



Objectives

We will be able to describe:

- The scale of co-ops in Canada and abroad
- The advantages and disadvantages of our scale
- Why and how co-ops merge
- Merger options
- Other ways co-ops can work together

Agenda

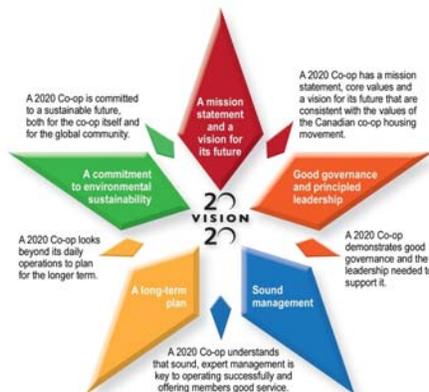
- Co-op housing at a crossroads
- Getting to know each other
- How we're organized now
- What a successful future looks like
- How co-ops can grow
- Examples
- Other options working together
- Summing up



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The Five Standards of a 2020 Co-op



A successful co-op is a:

- Well governed membership association
- Soundly managed housing development that operates at cost
- Healthy community
- Properly financed real estate asset



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Co-op Housing at a Crossroads

- Video



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Questions

1. Is the scale we operate at now the right one for what we want to achieve?
2. Are housing co-ops the right size to give them their best chance for success in the coming years?



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Exercise

Your co-op's successes <i>What works?</i>	Your co-op's challenges <i>What doesn't work?</i>	Future actions <i>What does your co-op have to address in the future?</i>



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What do you think?

What examples of scale do you already see occurring in the co-operative housing sector?

- Insurance
- Bulk purchasing
- Shared management agreement contracts
- Local and national federations

EXAMPLE



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Scale of Operations: In Canada...



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Scale of Operations: In Canada...

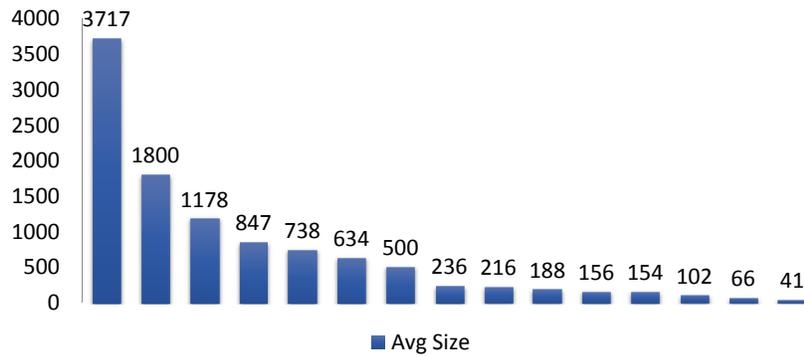
Co-op Size	# of co-ops	# of units	% of all co-ops	% of all units
Less than 25	1,088	15,572	49%	17%
25-49	510	18,234	23%	20%
50-99	458	31,569	21%	34%
100-199	137	17,882	6%	19%
200 and over	28	8,633	1%	9%
TOTAL	2,221	91,890	100%	100%



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... Average co-op size



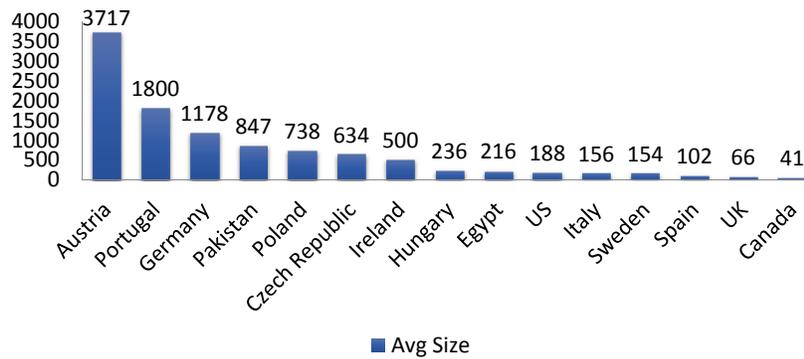
**Information taken from ICA Profiles of a Movement: Co-operative Housing Around the World*



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... Average co-op size



**Information taken from ICA Profiles of a Movement: Co-operative Housing Around the World*



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Group Exercise



What are the advantages / disadvantages of the current scale of our sector?



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Impact of Scale

In Canada there are approximately 90,000 units of co-op housing that are operated by some 2,100 co-op housing corporations.

