

Q&A

Questions and Answers about the Agency's Co-op Data Report

The Co-op Data Report allows the Agency to combine data from many co-ops and share it in a useful form. However well you know your co-op from the inside, this report gives you new information by letting you into the secret of how it compares with others.

Who should see our Co-op Data Report?

The Agency provides this custom report in confidence to each of our co-op clients. Soon after we send it to you, we'll post it on the password-protected area of our website.

We encourage your board to discuss the report and to share it, as appropriate, with others in your co-op.

What does the report show?

The numbers reported are drawn from the Annual Information Returns (AIRs) filed with the Agency.

The report presents data in different ways:

- A short text description compares your results to those of other co-ops.
- A line graph tells you where you sit compared to the median dollar amount or percentage for the group. (Half the co-ops in your group sit above the median point and half fall below it). Outliers (co-ops with unusually high or low scores) appear to the right or left of the line. They were not included when we set the median.

Please note that the median point is not intended as a benchmark or goal. For some

measures, it would be good if your co-op were higher or lower.

- For vacancy losses, the graph also shows approximate vacancy losses for rental housing in your area, weighted for the average bedroom count in your co-op. (Taken from the CMHC Rental Market Report, this figure is based on reported vacancy rates in your area at a moment in time.)
- A bar chart shows your co-op's year-by-year results, with each year in a different colour.
- A second bar chart shows the year-by-year results of your peers.

Who are our peers?

Our report compares your co-op with different groups for different measures:

- **vacancy loss**—all federal-program co-ops in your area, unless the sample size is too small (fewer than 10 co-ops). When placing you in a peer group, we use the areas CMHC has drawn up for its regular rental-market reports.
- **arrears and bad debts; maintenance spending**—all co-ops, whatever their program, that are clients of the Agency;
- **replacement-reserve balance**—all Agency clients, whatever their program, that had money in their replacement reserve at year end. We leave out all co-ops without a reserve, which raises the median but gives a more meaningful comparison (some co-ops in a financial workout are not allowed to hold a reserve);
- **annual replacement reserve contribution**—all co-op clients, whatever their program,

that put money into their replacement reserve in the year, apart from a transfer of surplus at year end. We leave out every co-op that did not make any contribution.

Some federal-program co-ops also have provincial or municipal units. Any units not operating under a CMHC program are not included in our statistics.

Who gets this report?

This custom report is a special service the Agency provides for our co-op clients: federal-program co-ops in B.C., Alberta, Ontario and PEI.

It was launched in October 2007, with the first reports prepared for fiscal years ending on or after April 30, 2007.

If a co-op is not a client of the Agency, we do not have access to its data and cannot include it in our graphs or provide the co-op with a report.

The following co-ops are not Agency clients at this time:

- o co-ops operating under federal programs in Manitoba or Quebec or under provincial or municipal programs
- o co-ops held back by CMHC because of building-envelope failure (leaky co-ops) or for some other reason
- o co-ops that have paid their mortgage in full and no longer have an operating agreement with CMHC.

Can you help us understand our co-op's results?

For a discussion of your Co-op Data Report, please consult your relationship manager.

Co-ops will get the best value from this report by thinking about the ways each of the measures reported may connect with the others. Look at your current results and year-by-year trends and compare both with your peers' results.

The remarks that follow offer your board some general points to consider when you review your results. Not all of our comments will apply

to your co-op. Please remember that every co-op is different.

- o **vacancy loss**— For the clearest picture of your results, look first at the vacancy rate for your community and then compare your vacancy loss with other co-ops' losses. If your loss seems high for your area, we encourage your board to ask why.

Higher-than-average losses are not always due to high housing charges. A co-op with good curb appeal can keep occupancy up even if its charges are high compared to other properties'. The key is maintaining units in excellent repair and paying attention to marketing.

When residents leave housing they have occupied for a long time, floors and carpeting usually need attention owing to normal wear and tear. Co-ops with older buildings may experience some short-term vacancies as they get this work done. Missing a month of occupancy here and there can be a wise investment when it results in an attractive, more marketable unit.

However, some co-ops in soft markets have had good success in staying full by offering move-in incentives and adopting a streamlined process for admitting new members.

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

- o **arrears and bad debts**—We look at these two items together because some co-ops are quick to record a bad debt when charges are overdue, while others prefer to wait until all collection efforts have failed. Arrears and bad debts are shown as a percentage of the charges due to a co-op from its residents.

A co-op's arrears and bad debts tell a clear story about the quality of its management and governance. Lower arrears and bad debts indicate consistently good collection of housing charges, supported by firm leadership.

Your local federation or Agency relationship manager can share advice on what works and what doesn't when it comes to managing arrears.

- o **replacement-reserve balance and contributions**—Because they are related, these measures are best looked at together. Please note, however, that, although replacement-reserve *contributions* do not include any supplemental contributions made at year end, the replacement-reserve *balance* does, since it expresses the total sum in your co-op's replacement reserve at year end from all sources.

A starting point for your board's discussion is whether your co-op's reserve balance is comparatively low. If it is, and if your co-op's property is in excellent condition, it may be that you have just completed a round of major repairs and replacements. You'll be able to build your reserve back up over the next few years. If the condition of your property could be improved and your balance is low, your co-op has likely set aside too little in the replacement reserve in past years.

Similarly, if your co-op has been making lower contributions to its reserve, your board should ask whether this indicates a well-funded reserve built up in earlier years or a failure to put enough money aside.

Higher contributions could point to a co-op that is now building up a neglected reserve fund, and a high reserve balance to one that is unnecessarily putting off capital projects. A high balance and high contributions could mark a prudent co-op with expensive capital projects coming due.

The best way to determine whether your co-op's reserve balance and contributions are adequate is through a replacement reserve plan. Your relationship manager at the Agency can give advice on how to put one in place.

- o **maintenance spending**—The measure in your report is a percentage of your total operating expense, including the regular replacement-reserve contribution. Total operating expense does not include any supplemental contribution that you may have made to your reserve at year end.

The right level of maintenance spending depends on the condition of a co-op's property, what kind of buildings it owns and how efficiently it organizes the work.

Lower-than-average spending may be your clue that you are deferring needed upkeep and repairs and will face higher costs later. Or it could be your reward for making a substantial investment in your property in recent years, such as by replacing temperamental old appliances or installing better-quality finishes.

Higher maintenance spending may mean that your co-op is catching up on neglected tasks. Few co-ops overspend on maintenance, unless they are mismanaging the work. Under spending is more common.

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

For advice on how your co-op can get the results it wants, you should feel free to contact your local federation. Or speak to your relationship manager at the Agency.

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

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