



2017 ONPHA Conference and Trade Show

Shaping
OUR
Future

Session #206

EOA: What Really Happened?

PRESENTED BY:

Veronica Fowler, Manager, Finance and Administration, Victoria Park Management

Eric Hill, Executive Director, Can Am Urban Native Non-Profit Homes

Bruce Hynes, Chair, Marguerita Residence Corporation

Thomas Burns, Director, Ridgeford Charitable Foundation (Moderator)

Learning goals

1. Discuss End of Operating Agreements (EOA)
2. Share the experiences and approaches of three diverse housing providers
3. Examine successes and challenges that organizations may face at EOA
4. Explore possibilities and opportunities stemming from EOA





Victoria Park Community Homes

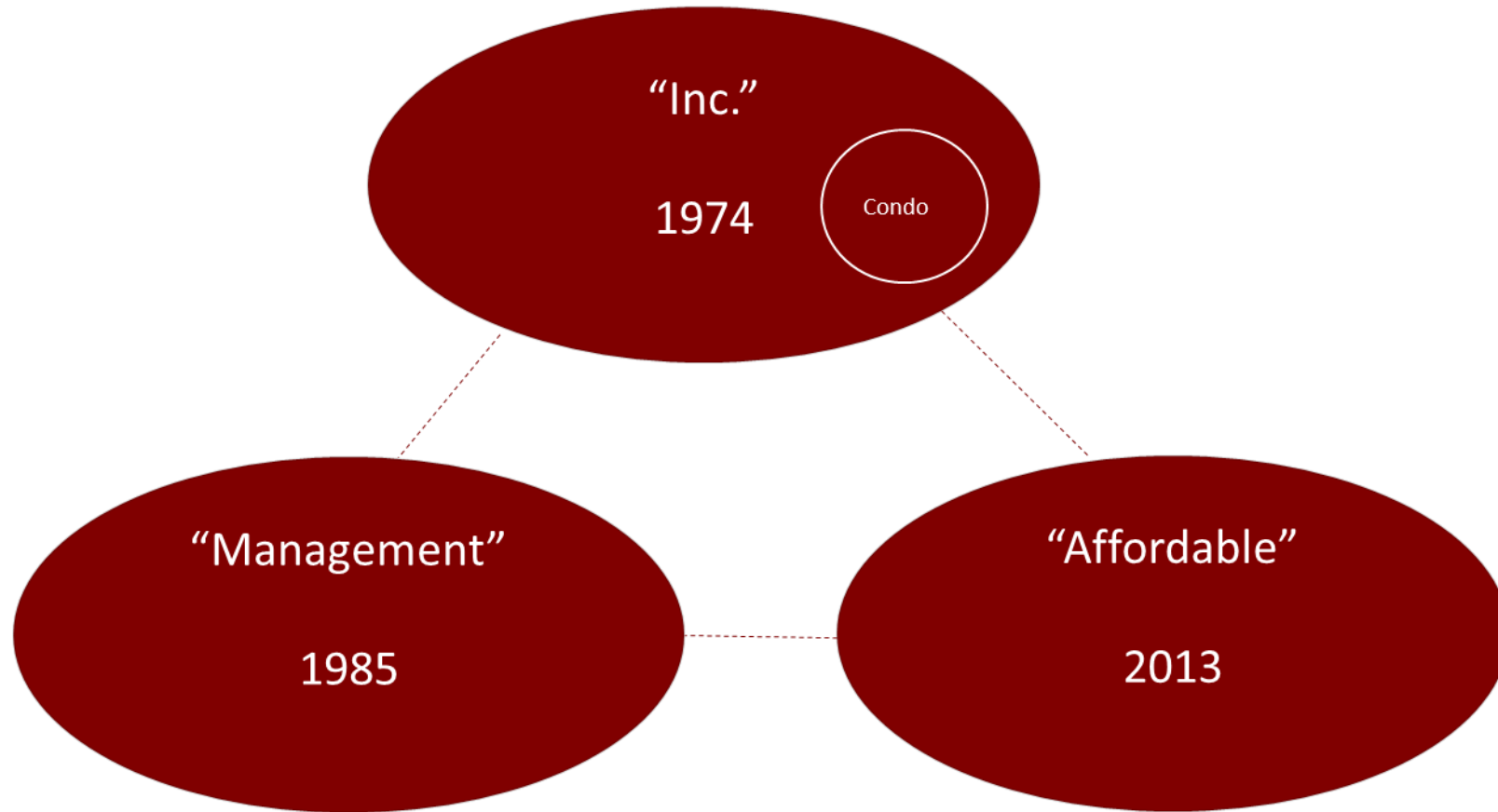
Veronica Fowler, Manager, Finance and Administration, Victoria Park Management

