

CURRENT AND EMERGING PRIORITIES IN THE CO-OP HOUSING SECTOR

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1 Overview

Co-op housing in Canada is a success story. It has brought quality community living to many Canadians in search of safe affordable housing. For more than 30 years co-op housing has offered its resident non-profit owners the chance to learn new skills and direct the operation of their collective homes. In Canada today co-op housing is home to some 250,000 men, women and children, and plays a key role in providing affordable housing solutions for Canadians.

There are challenges as well. The national stock of co-op housing is aging. Many co-ops are seeing the end of their contractual relations with government. On the whole the more than 2,000 housing co-ops in Canada are operating effectively and providing good quality housing to their members. But good governance and sound management are still challenges.

Many co-ops have significant deferred maintenance to deal with. As many as 5% of all co-ops are dealing with building failure. These and some other co-ops will need a significant financial injection if they are to continue.

Co-op members are aging. There is a need to adapt to this reality while at the same time developing new leadership from the next generation of housing co-op members.

More and more, co-ops want to do their part to improve their environmental sustainability by consuming less energy and reducing their carbon footprint.

In many co-ops declining low-income subsidy presents an affordability challenge. For Ontario-program co-ops the *Social Housing Reform Act* and the unfamiliarity of co-op housing to municipal service managers creates an undue administrating burden and, in some cases, actual operating difficulty. At the same time

many co-ops are concerned about the environment they will face after their government agreements end.

The cancellation of government co-op housing programs in the 1990s brought the development of housing co-ops to a virtual standstill. The federal government's re-entry into housing spending beginning in 2001 has not resulted in dedicated co-op housing programs and it has proven a struggle to secure a place for co-op development in the current policy environment.

2 Good governance and sound management

Background

The co-op housing sector has identified the interdependent functions of good governance and sound management as essential to sound, ethical project operations and in need of continuous reinforcement. Early messaging by the sector's leadership emphasised volunteerism as a desirable management model. The result has been, with notable regional exceptions, a lack of sufficient emphasis on skilled property management, particularly with respect to finances, marketing (essential in many mixed-income co-ops) and maintenance.

Volunteerism has also blurred the line between governance and management. At times board and co-op committee members have become overly engaged in the minutiae of operations, at the expense of focussing on developing a strong governance model and identifying strategic issues and priorities for the co-op.

Sector priorities

Over the past five years the sector has placed increasing emphasis on the fundamentals of management and governance, in our education programs and electronic media and in print publications. This remains a continuing challenge as co-op directors turn over and the end of present government commitments grows closer. The sector believes that if we are to retain a portfolio of strong, independent housing co-ops after that, good governance and sound management must be woven into the fabric of co-op operating culture. We are reinforcing the message on good governance by emphasizing the values inherent in the International Co-operative Principles.

3 Aging stock

Background

The initial wave of family housing co-ops appeared in Canada in the 1970s under the first of three federal co-op housing programs.

Successive federal and provincial programs have delivered some 2,200 housing co-ops across Canada. Most construction dates from the 1980s or earlier – in some cases much earlier where development was carried out through acquisition and rehabilitation.

Modest in construction to begin with, and in some cases inadequately renovated, much of the stock has not aged well. Problems arising from low-cost and in some cases faulty construction have been made worse by poor advice on maintenance at the development stage and a lack of attention to proper maintenance practice throughout the operating lifespan. One particular cause has been the misguided attempts of many co-ops to maintain their housing properties using the unskilled, unpaid labour of the resident-members.

The most serious examples that arise from poor construction practices are the building envelope failures we are witnessing in British Columbia and elsewhere. In these cases the architectural styles employed were wholly unsuited to local climate conditions. These problems were compounded by poor finishing techniques during construction.

Sector priorities

Training co-ops to develop comprehensive maintenance and capital replacement plans and forecast capital cashflow requirements is a key priority for the sector. Our education programs focus heavily on these objectives.

