

CHF CANADA MEETS CONSERVATIVE HOUSING CAUCUS TO DISCUSS EXPIRING AGREEMENTS

On February 5, CHF Canada's government relations team of Executive Director Nicholas Gazzard, Director of Corporate Affairs Nick Sidor and Government Relations Co-ordinator David Granovsky met with the Conservatives' Housing and Construction Caucus on Parliament Hill. The discussion with the 14 government MPs in attendance was wide ranging, from the value co-ops bring to delivering community housing, to development and housing affordability ideas. But the big topic was expiring operating agreements.

The meeting was an excellent opportunity for candid discussion and questions about the Co-op Housing Crunch. Caucus members, several of whom have taken time to tour housing co-ops in their ridings, still had questions about the situation. A few MPs suggested that co-ops had failed to prepare for the ending of federal assistance by subsidizing too many people and not saving, and that paying out the first mortgage means no more debt service, so where's the problem?

"We answered these points in detail," said Gazzard. "And we've now prepared a briefing document on three persistent myths about expiring federal agreements (See "Myths" below). We want everybody involved in the campaign to be able to tackle these misconceptions head on."



EXPIRING OPERATING AGREEMENTS: THREE PERSISTENT MYTHS

When we speak to politicians and the media about the ending of co-op operating agreements, we often get lots of questions. And some of those questions show us that the people asking them just do not understand the serious problem we are facing when assistance to low-income households ends. Here are three common "myths" we hear about the end of the agreements, and how we can show in our [You Hold the Key: Fix the Co-op Housing Crunch!](#) campaign that there is no basis to them.

MYTH #1: "It was always intended that the co-ops would not need government support when the operating agreements come to an end."

This argument has been made over the years by government officials. It implies that an eventual severing of government support was an explicit intention of the original program design.

FACT: There is not a single reference to the post-operating agreement period in any document respecting program conception, design and delivery. Not in related cabinet documents of the time, not in the National Housing Act, not in operating agreements, program guidelines or any government policy document from the time the programs were first conceived and delivered. It is clear that no consideration whatsoever was given to the distant post-operating agreement era when the programs began.

MYTH #2: "Co-ops should have been preparing all along for the end of the operating agreement."

This argument is really saying that co-ops should somehow have been saving up for the end of the operating agreement.

FACT: Co-ops have had no capacity to accumulate savings for the post-operating agreement period. They are break-even, not-for-profit operations, planning to earn just enough revenue to cover operations and create a capital reserve. In fact where co-ops have generated small surpluses, CMHC has limited their use, allowing co-ops only to add the

surplus to the capital reserve or supplement the assistance available for low-income households. Co-ops have not been able to create other reserves for future use.

MYTH #3: “Co-ops will be mortgage free when the operating agreements end. They should be fine on their own.”

This argument assumes that their original first mortgages are the only ones the co-ops will ever need.

FACT: Co-ops will not be mortgage-free after their operating agreements have ended. Almost every co op will need to re-mortgage to pay for the extensive repairs and renovations their aging properties will require. Their capital reserves will not be enough for all the work needed. In fact capital refinancing is standard industry practice for rental housing of all kinds, not just co-ops. The co ops themselves will take on the burden of new debt service, in addition to covering their increasing operating costs. But co-ops cannot do that and at the same time assume the income-support responsibility for topping up the rents of low-income residents.