2022
Biannual Portfolio Performance Review

REPORT TO CMHC

THE AGENCY FOR CO-OPERATIVE HOUSING

L'AGENCE DES COOPÉRATIVES D'HABITATION

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KEY FINDINGS

Key Findings

GOAL: More effective management of the portfolio at a comparable or lower cost

Improving the Risk Profile

- Almost half the portfolio (48%) is at Low or Moderate risk (2007: 39%).
- 87 per cent of clients show a Stable or Strengthening risk trend.
- 94 per cent of clients saw their Liquidity, and 72 per cent their Net Income, rated Good or Excellent in 2022 (2007: 79% and 55%, respectively).
- The two co-operatives whose physical condition was rated Poor in 2022 (1% of the portfolio) have capital repair plans underway.

Improved Operating Performance

- An overall continued decline in revenues lost to arrears, bad debts and vacant units has improved the cost-effectiveness of the programs.
- The median rate of arrears and bad debts across our portfolio has fallen from 0.9 per cent of total annual occupant charges in 2007 to 0.6 per cent in 2022.
- Arrears and bad debts in Ontario and B.C. show an overall decline; Alberta's arrears and bad debts continue to rise.
- At 15 per cent of our portfolio, the share of clients reporting an arrears and bad-debt ratio of 3 per cent or more is down six percentage points from 2007.
- The total owed by directors in arrears across the portfolio has fallen by 91 per cent (from $464,439 in 2007 to $42,351 in 2022).
- The number of Agency clients reporting vacancy losses of more than $250 per unit per year has fallen since 2007.
- Twice as many co-ops are spending greater amounts ($4,000 or more) on maintenance and improvements since 2007.
- The median annual replacement-reserve contribution per unit has more than doubled from $1,121 per unit in 2007 to $2,627 per unit in 2022.

OVERVIEW

Objective

Every two years, the Agency for Co-operative Housing produces a report assessing the status and performance of the portfolio of housing co-operatives whose agreements with CMHC we manage. The current review measures our progress over the past 15 years, focusing on the legacy portfolio* (co-operatives with CMHC operating agreements), which continues to shrink as clients transition to the Rental Assistance Program (FCHI-2).

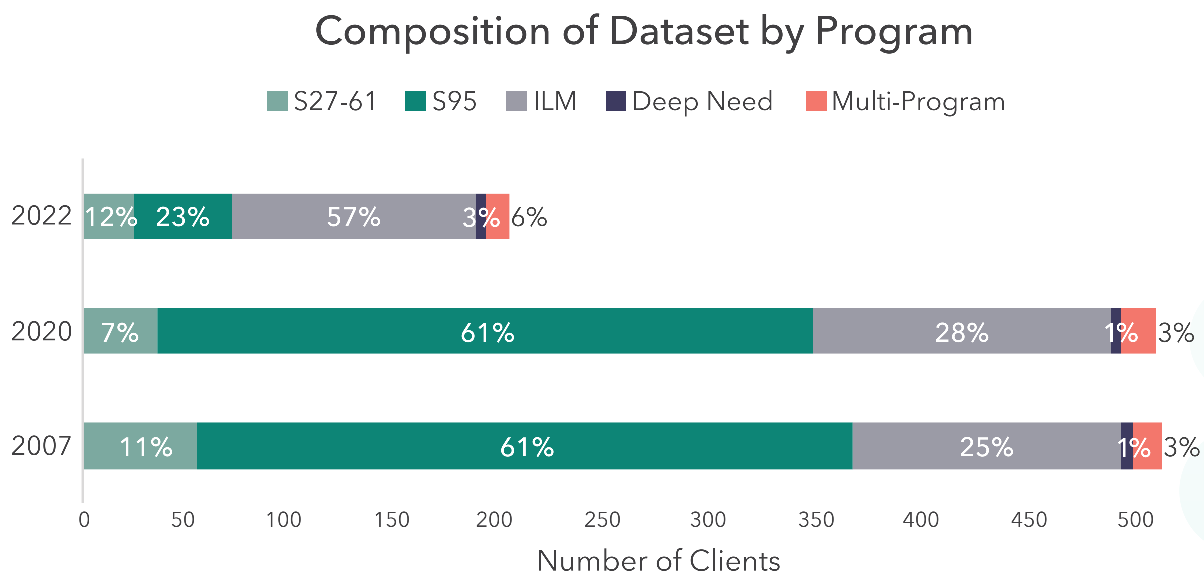
* The dataset also includes a selection of co-operatives outside of an operating agreement but who have a workout in place. See Appendix A for further information.

Result: the portfolio's progress has been significant.

The dataset for this review includes 200 housing co-operatives operating under six federal programs in four provinces. Together they own 11,585 units of housing and comprised 38 per cent of the Agency's portfolio as of 31 December 2022. More information on the dataset may be found in Appendix A.

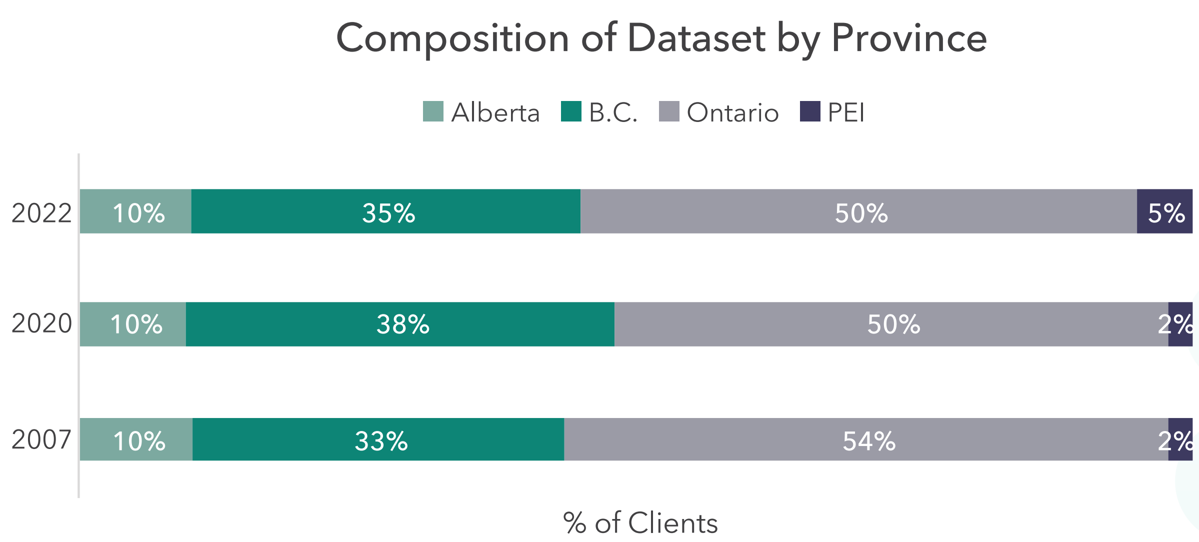
Portfolio Profile: Program Distribution

The breakdown of the dataset by program was quite stable until September 2020, when many co-operatives moved to the new Rental Assistance Program (FCHI-2). In 2022, less than half the Agency's portfolio was still operating under a legacy program, with the Federal Co-operative Housing (ILM) program comprising the largest segment.



Portfolio Profile: Provincial Distribution

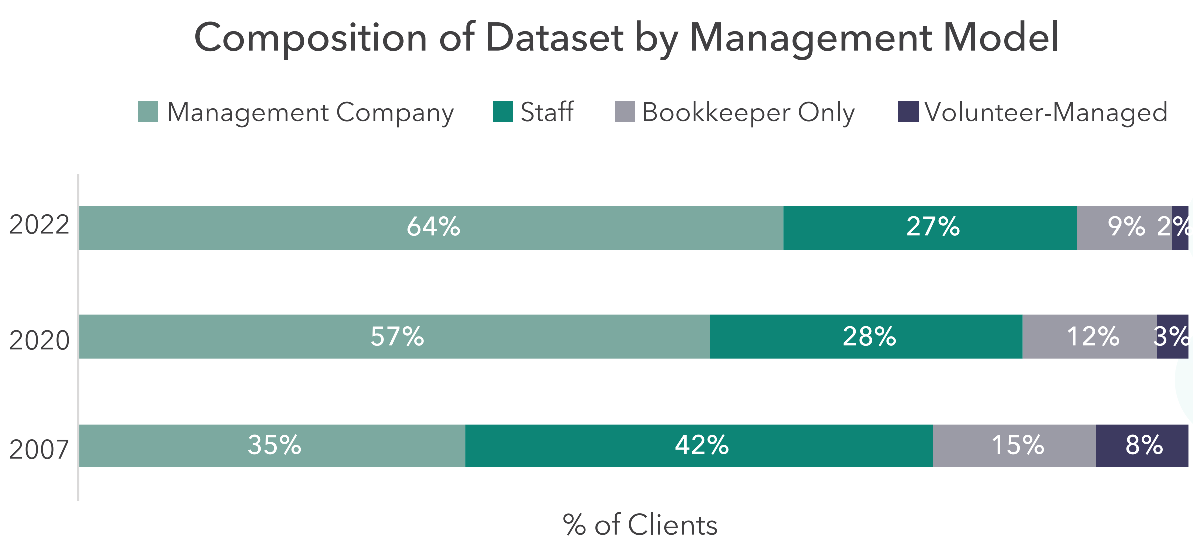
Although provincial distribution has not greatly changed since our last review (2020), it is somewhat different than in 2007, owing to a gradual migration of co-operatives in difficulty from B.C. in the first ten years and the more recent expiry of operating agreements in Ontario, as many took advantage of CMHC's offer of mortgage prepayment flexibilities for the S61 program.

