Annual Portfolio Performance Review: 2011

Revised for Website

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

Introduction

The 2011 Portfolio Performance Review is the sixth in a series of annual reviews from the Agency for Co-operative Housing that examine the performance of the federal co-operative housing portfolio. An important element in the Agency's accountability framework, the purpose of the review is to provide CMHC with an assessment of the performance, as a group, of the housing co-operatives operating under the CMHC programs we administer.

The 2011 review reports on the performance of 516 housing co-operatives, totalling 32,647 housing units, operating under five programs in four provinces. As in previous years, the review offers a high-level view of the portfolio, occasionally looking at distinct subsets of the whole. It shows that, overall, the performance of the portfolio has been slowly improving in the time that the Agency has been managing it. More specifically, progress is being made toward the achievement of the three principal objectives set out for the Agency by CMHC:

- more effective management of the portfolio at a comparable or lower cost;
- continued benefits of co-operative housing for Canadians; and
- improved client satisfaction within the portfolio.

Positive results include a greater number of co-operatives in full compliance with their operating agreement; observable improvement in the portfolio's risk profile, despite a fluctuating economy; and co-operatives' collective assets better cared for. We also observe various trends that, unchecked, could challenge the co-operative housing sector as a whole.

The first section of this review offers a brief description of the portfolio as it stood at the end of 2011. It is followed by a section on our clients' compliance with their operating agreements and program policies. We then look at the portfolio risk profile, assessing various elements that contribute to co-operatives' financial well-being and sound physical condition. The review then examines various facets of co-operative management. We touch on the results of the most recent Client Satisfaction Survey, on which CMHC has already received an extensive report. As in the past, the review concludes with a section on what we anticipate in the next year. Additional data and definitions are found in three appendices.

We encourage the reader to consult the Agency's website **www.agency.coop** for our annual reports, as well as our Client Satisfaction Survey and Q&As on many topics of importance for our clients.

2011 Portfolio Overview

Except as noted in the section on the compliance status of our clients, the 2011 Portfolio Performance Review uses data drawn from 516 Annual Information Returns (AIRs) filed by Agency clients for fiscal years ending any time from August 2010 to July 2011[1] and validated by the Agency by January 15, 2012. The 2007 dataset consists of data from the equivalent period of 2006-2007. Appendix A has more information on the 2011 dataset and the use of constant dollars in this review.

The 2011 dataset includes information on 96 per cent of the Agency's 540 clients at December 31. The distribution by program, province and management model of the co-operatives in the dataset is representative of the full Agency portfolio.

The breakdown by region and program is essentially unaltered from 2007. The distribution by management model, on the other hand, has changed noticeably from 2007, when co-operatives employing their own staff made up 46 per cent of the portfolio, those using property management companies 35 per cent and each of the volunteer management and paid-bookkeeper categories representing just under 10 per cent.

Facts & Figures

Total number of co-ops in the 2011 dataset: **516**
Total number of units in the 2011 dataset: **32,647**

Distribution by Program		
S27/61	51	10%
S95	319	62%
FCHP (ILM)	127	25%
UN/PEI NP*	5	1%
Multiple	14	3%

*excluded from program-related charts

Distribution by Province		
B.C.	189	37%
Alberta	54	10%
Ontario	263	51%
PEI	10	2%

Distribution by Management Model		
Management Company	219	42%
Paid Staff	202	39%
Paid Bookkeeper Only	63	12%
Volunteer Only	31	6%

Compliance with Operating Agreements

The purpose of the Agency's compliance-management program is to ensure that public funds expended under the co-operative housing programs are used as intended and properly accounted for. The backbone of our approach is the annual compliance review, carried out following the receipt and validation of each client's Annual Information Return.

The Agency classifies variances according to the following criteria:

Breach: a compliance failure having an impact on the viability of the co-operative in the short term or that could result in public funds committed for the program being misused or being perceived to have been misused.

1 Throughout this report, except where the context otherwise requires, "2011" refers to a year ending any time between August 1, 2010 and July 31, 2011.

Material compliance variance: a compliance failure that does not threaten the viability of the co-operative in the short term but that, if left unresolved, could have an impact over the longer term; the compliance failure will not result in public funds committed for the program being misused or perceived as being misused.

Minor compliance variance: a variance from the operating agreement or program guidelines that neither has an impact on the co-operative's short- or long-term viability nor results in public funds committed for the program being misused or seen to have been misused.

As the Agency's classification of compliance variances was significantly reassessed in 2008, we compared the compliance status of the portfolio at the end of 2011 with that at the end of 2008, rather than 2007. In a departure from past reports, the data presented reflect the compliance status of the entire Agency portfolio for both years (2011: 540; 2008: 515), rather than the status of co-operatives in the dataset only. Accordingly, the 2008 comparative numbers have been adjusted.

The objectives set out in the Agency's agreement with CMHC call for improving levels of compliance with operating agreements across the portfolio, measured in various ways:

STATUS:
IMPROVING

Increased program knowledge within the portfolio, as evidenced by increased compliance with project operating agreements

At the end of 2011, 80 per cent of housing co-operatives in our portfolio were fully compliant with their operating-agreement obligations, up from 60 per cent three years earlier.

We also see a decline in total compliance failures in all categories of severity, as shown in Table 1 on the following page. On December 31, 2011, only three per cent of our clients were in breach of their agreements, down from six per cent at the end of 2008. Similarly, the percentage of clients with material variances shows a sharp descent from 17 per cent at the end of 2008 to 10 per cent three years later.

The same observation holds good for the percentage of clients with minor variances, which now represent 11 per cent of the portfolio, down from 28.

Readers should note that, contrary to previous years, this review does not consider property-tax arrears for either 2011 or the comparison year. (Prompt payment of property taxes is a workout-agreement obligation but is not addressed in the program operating agreements.)

The table of operating-agreement variances includes at least one policy variance, resulting in an overstatement of operating-agreement non-compliance. Five per cent of all variances outstanding at the end of 2011 related to CMHC's Net Operating Revenue Policy, which is not set out in the relevant operating agreement. However, we are pleased to report fewer instances where clients have disregarded it (2011: 13; 2008: 24).

Table 1: Co-operatives Not in Full Compliance

	2011		2008	
	Number of co-ops	Percentage of Portfolio*	Number of co-ops	Percentage of Portfolio*
Total Clients Not in Full Compliance	109	20%	204	40%
Co-operatives with Agreement Breaches	18	3%	30	6%
Co-operatives with Material Variances	55	10%	85	17%
Co-operatives with Minor Variances	60	11%	142	28%

* Percentage of co-operatives in the Agency portfolio with a variance of this kind

Please note that some clients were out of compliance with more than one obligation, manifesting any combination of variances from a severe breach to a minor variance, and that a single client may appear in more than one of the categories above.

As will be apparent when Table 1 is reviewed in conjunction with Table 2: Compliance Variances by Type, 195 variances from operating-agreement and program obligations were associated with 109 co-operatives at the end of 2011 (2008: 345, 204). This is a 43 per cent decrease from the comparison year in the total number of variances and a 47 per cent drop in the total number of clients not in full compliance.

STATUS:
IMPROVING

Stable and, over time, improved levels of operating-agreement compliance within the portfolio, as evidenced by a decline in the number of operating agreement breaches and material compliance variances

We spoke earlier of a decrease in the overall number of breaches, material variances and minor variances from a total of 345 in 2008 to 195 in 2011, a drop of 43 per cent in three years.

The 2011 data show a steep drop in the number of agreement breaches, as shown in Table 2, from 36 at the end of 2008 to 29 at the end of 2011. The total incidence of breaches and material variances, taken together, has dropped by 37 per cent since 2008, falling from 154 to 97 in 2011.

Table 2: Compliance Variances by Type

(Listed by order of incidence in 2011)

Breaches	**2011**	**2008**
Annual Reporting	10	22
Mortgage Payments	10	14
Subsidy Surplus Fund	5	0
Eligible Occupants	3	0
Security of Tenure Fund	1	0
Total Breaches	**29**	**36**
Material Variances		
Capital Replacement Reserve	43	57
Occupancy Charges	16	0
Rent Supplement Assistance	6	0
Subsidy Surplus Fund	2	20
Net Operating Revenue Policy	0	21
Verification of Incomes	0	7
Income-Tested Housing Charges	0	6
Other	1	7
Total Material Variances	**68**	**118**
Minor Variances		
Annual Reporting	36	52
Capital Replacement Reserve	19	98
Subsidy Surplus Fund	17	9
Net Operating Revenue Policy	13	3
Security of Tenure Fund	5	11
Eligible Occupants	5	13
Other	3	5
Total Minor Variances	**98**	**191**
Total Variances and Breaches	**195**	**345**

STATUS:
IMPROVING

Fewer co-operatives in the portfolio in default of their financial obligations, as evidenced by fewer instances of mortgage or property-tax arrears

At the close of 2011, the Agency saw ten co-operatives with mortgage arrears, down from 14 three years earlier. Seven clients were behind with their property taxes at the end of 2011, down from 13 in 2008. Two have since resolved the arrears.