About Victoria Park

- 6 Service Manager areas
- 2711 Units
 - 1995 Owned Units
 - 716 Managed Units
- Funding Programs we operate under:
 - Section 27 (15.1 CSHP)
 - Section 95 (56.1)
 - HSA
 - AHP Pilot

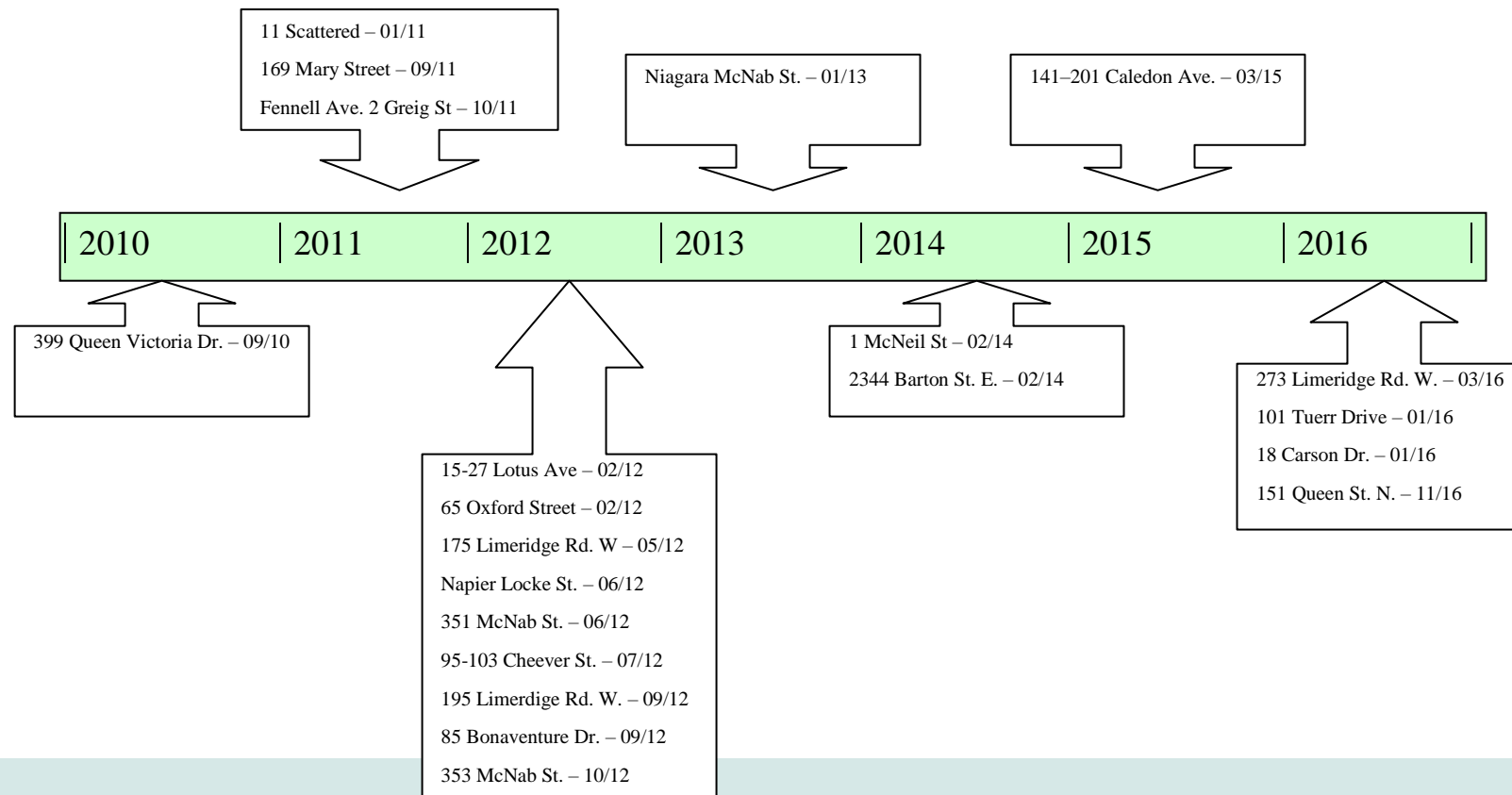


About Victoria Park cont'd...