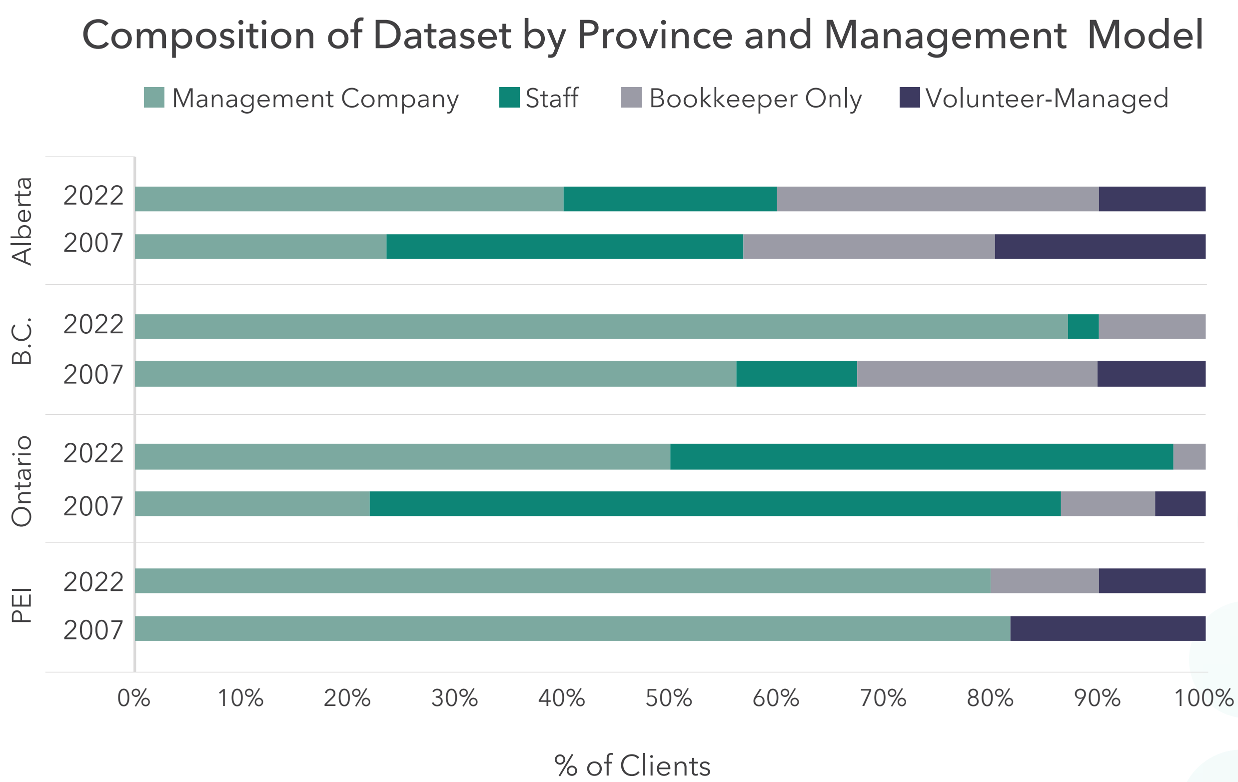


Portfolio Profile: Distribution by Management Model

Co-operatives continue to turn to property-management companies to look after their day-to-day operations. The change in distribution of management models over time reflects both the addition of clients from B.C., where contract property management has long predominated, and the growing preference for this management model in Ontario.

Since 2007, the proportion of Agency clients employing management companies has grown from 35 to 64 per cent. This increase has been at the expense of all three other forms of management.





Composition of Dataset by Province and Management Model
Management Company
Staff
Bookkeeper Only
Volunteer-Managed
Alberta
2022
2007
B.C.
2022
2007
Ontario
2022
2007
PEI
2022
2007
0%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%
% of Clients

PORTFOLIO RISK PROFILE

Approach

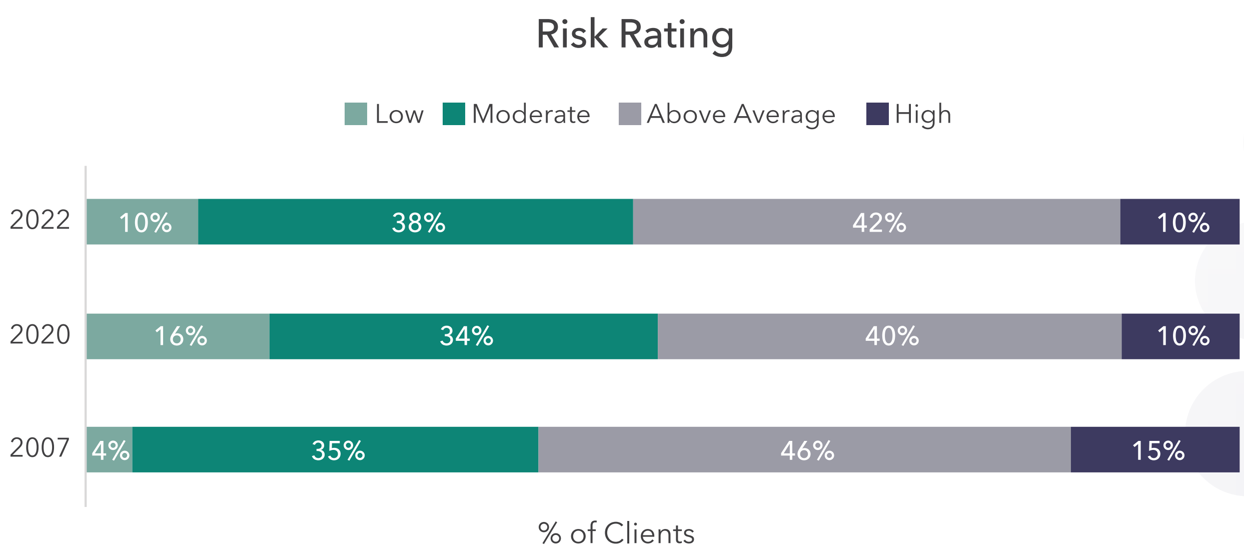
The Agency conducts a comprehensive risk assessment of every client once a year. The risk we assign (Low, Moderate, Above Average or High) reflects the Agency's considered view of the client's current health and prospects. Definitions of the ratings may be found in Appendix B.

Ultimately judgement-based, our risk rating of each client is strongly informed by the results of standardized tests. Our information system generates a rating based on separate evaluations of the client's financial strength, current financial performance and physical condition. Further risk factors can trigger ratings of Above Average or High. Agency staff will also consider other information, including local market conditions, before assigning a final rating. Ratings are adjusted during the year in response to external developments or significant action taken by the client.

Routine physical inspections were suspended for a time at CMHC's direction. From 2013 to 2018, we inspected only the properties of co-operatives at risk or operating under a deep-need program. However, part way through 2018, it was agreed that routine property inspections should be reinstated across the full portfolio. While COVID-19 did not reduce the number of inspections scheduled in 2020, we did limit their scope to exterior elements. Inspections now take place every three years. Where we lack current property information, Agency staff update the physical-condition rating as new information comes to their attention, for example, when major capital repairs are undertaken, or a building-condition assessment reveals new problems.

