The Agency for Co-operative Housing
L'Agence des coopératives d'habitation

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

What is the Co-op Data Report?

The Co-op Data Report is a special service for Agency clients: federal-program, and former federal-program, co operatives in B.C., Alberta, Ontario and PEI. The report combines data from many co-ops and shares them in a useful form. You know your co-op from the inside; this report lets you into the secret of how you compare with others. A report is available for each fiscal year ending on or after April 30, 2007 for which your co op filed an AIR. Visits to our HomeRun website are in order for co-ops interested in more and richer comparisons with their chosen peer group.

Who should see our Co-op Data Report?

We send the report in confidence to each of our co-op clients. We also post it on the password-protected area of our client website so that you can easily find it in future. We encourage your board to discuss the report carefully and to share it with others in your co-op.

What does the report show?

The numbers shown 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 with those of other co-ops in your peer group.
- A line graph tells you where you sit compared to the median 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. Outliers are one reason that we do not show averages. Outliers lower or bump up the average result that most co-ops are getting. Medians—described above—give a truer picture for comparison purposes.

Please note that the median point is not a benchmark or goal. Higher or lower is sometimes better.

- For vacancy loss, the graph also shows the vacancy rate for all rental housing in your area, weighted for the average bedroom count in your co-op. This figure is based on data drawn from CMHC's periodic Rental Market Reports.
- A bar chart on the left shows your co-op's year-by-year results, with each year in a different colour. A second bar chart shows the results of your peers.

Can you help us understand what the report means for our co-op?

Co-ops will get the best value from this report by thinking about how each measure shown may relate to 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 a few points to consider as you study your performance. Please remember that not all comments will apply to your co op and some measures may not appear on your report. For a detailed discussion of your own Co-op Data Report, we invite you to contact your relationship manager at the Agency.

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 losses are rarely due to high housing charges. A co op with good curb appeal can keep occupancy up even if its charges are at market. The key is keeping your co-op in excellent repair and paying attention to marketing. 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 the money, but no co-op can afford to skimp on maintenance or marketing if the neighbourhood has a high vacancy rate.

Is your vacancy loss too low? When people leave the home they have lived in for a long time, normal wear and tear usually mean that floors and carpeting need attention. Co-ops that take good care of their buildings may see some short-term vacancies as they get this work done. Missing a month of occupancy here and there is a wise investment when it leads to attractive units that people want to rent.

Arrears and Bad Debts—This measure shows your combined year-end arrears and annual bad-debt expense as a percentage of the total amount you charged your residents for housing over the year (i.e., the reduced rate for households benefiting from a subsidy or rent supplement and the full rate for others). We look at these two items together because some co-ops are quick to record a bad debt when payment is doubtful, while others wait until all collection efforts have failed.

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 point to collection practices that work, supported by firm leadership.

Your local federation, CHF Canada or your Agency relationship manager can share tips on what to do and not to do in managing arrears. See also the good practices on the Agency's HomeRun site.

Maintenance Spending as a Percentage of Operating Costs—This measure presents maintenance spending as a share of the total cost of operating your co-op. (That cost includes the mortgage payment and your regular contribution to your capital-replacement reserve but no supplemental contributions made at year end.)

The right level of maintenance spending depends on the condition of your property, what kind of buildings you own and how you get the work done.

Lower spending may be your clue that you are deferring needed upkeep and repairs. This will mean higher costs later on. Or it could mean that you have invested in your property in recent years, replacing temperamental old appliances, installing better-quality finishes in your units or carrying out other capital work.

Higher maintenance spending may tell you that your co-op is catching up on neglected tasks. Or it may mean that you are putting off needed replacements. Few co-ops overspend on maintenance, unless they are mismanaging the work. Under-spending is far more common.

Maintenance Spending per Unit—This measure allows you to compare your maintenance spending with that of co-ops whose buildings are as complex as yours. Properties with elevators have a number of complicated systems that are costly to maintain, especially as they age. Buildings without elevators need regular care but have fewer pricy elements to keep up.

Capital Replacement-Reserve Balance and Contributions—These related measures are best looked at together.

A starting point for your board's discussion is whether your reserve balance is low compared to your peers'. 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 should commit yourself to building your reserve back up as quickly as you can, unless you have a financial workout from CMHC and this is not permitted. 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 reserve in past years.

If you have been making lower contributions to your reserve than your peers have, your board should ask why. Low contributions are usually a warning sign that a co-op needs to set aside more—raising its housing charges, if need be.

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

Few co-operatives have enough money set aside to meet their future building needs. The best way to find out whether your co op's reserve balance and contributions are adequate is by drawing up a capital reserve plan. Your relationship manager at the Agency can give advice on how to put a plan in place.

Energy Costs—Your co-op's energy costs are greatly affected by the climate region you are in. The other major factor is the services included in the housing charges (i.e., whether all or only some of heating, hot water and electricity). Members who pay the cost themselves are often more careful to use energy sparingly than those whose bills the co-op pays. Using less energy is one way to control your co-op's costs while doing your part for the environment.

A co-op spending heavily on energy may need to raise its spending on energy-saving maintenance, such as caulking, or on capital work, such as window or furnace replacements. It could also benefit from a campaign to pass on energy-saving tips and remind members that in a non-profit co-op they can't avoid paying, in one way or another, for the energy they use.

Water and Sewerage Charges—A co-op's spending on water and sewerage depends on

- who pays for the water members use
- whether water use is metered or a flat rate applies
- how many vacancies you have.