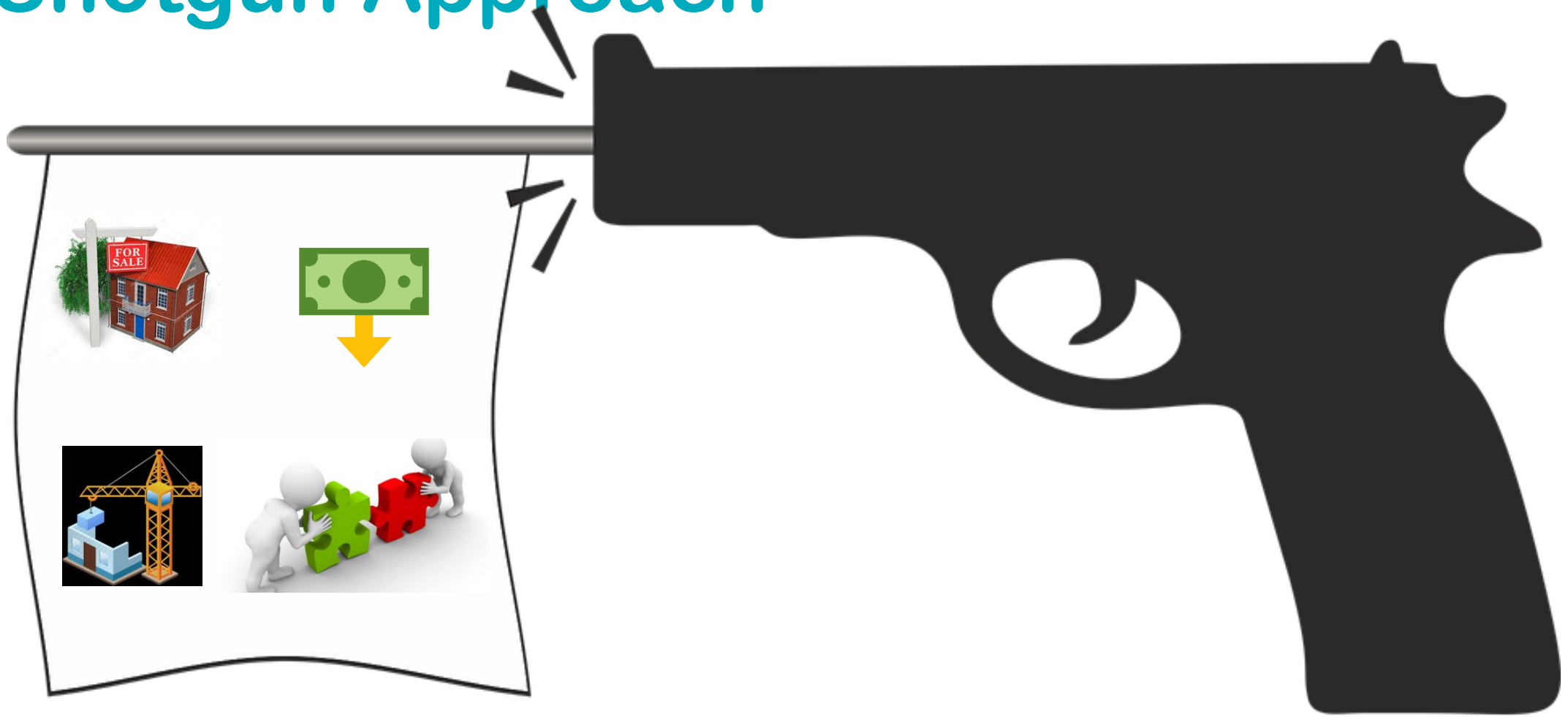


Our EOA Timeline

- First property out of agreement in 2010



Shotgun Approach



2010 - 2017

Program	Oct-10		Sold		Amalgamated		Transferred to AF & Owned		Aug-17	
	Total Units	Subsidized	Total Units	Subsidized	Total Units	Subsidized	Total Units	Subsidized	Total Units	Subsidized
S.27	150	49	-11	-5	0	0	-139	-47	0	0
S.95	927	264	-15	-9	42	15	-914	-179	40	11
HSA	865	613	0	0	0	0	0	0	865	627
AHP	42	30	0	0	0	0	0	0	42	30
VPOwned	0	0	-5	-3	0	0	881	172	876	170
VPAHC	0	0	0	0	0	0	172	54	172	49
	1984	956	-31	-17	42	15	0	0	1995	887



Refinancing

- We have taken the equity out on five (5) properties
 - Three (3) – VPCHI totaling \$4.2m
 - Two (2) – VPAHC totaling \$4m
- VPAHC has loaned VPCHI \$3.5m
- Just signed Letter of Intent to First National to mortgage four (4) VPCHI Properties totaling \$13.351m
- Use of funds is primarily Capital Expenditures



Refinancing Considerations

- When considering the amount to finance we consider many factors
 - # of Subsidized Tenants and \$\$
 - Surpluses last 5 years and 5 year projection
 - Capital Expenditures past 5 and next 5 years
 - Also review Bad Debt and Turnover trends
- Ensuring the property will still have an operating surplus before depreciation.



Order of Transfer

- The Surpluses from the Owned properties within VPCHI are allocated as follows:
 - 10% remains in Accumulated Surplus
 - 90% allocated as follows:
 - 30% to cover property deficits
 - Cover 50% of AHP Pilot deficit
 - Remaining to cover Village deficit
 - 50% to cover Replacement Reserve Shortfall for 2 HSA properties
 - 20% to cover future development fund
- 100% of Surplus for VPAHC is withheld for future capital replacement or future development



New Development and Partnerships