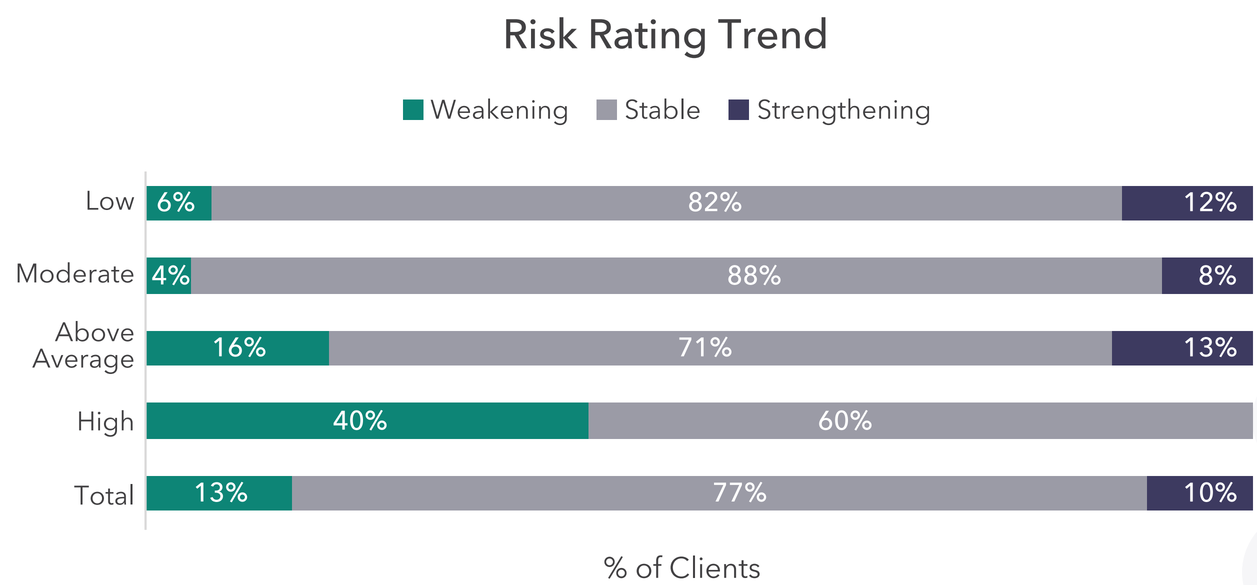
Risk Trend

Co-operatives with ratings of Above Average or High comprised 52 per cent of our legacy portfolio in 2022, up slightly from 50 per cent in 2020, but down markedly from 61 per cent in 2007. The shift between 2020 and 2022 is likely due to the higher proportion of ILM co-operatives in the 2022 dataset, many of which have required workouts. Workout co-ops carry a lot of debt and are cash-poor since they are making two loan payments. Clients with a rating of Low or Moderate now make up slightly less than half the portfolio (48%, up from 39% in 2007).



Clients with a risk rating of High make up only 10% of the Agency's portfolio (2007: 15%).

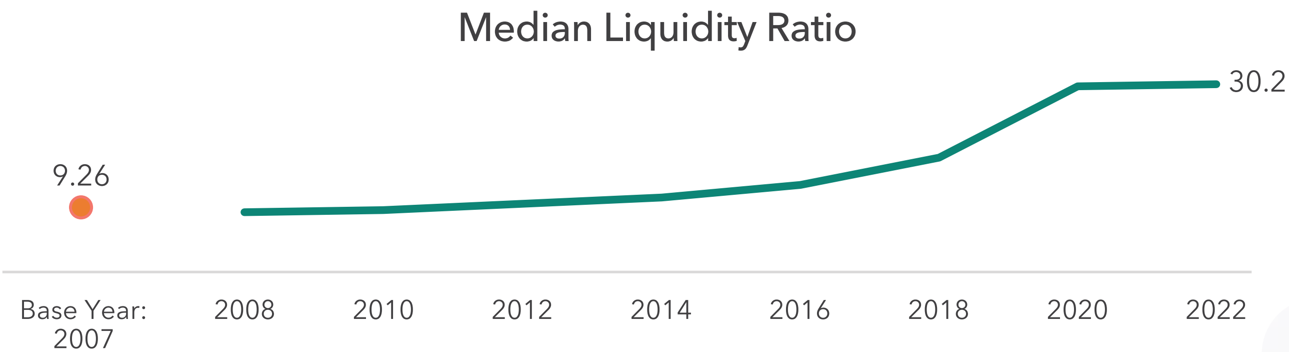
During our annual risk-assessment process, we assign clients a risk trend of Strengthening, Stable or Weakening. Eighty-seven per cent of our clients have an assigned risk trend of Stable or Strengthening. Among those with a High risk rating, 40 per cent were judged to be Weakening in 2022 (2020: 29%). Note that a Weakening trend means that the client has risk factors to attend to; it does not necessarily signal a higher risk of mortgage default.



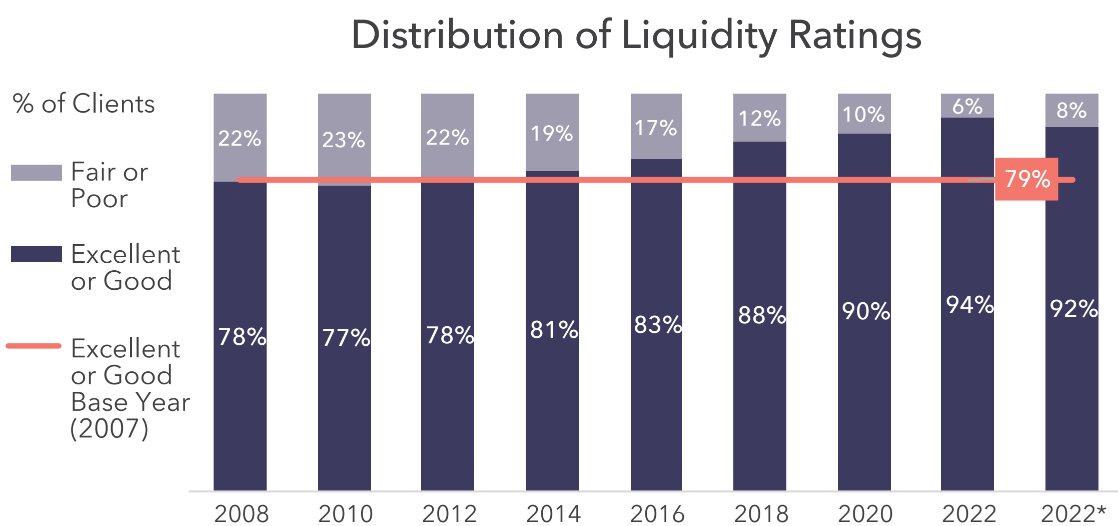
87% of Agency clients show a Stable or Strengthening risk trend.

Financial Health

Net-Income and Liquidity ratios strengthened between 2007 and 2022. A growing percentage of clients enjoy a rating of Good or Excellent on both financial indicators.



Between 2007 and 2022, the median Liquidity ratio for the total dataset rose strongly from 9.26 to 30.2, and the share of co-operatives with a Good or Excellent rating rose 15 percentage points. Even when all mortgage-free co-operatives are removed from the 2022 dataset, we still see a positive trend in liquidity.

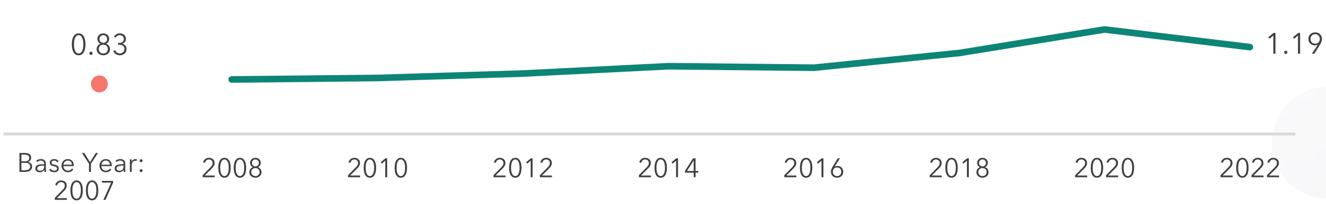


* All mortgage-free co-operatives removed

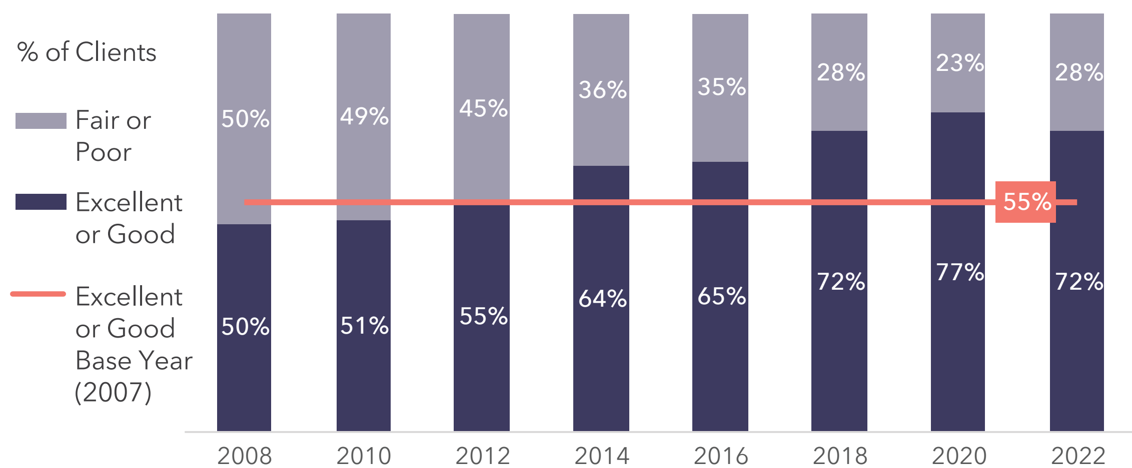
The median Net-Income ratio rose from 2007 (0.83) to 2020 (1.43), but then dropped slightly in 2022 to 1.19. Clients with a healthy Net-Income rating (Good or Excellent) made up 72 per cent of the portfolio in 2022, a 17 percentage-point rise from 2007.