For the small but significant minority of co-ops experiencing building failure only financial intervention by government can address critical building repair requirements. Priorities have been to secure the necessary financing framework from government and expedite the physical investigation and remediation in a very tight construction labour and materials market. We have been successful in securing an enhanced workout framework from CMHC for federal co-ops. Our goal now is to ensure its successful implementation.

4 Demographics and leadership renewal

Background

The first and largest wave of co-op housing development, from 1973 to 1985, coincided with the wave of baby-boomers that was moving into adulthood and beginning to raise families. The two were a natural fit and the early years the demographic profile of housing co-ops included a significant cadre of members in their twenties and thirties. As the post war generation aged, some moved on to other forms of housing tenure, but many have not.

The generation that followed the boomers was a much smaller wave and did not place the same demand pressure on co-ops and other forms of social housing. The so-called echo generation that is now in early adulthood is once again generating some renewal of demand for co-op housing among younger people. This is a generation that is much more drawn to early homeownership than the post-war boom; nonetheless we are seeing more applications to housing co-ops from young families.

The net result is an aging trend among co-op membership, on co-op boards and at the governance levels of the organized co-op housing sector. This presents the sector with the key challenge of leadership renewal, to which there are two components: the challenge of drawing younger people into leadership; and the challenge of drawing future leaders from traditionally underrepresented groups.

At the same time co-ops need to respond to the changing needs of their longstanding members who are aging and whose household size is changing.

Sector priorities

CHF Canada has held a modest youth caucus at its annual meeting for sometime and we have promoted and facilitated participation in co-op young leaders camps. There has been some payoff for these efforts. To interest younger co-op members in becoming active in leadership CHF Canada is trying incentive programs that will attract younger people to sector events. It is essential that we do more to engage young people and it will feature significantly in our planning priorities in the medium term.

CHF Canada is developing a project that will promote and facilitate new interest in leadership generally, both from youth and from underrepresented groups in our sector, most notably recent

immigrants who have settled in housing co-ops. This project will take shape in the second half of 2007 be launched by early 2008.

In the 1990s CHF Canada launched *Aging Together, Aging in Place*, an initiative to raise awareness of the needs of an aging co-op population. It is a theme that continues to occupy us and is linked to the issue of over-housing rules and policies in government programs. At the moment the sector's priority is to ensure that these rules balance the needs of residents and the responsible use of housing in which there has been a public investment.

5 Sustainability

Background

Many housing co-ops have been in the vanguard of conservation and recycling for years. Now that global warming and sustainability have become mainstream concerns it is not surprising that co-ops want to do more – and want the sector to deliver more – as the damage to our environment becomes a critical issue.

Due to the construction standards applied at development, many co-ops have very inefficient buildings. They would like to change that. But energy retrofitting is a costly undertaking. Although there are downstream savings from retrofitting that can pay back a capital outlay over time, many co-ops can't afford the initial investment – or are not permitted to use capital reserves for that purpose. Co-ops want advice on how they might finance retrofitting, and on other ways they can save money and reduce energy waste through better environmental practices.

Sector priorities

The sector has begun to place more emphasis on environmental sustainability for housing co-ops. Sustainability was the focus of CHF Canada's 2007 AGM at which delegates were consulted on their current environmental practices. This will provide a basis for developing a sustainability toolkit for co-ops over the coming year. We are also looking at opportunities to help co-ops find financing opportunities for energy upgrading and lobbying for new government retrofit programs. These efforts include exploring opportunities for partnership with the SHSC. We expect that sustainability will become of increasing importance to housing co-ops as their properties continue to age and awareness of these issues continues to grow.

6 Government relations challenges

Background

In the Section 95 federal program, the largest co-op housing program in Canada with some 40,000 units delivered, federal subsidy dollars for RGI residents have eroded from the program, forcing many co-ops to reduce the amount of RGI housing they can offer or provide it from their own resources.

Traditional refinancing packages for federal co-ops in difficulty are increasingly ineffective as the remaining term of government agreements shortens.