Portfolio Risk Profile

Each year, the Agency performs a comprehensive risk assessment of every co-operative in its portfolio. Following the review, we assign a composite risk rating that reflects our considered view of the co-op's current health and future prospects, based on separate evaluations of its financial strength, current financial performance and physical condition. These are examined in the context of the market environment and other risk factors, such as the sufficiency of the co-operative's capital replacement reserve. Although strongly informed by the results of standardized tests performed for each client, the rating is ultimately judgement based. As appropriate, we will adjust it over the course of the year in response to the co-op's actions or external developments. Possible risk ratings of Low, Moderate, Above Average and High are defined in Appendix B: Definitions of Composite Risk Ratings.

In 2010 the Agency increased the combinations of leading-indicator scores that return a composite rating of Low, raised the thresholds used in evaluating net-income indicator scores and modified the net-income indicator formula to use the higher of the co-operative's reported insured replacement value or the regional median replacement value, adjusted for the size of the co-op. The 2007 data have been adjusted for this report using the new rating system.

Five indicators of success set out in the Agency-CMHC agreement are tied to the risk profile of the portfolio:

STATUS:
IMPROVING

Increased awareness by co-operatives of their own performance, as evidenced by an improvement in the overall risk profile of the portfolio

The following chart compares the distribution of composite risk ratings for the dataset at December 31, 2011 with ratings for the 2007 dataset. Looked at as a whole, the portfolio's risk profile has seen measurable improvement over the past four years. While co-operatives with a rating of Above Average or High made up 61 per cent of our portfolio at the end of 2007, four years later the percentage at risk had dropped four points, to 57 per cent. This result was achieved despite a small rise over the five-year period in the proportion rated High risk (2007: 14%; 2011: 16%).

At the other end of the scale, the number of clients with a Low or Moderate composite rating now stands at more than 43 per cent, with 13 per cent of clients rated Low and 30 per cent Moderate. The percentage of clients with a positive rating has grown by four points since 2007.

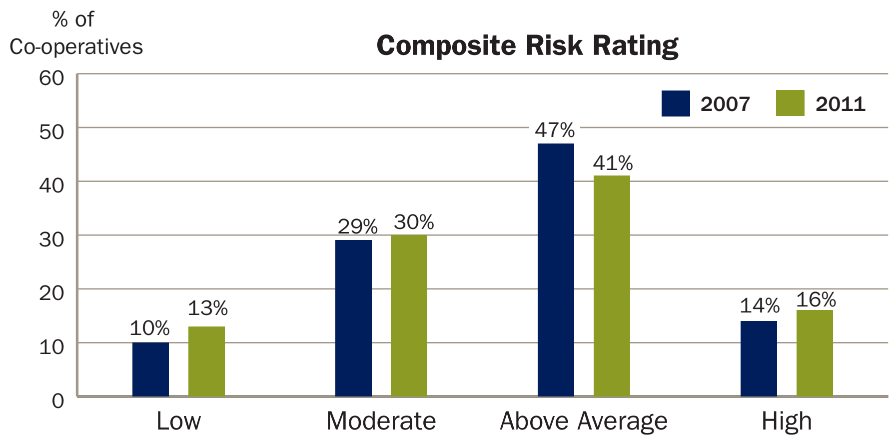

Figure 1

A counter influence on the portfolio's improving risk profile during the past four years has been the inclusion of co-operatives initially held back at CMHC. Since 2007, 51 new clients have come over to the Agency, increasing our portfolio by ten per cent. Of the 44 new arrivals that we had assessed by the end of 2011, 40, or 91 per cent, received an initial composite rating of either High or Above Average. We observe, however, that more than a third (8) of those first rated High have since seen their rating shift to Above Average, and one is now rated Low.

The Agency's annual risk-assessment process now involves assigning a risk trend. We are pleased to be able to report that, at the end of 2011, as the following table shows, 82 per cent of clients with an assigned trend were in a stable or strengthening situation. The situation of less than one co-op out of five is weakening. Less encouragingly, half of all co-operatives with a composite risk rating of High have been assigned a Weakening outlook. This does not necessarily mean that the default risk has risen materially; it does mean that the client has risk factors it has to attend to.

Table 3: Composite Risk Ratings and Trends

Composite Risk Rating	Trend			
	Strengthening	Stable	Weakening	Total
Low	14 (21%)	52 (76%)	2 (3%)	68
Moderate	23 (15%)	117 (77%)	11 (7%)	151
Above Average	22 (11%)	133 (68%)	40 (21%)	195
High	13 (18%)	24 (32%)	37 (50%)	74
Total	72	326	90	488[2]
%	15%	67%	18%	100%

STATUS: STABLE

Improvement in the overall risk profile of the portfolio, as evidenced by a declining number of co-operatives rated High and a stable or growing number of co-operatives rated Low or Moderate

Results against this performance indicator are mixed. The proportion of co-operatives carrying a High composite now stands at 16 per cent, compared with 14 per cent four years ago and 17 per cent in 2010. Yet the four-year period since 2007 has also seen an increase of three percentage points in the number of co-operatives rated Low risk and a decrease of six points in those at Above-Average risk. As of the close of 2011, more than four co-ops out of ten carried a rating of Low or Moderate.

Turning from the risk profile of the portfolio to the rating of individual clients, significant change within the portfolio has taken place in the last four years. Looking at the 458 co-operatives with composite risk-rating data available for both 2007 and 2011, we find that 50 per cent of Agency clients held the same rating at the end of 2011 as at the end of 2007. Twenty-seven per cent of our clients saw their rating improve over the four-year period and 23 per cent saw it weaken.

STATUS: STABLE

Increasing percentage of under-performing co-operatives, as determined through the risk-rating system, that are not under a workout arrangement returned to financial health without a cash injection from CMHC Insurance or Enhanced Assistance ("underperforming" and "financial health" defined, respectively, as scoring Poor on either of the liquidity or net-income indicators or Fair on both and as scoring at least Fair on both the liquidity and net-income indicators, with no scheduled mortgage or property-tax payments overdue)

We looked for the first time at performance against this indicator in 2010. (In 2009, we judged it too early to report results, noting that changes observed over a two-year time scale in individual indicator ratings might not signal a sustained trend.) To meet the definition of financial health, two criteria must be satisfied:

2. The analysis reflects trends assigned to 488 co-operatives out of a possible 507 (co-ops operating under the deep-need programs are excluded). Nineteen co-operatives without an assigned risk trend were excluded.

- scoring no worse than Fair on each of the liquidity and net-income indicators;
- having no arrears of scheduled mortgage or property-tax payments.

As Table 4 indicates, according to the above criteria, a total of 105 co-operatives were underperforming in 2007 or 2008 (2007: 69; 2008: 36 newly identified). The majority of them (56%) have now returned to health. Only three per cent did so with a cash injection from CMHC Insurance or Enhanced Assistance. (Note that the data have been adjusted retrospectively for changes in the net-income thresholds used in the Agency's risk-rating system, as discussed above.)

Table 4: Underperforming Co-operatives Returned to Financial Health

Report Year Identified	Number of Co-ops	Returned to Financial Health		Not yet Returned to Financial Health			
		No CMHC Assistance	CMHC Assistance	No CMHC Assistance	CMHC Assistance	No Longer Client	
2007	69	40 (58%)	2 (3%)	17 (25%)	9 (13%)	1 (1%)	100%
2008	36	16 (44%)	1 (3%)	15 (42%)	3 (8%)	3 (3%)	100%
Total	105	56 (53%)	3 (3%)	32 (30%)	12 (11%)	4 (2%)	100%

In order to understand the process of returning to financial health, we have divided our dataset into two distinct cohorts.

- In the 2007 cohort, after four years, 61 per cent of underperforming co-ops have returned to financial health. Of the 42 clients that were better off financially in 2011 than in 2007, two received assistance from CMHC, as defined above. By the end of their 2011 fiscal year, 26 co-operatives (38%) in this 2007 cohort had not returned to financial health, although nine of those had received assistance from CMHC. One very small co-operative was no longer a client of the Agency, as a result of foreclosure.

- In the 2008 cohort, after three years, 47 per cent had returned to financial health. Out of 17 clients in better financial health in 2011 than in 2008, one had received CMHC assistance. Eighteen co-ops from this group (50 per cent of the cohort) are still underperforming, three after having received assistance from CMHC. One other co-operative is no longer a client of the Agency, having paid out its loan.

Looking at status changes among co-operatives without a workout and identified in 2007 or 2008 as underperforming, we note that, at the end of 2011, 95 per cent of all those that returned to financial health did so without recourse to Enhanced Assistance or a cash injection from CMHC Insurance.

In summary, we assess the 2007 cohort as making gradual progress toward financial health. When comparing the 2010 and 2011 data, the number of co-operatives moving in a positive direction has grown from 36 to 42, but it has taken four years for a clear majority (61%) to recover from their financial difficulties. As for the 2008 cohort, just under half are showing substantial improvement in their finances. Based on the 2007 experience, we expect the trend toward improvement to continue throughout the next year.

If the future reflects the past, over time, co-operatives will strengthen themselves financially by following our twofold strategy of increasing revenues and raising their contributions to their capital-replacement reserve. In our view, both these tactics are required for improvement in longer-term performance against this indicator.