In 2022, 28 per cent of Agency clients had a Fair or Poor Net-Income rating, compared with 45 per cent in 2007. The percentage rated Fair went down (2022: 18%; 2007: 26%), as did that rated Poor (2022: 10%; 2007: 19%).

Median Net-Income Ratio



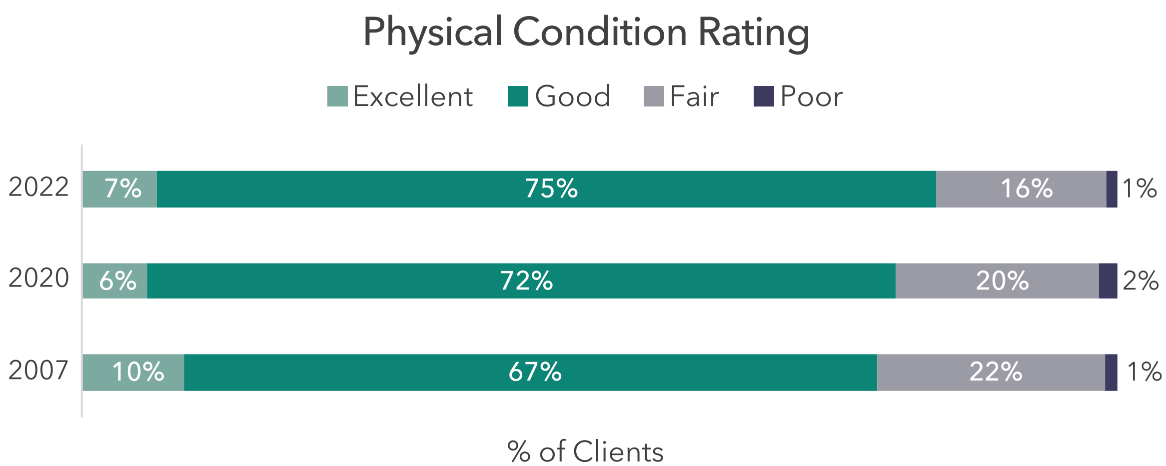
Distribution of Net-Income Ratings



94% of Agency clients saw their Liquidity, and 72% their Net Income, rated Good or Excellent in 2022 (2007: 79% and 55%).

Physical Condition

The proportion of co-operatives in Excellent or Good physical condition rose in 2022 as more clients replaced worn-out building components. While the share of clients whose physical condition is rated Excellent has dropped by three percentage points since 2007, the share whose condition is rated Good has risen by eight points. At 16 per cent, the proportion judged to be in Fair physical condition has decreased from 15 years earlier.



CLIENT OPERATING PERFORMANCE

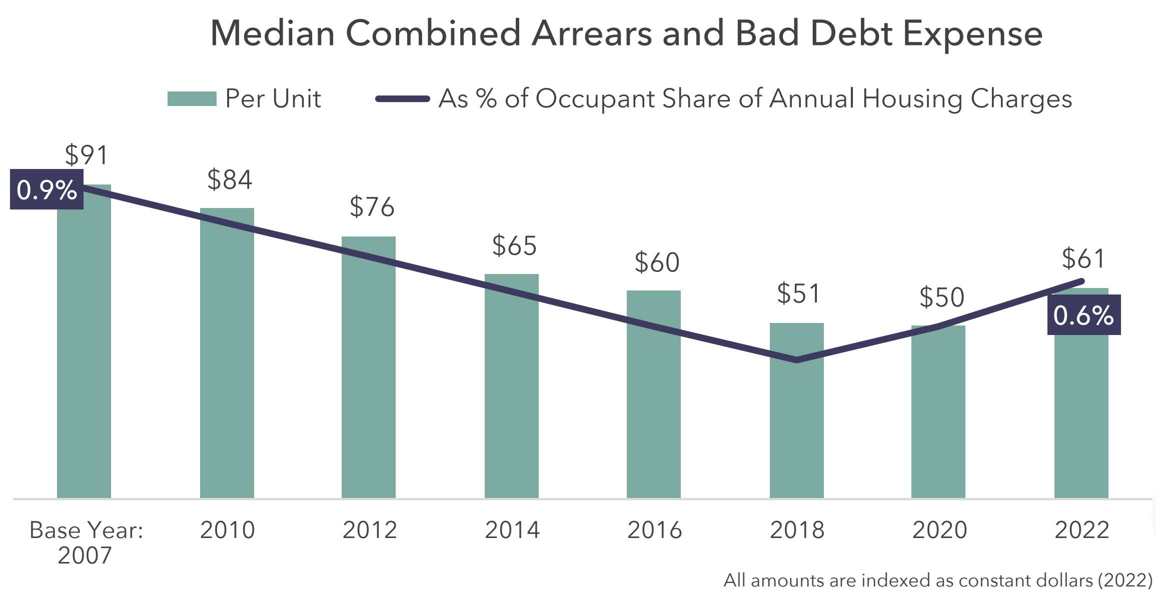
The period from 2007 to 2022 saw a decline across the portfolio in revenue lost to rental arrears, bad debts and vacant units. Declining revenue leakage implies greater operating efficiency. The result is a more effective use of rent-geared-to-income assistance, as lost income need not be replaced through higher housing charges.

In addition to arrears, bad debts and vacancy losses, this section looks at three other markers of good management:

- directors in arrears
- maintenance, and
- capital spending.

Arrears and Bad Debts

Across the portfolio, the median combined occupant arrears and bad-debt expense, measured as a percentage of total occupants' housing charges,* fell from 0.9 per cent in 2007 to 0.6 per cent in 2022 (2020: 0.5%). Considered as a dollar amount, the median combined arrears and bad-debt expense has declined 33 per cent, falling from $91 per unit (2007) to $61 per unit (2022).

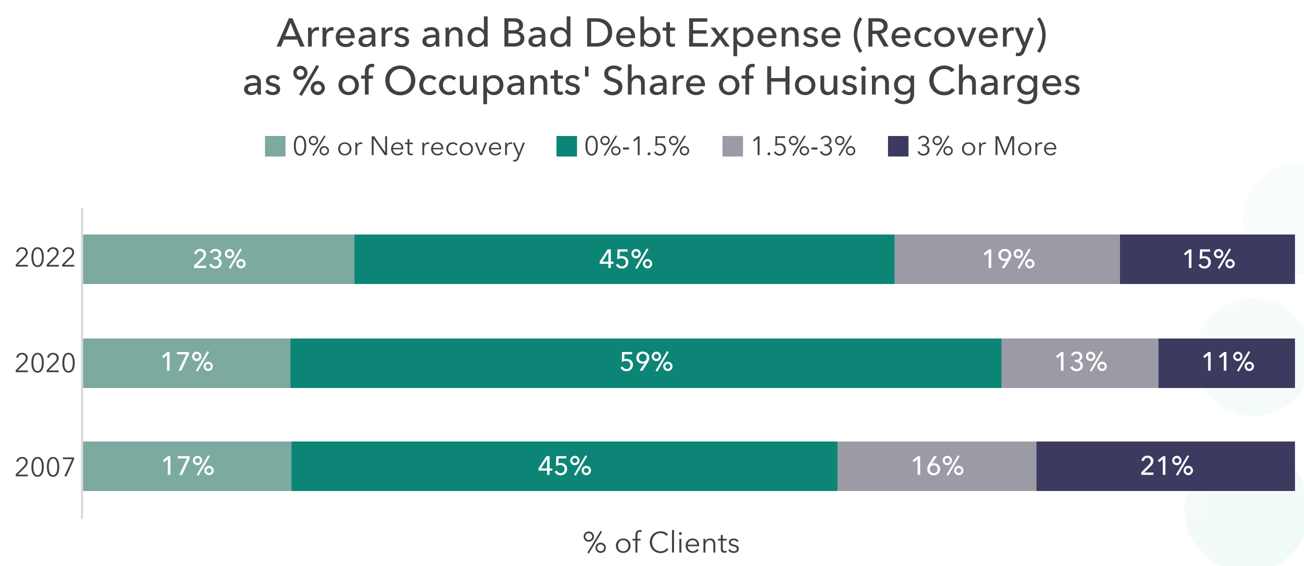


Arrears and bad debts have declined by 33% since 2007, to a median of $61 per unit.

* Putting arrears, a balance-sheet measure, together with bad-debt expense, an income-statement measure, normalizes the data for different accounting practices. Arrears are net of any allowance for doubtful accounts. "Occupants' share of housing charges" excludes rent-geared-to-income subsidies, whether provided internally or received from government.