Where water use is metered, the bill will also vary with the number of occupants. (Because we don't know how many people live in your co-op, we look instead at how many bedrooms your average unit has.)

Unless you pay a flat rate, your co op will save money with water-saving measures, such as replacing older toilets, showerheads and taps with modern low-flow fixtures. You may be surprised at how quickly these capital investments pay for themselves.

If your co-op is paying a flat rate, these measures will not cut your costs at this moment. But most communities are planning to end flat-rate billing as soon as they can. Replacing old fixtures now will put you in a strong position when your co-op has to pay for water actually used.

Administrative Spending—Administration costs are affected by many factors, making cost comparisons difficult. One factor is the management model a co-op follows (i.e., management company, employees, all-volunteer or a paid bookkeeper only). A co-op's location matters too, since pay scales differ from region to region. A third point affecting administrative costs is the choice that some co-ops make to hire out more services than another might. A fourth element is a co-op's size. It's easy to see that with fewer households to pay the salary of even a part-time manager, a small co-op is likely to spend a greater percentage of its revenue on administration.

By itself, high or low administrative spending is neither good nor bad. The real point is whether a co op is getting good results.

Some co-operatives without staff or with only a paid bookkeeper run very well, although the toll on volunteers is high. Other volunteer-run co-ops can't keep up with the work. Well-staffed co-ops may be very strong performers in areas like vacancy loss, arrears and building maintenance. Or they may not be getting the results they should. Much depends on the individuals in the office and on the board.

The historical peer-group comparisons shown in each year's report are based on your region and the management model you were following when you filed your AIR for that year. When you look at your administrative spending in comparison with what your peers spend, we encourage you to consider your co-op's size and what your manager is asked to do.

Housing Charges Compared to Market—Several measures concerned with the care of your property may suggest that your co-op needs to spend more money, now or in the future. Looking at your housing charges in relation to market rents can help you decide how much room you have to do so. Note, however, that the report compares your charges to the average market rent in your community, weighted by bedroom count. It doesn't tell you what the market will bear for the housing you have to offer. That could well be a higher number.

Who are our peers?

Our HomeRun website allows co-ops to choose their own peer groups. For the Co-op Data Report, the Agency has already made that decision. For different measures, our report compares your co-op with different groups:

Vacancy Loss—all federal-program co-ops in your area, unless the sample size is too small. (If your area has fewer than 10 co ops, we don't compare it with any peer group.) We use the same areas CMHC uses in its regular rental-market reports.

Arrears and Bad Debts—all Agency clients;

Maintenance Spending—For maintenance spending as a percentage of operating costs, the peer group is all Agency clients. For per-unit spending, there are two groups: co-ops with elevators and co-ops without.

Capital Replacement-Reserve Balance—all Agency clients that had money in their replacement reserve at year end. We leave out those without a reserve, which raises the median but gives a more meaningful comparison (some co-ops with a financial workout are not allowed to hold a reserve);

Annual Capital Replacement-Reserve Contribution—all co-op clients that put money into their reserve in the year, apart from a transfer of surplus at year end. We leave out co-ops that made no contribution for the same reason that we didn't count them when looking at the reserve balance.

Energy Costs—all Agency clients in your climate region that include the same energy services in the housing charge (e.g., Vancouver co-ops that pay for electricity, heat and hot water for all households). Co-ops that pay for some services in one unit and different services in another are not included in any peer group. These co-ops will not see this measure on their Co-op Data Report. Neither will co-ops in a climate region that has fewer than five co-ops that pay for the same cluster of energy services.

Water and Sewerage Charges—Here we have five groups:

- Co-ops that don't pay for household water use
- Co-ops where water is included in the housing charge and the average bedroom count is
  - fewer than two
  - just over two
  - just under three
  - three or higher.

Administrative Spending—To ensure that each peer group is large enough, we have organized them this way:

- All co-ops in B.C. with a management company
- All co-ops in B.C. that have their own employees
- All co-ops in Alberta with paid management, whether their own employee or a property-management firm
- All co-ops in Ontario with a management company
- All co-ops in Ontario that have their own employees
- All co-ops in PEI with paid management, whether their own employee or a property-management firm.
- Co-ops across the country with either no paid staff or only a paid bookkeeper form a single peer group.

Housing Charges Compared to Market—Agency clients from areas where CMHC reports the average market rents for apartment-style units. Owing to insufficient data from CMHC, this measure does not appear on the Co-op Data Reports of co-ops outside these areas, or those with detached, semi-detached or town-house units. (Nor do we include these co-ops in the peer groups for other co-operatives.)

Please note that if a co-op is not our client, we have no access to its data and cannot include it in our comparisons. The following co-ops are not Agency clients:

- Co-ops operating under federal programs outside B.C., Alberta, Ontario and PEI
- Co-ops operating under provincial or municipal programs
- Federal-program co-ops held back by CMHC because of building-envelope failure (leaky co-ops) or for some other reason
- Co-ops that have paid off their mortgage in full and no longer have an agreement with CMHC. These co-ops' data will not be included in the years following the end of their operating agreement, but will still appear for earlier periods.

We have a good co-op, so how could our ranking be so poor, compared with our peer group?

The Agency recognizes that your co-op may have good 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 your performance could improve.

For advice on how your co-op can get the results it wants, you should feel free to contact your local federation or consult with CHF Canada. Your relationship manager at the Agency also has suggestions to offer.

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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