# Planning for Success after Subsidy

## EOA Good Practice- Housing Providers Plan

### PHASE 1

**PLANNING PERIOD** *(planning for corrective measures)*

- Start EARLY- 3-5 years before mortgage expires
- Plan for longer term, business like perspective
- Plan for balancing fiscal resources with human realities
- Understand impacts at both program and portfolio level
- What are your EOA obligations?
- Establishing an appropriate accountability relationship with SM's

Check-in with decision makers

**ASSESSMENT PERIOD** (initial impact assessment)

- *Have the right data/information and tools to get started (BCA & financial and project data)*
- Monitor and track project viability
- Undertake high-level EOA Analysis *(project level data and building condition information A MUST)*
- High level analysis to where the pressure points are, magnitude and timing of impacts

### PHASE 2

FIVE STEPS HOUSING PROVIDER'S CAN TAKE TO PREPARE BEFORE SUBSIDY ENDS

**1 Create a post-subsidy budget**

Forecast the revenues you need to cover the property taxes, insurance, salaries, administrative expenses, replacement reserve provision, etc.

Determine how much rent you must collect to bring in this amount of revenue and, therefore, what changes you need to make in the tenant mix. How many units need to charge market or near market rents, and how many can charge a lower rent?

Assess where you can lower expenses. Salaries and administration are two biggest manageable expenses and, therefore, need a closer look. Can you reduce staffing costs by combining workloads or cutting a position?

If you're still not balancing the books after analyzing revenues and expenses, consider options.

**2 Advice tenants of the new rent**

Ensure all your tenancy agreements say the rental rate is subject to subsidy being available. Under the Residential Tenancy Act (RTA), this wording allows you to increase rents when your mortgage expires.

The RTA also requires you to give at least three months notice of a rent increase. But giving tenants as much notice as possible allows them more time to prepare for the change.

**3 Inspect each unit/building and create a maintenance plan**

Build your replacement reserve in the years leading up to mortgage expiry

Complete all repairs & replacement before subsidy expires

Stagger the work place over the course of at least a year.

Rebuild the reserve by the time new maintenance issues are likely to arise

**4 Establish new administrative systems for post-subsidy operations**

Set up a new bank/credit union account and arrange cheques/VISA

Direct your financial institution and insurance company to ensure properties are put in the housing provider's name when the mortgage expires, and ensure the change is made at the Land Title Office

Set up separate bookkeeping

Set up a new replacement reserve account

Have all properties appraised

**5 Review & revise your constitution, to give the freedom to tap into equity**

Ensure the constitution's purpose gives you the ability to deliver affordable and market units; acquire and use real/personal property; and buy, own, hold, lease, mortgage and sell property

Change the wording of your policies and procedures, if current policy says tenants will pay a specific percentage of income, to avoid challenge and allow affordable and market units

Ensure policies require transparent, accountable financial management and governance of society assets post-subsidy

### FOUR OPTIONS YOU CAN COMBINE TO STAY SOLVENT AND CONTINUE OPERATING IN A POST-SUBSIDY SETTING

**Option #1 Increase Revenues**

Shift the tenant mix so some people may pay more for rent; in effect, they subsidize your lower rent units

**Option #2 Lower Expenses**

Streamline staffing and administration where possible

**Option #3 Diversify Assets**

Sell one or more units to generate revenue and, potentially, diversify your portfolio

**Option #4 Regenerate**

Consider options for undertaking redevelopment/ regeneration