The following shows

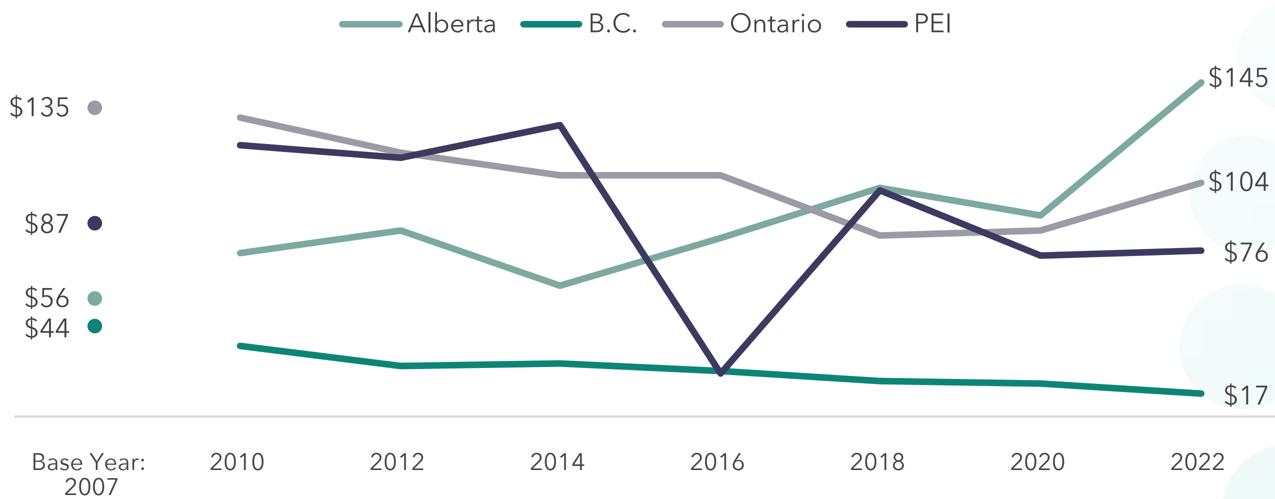
- the growing proportion of clients with a ratio of 1.5 per cent or less since 2007 (2022: 68% of clients; 2020: 76%; 2007: 62%)
- the shrinking percentage with combined arrears and bad debts of three per cent or more (15% of clients in 2022, down six points from 2007)



An analysis of the trend from 2007 to 2022 for median combined arrears and bad debts by province shows an overall decline for both Ontario and B.C. With only ten co-operatives in the PEI dataset, median performance fluctuates considerably, but arrears and bad debt have been falling over the past four years.

Alberta's arrears and bad debt continues to rise, a trend that began after 2014. While the Alberta economy has rebounded since the pandemic, the 2022 vacancy rate for the Edmonton CMA sits at 4.3 per cent, down from 7.3 per cent the previous year (CMHC 2023 Rental Market Report). Housing co-operatives in the region are still catching up.

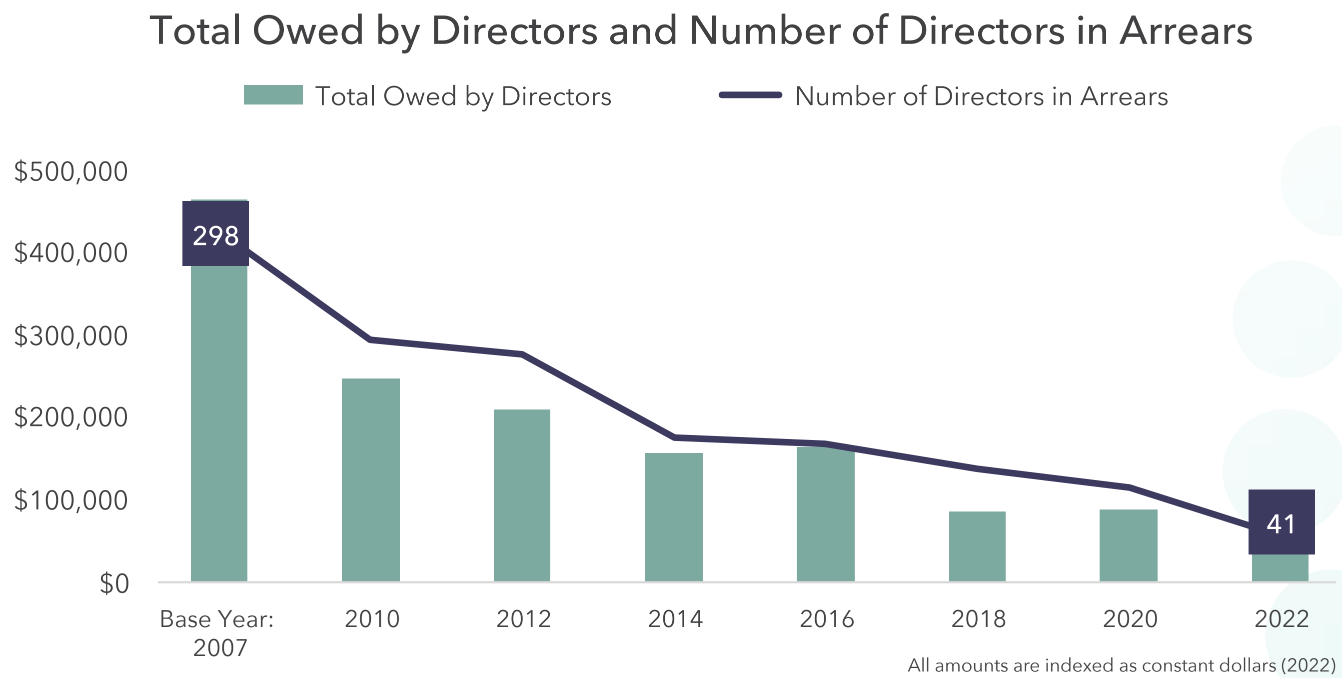
Median Arrears and Bad Debt Expense per Unit by Province



All amounts are indexed as constant dollars (2022)

Directors in Arrears

Over time, the portfolio has seen a marked decline in the number of co-operatives reporting directors in arrears, reflecting the Agency's steady efforts to have clients address this problem. The total owed by directors across the portfolio has fallen 91 per cent, from $464,439 in 2007 to $42,351 in 2022 (2020: $89,922). (It's important to note that the portfolio size has also decreased by 60 per cent.) When looked at as total director arrears per unit, we still observe a decrease of 73 per cent (2007: $15 per unit; 2022: $4 per unit).



Co-operatives with at least one director in arrears report 6 times more total rental arrears and bad debts than those without.

Co-operatives with indebted directors report much higher rates of general member arrears and bad debts than those with no directors in arrears (2022: more than six times as high; 2007: more than three times as high).

Median Combined Arrears and Bad Debts Rate

	2022	2020	2018	2016	2014	Base Year: 2007
Full Dataset	0.6%	0.5%	0.4%	0.5%	0.6%	0.9%
Co-operatives with Director Arrears	2.0%	1.5%	1.5%	1.7%	1.0%	2.0%
Co-operatives without Director Arrears	0.3%	0.4%	0.4%	0.4%	0.4%	0.6%

Similar results are apparent when 2022 median total arrears and bad debts are viewed as dollar amounts:

- Co-operatives with director arrears: $227 per unit
- Co-operatives without director arrears: $41 per unit.

The Agency strongly encourages clients to adopt by-laws or rules that preclude members in arrears from serving as directors. On the evidence, this measure is helping to reduce director arrears. The discussion itself is driving a change in the prevailing culture, even though some co-operatives have been slow to manage the problem through by-laws or rules.

Vacancy Loss

Vacancy losses are the greatest single source of revenue leakage in rental properties. Because high vacancy losses quickly deplete a co-operative's financial strength, we are pleased to confirm that the proportion of clients reporting annual losses of $250 or more per unit per year has dropped since 2007, though it has bumped up since 2020. At the other end of the spectrum, the proportion of the portfolio without any vacancy loss has also declined since 2007. Some vacancy loss is expected, as a co-operative with no loss at all may be failing to take advantage of the opportunity to refresh its units upon turnover.

Annual Vacancy Loss

	2022	2020	2018	2016	2014	Base Year: 2007
% of Clients with No Loss	17%	28%	31%	22%	23%	27%
% of Clients with Loss of $250 per Unit or More	16%	10%	11%	14%	17%	19%

In absolute terms, total losses across the portfolio have declined steadily, despite a dataset that grew until 2016. From 2007 to 2022, total reported losses dropped more than $5.4 million (80%). While such a significant drop can also be attributed to the decline in portfolio size, the vacancy loss per client also fell 49 per cent from 2007 to 2022, though it is slightly higher than in 2020.

The percentage of Agency clients reporting no vacancy losses has dropped by ten percentage points, giving these co-ops the opportunity to update units at turnover.

