

Expiring Agreements: Transitioning to New Rent Structures

April 2017

Assumptions

- Board has decided on future direction
- You have discussed options with your BC Housing or AHMA representative
- Financial forecasting and planning is underway (how much rent revenue do you need?)



The Big Questions

- Are we interested in maintaining the status quo?
- Will the current rent revenues meet our identified future needs?
- If no, what changes can we make to meet our goals?



Transitioning to new Rent Structure

Primary Options

- On Turnover
- Changes for existing tenants
- ...or a combination



On Turnover

Considerations

- Minimal impact to current tenants
- Takes time
- Demand?



Changes for current tenants

Considerations

1. Talk to your BC Housing/AHMA representative
2. Tenancy Agreement Review
3. Residential Tenancy Act applies
4. Communication Planning



Key Steps

1. Rent Roll Analysis (*where you're at now*)
2. Forecast Options (*where you're going*)
3. Plan (*how you're going to get there*)



Some Starting Questions

Rent Analysis

- What is your turnover rate? Vacancy rate?
- Rent revenue trend over the last 5 years?
- Who are your tenants? What is their source of income?
- How many tenants are in receipt of income assistance?
- What is the average RGI tenant rent contribution?
- If you have market rents or 'capped' rents, how do they compare to average rents for your area?
- Etc...

Forecast and Analysis

- Starting point template
- Sorry if spreadsheets are not your thing...

Unit type name	Number of units	Average Rent			
		Year 1 (PUPM)	Annual % rent increase		
enter unit type (i.e. RGI, 1BR)	0	0	2%		
Unit type 2	0	0	2%		
Unit type 3	0	0	2%		
Unit type 4	0	0	2%		
Unit type 5	0	0	2%		
Annual Vacancy Loss	1%				
<i>Adjust unit mix for years 2-10 if/as needed. Confirm your to</i>					
Unit Mix	Year 1	Year 2	Year 3	Year 4	Year 5
enter unit type (i.e. RGI, 1BR)	0	0	0	0	0
Unit type 2	0	0	0	0	0
Unit type 3	0	0	0	0	0
Unit type 4	0	0	0	0	0
Unit type 5	0	0	0	0	0
Total units	0	0	0	0	0
Average Rents	Year 1	Year 2	Year 3	Year 4	Year 5
enter unit type (i.e. RGI, 1BR)	0	0	0	0	0
Unit type 2	0	0	0	0	0
Unit type 3	0	0	0	0	0
Unit type 4	0	0	0	0	0
Unit type 5	0	0	0	0	0
Annual Rent Revenue	Year 1	Year 2	Year 3	Year 4	Year 5
enter unit type (i.e. RGI, 1BR)	0	0	0	0	0
Unit type 2	0	0	0	0	0
Unit type 3	0	0	0	0	0
Unit type 4	0	0	0	0	0
Unit type 5	0	0	0	0	0
<i>Subtotal</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Less Vacancy Loss	0	0	0	0	0
Estimated Annual Rent Revenue	\$ -	\$ -	\$ -	\$ -	\$ -

Sample #1

52 unit RGI Seniors (Victoria)

- Receives \$155K annual subsidy
- Expires next year
- Capital plan requires \$5K increase to reserve provision
- Current avg TRC = \$391

	Current Budget (subsidized)	Post-Expiry Budget
Operating	192,568	200,000
Capital fund	44,928	50,000
Mortgage P&I	161,256	0
Total	398,752	250,000
PUPM ("Economic Rent")	639	401

Unit type name	Number of units	Average Rent	
		Year 1 (PUPM)	Annual % rent increase
RGI units	40	412	2%
IA Shelter Rate units	12	320	0%
Affordable market	0	700	2%

no increase (0%)

On turnover 1 unit per year to affordable market, assume IA tenants continue at \$320, and reduce from 12 to 10 on turnover by year 5.

Annual Vacancy Loss 1%

Adjust unit mix for years 2-10 if/as needed. Confirm your total unit count is correct!

Unit Mix	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
RGI units	40	39	38	37	36	35	34	33	32	31
IA Shelter Rate units	12	12	11	11	10	10	10	10	10	10
Affordable market	0	1	3	4	6	7	8	9	10	11
Total units	52	52	52	52	52	52	52	52	52	52

Average Rents	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
RGI units	418	426	435	444	452	462	471	480	490	500
IA Shelter Rate units	320	320	320	320	320	320	320	320	320	320
Affordable market	700	714	728	743	758	773	788	804	820	837