STATUS:
STABLE

Improved financial health of the portfolio, as evidenced by an increasing percentage of co-operatives with a Good or Excellent liquidity ratio, and an increasing percentage of co-operatives with a Good or Excellent net-income ratio.

In looking at this performance measure, we applied a fresh analysis to our base-year data, using the new net-income thresholds put in place in 2010. As these produce more conservative results, it becomes apparent, if it was ever in doubt, that the achievement of financial strength is a long-term project for our clients.

Between 2007 and 2011, we see a slight decline in performance in both the Liquidity Ratio and the Net-Income Ratio, although the picture is not without encouraging aspects.

Liquidity Ratio

- We see a general improvement of the median Liquidity Ratio for the portfolio, which grew from 9.24 in the base year to 10.72 in 2011; this score qualifies as Excellent, the threshold for the rating being 8.0.
- Our research shows that the percentage of clients achieving an Excellent liquidity rating grew from 59 per cent to 63 per cent between 2007 and 2011.
- However, we also saw a perceptible drop in the proportion of clients with a healthy Liquidity Ratio (scoring “Good” or “Excellent”); it now stands at 77.1 per cent in contrast to 78.5 per cent in 2007.
- The proportion of clients whose liquidity rated Fair or Poor is stable, having increased only by a little more than one percentage point since the base year.

Net-Income Ratio

➤ The median score of 0.81 for the 2011 portfolio represents a slight drop from the base-year performance of 0.85. However, the lower score still qualifies as Good, since the cut-off for this category is 0.75.

➤ The proportion of clients with a healthy Net-Income Ratio (scoring "Good" or "Excellent") has fallen more than four percentage points in four years (2007: 58.7%; 2011: 54.4%).

➤ A contributing factor is the strong increase in the insured replacement cost of co-op properties. This affects the Net-Income Ratio, as this value is used in the calculation of the indicator score.

➤ Co-operatives whose net income is rated Fair or Poor now form 46 per cent of the portfolio, an increase of more than four percentage points since 2007. Clients rated Fair make up 30 per cent of the portfolio, a rise of seven percentage points in four years, while the proportion rated Poor has fallen three points.

Table 5: Portfolio Distribution of Liquidity and Net-Income Ratios

Percentage of portfolio

Liquidity Ratio	**2007**	**2011**	**Difference**
Excellent	59%	63%	5%
Good	20%	14%	-6%
Fair	7%	8%	1%
Poor	15%	14%	1%
Net-Income Ratio			
Excellent	40%	34%	-6%
Good	19%	21%	2%
Fair	23%	30%	7%
Poor	18%	15%	-3%

Turning to the question of clients rated Good or Excellent on both indicators, something the performance measure above does not speak to, we observe that this group fell from 53 per cent of the dataset in 2007 to 49 per cent in 2011.

STATUS: IMPROVING

Improved physical condition of the stock, as evidenced by a stable or growing number of co-operatives with a physical-condition rating of Good or Excellent and a declining number of co-operatives with a physical-condition rating of Poor.

Physical-condition ratings across the portfolio have shown small but measurable improvement over the past four years. In 2011 83 per cent of co-operatives received a positive physical-condition rating—either Good or Excellent—compared with 77 per cent four years earlier, and 82 percent in 2010.

Meanwhile, the segment rated Fair declined from 22 per cent in 2007 to 17 per cent in 2010, where it stands for a second year. The proportion holding a Poor rating has remained stable, at one per cent, during the whole 2007–2011 period. In all, fewer than one out of five co-operatives in the dataset (the 18% rated Poor and Fair) are failing to preserve their physical assets in good condition. Given that aging properties normally face an accelerating need for maintenance and capital repairs, this result is more satisfactory than might at first appear.

Figure 2

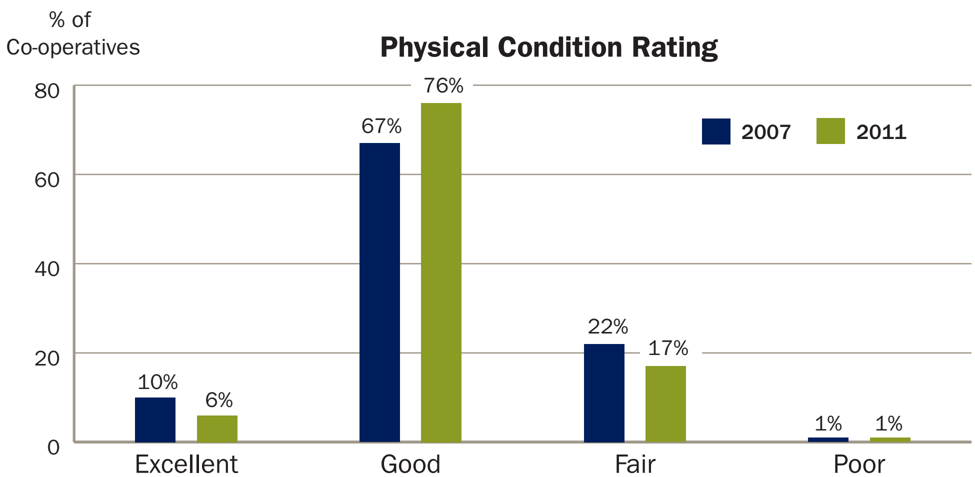

Figure 3

As discussed in previous years, the relative decline from 2007 in co-operatives carrying an Excellent physical-condition rating may be explained by the portfolio's increasing age. That said, it is worth noting that at the end of 2009 only two per cent of our clients enjoyed this rating. The subsequent rise to six per cent is an encouraging sign.

Admittedly, the Agency expected to see improvement in the overall condition of the portfolio following the federal government's Social Housing Renovation and Retrofit Initiative. In fact, only 27 of the 156 co-operatives that obtained funding under the program (17%) saw their physical-condition rating rise after their most recent inspection:

- one co-operative climbed from Poor to Good status;
- 20 co-operatives moved from Fair to Good status;
- six saw their status improve from Good to Excellent.

Another 58 per cent retained their previous physical-condition rating, while the condition of the remaining 25 per cent worsened, possibly because the funds they received, although welcome, were insufficient to solve severe building problems.

The observed decline in Net-Income Ratios and Liquidity Ratios may imply that fewer funds were available for capital replacement reserves and our clients therefore less able to complete an appropriate asset-replacement program. We note the following:

- Clients with a Net-Income Ratio rated Excellent made a median annual reserve contribution of $2,060 per unit in 2011, which represented 1.3 per cent of their insured replacement value.

- Clients with a Poor score contributed only $432 per unit—0.3 per cent of their insured replacement value.

We observe the same pattern with the Liquidity Ratio:

- Co-operatives whose Liquidity Ratio is Excellent made a median annual per-unit contribution of $1,585 to their capital replacement reserve, or 1.0 per cent of their insured replacement value.

- Clients with a Poor Liquidity Ratio made a per-unit contribution of only $509, or 0.3 per cent of their insured replacement value.

Client Operating Performance

Under the Agency's agreement with CMHC, three indicators of success are associated with better operating performance for co-operatives in the portfolio. The third—improved financial health, as evidenced by an increasing percentage of co-operatives with fully funded replacement reserves—is reviewed further on. The other two are as follows:

STATUS:
IMPROVING

More cost-effective use of rent-geared-to-income assistance resulting from project operating efficiencies

As the discussion under the next indicator reveals, the period 2007 through 2011 has seen a decline in rental arrears, bad debts and vacancy rates in the portfolio as a whole. Reduced revenue leakage is an indicator of operating efficiency and—all else being equal—results in more effective use of rent-geared-to-income assistance as the need to increase housing charges lessens.

Improved management practices, as evidenced by reduced occupancy-charge arrears and bad-debt expenses, vacancy losses and other relevant measures

As in previous years, the status of this indicator is examined in each of several sections dealing with specific elements of good management.

STATUS:
IMPROVING

Occupancy-Charge Arrears and Bad-Debt Expense

Across the portfolio, the period 2007 to 2011 saw a clear decline in combined arrears and bad-debt expense, measured as a percentage of the occupants' share of total housing charges.

During that four-year period, the median ratio declined from 0.94 per cent to 0.75 per cent, where it has been stable for the past two years. To see significant improvement, one need only look at either the growing percentage of Agency clients with a ratio of 1.5 per cent or less (68% of the portfolio in 2011, up six points from 2007) or the shrinking proportion with arrears and bad debts of three per cent or more, which has dropped six points, or 29 per cent, since 2007.

The per-unit dollar amount of arrears and bad debts also fell during the period, as seen in Table 6. The median amount of combined arrears and bad debts in the portfolio now stands at $61 per unit, down from $75 in 2007. The 75th and 95th percentiles have followed a similar pattern.