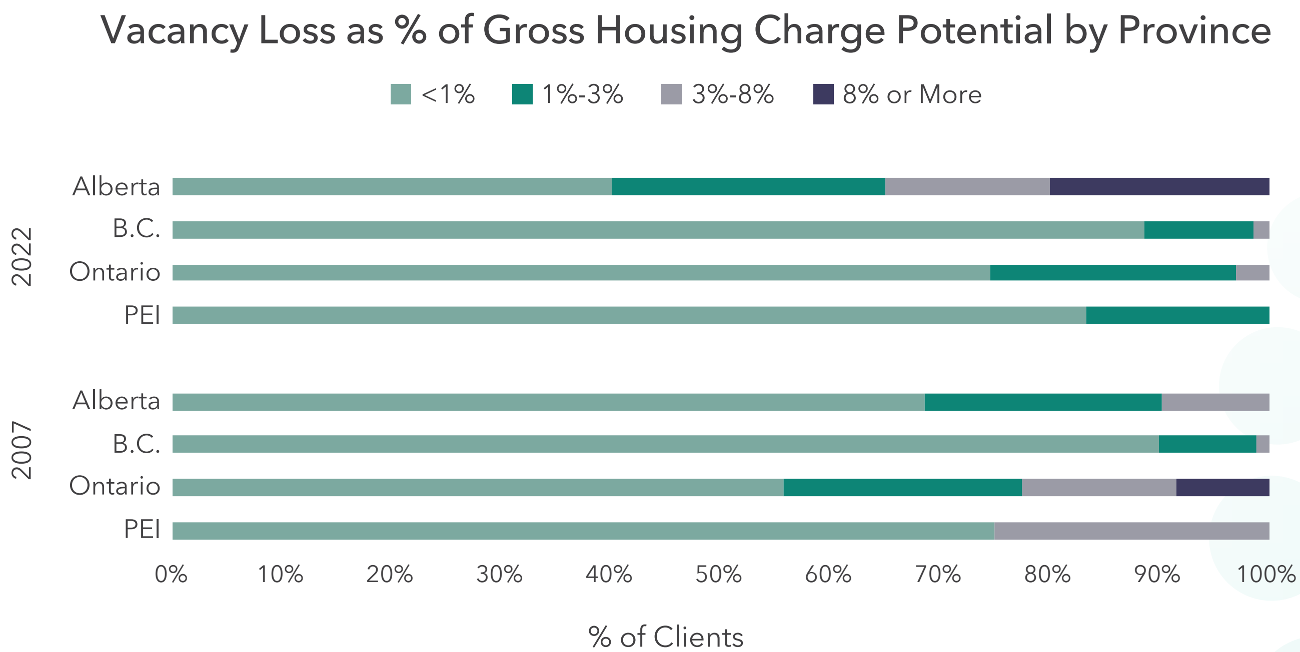
Total Annual Vacancy Loss in the Portfolio

	2022	2020	2018	2016	2014	Base Year: 2007
Total Vacancy Loss	$1,346,989	$2,955,078	$3,751,137	$4,450,082	$5,008,711	$6,800,131
Total Co-ops	194	496	516	532	545	499
Vacancy Loss per Co-op	$6,943	$5,958	$7,270	$8,365	$9,190	$13,628
Units	11,467	29,648	30,953	32,292	33,336	30,612
Vacancy Loss per Unit	$117	$100	$121	$138	$150	$222

All amounts are indexed as constant dollars (2022).

Vacancy loss is most usefully measured against a co-operative's annual gross potential revenue from housing charges (GHCP). Since 2007, the percentage of the portfolio with vacancy losses below one per cent of GHCP has grown (2022: 76%; 2007: 69%), and the percentage with losses of eight per cent or more has fallen (2022: 2%; 2007: 5%).

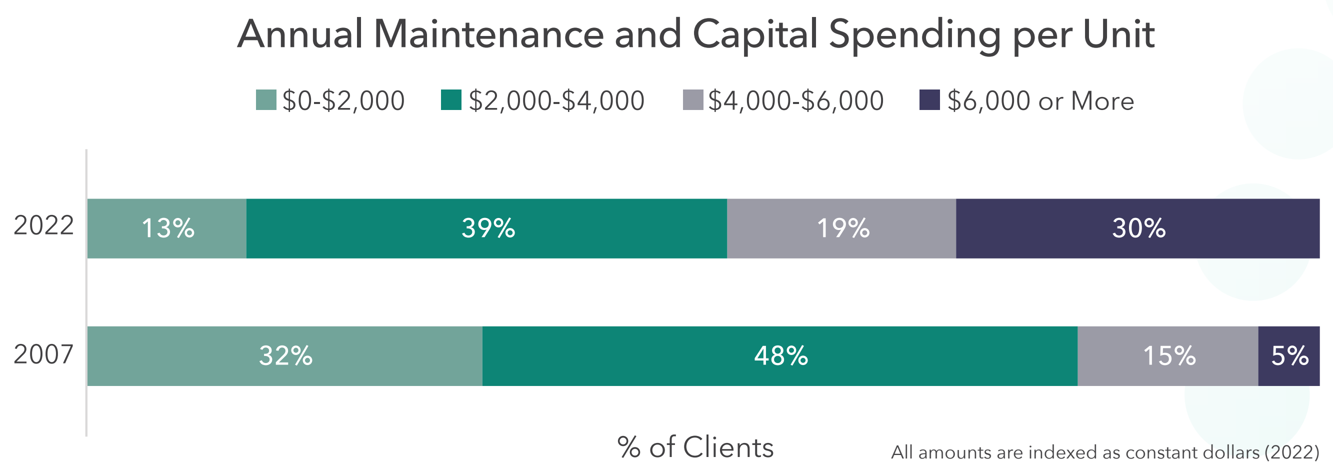
Looking at results by province, we see the greatest improvement in Ontario, where the proportion of co-operatives with a ratio of less than one per cent of GHCP has grown by 18 percentage points, and for those with a ratio of three per cent or more, fallen from 23 to three per cent. We also noted improvements in PEI, where all clients have a ratio of three per cent or less. While market conditions have affected Alberta co-operatives, we are now starting to see some recovery, although the performance of clients in the Edmonton region is improving more slowly.



Spending on Maintenance and Capital Repairs

Spending on maintenance, and capital repairs and replacements gives a clear picture of the care clients are taking of their chief asset. Our clients' properties are now on average more than 40 years old. At this age, higher levels of physical-plant spending are both highly desirable and expected.

Owing to a change to the Annual Information Return (AIR) part way through 2010, physical-plant spending rates from 2007 through 2010 are not entirely comparable with rates for later years. The implications of the change are discussed in Appendix A. However, the broad trend identified below—increased spending by clients on their physical plant—is considered valid, nonetheless.

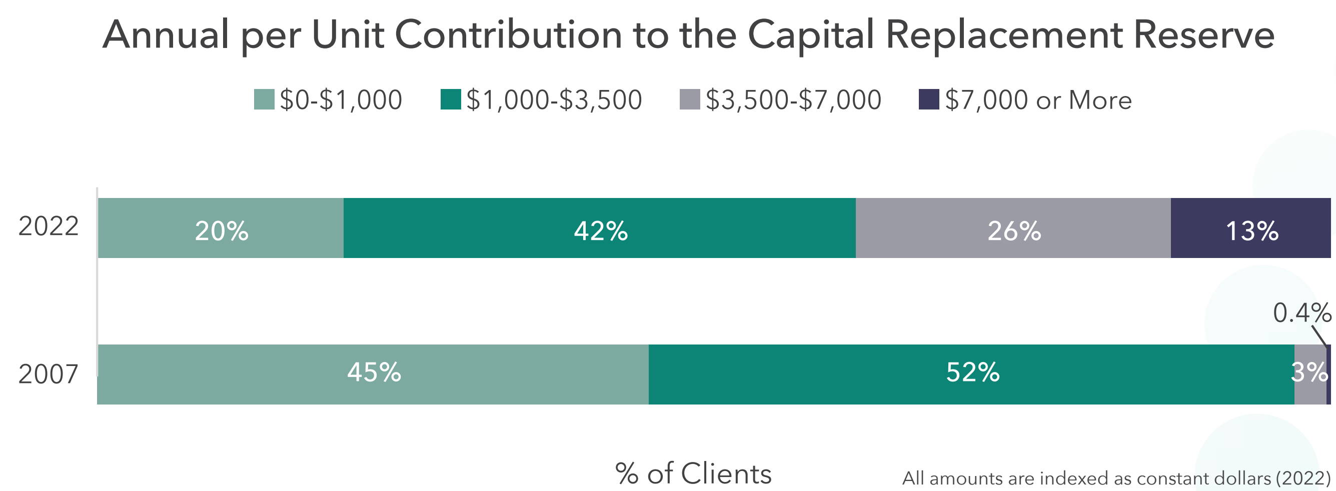


The percentage of Agency clients spending at the lowest level—under $2,000 per unit per year—remains steady at 13 per cent, down from 2007 (2022: 13%; 2020: 13%; 2007: 32%), while the percentage spending at higher levels—$4,000 or more—has more than doubled since 2007.