The sector's concerns with the SHRA and the operating environment will not be dwelt on here; they will be too well known to readers of this overview. It is enough to say that these factors combine to make the Ontario Program the worst for housing co-ops that we have seen.

As the end of government commitments draws near, housing co-ops see three main areas of challenge: the loss of government assistance for RGI households; the growing age of their properties and the attendant need to reinvest in them; and maintaining not-for-profit community purposes

Sector priorities

The sector believes that increasing RGI funding to housing co-ops is both good for low-income co-op residents, and good housing policy because economic rents are lower for existing providers operating at cost. It is therefore a priority to approach levels of government with housing budgets to make proposals on behalf of existing co-ops that are prepared to increase their numbers of RGI households. Together with other housing stakeholders we intend to approach the federal government to negotiate a continuation of the Minister's CMHC housing account rather than the gradual elimination of it as federal NHA obligations wind down.

It remains a top sector priority to win radical change to the operating environment for Ontario-program co-ops. We are seizing the opportunity presented by the Provincial-Municipal Fiscal and Service Delivery Review to push the Ontario government to upload the costs and control of municipally administered co-ops to the provincial level and contract with the Agency for Co-operative Housing for program administration.

To assist co-ops with the challenges faced by the approaching end of their operating agreements, as well as help them to improve their current operations, The sector has launched 2020 Vision, a project to help co-ops map out a successful future and give them the tools to get there. The 2020 tool kit builds from platform of solid governance and management. It comprises resources in different forms for community, physical and financial planning. The tool kit will be developed and rolled out over the next three years.

We are also taking action and trying to motivate government to take action to prevent the sell-off of co-op and non-profit housing assets. As program operating agreements come to an end we will lose the legal protections built into them. We have gone to court once (successfully) and are about to go to court again to prevent a co-op from selling its units to its members at less than market value. We are also working with the non-profit sector to try to persuade government to create a more robust legal framework to ensure the continued non-profit use of social housing assets.

7 Development

Background

With the cancellation of social housing development programs in the 1990s, co-op housing development came to a halt except for unilateral provincial programs in Quebec and, for a few years, in British Columbia. Meanwhile housing need began to deepen across the country.

In 2001 the federal government once again committed housing funds, this time through a number of bi-lateral agreements with provinces and territories. These agreements have allowed a lot of latitude on spending choices, none of which have particularly favoured co-op housing development. In many cases, co-op proponents are disadvantaged compared to some other developers, as co-ops cannot bring up-front assets to the table. The benefits of co-op housing – and there are many – are all downstream.

As a result, very little co-op housing has been developed under these agreements. In 2006 the federal government handed over \$800 million from the housing trust funds to the provinces and territories with no conditions attached to its spending. There is no guarantee that any of these funds will be dedicated to co-op housing

development. In fact, In Ontario, once the remaining 500 AHP units are allocated, there be no housing program at all.

Co-op housing members are very concerned about the affordable housing crisis in Canada. This is very much to their credit as they are well housed themselves. They want to see a general reduction in core housing need and they believe that housing co-ops should be an important part of the solution.

Sector priorities

In the short-term the sector's focus is on developing opportunities for new co-op housing within existing provincial spending frameworks.

More broadly, winning a renewed public policy commitment to co-op housing development is a continuing priority for the sector. What must come first, however, is a strong resolve on the part of government to address the core housing need problem in this country and this broader objective is therefore very much a part of the sector's government relations priorities. A related goal is to persuade the federal government not to reduce its housing spending as existing commitments come to an end, but rather to reinvest in new affordable housing initiatives, recognizing that the federal government is not likely to re-enter the housing program arena itself.

These are not tasks the co-op housing sector can tackle on its own. Strategic partnerships with key housing stakeholders will be required.

8 Afterword

These are not all of the priorities facing housing co-ops as they look to the future and the transitions it will bring. The chief of them are set out here, however, and in many cases they will likely match the priorities of other community housing providers, though there will inevitably be different emphases that arise from the unique co-op form of tenure.