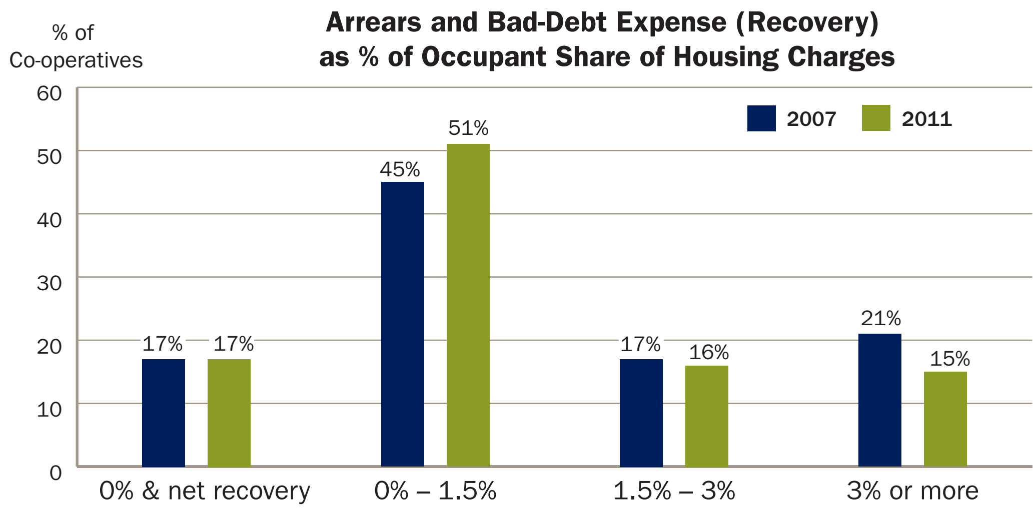

Figure 4

Table 6: Arrears and Bad-Debt Expense (Recovery) per Unit

	2011	2007
Median	$61	$75
75th Percentile	$156	$197
95th Percentile	$416	$613
Second Highest Amount Owing	$1,157	$2,515
Highest Amount Owing	$3,420	$5,247

Note: Dollar amounts for 2007 have been indexed as constant dollars to 2011.

Our analysis of the dataset also indicates that co-ops managed by volunteers or having a paid bookkeeper only have the lowest rates of arrears and bad debts, respectively 0.13 per cent and 0.48 per cent of the occupants' share of annual housing charges. (Considering that these categories, taken together, represent no more than 18 per cent of the portfolio, their impact on portfolio-wide results remains modest.) Comparatively, co-operatives with a management company have a median arrears/bad debts ratio of 1.14, while co-ops with paid staff sit at 0.94 per cent.

Relationship between Management Model and Arrears/Bad Debts

- Lowest annual arrears and bad debt expense per unit: co-ops managed by volunteers only ($11 per unit)
- Highest annual arrears and bad-debt expense per unit: co-ops managed by a management company ($91 per unit)

STATUS:
IMPROVING

Directors in Arrears

We continue to see a measurable reduction in the number of co-operatives with directors in arrears. Between 2007 and 2011 there was a decline from 141 to 74 in the number of Agency clients that reported having one or more directors at least $100 behind with their housing charges at the co-operative's year end. The total number of directors in arrears also fell, from 299 to 129 at the end of 2011. This is a remarkable improvement since the base year, but even if the rate of director arrears has been halved, it must be said that having 14 per cent of co-operatives with directors in arrears is a continuing challenge to good governance.

Among clients with directors in arrears, the median of the average amount owed by individual directors in arrears rose slightly from $589 in 2007 to $602 in 2011.

An earlier chart showed that, since our base year of 2007, Agency clients have been making progress in reducing their overall rate of rental arrears and bad debts. The next table reveals a different picture for co-operatives with directors in arrears: at 1.95 per cent, the median ratio for this subset of the portfolio of combined arrears and bad debts to total occupants' share of housing charges has declined since 2007 by nine per cent. However, it remains high and stands at more than two and a half times the 0.75 per cent ratio reported for all clients, and more than four times the ratio of 0.47 per cent reported for co-operatives without director arrears. Not surprisingly, the same pattern appears when one looks at dollar amounts: co-ops with director arrears show median member arrears of $156 per unit compared to the whole portfolio, at $61 per unit.

Table 7: Directors in Arrears at Co-operative's Fiscal Year End

	2011	2007
Number of Clients Reporting Directors in Arrears	74	141
Percentage of Dataset	14%	28%
Number of Directors in Arrears	129	299
Average Arrears per Indebted Director: Median for Dataset	$602	$589
Average Arrears per Indebted Director: Maximum for Dataset	$5,252	$7,899
Median Ratio of Arrears and Bad Debts to Occupant Share of Housing Charges (Co-ops with Director Arrears)	1.95%	2.14%
Median Ratio of Arrears and Bad Debts to Occupant Share of Housing Charges (Co-ops without Director Arrears)	0.47%	0.50%
Median Ratio of Arrears and Bad Debts to Occupant Share of Housing Charges (Full Dataset)	0.75%	0.94%

Note: Dollar amounts for 2007 have been indexed as constant dollars to 2011.

Arrears and Bad Debt Expense (Recovery)
as a Percentage of Occupants' Share of Housing Charges, Current Year – 2011
Co-ops With and Without Directors in Arrears Compared

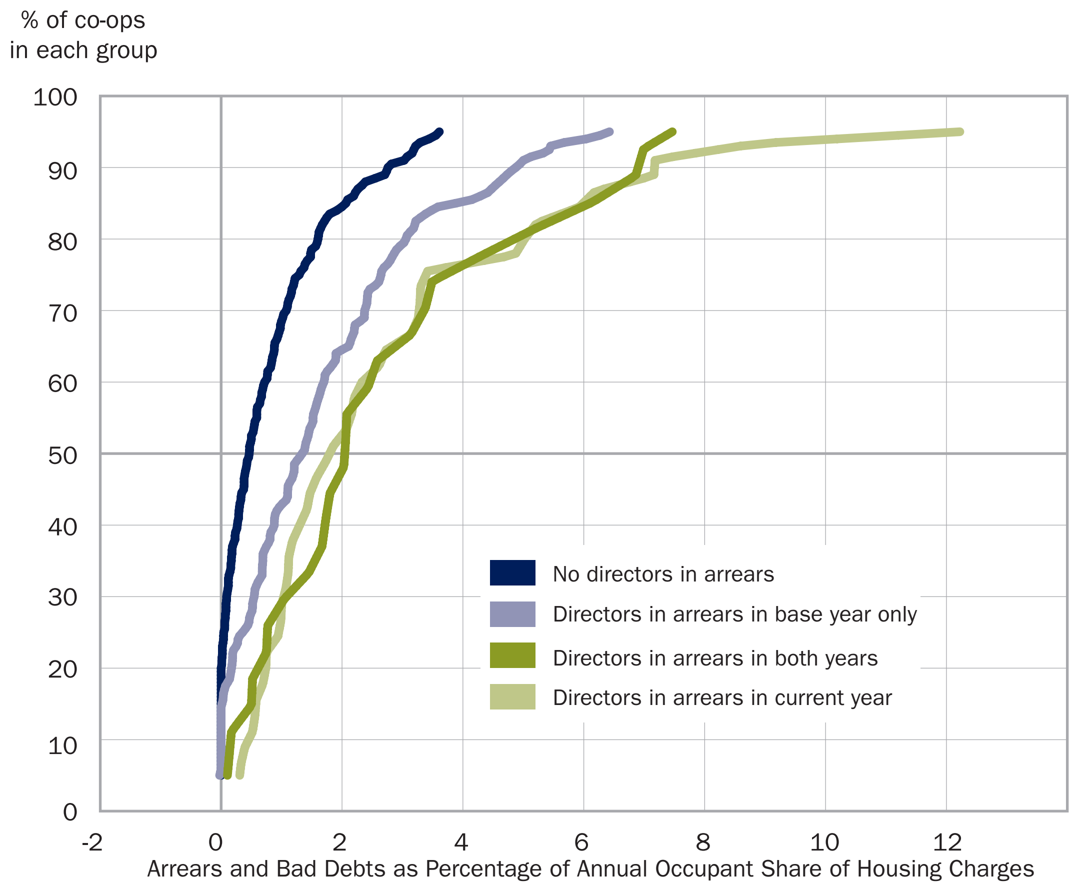

Figure 5

Figure 5 is another way of looking at the relationship between directors in arrears and a high arrears and bad-debts ratio.

The graph tells us, once again, that co-operatives with directors who are behind with their housing charges have significantly greater member arrears. Among those with no directors in arrears (dark blue line), nearly 30 per cent had no member arrears at all in 2011 and only 30 per cent had member arrears and bad debts greater than 1 per cent of annual occupant charges. We also see that all co-ops without directors in arrears (dark blue line) have an arrears and bad-debts rate of less than 4 per cent, with about 50 per cent of these co-operatives reporting a percentage below 1 per cent.

At the other extreme (dark green line), co-ops with directors in arrears report a general arrears/bad-debts percentage rising as high as 12 per cent. A full 70 per cent had an arrears/bad debts ratio above 1 per cent and half reported a rate above 50 per cent.

STATUS: STABLE

Vacancy Losses

If not controlled, vacancy losses will significantly reduce a co-operative's financial strength. Because they usually represent the single greatest source of revenue leakage, this report focuses considerable attention on the subject.