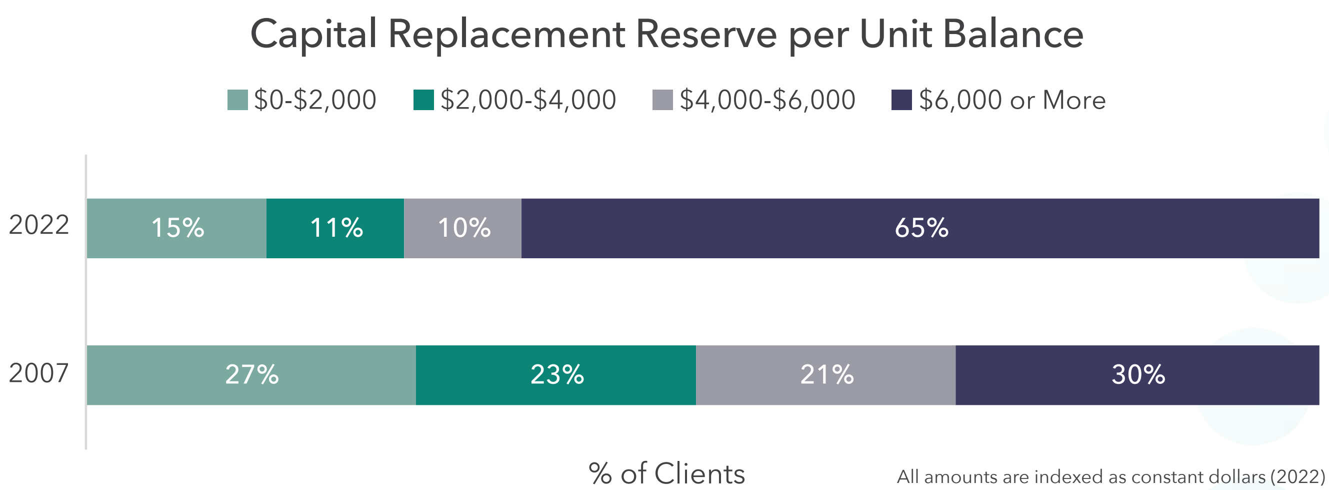
Note that in the fall of 2020, CMHC provided over $47 million dollars to 19 workout co-ops facing viability issues for capital repairs. Including these co-operatives in our analysis gives the best expression of total capital investments in the properties.

Contributions to Reserves and Reserve Balances

In response to the aging of their buildings and the Agency's persistent advice, our clients have been steadily increasing their contributions to their capital-replacement reserves. A comparison of the full 2007 and 2022 datasets reveals that median annual contributions per unit, including any supplemental contributions from operating surpluses, have more than doubled from $1,121 per unit to $2,627 per unit (2020: $3,251).



Per-unit reserve balances have risen as well, with the proportion of clients holding a balance of $6,000 or more per unit more than double the 2007 level. The median per-unit balance is down just under eight per cent from 2020, but up 93 per cent from 2007 (2022: $7,807; 2020: $8,442; 2007: $4,049). It is possible that some reserves rose in 2020 owing to halts or restrictions in construction resulting from the COVID-19 pandemic, but work has now resumed, resulting in a decline in more recent years.



65% of the portfolio has a replacement reserve balance of $6,000 or more.

Technical Reports

Looking at the 2022 dataset, most co-operatives have either a current building condition assessment or capital replacement plan in place.

	Building Condition Assessment		Capital Replacement Plan	
	Yes	No	Yes	No
Full Dataset	77%	23%	58%	42%
Alberta	65%	35%	40%	60%
B.C.	80%	20%	64%	36%
Ontario	77%	23%	56%	44%
PEI	70%	30%	60%	40%

CMHC has made funding available through the Preservation Fund to encourage co-operatives to obtain a building condition assessment, as well as other technical reports. By 31 December 2022, 35 co-operatives included in the 2022 dataset had a Preservation Fund agreement in place. The following table looks at the distribution of approved reports.

Report Type	Approved Reports
Building Condition Audit/Assessment	23
Capital Replacement Reserve Planning	14
Refinancing Consultation, Analysis, Assessment	5
Operating Viability Analysis	12
Age-Friendly Conversion Assessment	13
Energy Audit	20
Other*	19

* Includes, but is not limited to appraisals, asset management plans, building envelope condition assessments, designated substance surveys, environmental site assessments, feasibility studies, geotechnical investigations, piping, roof and water ingress assessments/reports, and resource consulting costs.

LOOKING AHEAD TO 2024

Looking Ahead to 2024

At this juncture, the number of co-operatives under the legacy programs of the 70s, 80s and early 90s is declining at a fast, even a furious, pace. By the end of 2025, the clients still in this portfolio will number 71. At this stage, a comparative analysis of such vastly different datasets becomes less useful or valid. So, our 2024 portfolio review will encompass the entire portfolio of co-operatives CMHC has entrusted to Agency administration, with the largest segment being the recipients of the Rental Assistance Program (FCHI-2).

Looking back on the results the Agency has reported since its inception in 2006, it's clear that we have lived up to the promises made by CHF Canada in its original pitch to the federal government for a third-party administrator. Housing co-operatives developed through federal legacy programs are generally in good physical condition, with funded replacement reserves and aware of their strengths and any risk factors. This awareness is thanks to information products shared with every single Agency client within six weeks of their Annual Information Return's online filing. Our clients receive a detailed Risk Report, accompanied by tailored recommendations on how to reduce their risk. The Performance Report provides a graphic three-year overview and comparisons on a range of performance measures, and our Plain Language Financials deliver a visual and easily understood presentation of each co-operative's audited financial statements, in time to share with their members at the annual general meeting.

There is no doubt that keeping our clients informed on their performance and guiding them along the way has achieved the results those who advocated for the Agency all those years ago dreamed of.

That's a legacy to be proud of.

APPENDICES

Appendix A: Technical Data

The 2022 Dataset

- On 31 December 2022, the Agency had 533 co-operative clients. Together these clients had 33,278 units under agreements with CMHC. The dataset for this report is a subset of these as outlined below.
- The data were drawn from Annual Information Returns (AIRs) received and validated by the Agency by 15 January 2023 for fiscal years ending between August 2021 and July 2022. Datasets for prior years are for equivalent periods.
- This report focuses on Agency clients whose AIRs were filed while the co-operative was still operating under the operating agreement of a legacy program. Co-operatives with active CMHC rent supplement agreements only, or rental assistance (FCHI-2) agreements, are excluded.

  — Exceptions include co-operatives with a workout agreement in place.
- The data were organized by co-operative and by "study year," i.e., a single fiscal year ending within the period above.
- Static values, such as province, were attached to co-operatives and set out in a co-operative table.
- Attributes that can vary, such as management type, were assigned on a study-year basis.

Earlier Datasets

Datasets for previous study years have been adjusted to include late-arriving AIRs for all co-operatives that were active Agency clients during the period in question. This increases the number available for trend analyses.

The 2022 and 2007 datasets have 165 co-operatives in common. Three hundred and forty co-operatives are found only in the 2007 dataset and 35 only in the 2022 dataset.

Composition of Datasets for Prior Year Comparisons

Year	Total Clients	Total Units
2022	200	11,585
2021	485	28,811
2020	502	29,737
2019	512	30,372
2018	523	31,103
2017	530	31,676
2016	539	32,442
2015	555	33,756
2014	552	33,516
2013	550	33,561
2012	548	33,331
2011	536	32,882
2010	529	32,423
2009	522	31,688
2008	516	31,213
2007	505	30,783

Deep Subsidy Programs

Risk ratings for co-operatives operating under the deep-subsidy programs (Urban Native and PEI Non-profit programs) are not relevant for purposes of this report, owing to the economic model of those programs. These clients are therefore excluded from the datasets for analyses that involve risk ratings and certain vacancy-loss analyses.

Constant Dollar Amounts

Dollar amounts from previous years have been indexed to their 2022 values (constant dollars) using the rate of change in 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 for the month in which the co-operative's fiscal year ended with the CPI for the same month in the following years. Calculations for portfolio-wide numbers, such as medians, were based on the indexed amount for each co-operative.

