



M'AKOLA

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Ontario Non-Profit Housing Association 2014 Annual Conference
Expiration Of Operating Agreements – Strategies and Outcomes
Kevin A. Albers, CPA, CGA, CAFM – Chief Executive Officer

Outline

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2. EOA Scenario
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6. Tenant Options
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About M'akola

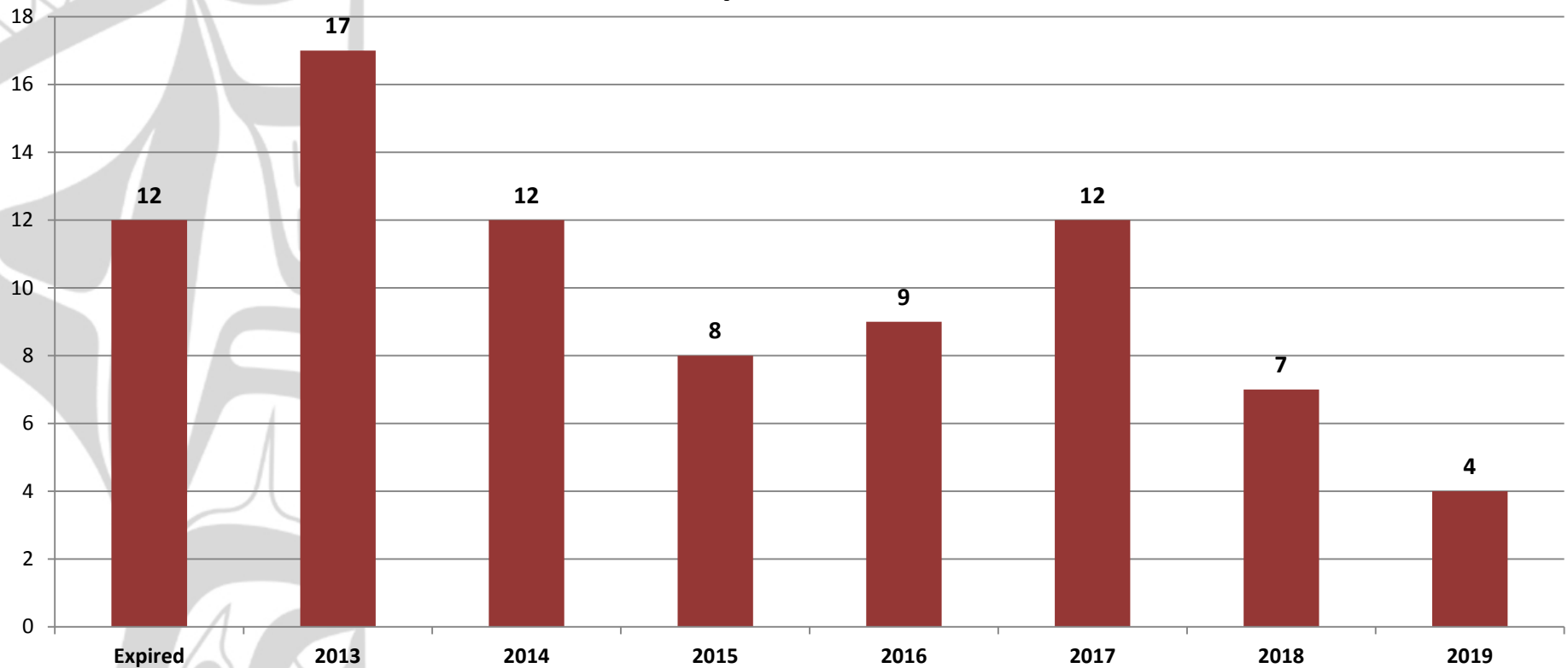
- Established in 1984
- NFP/Charity
- Currently own/manage 1588 units
- 4500 tenants
- RGI, LEM, Assisted Living and market rent
- 100 FTE's
- M'akola Development Services