Looking at annual vacancy loss for 2011, we note that the proportion of clients with annual losses above $250 per unit remained stable at about 13 per cent, below the 16 per cent rate posted in 2007. It has been at this level for three years. However, the percentage of those with no vacancy loss, which stood at 27 per cent of the portfolio in 2007, is now down to 24 per cent, after rising to a peak of 30 per cent in 2009.

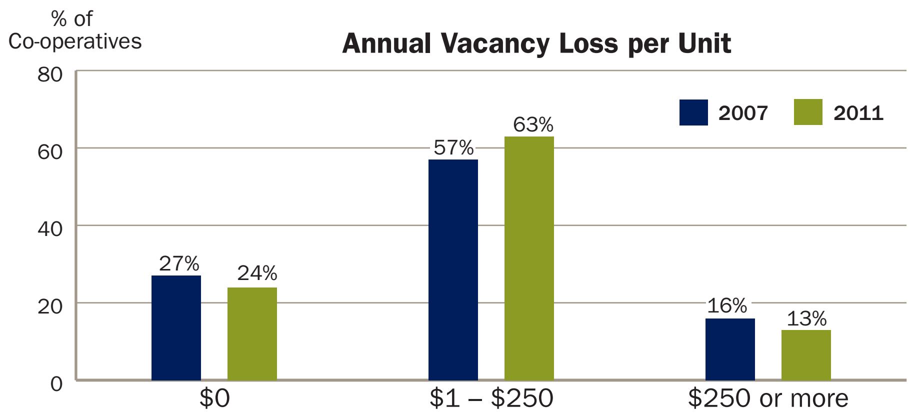

Figure 6

As Table 8 shows, the median annual vacancy loss in 2007 was $35 per unit. In 2011 it reached $39, after falling to $28 in 2009 and rising to $38 in 2010. Our analysis reveals a similar pattern in the evolution of the 75th and 95th percentiles: significant improvement from 2007 to 2011, but greater losses in 2011 than in 2009. On the other hand, if we look at losses in excess of $1,000 per unit, we see improvement: 15 co-operatives fell into this group in 2007; four years later, after a ten per cent growth in the portfolio, the number stood at 14. The average vacancy loss among clients with any vacancy loss has also improved, falling from $222 in 2007 to $190 in 2011. If co-ops without losses are included, the averages are seen to have declined from $163 to $144.

Table 8: Annual Vacancy Loss per Unit

	2011	2007
Average	$190	$222
Median	$39	$35
75th Percentile	$131	$140
95th Percentile	$669	$755
Second Largest	$1,467	$1,892
Largest	$7,639	$3,827

Note: Dollar amounts for 2007 have been indexed as constant dollars to 2011.

Vacancy loss is measured more meaningfully as a ratio of a co-operative's annual gross potential revenue from housing charges. This indicator shows a little improvement.

- Although the number of clients with no vacancy losses at all dropped from 27 per cent of the portfolio in 2007 to 24 per cent in 2011, the total number with losses below two per cent increased very slightly from 81 per cent to 82 per cent (2010: 83%);
- The proportion of clients with a vacancy rate of three per cent or more declined from 14 per cent in 2007 to 12 per cent in 2011.

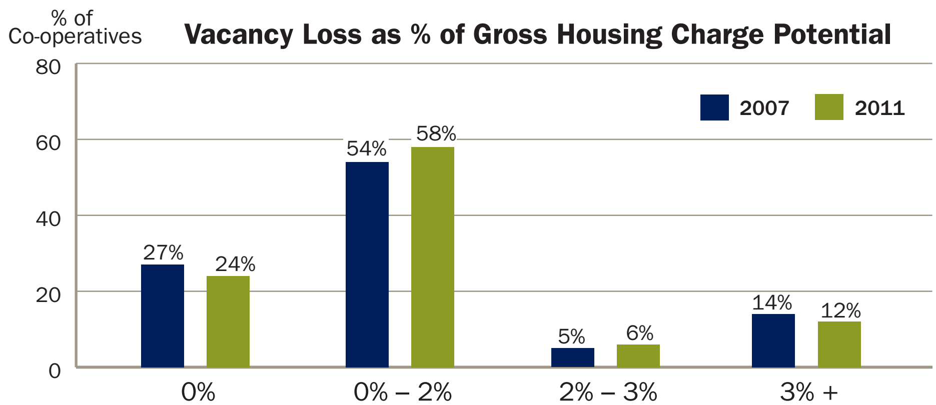

Figure 7

The real test of how they are performing is how co-operatives' vacancy losses compare to vacancy rates in their local rental market. We note with pleasure that a strong majority of Agency clients continue to out-perform their local rental market.

As Figure 8 shows, while, at the portfolio-wide level, the great majority of Agency clients are performing as well as or better than the surrounding market, there is considerable variation from one region to another.

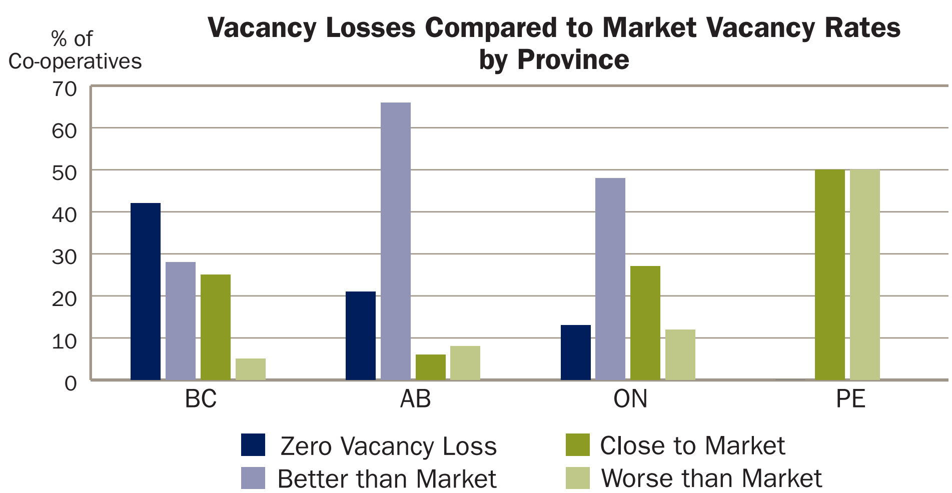

Figure 8

Clients from Alberta score impressively, with close to 70 per cent out-performing the market. As has been the case in previous years, British Columbia stands out as the province having the highest proportion of co-operatives without any vacancy losses (over 40%), while Alberta comes in second (over 20%), also claiming the second lowest share of worse-than-market losses.

Although out-performing the market more often than their counterparts in B.C., Ontario co-operatives are less likely to have no vacancy loss, probably because, on the whole, their housing charges are closer to market rates.

We observe a clear split this year in PEI between co-ops performing close to market and those performing worse than market. While there is a slight improvement in the worse-than-market category, no co-op out of the six in the dataset—co-ops under the deep-need program have been excluded from the analysis—has achieved a zero vacancy loss or is performing better than market.[3]