Influence of Additions to Capital Assets

	2022	2021	2020	2019	2018	2017
Clients Reporting Additions to Capital Assets	36/200 18%	79/485 16%	85/503 17%	109/512 21%	136/523 26%	93/531 18%
Largest per Unit Addition	$147,479	$132,827	$45,181	$55,530	$141,253	$297,324
Per Unit Physical Plant Spending for Dataset	$5,739	$6,249	$6,034	$5,827	$5,976	$4,969
Per Unit Additions to Capital Assets for Dataset	$1,549	$1,701	$1,442	$1,460	$2,195	$1,444
Additions to Capital Assets as % of Physical Plant Spending	27%	27%	24%	25%	37%	29%
Median per Unit Spending, with Capital Asset Additions	$3,941	$4,026	$3,878	$4,094	$3,681	$3,432
Median per Unit Spending, without Capital Asset Additions	$3,408	$3,652	$3,489	$3,535	$3,168	$3,111

	2016	2015	2014	2013	2012
Clients Reporting Additions to Capital Assets	70/539 13%	62/555 11%	50/552 9%	58/550 11%	57/548 10%
Largest per Unit Addition	$49,726	$27,722	$14,438	$32,088	$53,000
Per Unit Physical Plant Spending for Dataset	$4,605	$4,280	$3,709	$3,958	$3,857
Per Unit Additions to Capital Assets for Dataset	$1,069	$652	$191	$442	$547
Additions to Capital Assets as % of Physical Plant Spending	23%	15%	5%	11%	14%
Median per Unit Spending, with Capital Asset Additions	$3,409	$3,205	$3,031	$3,038	$2,953
Median per Unit Spending, without Capital Asset Additions	$3,123	$3,090	$2,925	$2,904	$2,819

Note: All amounts are indexed as constant dollars (2022)

While only a minority of clients reported additions to their capital assets, the value of those additions had a material effect on median spending on the physical plant throughout the portfolio.

Next, we examined the 2022 distribution of clients in the dataset by per-unit spending rates, with and without additions to capital assets, and compared these with 2007 spending rates.

With additions to capital assets excluded, between 2007 and 2022 we saw growth from 18 per cent to 49 per cent in the proportion of clients in the database spending more than $4,000 per unit a year on maintenance and capital repairs, in constant dollars. The proportion spending less than $2,000 fell from 33 per cent to 13 per cent.

Distribution of Clients in the Dataset by Annual per Unit Spending on Maintenance and Capital Repairs

	$0-$2,000	$2,000 -$4,000	$4,000 -$6,000	$6,000 or More
2022 with Capital Asset Additions	13%	39%	19%	30%
2022 without Capital Asset Additions	16%	44%	19%	22%
2007 without Capital Asset Additions	33%	50%	14%	4%

Appendix B: Composite Risk Ratings

Definitions

Low

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 any debt obligations for the foreseeable future, without external support.

Moderate

A sound, generally well-managed housing co-operative. It is in good or better physical condition, has access to adequate cash resources and can contribute from earnings to its replacement reserve, after covering its debt service and all normal operating expenses. No indicators of high risk are present. 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

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 very effective management and some ongoing support.

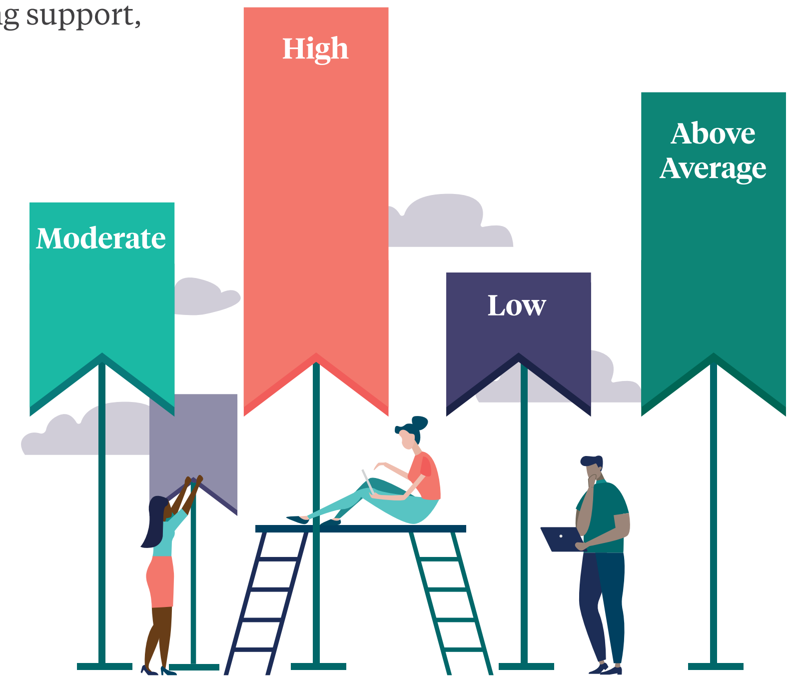
High

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, before a 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 payment 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, the co-operative is at risk of failure.

Changes to the Risk Assessment Model

In this review, ratings for earlier years have been adjusted as necessary to reflect the following changes made to the risk-rating model in 2010. In that year we

- increased the combinations of leading-indicator ratings that return a composite risk rating of Low
- raised the thresholds used in establishing Net-Income indicator ratings
- 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-operative.



Appendix C: Median Performance Data

Vacancies

	Annual Vacancy Loss as % of Gross Housing Charge Potential		Annual per Unit Vacancy Loss	
	2022	**2007**	**2022**	**2007**
Full Dataset	0.4%	0.4%	$56	$43
Program				
S27-61	0.4%	0.1%	$45	$17
S95	0.3%	0.3%	$50	$36
ILM	0.4%	0.7%	$62	$90
Multi-Program	1.3%	1.0%	$168	$162
Other	–	–	–	–
Province				
British Columbia	0.2%	0.2%	$34	$20
Alberta	1.8%	0.3%	$259	$36
Ontario	0.5%	0.7%	$62	$88
PEI	0.5%	0.2%	$52	$17
Management Model				
Management Company	0.4%	0.5%	$59	$58
Paid Staff	0.4%	0.4%	$50	$44
Paid Bookkeeper Only	0.3%	0.2%	$37	$26
Volunteers Only	0.0%	0.0%	$0	$0
Workout Status				
Clients with Workout	0.5%	1.5%	$70	$179
Clients without Workout	0.4%	0.3%	$47	$33

Note: All amounts are indexed as constant dollars (2022). The changes over time are due to changes in the dataset and to the evolution of individual clients within the portfolio.

Housing Charge Arrears and Administration Costs

	Ratio of Combined Arrears and Bad Debts to Occupants' Share of Annual Housing Charges		Annual per Unit Administration Spending	
	2022	**2007**	**2022**	**2007**
Full Dataset	0.6%	0.9%	$1,048	$770
Program				
S27-61	0.6%	0.8%	$1,193	$656
S95	0.3%	0.7%	$917	$742
ILM	0.5%	1.2%	$1,015	$771
Multi-Program	1.9%	1.4%	$1,467	$1,338
Other	1.8%	8.4%	$1,271	$1,322
Province				
British Columbia	0.1%	0.4%	$799	$510
Alberta	1.5%	0.7%	$1,007	$482
Ontario	1.1%	1.4%	$1,234	$1,032
PEI	0.6%	1.2%	$799	$845
Management Model				
Management Company	0.6%	1.0%	$1,013	$683
Paid Staff	1.0%	1.0%	$1,240	$1,055
Paid Bookkeeper Only	0.1%	0.5%	$434	$392
Volunteers Only	0.0%	0.5%	$96	$146
Workout Status				
Clients with Workout	1.1%	1.6%	$1,088	$856
Clients without Workout	0.5%	0.8%	$1,017	$744

Note: All amounts are indexed as constant dollars (2022). The changes over time are due to changes in the dataset and to the evolution of individual clients within the portfolio.

Physical Plant

	Combined per Unit Annual Spending on Maintenance and Capital Repairs and Replacements		Year End per Unit Capital Replacement Reserve Balance		Annual per Unit Capital Replacement Reserve Contribution	
	2022	2007	2022	2007	2022	2007
Full Dataset	$3,970	$2,564	$7,935	$4,049	$2,605	$1,121
Program						
S27-61	$3,626	$2,482	$7,368	$4,189	$2,159	$1,277
S95	$3,415	$2,659	$8,718	$4,567	$3,020	$1,443
ILM	$3,949	$2,304	$7,378	$2,735	$2,515	$643
Multi-Program	$9,311	$3,408	$17,924	$3,462	$4,014	$1,153
Other	$4,650	$3,761	$37,014	$3,389	$0	$592
Province						
British Columbia	$4,244	$2,362	$10,696	$4,114	$3,767	$1,257
Alberta	$6,546	$2,029	$6,839	$2,849	$4,038	$900
Ontario	$3,509	$2,797	$7,074	$4,296	$2,224	$1,138
PEI	$2,994	$2,285	$9,285	$1,136	$815	$538
Management Model						
Management Company	$3,915	$2,564	$7,491	$3,725	$2,669	$1,063
Paid Staff	$4,700	$2,803	$8,298	$4,287	$2,582	$1,086
Paid Bookkeeper Only	$4,688	$2,235	$9,208	$3,756	$3,554	$1,273
Volunteers Only	$1,571	$1,912	$5,996	$4,633	$655	$1,122
Workout Status						
Clients with Workout	$3,025	$2,198	$5,265	$1,034	$1,432	$631
Clients without Workout	$4,315	$2,660	$8,320	$4,370	$3,079	$1,269

Note: All amounts are indexed as constant dollars (2022). The changes over time are due to changes in the dataset and to the evolution of individual clients within the portfolio.

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