MHS EOA Scenario

- 10% of portfolio already expired
- 300+ RNH Properties expire by 2019
- Entire portfolio set to expire by 2030
- Projected accumulated operating deficit \$15 million by 2030 (total portfolio)

RNH (VI) Expirations

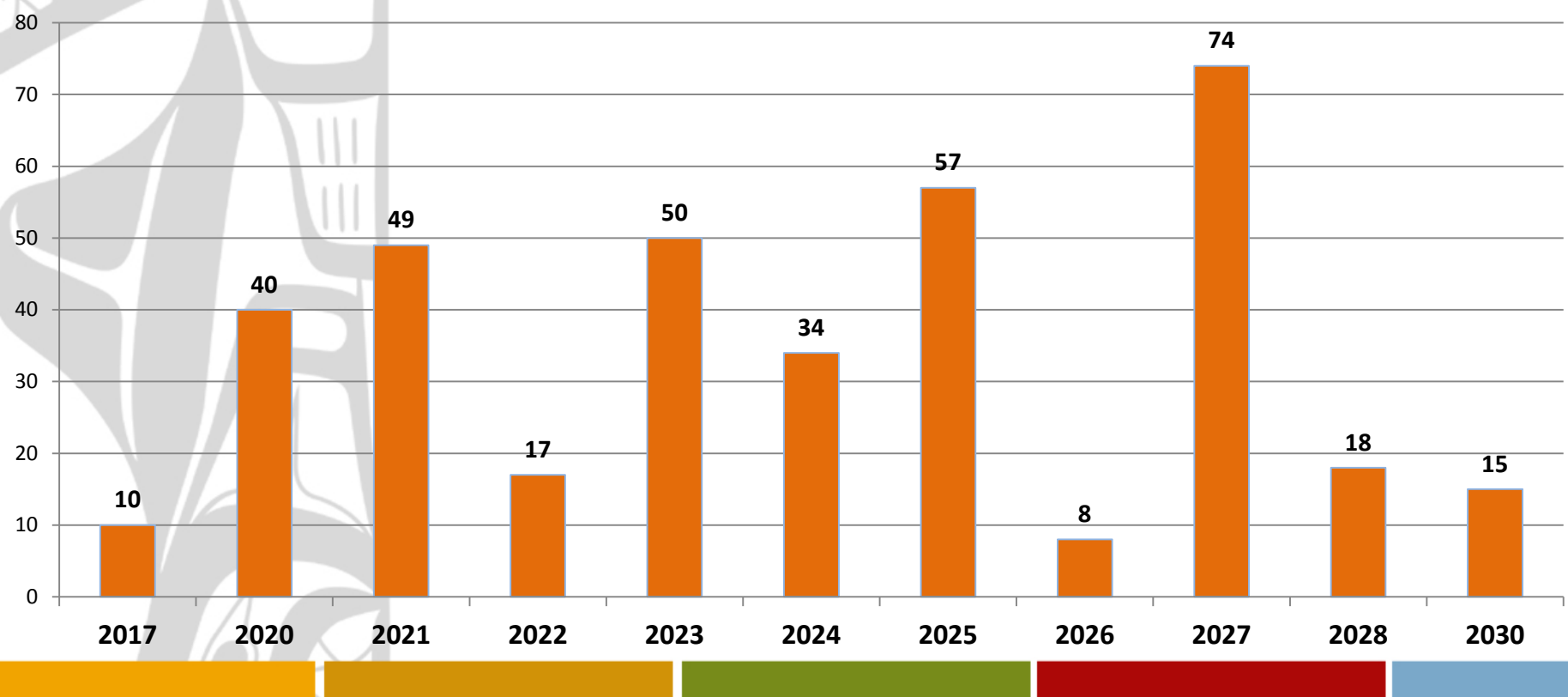
RNH Expiration Profile – Number of Units