Annual Rent Revenue	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
RGI units	200,640	199,536	198,309	196,952	195,461	193,832	192,060	190,140	188,065	185,832
IA Shelter Rate units	46,080	46,080	42,240	42,240	38,400	38,400	38,400	38,400	38,400	38,400
Affordable market	0	8,568	26,218	35,657	54,555	64,920	75,678	86,841	98,419	110,427
<u>Subtotal</u>	<u>246,720</u>	<u>254,184</u>	<u>266,767</u>	<u>274,848</u>	<u>288,416</u>	<u>297,152</u>	<u>306,138</u>	<u>315,380</u>	<u>324,885</u>	<u>334,659</u>
Less Vacancy Loss	(2,467)	(2,542)	(2,668)	(2,748)	(2,884)	(2,972)	(3,061)	(3,154)	(3,249)	(3,347)
Estimated Annual Rent Revenue	\$ 244,253	\$ 251,643	\$ 264,099	\$ 272,100	\$ 285,532	\$ 294,181	\$ 303,077	\$ 312,226	\$ 321,636	\$ 331,312

Sample #1

52 unit RGI Seniors (Victoria)

- Modest turnover to affordable market units achieved revenue target of \$250K
- Kept IA tenants at \$320, can adjust over time/on turnover (\$375) if required
- Annual market rent increases modest at 2% per year

Sample #2

34 unit RGI Family (Nanaimo)

- Receives \$156K annual subsidy
- Expires next year
- Capital renewal project \$1.02M (30K/unit) = new mortgage
- Current avg TRC = \$421

	Current Budget	Post-Expiry Budget
Operating	133,416	140,000
Capital (reserve) fund	24,480	26,000
Mortgage P&I	170,136	62,000
Total	328,032	228,000
PUPM ("Economic Rent")	804	559

Unit type name	Number of units	Average Rent Year 1 (PUPM)	Annual % rent increase							
RGI units	34	425	0.5%							
2/3 BR Low-end market	0	925	2%							
Annual Vacancy Loss	1%									
<i>Adjust unit mix for years 2-10 if/as needed. Confirm your total unit count is correct!</i>										
Unit Mix	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
RGI units	34	24	23	22	21	20	19	18	17	17
2/3 BR Low-end market	0	10	11	12	13	14	15	16	17	17
Total units	34	34	34	34	34	34	34	34	34	34
Average Rents	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
RGI units	425	427	429	431	434	436	438	440	442	445
2/3 BR Low-end market	925	944	962	982	1,001	1,021	1,042	1,063	1,084	1,105
Annual Rent Revenue	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
RGI units	173,400	123,012	118,476	113,891	109,258	104,576	99,844	95,062	90,229	90,680
2/3 BR Low-end market	0	113,220	127,033	141,353	156,195	171,574	187,506	204,007	221,092	225,514
<i>Subtotal</i>	<i>173,400</i>	<i>236,232</i>	<i>245,509</i>	<i>255,244</i>	<i>265,453</i>	<i>276,150</i>	<i>287,350</i>	<i>299,068</i>	<i>311,321</i>	<i>316,194</i>
Less Vacancy Loss	(1,734)	(2,362)	(2,455)	(2,552)	(2,655)	(2,761)	(2,873)	(2,991)	(3,113)	(3,162)
Estimated Annual Rent Revenue	\$ 171,666	\$ 233,870	\$ 243,054	\$ 252,692	\$ 262,799	\$ 273,388	\$ 284,476	\$ 296,077	\$ 308,208	\$ 313,032

Set to 0.5% as most remaining RGI tenants receiving IA.

Provider identified 10 tenants eligible for Rental Assistance Program who agreed to pay the "market" rent next year. Further changes on turnover to 50/50 split

Sample #2

34 unit RGI Family (Nanaimo)

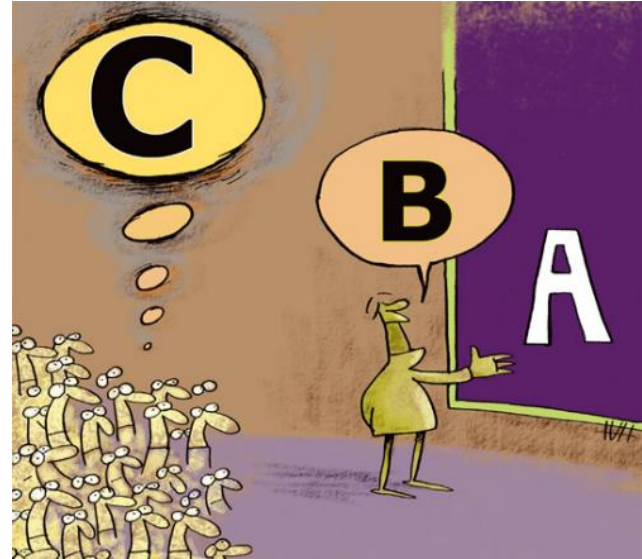
- To accommodate new mortgage 1/3 tenants moved to affordable market rents where feasible.
- Target 50/50 mix on turnover
- Modest rent increases going forward

SAFER & the Rental Assistance Program

SAFER and the Rental Assistance Program

MYTH

Tenants can transition to SAFER or the Rental Assistance Program and still pay 30% of income.