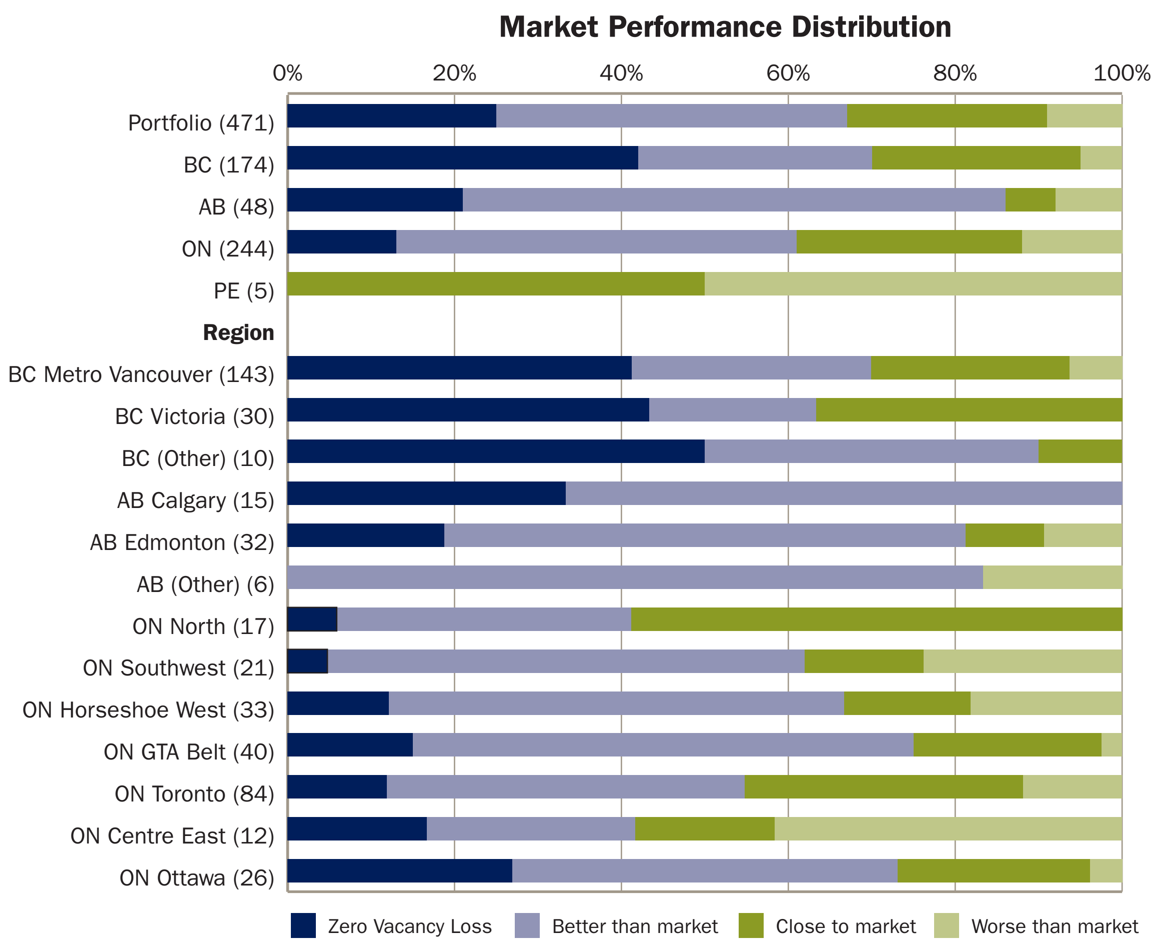

Figure 9

3. As the PEI dataset is very small, these results can be expected to swing significantly from year to year.

Figure 9 shows that 24 per cent of co-operatives reporting had no vacancy loss in 2011. A second group of 41 per cent had some vacancy loss but performed better than the market in their area, down from 48 per cent in 2010. Another 24 per cent of clients had losses just below or above the market vacancy rate, while nine per cent of the portfolio posted worse-than-market vacancy losses, up from eight per cent a year earlier.

The graph also illustrates the market performance of Agency clients in each of 13 sub-regions, pointing up distinct differences among them. (Caution is advised in reviewing the results for regions with very few co-operatives.)

With data drawn from CMHC's rental market reports, we developed a weighted market vacancy rate reflecting the unit mix of Agency clients in each applicable CMHC market zone. Each co-operative was then assigned to one of three market types based on the weighted rates: low-vacancy (market-vacancy rate below 1.5 per cent); moderate vacancy (rate between 1.5 and 3.5 per cent) and high vacancy (rate of 3.5 per cent or greater).

We then determined the average co-op vacancy loss for each market type and compared it to the weighted average market vacancy rate. The results are presented in Table 9 below.

Table 9: Co-op Vacancy Losses Compared to Market Vacancy Rates

	Low-Vacancy Markets	Moderate-Vacancy Markets	High-Vacancy Markets
2007			
Distribution of Co-ops (%)	36%	36%	28%
Average Co-op Percentage Vacancy Loss	0.5	1.5	2.8
Average Weighted Market Vacancy Rate	0.6	2.5	5.5
2011			
Distribution of Co-ops (%)	30%	47%	23%
Average Co-op Percentage Vacancy Loss	0.5	1.6	1.7
Average Weighted Market Vacancy Rate	0.9	2.2	5.5

As the table shows, as a group, Agency clients in each type of market out-performed the market in both 2007 and 2011. The average co-op vacancy loss rate improved against the market in both the low-vacancy market category and the high, in the former case even as rental markets weakened.

STATUS:
IMPROVING

Insurance

Early on, the Agency determined the levels and types of insurance that we believed all housing co-operatives should have, viewing lack of adequate coverage as a risk factor for their operations and even for their survival. The following table shows the extent to which co-operatives within the 2011 dataset met these standards at the time of their AIR filing, compared with 2007.

Table 10 : Insurance Coverage

	Proportion of Co-ops Insured to Recommended Limit	
Coverage	2011	2007
Guaranteed-Replacement-Cost Insurance against Fire and Other Perils	99%	98%
Loss-of-Housing-Charges Coverage	82%	76%
Public Liability Insurance	94%	89%
Fidelity Bonding	85%	78%
Directors and Officers Liability Insurance	96%	93%

While recognizing that they cannot compel them to act, our relationship managers have been successful in persuading a substantial number of underinsured clients to increase their coverage, as the table clearly shows. As a result, the portfolio is now better protected than it was four years ago.

STATUS:
IMPROVING

Spending on the Physical Plant

Figure 10 looks at spending on maintenance and capital repairs and replacements in 2011, compared with 2007. As in previous reports, we have combined these two forms of spending on the physical plant to gain a clearer picture of the care co-operatives are taking of their chief asset.

Given the prevalence of deferred maintenance in the portfolio, as well as the aging of the buildings, we were pleased to see that the percentage of Agency clients spending at the lowest level—under $2,000 per unit per year—, which stood at 50 in 2007, continues to fall (from 41% in 2010 to 39% in 2011), while the percentage of those spending at higher levels—$4,000 or more—is growing (from 8% in 2007 to 15% in 2011). Note that 2007 and 2010 amounts have been indexed to 2011 values in order to present all years in constant dollars.

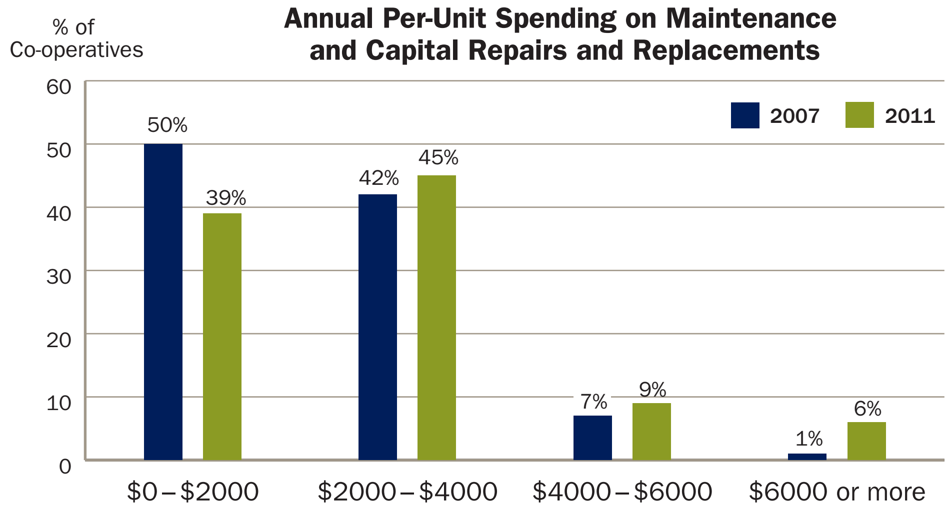

Figure 10

Figure 11 examines maintenance and capital spending as a percentage of the insured replacement value of each co-operative's buildings and equipment. This measure is meant to normalize the data for different repair and construction costs, allowing us to compare results from year to year across the country and among various building types. Looked at through this lens, rates of investment in the physical plant initially appear to be falling, from a portfolio median of 1.61 in 2007 to 1.48 in 2011.

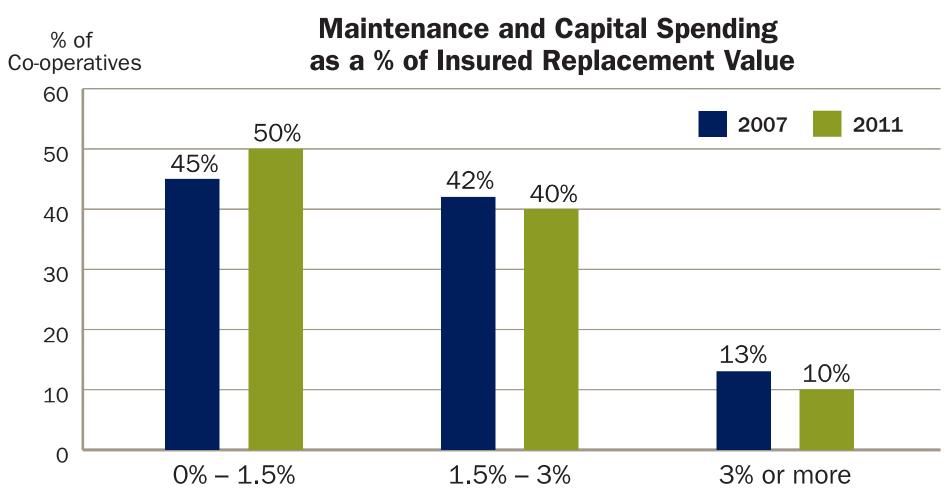

Figure 11

Information from Statistics Canada indicates that, after a period of strong inflation, construction costs began to moderate in 2009 and, in many regions, decline. Meanwhile, Agency data show that insurance companies continued to increase their replacement-cost estimates from 2009 to 2011 by more than the general rate of inflation. It may be that the companies were continuing to catch up, but we do not have the information required to confirm this. If replacement values were underestimated in 2007, then, to the extent that they were, the investment rates shown for that year in the chart are overstated in relation to the current year.

