

## Rationale for Expiry of Operating Agreement Segmentation Exercise

- BC Housing and BCNPHA decided to analyze various segments of the units expiring over the next 5 years to help focus our attention on the types of units that may be most vulnerable as they expire.
- This information helps BC Housing, BCNPHA, and others plan strategies that are most appropriate for specific characteristics of units set to expire, so that our response to and preparation for expiry of operating agreements is strategic and pro-active rather than on an ad hoc basis (or case-by-case) as providers come forward looking for help. For example, segmentation helps us see:
  - Which client groups will be most affected by EOA?
    - Where are those units located?
    - Are these units operated by small or large providers?
    - Do these projects currently have operating shortfalls?
    - What proportion of units expiring is operated by small providers?
    - Are these units concentrated under certain funding programs?
    - What are replacement reserves levels for these projects?
- Segmentation shows common characteristics of units expiring, so strategies can be developed to address the specific characteristics of units expiring at once.
  - E.g. If there is a particular program with a large number units expiring which tend to have low replacement reserves, we can look at the program requirements and agreements to identify a strategy that will help all affected providers within the funding program begin building up their replacement reserves.
- The key indicators of analysis were selected based on brainstorming around what factors could potentially put a project at risk upon expiry and data availability. The Federal/Provincial/Territorial working group's previous exploration of expiry of operating agreement issues also helped to inform the indicators selected. The indicators are:
  - Client groups
  - Funding programs
  - Portfolio size
  - Region
  - Operational start date
  - Replacement reserves
  - Current operating shortfalls
  - Land ownership
  - Facility index condition

Example of preliminary findings from the segmentation work:

- Over one third of units set to expire over the next 5 years are operated by **small housing providers** (up to 5 projects in their portfolios)
  - Over one third are PRHC owned
  - Mostly serve low income seniors, but families, frail seniors, and individuals at-risk are also served by small providers
  - Many are federally devolved; some are funded by wholly provincial programs
  - Scattered around province
  - Most have replacement reserve levels <\$5,000 per unit
  - While 9% currently have no operating shortfall, most have current shortfalls <\$4,000 per unit per year
- Over one third of units set to expire over next five years are targeted for **low income families**

- None are PRHC owned
- All federally devolved
- Over three quarters are operated by large providers
- Virtually all are located in the Lower Mainland
- 85% have replacement reserve levels <\$5,000 per unit
- While 15% of these units currently have no operating shortfall, most have current shortfalls up to \$4,000 per unit per year