SAFER and the Rental Assistance Program

FACT

Everyone will get an increase if they were previously paying 30% of income.

On average tenants will pay 32% of income towards rent*



*best case scenario if the market rent is below the program rent ceilings

SAFER and the Rental Assistance Program

Eligibility

Criteria	SAFER	RAP
In B.C. 12 months	✓	✓
Meet Canadian residency requirements	✓	✓
Not on income assistance	✓	✓
Pay more than 30% of income towards rent	✓	✓
Age 60+	✓	n/a
Have dependent children	n/a	✓
Some or all income comes from employment	n/a	✓
Maximum income levels apply	✓	✓

Shelter Aid for Elderly Renters

Maximum Rent Ceilings	Metro Vancouver	Other areas of BC
Singles	765	667
Couples	825	727

Maximum Incomes	Metro Vancouver	Other areas of BC
Singles	2,550	2,223
Couples	2,750	2,423

Rental Assistance Program

Maximum Rent Ceilings	Metro Vancouver	Other areas of BC
Family of 3 or less	\$1,055	\$970
Family of 4 or more	\$1,190	\$1,015

Maximum Incomes	Metro Vancouver	Other areas of BC
Family of 3 or less	\$35,000 a year \$2,916.66 monthly	
Family of 4 or more		

SAFER and the Rental Assistance Program

Tenants are responsible for paying the FULL rent to their landlord.

Benefits are paid directly to the tenant at the end of each month.



Reimbursement of Rent Paid



The Rent Gap

Covers between 90% and 35% of the “Rent Gap”



Rent

-

30%

30% of
income

=

the
gap

the Rent Gap

Assistance Percentage Formula

$$90 - \left\{ (adjusted\ income - base\ income) \times \left\{ \frac{55}{(maximum\ rent \div 0.3) - base\ income} \right\} \right\}$$

No need to do the math!!

Easy to use Excel Calculator available at www.bchousing.org

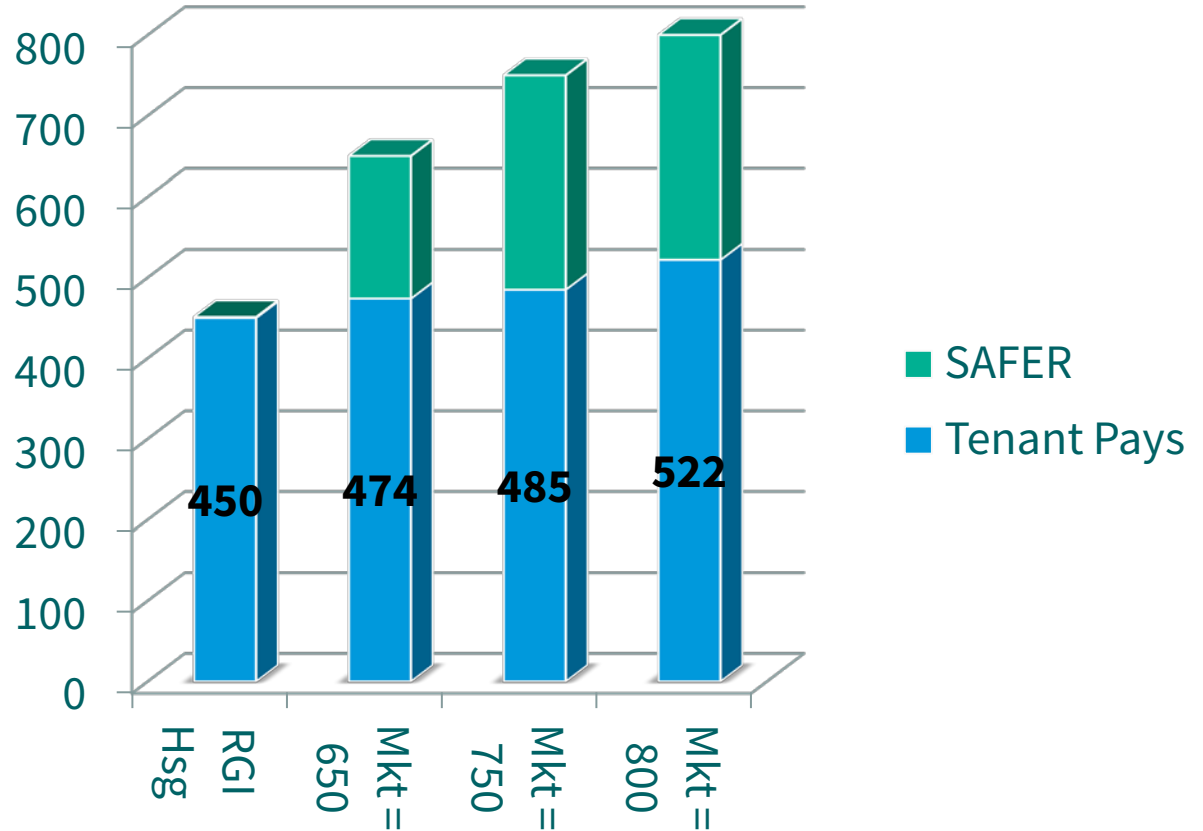
Example:

SAFER – Senior

Metro Vancouver

Income \$1,500.00

Paying TRC 30% income



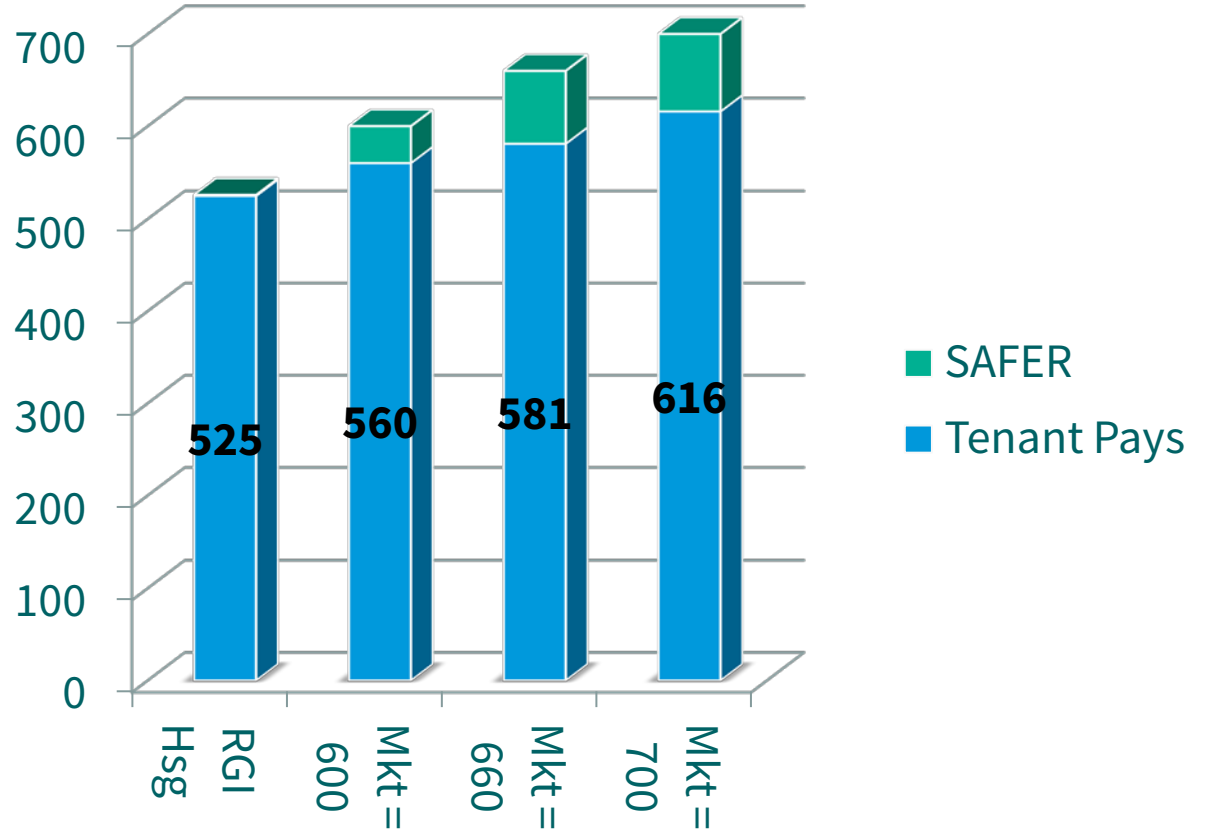
Example:

SAFER – Senior

Nanaimo

Income \$1,800.00

Capped at Mkt \$525.



Application Process

Applications effective month received – or first month they are eligible.

- BC Housing can assist with understanding how to complete the application
- Best if applications come in together
- Tenant authorization

Resources

- Your NPPM
- Your Operating Agreement with BC Housing
- Rent Forecasting Spreadsheet
- [Expiry of Operating Agreements – A Planning Guide](#)
- [Residential Tenancy Branch](#)