- Because land costs tend to be prohibitive, infill is a great opportunity.
- Now we are considering development on a current HSA property in Halton.
- We hope to add a 24-unit apartment building at the front of the property.
- We are also working closely with the Hamilton Wentworth District School Board to see if we can partner on a community hub development.



Proposed Infill at Halton Site



Successes

- Increase surpluses with no mortgage payment
- No government restrictions
- Equity Leveraging Opportunities
- Opportunity to work with Service Manager on new initiatives
- Ability to explore creative partnerships
- Ability to introduce a new subsidy program
- Freedom to think outside the box



Challenges

- Sales = loss of units
- Capital repair backlog
- Legal
- Accounting
- Multiple service managers



Accounting Considerations

- GST/HST
- GAAP (i.e. capital expenses recorded differently)
- New affordability frameworks (i.e. income bands subsidy approach)
- Restatement of assets (EOA property value = \$0 on statements)



Legal Considerations

- LTB exemptions may no longer be available
- Ensure “rent” notices adequately protect the housing provider (seek legal advice)
- 9D Waivers are required



Summary

- Plan Plan Plan
 - If you fail to plan, you plan to fail.
- Need to know your future capital expenditures
- Be aware of current funding opportunities might extend past EOA
- Try and stay in touch with Service Manager to ensure you are in the loop for future funding incentives



Can Am Urban Native Non-Profit Homes

Eric Hill, Executive Director, Can Am Urban Native Non-Profit Homes

End of Operating Agreements: 2013

- The operating agreement for our historically restored Nash Kanonhsa, had expired.



