total cost of operating your co-op. (That cost includes the mortgage payment and your regular contribution to your capital-replacement reserve, but not any extra reserve contributions of a year-end surplus.)

How much spending is enough? The right spending level depends on the kind of buildings you own, the condition of your property and how you get the work done.

Lower spending may be your clue that you are putting off needed upkeep and repairs. This will mean higher costs later. Or it could mean that you have invested in your property in recent years, replacing temperamental old appliances or a roof, installing better-quality finishes in your units, replacing your driveways or carrying out other capital work. Refreshing worn-out elements often means less spending afterward.

Higher maintenance spending may tell you that your co-op is catching up on neglected tasks. Or you may be putting off needed capital replacements. It could also mean that your peers are not spending enough.

MAINTENANCE SPENDING PER UNIT

This measure allows you to compare your maintenance spending with that of co-ops whose buildings are as complex or as simple as yours. Properties with elevators have complicated systems that are costly to maintain, especially as they age. Buildings without elevators need regular care but have fewer pricy elements to keep up.

CAPITAL-REPLACEMENT RESERVE

It is best to look at your reserve balance and your contribution rate together.

Do you have less in your reserve than your peers'? If your property is in excellent condition, maybe you have just completed a round of major repairs and replacements. If so, you should commit yourself to building your reserve back up as quickly as you can. But if the condition of your property could be improved and your balance is low, your co-op may have set aside too little in past years.

If you have been putting less into your reserve than your peers, your board should ask why. Low contributions usually mean that a co-op is not setting aside enough.

Your first step to remedy this is to have a professional come in and examine the condition of your property. This building condition assessment (BCA) will tell you what work you can expect your property to need in the future and what it will likely cost.

With a BCA in hand, you can firm up your capital reserve plan. The purpose of the plan is to tell you how much to add to your reserve each year and how much, if anything, you may need to borrow on top of that to pay for the work you need. If your co-op has a relationship manager at the Agency, they can give advice on how to put a plan in place.

High contributions may point to a co-op that is now building up a neglected reserve fund, and a high reserve balance to one that is unnecessarily postponing capital projects. But a high balance and high contributions could also be the mark of a prudent co-op with expensive capital projects coming up.

The surest way to know whether you are setting aside enough for the future is to take regular stock of the condition of your property, keep your capital-reserve plan up to date and make the contributions called for in the plan. Raise your housing charges as necessary to achieve this.

ENERGY COSTS

What you need to spend on energy depends largely on the climate in your region. The other major factor is who pays the bill—the co-op or the member. People who pay for heating, hot water and electricity directly often use energy more sparingly. Either way, using less energy is one way to control your co-op's costs while doing your part for the environment.

A co-op spending more than others on energy may need to invest more in energy-saving maintenance, such as caulking windows and doors, or on capital work, such as window or furnace replacements.

An energy audit will tell you where to look for savings. You may also benefit from a campaign to pass on energy-saving tips and remind members that, in a non-profit co-op, they can't avoid paying, one way or another, for the energy they use.

WATER AND SEWERAGE

A co-op's spending on water and sewerage depends on

- how many people live in each unit
- who pays for the water they use
- whether water use is metered or a flat rate applies and
- how many vacancies you have.

Unless you pay a flat rate, your co-op will save money with water-saving measures, such as replacing older toilets, showerheads and taps with modern low-flow fixtures. You may be surprised at how quickly these capital investments pay for themselves. Attending promptly to leaks will also cut costs.

If your co-op is paying a flat rate, these measures will not reduce your bill right away. But most communities are ending flat-rate billing as soon as they can. Replacing old fixtures now will put you in a strong position when your co-op starts to pay for water based on use.

ADMINISTRATIVE SPENDING

Many factors affect administration costs, making comparisons difficult. One factor is the management model a co-op follows (i.e., management company, employees, all-volunteer or a paid bookkeeper only). Another factor is how many services a co-op hires out. Co-op size is another influence. It's easy to see that, with fewer households to pay the salary of even a part-time manager, a small co-op is likely to spend a greater share of its revenue on administration.