81 properties

MHS UN Expirations

MHS Expiration Profile – Number of Units



372 properties

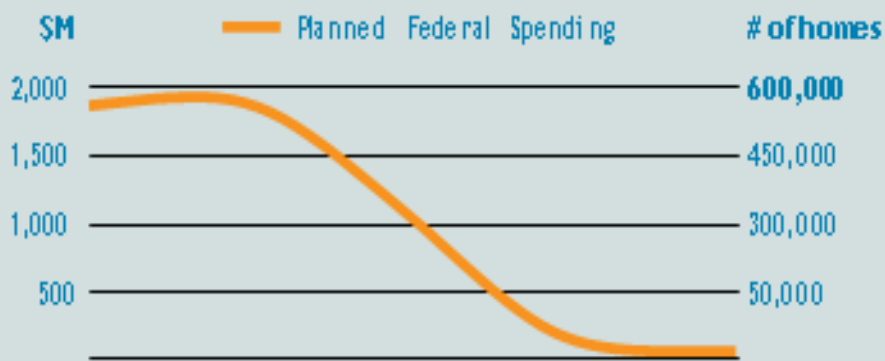
Project	Current rent PUPM	Post-Subsidy EconRent PUPM	Average Increase in Dollars	Break-Even % Rent increase
Short1	\$ 445	\$ 580	\$ 134	30%
Trunk	\$ 394	\$ 589	\$ 195	49%
Winchester	\$ 393	\$ 628	\$ 234	60%
North Park	\$ 516	\$ 828	\$ 312	60%
Carroll	\$ 440	\$ 736	\$ 296	67%
Admirals	\$ 459	\$ 784	\$ 324	71%
Wellington	\$ 443	\$ 763	\$ 319	72%
Chesterfield	\$ 322	\$ 569	\$ 248	77%
Station	\$ 424	\$ 757	\$ 333	79%
Skinner (duncan)	\$ 340	\$ 613	\$ 273	80%
Cedar Hill	\$ 463	\$ 874	\$ 412	89%
Deville	\$ 382	\$ 724	\$ 342	89%
Simcoe	\$ 397	\$ 777	\$ 380	96%
Gibbins	\$ 313	\$ 630	\$ 317	101%
Shenton	\$ 400	\$ 832	\$ 432	108%
Sherman2	\$ 334	\$ 729	\$ 394	118%
Langford	\$ 389	\$ 871	\$ 482	124%
Goldstream	\$ 314	\$ 718	\$ 404	129%
Cook	\$ 355	\$ 837	\$ 483	136%
Argyle	\$ 322	\$ 765	\$ 442	137%
Jacklin	\$ 337	\$ 821	\$ 484	144%
Short2	\$ 286	\$ 698	\$ 412	144%
Powell	\$ 375	\$ 919	\$ 545	145%
Heather	\$ 376	\$ 954	\$ 578	154%
Bruce	\$ 249	\$ 643	\$ 393	158%
Sherman	\$ 253	\$ 664	\$ 411	163%
Caledonia	\$ 370	\$ 1,011	\$ 641	173%
Neill	\$ 322	\$ 1,145	\$ 823	256%
	\$ 369	\$ 734	\$ 365	99%
	Average	Average	Average Incr	Average Incr

Financial Impact - MHS

- Annual unfunded deficit 2017 = \$47k*
Sherman Road
- Annual unfunded deficit 2030 = \$1.6M*
all projects
- Accumulated deficit by 2030 = \$10M*
- B/E rent increases required: 30% - 256%
- Average required rent increase: 99%