End of Operating Agreements: 2013

- We met with our Service Manager, the City of Windsor, to develop a plan.
- During this meeting with the City of Windsor Housing Department some initial ideas shared by the Board included:
 - Selling properties?
 - Transitioning the housing portfolio to apartments?
 - Rent to own?



End of Operating Agreements: 2013

- Set up rent supplements for the individuals currently residing in the three apartments and a mechanism for sustainability of these units as rent-geared-to-income units.
- The current agreement for these rent supplements will end March 2023
- Phases 1 through 6 are funded through the operating agreement with CMHC
 - This will continue until 2021

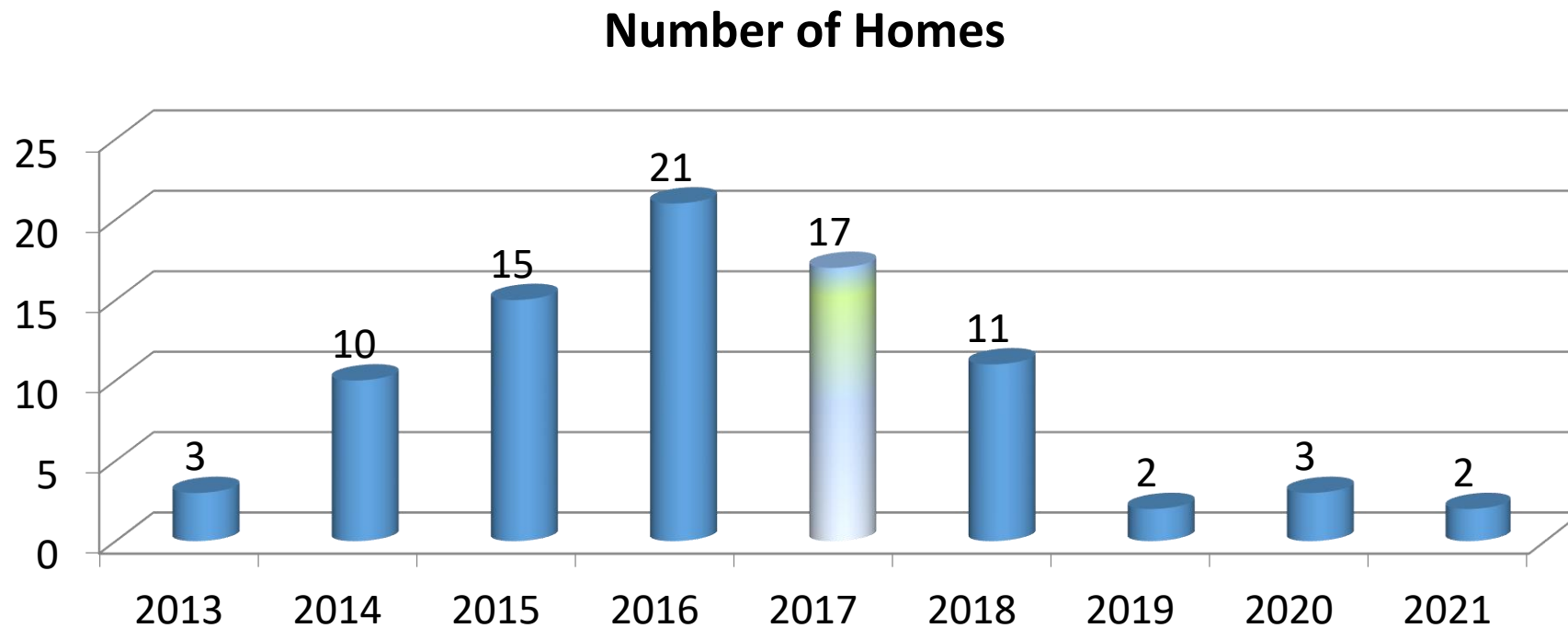


Currently

- Phases 1 through 6, which includes 81 single family homes, are funded through the operating agreement with CMHC until 2021
- This will remain in place for all 81 homes even though some of the mortgages have been paid in full.