While the decline in spending on the property relative to the estimated reconstruction cost may therefore be more apparent than real, our analysis does show that, in absolute terms, spending on their property among co-operatives in the dataset declined in 2011, after growing 28 per cent in constant dollars from 2007 to 2011. (Spending grew a total of 16 per cent between 2007 and 2011, from a per-unit median investment of $1,998 to $ 2,318. See Appendix C.) The decline may reflect the end of the Social Housing Renovation and Retrofit Program.

STATUS: IMPROVING

Improved financial health, as evidenced by an increasing percentage of co-operatives with fully funded replacement reserves

We are pleased to note that co-operatives continue to heed our advice by contributing more to their capital-replacement reserves. As figure 12 indicates, contributions to reserves, including supplementary contributions from co-operatives' operating surpluses, have increased sharply since 2007.

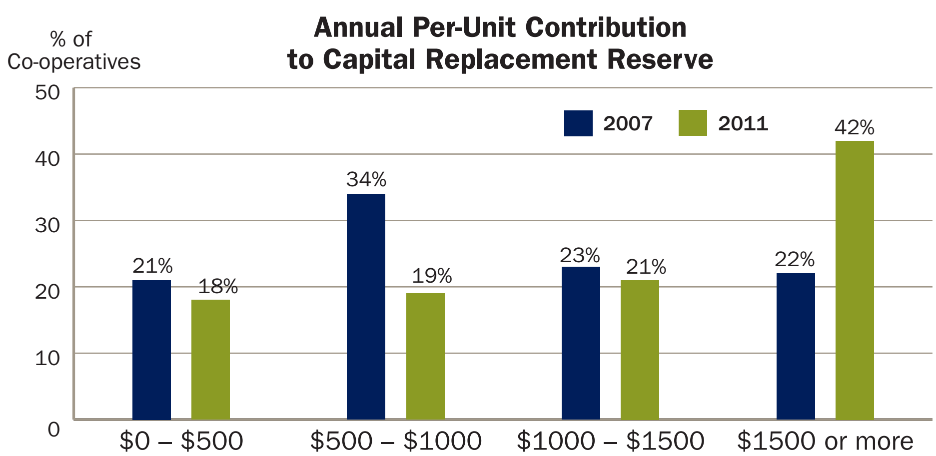

Figure 12

Between 2007 and 2011, the median annual contribution per unit rose 49 per cent from $880 to $1,308 (constant 2011 dollars). Furthermore, an analysis of the distribution reveals that 67 per cent of co-operatives increased their contribution during that period, with 33 per cent increasing it by $500 per unit or more.

> **The Contribution to the Capital Replacement Reserve: a Management Issue**
>
> Healthier capital replacement-reserve contributions correlate strongly with capital reserve planning. Agency data show that the median contribution rate is significantly lower among co-operatives without a capital replacement-reserve plan than among those with one: co-ops with a plan set aside a median amount of $1,647 per unit in 2011, while co-ops without a plan contributed $1,112, 32 per cent less.

The Agency uses the term "replenishment ratio" to describe the relationship between the amount a co-operative contributes to its capital-replacement reserve over a two-year period and the amount it withdraws. We believe that the demonstrated ability, and the will, to replenish this reserve are at least as significant as its actual balance at any one time.

As figure 13 shows, despite the strong increases in contribution rates mentioned earlier, for a second year, a clear majority of co-ops in the dataset (55% in 2011) drew more from their capital reserve over a two-year period than they contributed. Over the four years from 2007 to 2011, the replenishment ratio has been relatively stable: it stood at 0.96 in 2007 and now stands at 0.94.

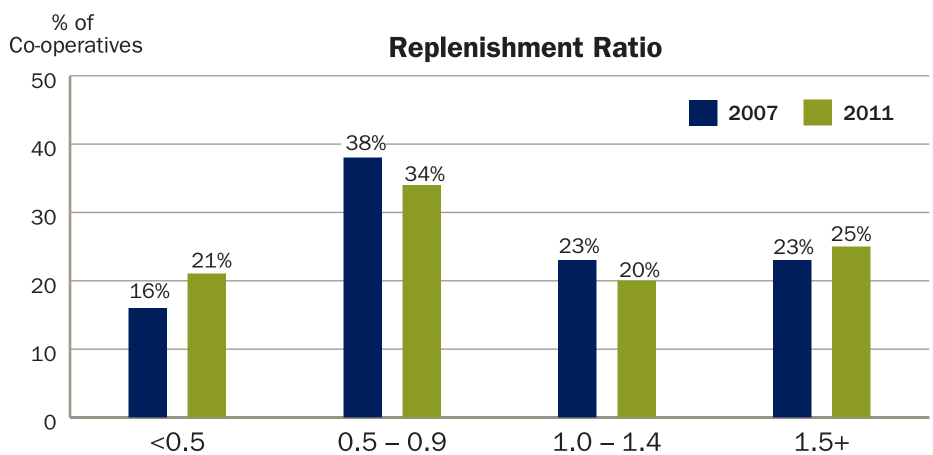

Figure 13

Turning to the question of whether or not the reserves are fully funded, which is the focus of the performance indicator, we see that 90 per cent of all Agency clients in the dataset had fully funded reserves in 2011, down very slightly from 91 per cent in 2007. (In this context, a fully funded reserve is one where the entire fund liability is backed by cash and investments.) However, the median funding rate among those with reserves not fully funded is now 79 per cent, considerably improved from the 64 per cent funding rate recorded in 2007.

As Table 11 reveals, co-operatives without workouts in 2011 did better on this test of financial fitness, with 91 per cent reporting fully funded reserves and a median funding rate of 85 per cent for the nine per cent whose reserves were not fully funded (2010: 94% and 73%).

Table 11: Funding of Capital Replacement Reserve

	% of Co-ops with Fully-Funded Capital Reserve		Median % of Funding for Reserves Not Fully Funded	
	2011	2007	2011	2007
Co-ops without Workout	91%	91%	85%	67%
All Co-ops in Dataset	90%	91%	79%	64%

Improved Client Satisfaction within the Portfolio

The Agency arranges for a third party to conduct a confidential survey of client satisfaction every three years, beginning in 2005, when we undertook a base-year assessment, before opening for business.

Our 2011 survey shows that since 2005 we have seen very substantial gains in client satisfaction with the management of the co-operative housing programs. Because CMHC has already been provided with extensive information on the 2011 survey, as well as the initial results in 2005 and our 2008 survey report, we will highlight only a few areas of improvement.

By three key measures in particular, clients' satisfaction ratings are many percentage points higher in 2011 than in the base year. In timeliness of service (2011: 84%; 2005: 55%), access to the administrator of the co-op's funding program (2011: 86%; 2005: 56%) and overall quality of service (2011: 84%; 2005: 48%), the Agency's performance is either satisfactory or highly satisfactory to most co-op clients, with a very small percentage actually expressing dissatisfaction (3%, 2% and 5%, respectively).

In two measures, our 2008 survey indicated that the Agency needed to improve: in the most recent contact with our staff, service in the preferred official language (2008: 92%; 2005: 94%) and believing that the co-op had been treated fairly (2008: 79%: 2005: 87%). The survey results of 2011 demonstrated the improvement we wanted to see in both areas. We found 95 per cent of respondents expressing satisfaction with the Agency's language of service and 89 per cent believing that their co-operative had been treated fairly.

We have also made progress in reducing the time between the filing of a co-op's Annual Information Return and its receipt of the Agency's reports through which we return the co-op's data in a user-friendly form. However, one area that still needs the attention of both the Agency and CMHC is reducing the extended period of time that results from duplicated work on budget approvals, which now take five weeks, as against our standard of four weeks.

Looking Ahead to 2012

The Agency continues to work for improvements in our clients' performance and to promote a culture devoted to the preservation of the co-operative housing heritage. The 2011 annual review of the portfolio shows that most of our clients are in good financial health. But it also reminds us that co-ops are small enterprises subject to internal dynamics and environmental factors that can put them at risk.

Our systematic reviews, year after year, have left no doubt about the main issues that the co-operative housing sector will face in the near future. Among these, we believe that the most significant is the aging of the stock and the uncertain capacity for undertaking the capital repairs required if housing co-operatives are to survive and thrive. For this reason, the Agency must continue to emphasize capital planning and increasing contributions to capital replacement reserves. Optimizing our clients' revenue and reducing rental arrears and vacancies will continue to be key factors in achieving success.

The day when their operating agreements will expire is approaching for co-operatives developed under S95 program, which make up 65 per cent of our portfolio. The phenomenon is already underway, with a handful of the co-operatives developed in the early 1980s now without operating agreements, and will soon accelerate. Although freedom from compliance obligations will empower co-operatives, we must acknowledge that some clients may not be ready for the transition. As co-operatives prepare to pay off their mortgages, they must also begin to plan for the refurbishment and possible redevelopment of their properties.

Key to surviving and thriving after operating agreements have ended is having a long-term financial plan backed by a comprehensive building-condition assessment. These tools support the Agency's encouragement to co-operatives to increase their capital-reserve contributions and generate greater revenue. They are also consistent with CHF Canada's 20/20 program.