By itself, high or low administrative spending is neither good nor bad. The real point is whether your co-op is getting good results.

HOUSING CHARGES COMPARED TO MARKET

Several measures concerned with the care of your property may suggest that your co-op needs to spend more money, now or in the future. Looking at your housing charges in relation to market rents can help you decide how much room you have to do so. Note, however, that the report compares your charges to the average market rent in your community, weighted by bedroom count. It doesn't tell you what the market will bear for the housing you have to offer. That could well be a higher number.

Who are our peers?

Our HomeRun website allows co-ops to choose their own peer groups. For the Performance Report, the Agency has pre-set the groups. Our report compares your co-op with different groups for different measures:

- Vacancy Loss

Your peers are all federal-program co-ops in your area, unless the sample size is too small. (If your area has fewer than 10 co-ops, you won't see a comparison to a peer group.) We use the same areas CMHC uses in its regular rental-market reports.

- Arrears and Bad Debts

All Agency clients are your peers.

- Maintenance Spending

For maintenance spending as a share of operating costs, the peer group is all Agency clients. For per-unit spending, there are two groups: co-ops with elevators and co-ops without.

- Capital Replacement Reserve

Your peer group is all Agency clients with money in their replacement reserve at year end. Some co-ops with a financial workout are not allowed to hold a reserve.

- Capital Replacement Reserve Contribution

Your peers are all co-op clients that put money into their reserve in the year, apart from a transfer of surplus at year end. We leave out co-ops that made no contribution, for the same reason that we don't include them when looking at the reserve balance.

- Energy Costs

Your peers are all Agency clients in your climate region that include the same energy services in their housing charges (e.g., Vancouver co-ops that pay for electricity, heat and hot water for all households).

Co-ops that pay for some services in one unit and different services in another are not included in any peer group. These co-ops will not see this measure on their Performance Report. Neither will co-ops in a climate region that has fewer than five co-ops that pay for the same cluster of energy services.

- Water and Sewerage Charges

We don't know how many people live in your co-op. So we look instead at how many bedrooms your average unit has. There are five peer groups:

- co-ops that don't pay for household water use
- co-ops where water is included in the housing charge and the average bedroom count per unit is under two; two or a little over; just under three; or three or higher

- Administrative Spending

To assemble large enough peer groups, we have organized them this way:

- all co-ops in B.C. with a management company
- all co-ops in B.C. that have their own employees
- all co-ops in Alberta with paid management, whether their own employee or a property management firm
- all co-ops in Ontario with a management company
- all co-ops in Ontario that have their own employees
- all co-ops in PEI with paid management, either their own employee or a property-management firm.
- co-ops across the country with either no paid staff or only a paid bookkeeper form a single peer group

- Housing Charges Compared to Market

Your peers are Agency clients from areas where CMHC reports the average market rents for apartment-style units. Owing to limited information from CMHC, this measure does not appear on the Performance Reports of co-ops outside these areas, or those with detached, semi-detached or town-house units. (Nor do we include these co-ops in the peer groups for other co-operatives.)

Please note that if a co-op is not our client, we don't receive its information and cannot include it in our comparisons. The following groups are not Agency clients:

- Co-ops operating under federal programs outside B.C., Alberta, Ontario and PEI
- Co-ops operating under provincial or municipal programs
- Co-ops that no longer have an agreement with CMHC and do not subscribe to the Agency's Annual Health Check service. Information from these co-ops will not be included in the years following the end of their agreement but will still appear for earlier periods.

We have a good co-op, so how could our ranking be so poor, compared with our peer group?

The Agency recognizes that your co-op may have good points that our measures do not capture, such as a rich community life. Your strengths should make it easier for you to work on areas where your performance could improve.

For advice on how your co-op can get the results you want, you should feel free to contact your local federation or consult with CHF Canada.

If you find that your co-op's performance is good, your board, members and staff should give yourselves the credit you deserve.

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