Maturing Mortgages



Currently

- Provide two apartments of transitional housing for Aboriginal Families experiencing homelessness through our Biimskiinodin Home
- Provide twelve apartments for Aboriginal Seniors, Singles, and Couples through our Anishinaabe Gamik Apartments



Biimskiinodin

- Transitional Home for Aboriginal Families



Anishinaabe Gamik

- Apartments for Aboriginal:
 - Seniors
 - Singles
 - Couples



Communication with Tenants

- Recent newsletter article
- Direct communication between staff and tenants
- Committed to provide any updates



Communication with Tenants

- Informed Tenants when the Operating Agreement will come to an end
- Informed Tenants that the rent geared to income formula (25% of gross income) as well as the annual income verification process will also end in the same year
- Informed Tenants of the priorities of Can Am Urban Native Homes following the end of the Operating Agreement



Priorities Communicated to Tenants

- Secure available rent subsidies similar to the currently available rent supplements which allow for affordable rents geared to a household's net income
- In the situations in which we are unable to secure a rent supplement, a fixed rent would be set to maintain the cost of the home
 - The rent would be set at no more than 80% of the market rent to maintain affordability



What will change and what will remain the same for Tenants.

- Benefits that flow from the Operating Agreement will no longer be available
 - Rent Review
 - Rebates
- Benefits that are made possible through fundraising and other agreements will continue unchanged
 - Support for Cultural Events
 - School Backpacks & Supplies
 - Accessibility upgrades for homes



Emphasis on our ability to operate outside of the Operating Agreement

- Operated a transitional home for 10 years with a rent that did not exceed the maximum shelter allowance provided by Ontario Works
- Operating an apartment building with rents that have not exceeded 80% of the market rent and remained unchanged for 6 years
- Communicating that we can continue to provide housing at affordable rents outside the existing Operating Agreement



Future Possibilities

- Explore the options for tenants to purchase the home they currently reside in.
 - Reinvest capital
- Assist tenants who are able to access the Assisted Homeownership Program through Ontario Aboriginal Housing Services



Future Considerations

- Calculate a new base rent to cover the basic costs (municipal taxes, insurance and capital replacement) of the home after the mortgage has been paid.
- Determine the resources and repair costs to maintain each home.
- What is the gap between the resources required to maintain the current level of service and rental revenue.



Expand the Possible Choices

- Approach allies to explore any policy recommendations
 - Auditor
 - University
 - School of Social Work
 - School of Business
- Obtain best practises from other housing providers.



Thank you

- Contact Information:
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Wall Street Village

An End of Operating Agreement Opportunity

Bruce Hynes, Chair, Marguerita Residence Corporation

Marguerita Residence Corporation

- Two senior non-profit buildings in Brockville
 - Marguerita Building
 - Maryanna Building
- Committed under Section 56.1/95 of the National Housing Act
- Pre-86 Federal Non-Profits

Marguerita Building (Church St, Brockville)

- 79 Units
- Built in 1980
- Operating Agreement, Subsidy, and Mortgage expired in 2015



Maryanna Building

(Clarissa St, Brockville)

- 45 Units
- Built in 1984
- Mortgage was to expire in 2019, but was pre-paid March 2017 with Service Provider and MMAH approval



Marguerita Residence Corporation

- Well maintained and managed buildings
- Excellent financial track record
- Well funded capital and operating reserves
- Experienced, capable, stable Board of Directors
- Approx. 50% of units are Rent Geared to Income
 - All covered by operating surpluses
 - ie. No government subsidy is received.
- Waiting list
 - 300+ applications on hand
 - Not uncommon for an applicant to wait 5 years or more

Our Partners

Wall Street Village Inc.