Each one requires

- Its own board of directors
- Some form of competent operational management
- A maintenance and capital repair program
- An annual audit where this is a program requirement, as it is for most Canadian housing co-ops.



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Impact of Scale on Governance



Drawing on too few members for the board often leads to:

- Board member burn-out
- Lack of involvement
- Inability to have access to time and/or funding for education
- Lack of new ideas and direction for the co-op



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Board burnout – what we know!



If we assume that the average number of seats on a co-op board in Canada is 7 then....

We require 14,000 co-op members to be capable directors with a clear understanding of governance.



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Impact of Scale on Management



The present scale of the sector results in a great deal of duplication of effort and expense.

- Consider audits: an audit of a 500 unit co-op will **not** cost 10 times as much as the combined cost of the audits for ten 50-unit co-ops.
- What about capital plans?
- Or procuring accounting services?
- Or the cost of governance training?



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Arrears, Bad Debts and Vacancy Losses by Size of Co-op

# of units	Average arrears and bad debts per unit	Average # of directors in arrears	Average vacancy loss per unit
1-50	\$ 138.75	1.63	\$ 187.72
51-100	\$ 109.91	1.36	\$ 109.85
101-200	\$ 91.09	1.13	\$ 81.54
201+	\$ 84.75	1	\$ 43.91

Information compiled using data drawn from the most recent validated Annual Information Returns, The Agency for Co-operative Housing, 2014



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How Can Co-ops Grow?

- New development
- Redevelopment/infill (adding new units to the property)
- Expansion through acquisition or merger



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Why Should Co-ops Grow?

- To strengthen their future viability
- To better serve their members needs
- To strengthen governance
- To create different co-op management options
- To achieve operating efficiencies
- For long-term risk reduction
- Create new services for members
- For reasons unique to a co-op



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Developing New Co-ops

- Finding the right development consultant/professional team
- Finding / holding / optioning land
- Environmental assessment / site clean-up
- Developing partnerships - provincial, municipal, community organizations
- Dealing with zoning requirements
- Overcoming community opposition (Nimby-ism)
- Establishing the co-op legally and corporately
- Negotiating construction financing, take out mortgage



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Re:Development

- Many of the challenges for new co-ops, plus
- Member acceptance / buy-in
- Site disruption
- Moving members during development
- The biggest challenge is... delivering affordability!



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The Economics of Development

Overview of development costs:

- Land Costs
- Hard Costs
- Soft Costs



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Land Costs

- Price of the land
- Geotechnical site assessment
- Legal fees – land
- Site servicing (sewer, water, power)
- Land transfer tax
- Survey
- Appraisal



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Hard Costs

- Construction / renovation
- Construction management fees
- Stoves and refrigerators, laundry equipment
- Furnishings and equipment
- Parking, roadways
- Landscaping
- Equipment
- Contingency



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Soft Costs

- Legal fees (other than land)
- Municipal approvals and permits
- Municipal levies
- Planning/development consultant/architect/engineer
- Quantity surveyor
- Mortgage fee
- Mortgage insurance application fees
- Interest during construction
- Insurance during construction
- Taxes during construction



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Looking at scale across Canada



Conversations on Scale
Vancouver/Victoria
Manitoba
PEI
Ontario
New Brunswick



Prince Edward Island

Working Together
SCALE AND CO-OPERATIVES

NEWS FROM THE PRINCE EDWARD ISLAND HOUSING WORKING GROUP

Prince Edward Island co-operatives explore working together

An education event last spring a suggestion was received to establish a committee of housing co-operative members to discuss options for co-operation to work together to strengthen their long term viability. CHFC Canada and APHC agreed that they would support the creation and activities of the group and expressed their best wishes in June 2015.

In their second meeting in October 2015, the group agreed that the purpose of the committee is to explore opportunities for housing co-operatives in Prince Edward Island to work together by considering the impact of the end of the Operating Agreements, new development and consolidation.

The responsibilities are:

- to research the program for developing co-ops
- to develop a plan for the long term viability of the existing co-operatives
- to report to members of the participating co-operatives about the group's activities and advise them about how new initiatives would affect them
- to present the draft plan to participating co-operatives and seek the co-ops' support
- to meet with government representatives to receive support

Please see the other site for more Working Together news

The CO-OPERATIVE HOUSING FEDERATION of Canada

Steering Committee Purpose

To explore opportunities for housing co-operatives in Prince Edward Island to work together by considering the impact of the end of the Operating Agreements, new development and consolidation.