In our 2010 review, the Agency announced the piloting of a benchmarking and best-practices service as a new initiative planned for 2011 and 2012. In 2012, with financial support from the Cooperatives Secretariat, we will continue its development with the intention of implementing the new service as soon as possible.

We also stated that we are preparing for the growing number of Agency clients that will be seeking secondary financing. Many of them are looking to the Agency, with help from our sector partners, to facilitate the process of finding a lender and obtaining CMHC's approval to encumber their property further. This activity is likely to take on more importance as a growing number of clients enter the liminal period of preparation for life after operating agreements.

Appendix A: Technical Data

The 2011 Dataset

The information presented in this report is drawn from Annual Information Returns (AIR) received and validated by the Agency by January 15, 2012 for fiscal years ending between August 2010 and July 2011. The data were organized by co-operative and by "study year," i.e., a single fiscal year ending within the period indicated above. Static values, such as province, were attached to co-operatives and set out in a co-op table, while attributes that can vary from year to year, such as management type, were assigned on a study-year basis.

The Agency counted 540 co-operative clients as of December 31, representing 32,826 units. At January 15, 2012 we had received and validated AIRs from 516 of these clients, totalling 32,647 units. These co-operatives comprise the 2011 dataset.

The composition of previous datasets was as follows:

- 2010: 511 co-ops with 31,722 units;
- 2009: 504 co-ops with 30,965 units;
- 2008: 497 co-ops with 30,518 units;
- 2007: 498 co-ops with 30,572 units.

The 2011 and 2007 datasets have 478 co-ops in common, leaving 38 found only in 2011 and 22 only in 2007.

Because of the particular features of the deep-subsidy programs (UN/PEI NP Programs), the risk rating for the co-operatives operating under them is not relevant in certain circumstances. We have therefore excluded them from the datasets for analyses that involve composite risk ratings.

As of January 15, 2012, the Agency had 29 clients for which 2011 AIRs were unavailable. The composite risk rating of these co-operatives was as follows in 2010:

- five were carrying a composite risk rating of Low;
- one had a composite risk rating of Moderate;
- thirteen had a rating of Above Average;
- six a rating of High;
- four co-operatives, being new clients, had no 2010 risk rating.

In the Agency's view, their inclusion in the 2011 dataset—had their data been available—would not have led to materially different findings. Table 12 shows the actual distribution of risk ratings within the 2011 dataset (excluding the deep-subsidy co-operatives), compared to a theoretical distribution with 25 co-ops included (and not counting the four new clients for which no risk rating exists), assuming their risk ratings remained unchanged from 2010.

Table 12 : Dataset Composite Risk Rating against Extrapolated Portfolio Rating

	2011		2011	
	Actual	%	Theoretical	%
Low	68	13.4%	73	13.8%
Moderate	152	30.0%	153	28.9%
Above Average	208	41.0%	220	41.5%
High	79	15.6%	84	15.8%
Total	507	100.0%	530	100.0%

Constant Dollar Amounts

All dollar amounts from previous years have been indexed to 2011 constant dollars using the rate of change of the Consumer Price Index (CPI) for Canada (all items, not seasonally adjusted, as published by Statistics Canada). For values relating to specific clients, we calculated the rate of change by comparing the CPI value for the month in which the co-operative's fiscal year ended and the CPI for the same month in the previous year. Calculations of portfolio-wide numbers such as medians were based on the indexed amounts for each co-operative.

Appendix B:

Definition of Composite Risk Ratings

Low Composite Risk: A strong, well-managed housing co-operative. The combination of its excellent physical condition, accumulated earnings and reserves, position in the marketplace and current capacity to contribute to its replacement reserve make it resilient to adverse market and economic conditions. Provided it continues to be well managed, the co-operative should be able to fund needed repairs and replacements and meet its debt obligations for the foreseeable future, without external support.

Moderate Composite Risk: A sound, generally well-managed housing co-operative. It is in good or better physical condition, has access to adequate cash resources and is able to make an adequate or better contribution from earnings to its replacement reserve, after covering its debt service and all normal operating expenses. The co-operative should be able to remain in sound financial and physical condition, provided it continues to be well managed and economic or market conditions do not deteriorate significantly. It does not require external support or intervention

Above-Average Composite Risk: The co-operative has issues that warn of emerging or potential financial difficulties. One or more of the following conditions is present: the co-operative is in fair, but not poor, physical condition; its earnings are sufficient to cover current expenses but do not allow for an adequate contribution to the replacement reserve; its combined accumulated earnings and replacement reserve are low and access to other cash resources, such as member shares or deposits, is limited; or vacancy losses or housing charge arrears are significantly above the median level for its peers. No indicators of high risk are present, but the co-operative may be challenged in funding needed capital repairs or meeting its obligations in the future, especially if the market is weak or weakens. It will require effective management and some ongoing monitoring and support.

High Composite Risk: The co-operative is in financial difficulty or is poorly managed. One or more of the following conditions is present: the co-operative's earnings are insufficient to cover its debt service and current expenses; it has insufficient revenue after covering its debt service and current expenses to allow an adequate contribution to the replacement reserve; it has an accumulated operating deficit, a low or non-existent replacement reserve and limited access to other cash resources, such as member shares or deposits; vacancy losses or housing charge arrears are unusually high; the co-operative has urgent or major repair requirements that it is not able to fund; it is behind with its mortgage payments or property taxes; it has suffered a major loss of assets through fire or malfeasance against which it was not adequately insured; or it is suffering from a failure of governance. Without intervention and continuing support, and possibly a financial workout, the co-operative is at risk of failure.

Appendix C:

Median Performance Data

Table 13 : Median Performance Data

	Annual Vacancy Loss as % of Gross Housing Charge Potential		Annual Per-Unit Vacancy Loss		Ratio of Combined Arrears and Bad Debts to Occupant Share of Housing Charges		Combined Per-Unit Annual Spending on Maintenance and Capital Repairs and Replacements*	
	2011	2007	2011	2007	2011	2007	2011	2007
Full Dataset	0.4%	**0.4%**	$39	$35	0.8%	0.9%	$2,318	$1,998
Program								
S27/61	0.2%	0.1%	$17	$13	0.9%	0.8%	$2,720	$1,978
S95	0.3%	0.3%	$33	$30	0.7%	0.7%	$2,361	$2,074
FCHP (ILM)	0.6%	0.7%	$54	$72	1.0%	1.2%	$2,052	$1,858
Urban Native/ PEI NP**	NA	NA	NA	NA	2.4%	8.4%	$2,612	$3,069
Multi-program	1.1%	1.0%	$193	$131	1.2%	1.4%	$2,683	$2,573
Province								
British Columbia	0.1%	0.2%	$10	$16	0.3%	0.4%	$2,209	$1,840
Alberta	0.5%	0.3%	$48	$29	0.7%	0.7%	$2,241	$1,608
Ontario	0.7%	0.7%	$68	$71	1.1%	1.4%	$2,487	$2,197
PEI	3.0%	0.4%	$207	$28	3.3%	0.9%	$1,823	$1,712
Management Model								
Paid Staff	0.5%	0.4%	$51	$41	1.0%	0.9%	$2,388	$2,213
Management Company	0.5%	0.4%	$52	$45	0.7%	1.1%	$2,463	$2,004
Bookkeeper (Paid) Only	0.04%	0.1%	$5	$12	0.3%	0.5%	$2,019	$1,770
Volunteer Only	0.0%	0.0%	$0	$0	0.4%	0.1%	$2,077	$1,593

* Excludes those capital expenditures amortized to operations over time

** There is no regular occupancy charge in these co-opreatives, which are fully occupied on a rent-geared-to-income basis.

Note: Dollar amounts for 2007 have been indexed as constant dollars to 2011. The variation in a median between 2007 and 2011 may be due in part to a change in the dataset, rather than wholly to an evolution within the portfolio, especially for the smaller subsets.

Appendix C:

Median Performance Data (continued)

	Per-Unit Capital Replacement Reserve Balance		Annual Per-Unit Capital Replacement Reserve Contribution		Annual Per-Unit Administration Spending	
	2011	2007	2011	2007	2011	2007
Full Dataset	$3,048	$3,250	$1,308	$880	$656	$620
Program						
S27/61	$3,329	$3,423	$1,381	$1,012	$664	$531
S95	$3,677	$3,653	$1,485	$1,163	$634	$609
FCHP (ILM)	$2,129	$2,204	$673	$524	$658	$628
Urban Native/PEI NP	$596	$2,765	$460	$483	$1,465	$1,050
Multi-program	$1,559	$2,762	$1,347	$921	$669	$1,056
Province						
British Columbia	$3,288	$3,310	$1,461	$1,009	$430	$409
Alberta	$2,859	$2,292	$1,253	$708	$443	$380
Ontario	$3,137	$3,445	$1,185	$910	$878	$830
PEI	$964	$1,686	$427	$452	$701	$726
Management Model						
Paid Staff	$3,571	$3,543	$1,355	$1,012	$857	$824
Management Company	$2,309	$3,005	$1,296	$798	$591	$546
Bookkeeper (Paid) Only	$3,677	$3,355	$1,316	$1,063	$220	$233
Volunteer Only	$3,270	$3,742	$1,000	$867	$110	$107