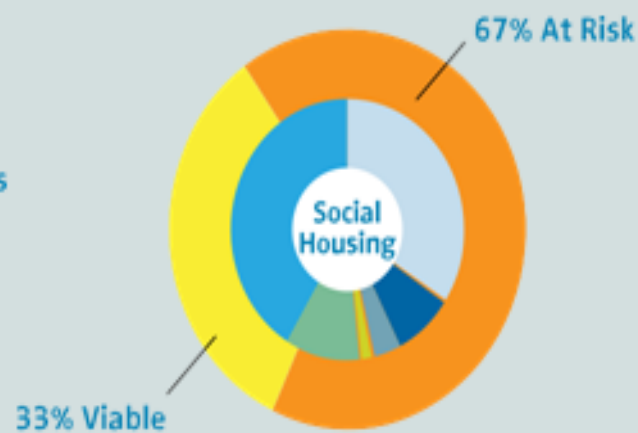
Based on current costs

National Perspective



Type of Households

- Public housing
- Rent Supplements
- Rural & Native
- Urban Native
- Co-op
- Non-Profit



Source: Canada Housing and Renewal Association



Canadian Housing and Renewal
www.chra-achru.ca

Add Your Voice!
housing4all.ca

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Challenges

- **Providing attainable rents for tenants previously on RGI**
- **Providing affordable housing options while maintaining organizational sustainability**
- **Adequately maintaining properties in the face of increasing operating shortfalls**
- **Lessening the impact on the tenant base**

MHS Strategies

- **Operational efficiencies – continuous improvement**
- **Analyze where we should be**
- **Selected property dispositions**
 - ROI considerations
- **M&I Investments**
- **Convert expired properties to fixed-rent at LEM – predictable/stable revenues**

MHS Strategies

- **Organizational Sustainability**
 - Partnerships
 - Amalgamations
- **Standardize RGI rent calculation across Province (30%)**
- **New Development, Explore 3P**
- **Business Diversification**
 - PM contracts
 - Development Consulting/Project Management



Tenant Education

- **Communicate, Communicate, Communicate – “early and often”**
- **Website indicates expiration dates of all O/A’s by city and address**
- **Annual Rent Reviews - expiration info**
- **Make tenants aware why things are changing**

Tenant Options

Provide options to affected tenants

- Relocation to RGI units – M’akola Rent-Geared to Income (MRGI)
- Rental assistance – M’akola Rental Assistance Program (MRAP)
- Fixed affordable rent – M’akola Affordable Rent (MAR)
- Home ownership assistance – M’akola Home Ownership Program (MAHOP)

MRGI

M'akola Rent Geared to Income

- **30% of annual household income (no longer 25% UNH RGI)**
- **Annual rent reviews**
- **Notice annually of RGI Subsidy amount and expiration**
- **Available to families with dependent children**

MRAP

M'akola Rental Assistance Program

- Available to low income families with dependent children living in expired O/A units
- Fixed tiered Subsidies (pilot)

Gross Household Income	Monthly Rent
Below \$20,000	\$500/month
\$20,001 - \$30,000	\$750/month
\$30,000 +	Posted fixed rental amount

MAR

M'akola Affordable Rent

- **LEM rents set to 10-15% below market**
- **Available to families (income > \$30k)**
- **Provides reduced fixed rent**

MAHOP

M'akola Home Ownership Program

- Available to long-term tenants living in expired units
- Provides down payment assistance
- Tenant obtains third-party financing

Lessons Learned

- **Communication is KEY - “Early and Often”**
- **Internal change management challenges**
- **Tenant EOA awareness/education**
- **Asset vs Organizational sustainability**
- **There may not be a positive realistic solution**
- **Tough decisions must be made**

Successes and Outcomes

- Early signs the strategy is working
- Rent consistency project complete
- Tenants adapting to the change
- Projections indicate we will be financially sustainable
- Political pressure from tenants

What Should You Do?

- **Understand your Society expiration profile**
- **Quantify your exposure**
- **Look for organizational opportunities**
- **Advocate everywhere**
- **Educate tenants and staff**
- **Don't PANIC!!!**

Contact Us!

Web: makola.bc.ca
makoladevelopment.com

Twitter: [@makolahousing](https://twitter.com/makolahousing)
[@kevinalbersBC](https://twitter.com/kevinalbersBC)

Email: kalbers@makola.bc.ca

Phone: 1-855-897-6922



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