British Columbia

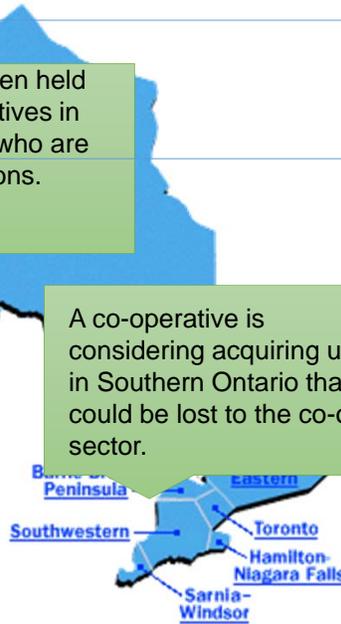
- 2012 CHF/BC AGM – member resolution
- Information sessions
 - Vancouver – commercial drive area
 - Victoria
 - 30 co-operative members representing 13 co-operatives
 - Both groups have agreed to a second meeting



Ontario

Meetings have been held with two co-operatives in Northern Ontario who are exploring the options.

A co-operative is considering acquiring units in Southern Ontario that could be lost to the co-op sector.



New Brunswick

One city, one co-op? (279 units)

- City Centre
- Heatherway
- High Meadow Park
- Jenny's Spring
- Lower Cove
- Neighbourhood
- North End
- South City
- Wright Street



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Manitoba

Protecting the co-operative housing stock.....



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Compass Non-profit Co-operative Homes



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Compass Non-profit Co-operative Homes?

What is Compass?

- Set-up for co-ops to join as a larger co-op and benefit from economies of scale and improve long-term viability
- Offer a centralized approach to asset management
- Offer safe, affordable housing to the members of the co-operative.

Compass is simply **another** tool to protect affordable co-operative units.



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Merger Models

- **New co-op corporation model**
Two or more co-ops coming together to form a new co-operative.
- **Growing a co-op model**
One or more co-operatives joining an existing co-operative.



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The Merger Process



- Must be member led
- Led by a leadership group of co-op members
- Discussion of concept by co-op members
- Approval in principle by co-op members
- Foster environment of respect with full disclosure
- Technical work includes long-term financial planning, capital repair planning, modification of governance and management structures.



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The Merger Process



- Professional assistance
- Service Manager/Administrator approval in principle
- List of Assets and Liabilities
- Management Model/ Operation in the Interim
- Building Condition
- Furniture, equipment
- Financial Audit
- Insurance
- Mortgage Holders
- Environmental Considerations
- Capital/Replacement Reserve Fund Assets



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The Merger Costs



- Professional fees with respect to the preparation of the building condition survey and any environmental studies
- Legal and accounting fees
- Land Transfer Tax, payable by an acquiring organization
- Costs associated with cancelling or assigning equipment and rental service agreements
- Staffing –during and after merger



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Causes of failure



- Member mistrust
- Disinformation
- Members are risk averse
- Fear of change

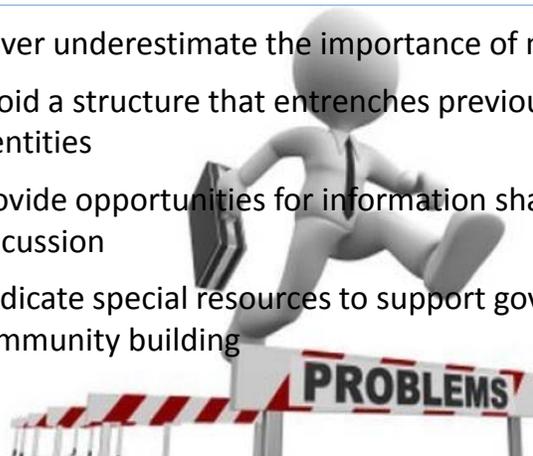


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Avoiding difficulties

- Never underestimate the importance of member approval
- Avoid a structure that entrenches previous co-op identities
- Provide opportunities for information sharing and discussion
- Dedicate special resources to support governance and community building



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Other Options to Work Together

- Sharing maintenance services
- Sharing contracted services
- Group buying
- Community building
- Collaboration on capital repair projects
- Marketing and member recruitment.



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Summing Up

- Where do we go from here?
- What did you hear that you liked?
- What did you hear that makes you uncertain?



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