- 20 year initiative by Wall Street United Church to build affordable seniors apartment building
- Through fund-raising and donations, acquired properties on the site adjacent to the Church
- Both Wall Street Village and Marguerita had the same objective: ***to build a new affordable seniors residence in Brockville***
- Added WSV board members to our board
- Land was transferred for \$1 in August 2016

Our Partners

United Counties of Leeds and Grenville

- Approved the allocation of 30 units of rent supplement for the new building (2014)
- Also approved access to an unsecured, interim loan/ line-of-credit for up to \$2.5m (2015)
- Through UCLG we were successful in a RFP under the investment in affordable housing program (Ontario/Canada infrastructure funding) (2016)
- Receiving a grant of \$1,968,685.

An EOA 'wrinkle'

United Counties of Leeds and Grenville

- As mentioned, UCLG approved access to interim funding
- In exchange, Marguerita Res Corp commits to maintaining a minimum of 30 self-funded RGI units in our 48 Church St. Building
- Those units will now count towards the service manager target levels
- As Federal NP, they previously did not

Our Partners

Infrastructure Ontario

- Lending program for social housing using debenture issues to provide preferred rates; 25 year term
- Applied for loan on 3 April 2015.
- Required two 'as built' appraisals and considerable analysis and discussion and two guarantees from the City of Brockville
- Final approval on 16 August 2016 for \$7.0 million in construction financing and an eventual 1st mortgage

Our Partners

City of Brockville

- Multi-residential taxed at single-residential rate
- Community Improvement Program (CIP): new construction taxed for 5 years at current property assessment (savings of approx. \$110,000/yr)
- CIP 'brownfield' grants: recoup site-remediation costs in years 6 through 10 via reduced property taxes (submitting \$400,000+ in remediation costs)
- Building exempt from development charges (non-profit housing); savings approx. \$150,000

Our Partners

City of Brockville

- Provided \$65,000 grant to help off-set building permit costs
- Provided (at IO's request) a \$500,000 guarantee on capital cost over-runs
- Provided (at IO's request) a 3 year guarantee to cover potential 'rent up' loss (\$145,000/yr)

Our Partners

TD Canada Trust

- Our commercial bank; Very keen to be involved
- Provided term sheets for both our existing buildings as well as for Wall Street Village
- New 1st mortgage on 48 Church St in October 2016
- Raised \$1,753,000
- New 1st mortgage on 19 Clarissa in May 2017
- Raised \$1,397,000

Wall Street Village



- Six-stories, 85 units (31 one-bed, 54 two-bed units)
- Affordable Seniors Housing
- Capital Budget: **\$12,650,000**

Wall Street Village



VIEW - NORTH WEST

Wall Street Village Financing

- \$1,753,000 (new 1st mort. on Marguerita Bldg : TD Canada Trust)
- \$1,397,000 (new 1st mort. on Marguerita Bldg : TD Canada Trust)
- \$1,968,685 (Investment in affordable Housing Grant: Ont/Can)
- \$ 531,315 (Interim loan through UCLG: TD Canada Trust)
- \$7,000,000 (1st mort. on Wall Street Village: Infrastructure Ont)

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\$12,650,000

Other Financial Thoughts

- Marguerita Res Corp has healthy replacement reserves (\$1.0M +)
- Careful planning to align cash availability with construction needs
- Upon completion (2018) strong financial position: very positive cash flows and 1.65 overall debt coverage ratio

Current Status

- Foundation completed, Spring 2017
- Demolition, site work and soil remediation completed Fall 2016 and Winter 2017
- Fifth floor structure completed
- Most major sub-trade quotes have been received and approved
- Project is under budget and on-schedule
- Completion and rent up scheduled for summer 2018.

Demolition – Fall 2016



Soil Remediation – Fall 2016



Pouring the Foundation – Spring 2017



October 19th Photo



Summary

The Wall Street Village project was realized because of four key factors:

1. Availability of land and the common goals of the Marguerita and Wall Street organizations.
2. Historic low interest rates.
3. Involvement and support of our partners.
4. The expiry of non-profit housing mortgages committed 35 years ago – The EOA Opportunity: Leveraging a ‘public’ asset.



Thank you!

ONPHA values your opinion. Please complete a session evaluation.