RÉSEAU
QUÉBÉCOIS
DES OSBL
D'HABITATION

ValoCom

A proposal to ensure the sustainability of community housing

REVISED AND IMPROVED EDITION

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Presentation of the Réseau québécois des OSBL d’habitation (RQOH)

For the past 15 years, the RQOH has formed a solidarity network with the mission to bring together, support and represent the Quebec housing NPO (H-NPO) community.

By its actions, it seeks to foster the development and sustainability of housing NPOs, the recognition of the right to housing, and access to quality social housing.

Quebec’s 50,000 NPO units are divided among 1,200 organizations. These are organized in eight regional federations, all affiliated to the RQOH. More than 10,000 people are active as volunteers, one way or another, in this network, which also counts on the participation of at least 6,500 employees.

Various socioeconomic-health indicators define our tenants as generally the most vulnerable individuals in Quebec society.

The values of social justice, democracy, solidarity and autonomy guide the RQOH’s actions, directions and positions. Our work is governed by a mobilizing and participatory approach involving all the components and bodies of the movement: NPOs, federations, board of directors, working committees, volunteers, employees and tenants.

The RQOH is an organization primarily funded by various contributions made by housing NPOs and benefits associated with its offer of services to the regional federations and the local H-NPOs.

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Disclaimer

This revised and improved edition replaces a first version of the text. The general logic supporting the VaLoCom proposal is the same in both versions, but thanks to the comments and remarks received after the first edition, many changes and corrections were made, both to the text and to the different tables and figures, thus improving the proposal. There is no doubt that the project can still benefit from the suggestions and remarks of groups and individuals interested in community housing. This is why the RQOH hopes to receive them and undertakes to study them seriously.

Introduction

Quebec community housing has experienced major development over the past forty years. With 50,000 apartments in every corner of Quebec, non-profit community housing constitutes a large housing stock, with assets estimated at nearly $5 billion[1].

The impact of this figure can be understood when it is compared to the capitalization of well-known private sector companies and authorities. Bombardier, at the beginning of 2016, despite recent investments of more than $3 billion by the Gouvernement du Québec and Caisse de dépôt et placement, has $3.08 billion of capitalization, Cascades is valued at $1.22 billion, and Jean-Coutu, according to its shareholders, is worth $3.3 billion.

Like all other sectors of the economy, whether it is to pursue its development or simply ensure its sustainability, community housing constantly needs new capital. As in every economic field, the influx of capital allows it to accomplish and develop its mission. In the private sector, this means increasing corporate profits. In the case of community housing, the objective is to provide the best possible response to the immense housing needs of hundreds of thousands of Quebec households, for whom the private sector does not adequately meet the demand[2].

Traditionally, the community housing sector depends on partnerships with governments and the banking sector to obtain access to new capital. There is nothing abnormal about this. All the major economic fields of our society count on government contributions to develop and maintain their activities[3].

However, with the end of a first generation of operating agreements binding the NPOs and the Canada Mortgage and Housing Corporation (CMHC), the community housing sector is reaching a turning point in its evolution. This new context should allow the community housing movement to increase its ability to take initiatives. However, CMHC can and should still play a determining role to support housing NPOs. This does not mean simply reproducing the programs of the past. With the end of the agreements, community housing groups are achieving a level of autonomy

[1] The essential of these assets, $4.7 billion, consists of real estate, while $200 million is in the form of liquid assets and various investments. https://rqoh.com/wp-content/uploads/2015/09/Les-caractéristiques-économiques-et-la-viabilité-financière-du-parc-des-OSBL-dhabitation-du-Québec.pdf

[2] According to Statistics Canada, 479,770 Quebec tenant households allocate over 30% of their income to rent, while 101,020 tenant households live in overcrowded units. http://rentalhousingindex.ca

[3] The creativity shown by private enterprise and government to develop financing mechanisms is impressive. There are direct subsidies, loan guarantees, co-financing, advantageous tax measures, relinquishment of rights (cutting, ownership, etc.), preferential purchasing policies, etc.

that allows them to flourish and evolve with much more modest assistance than during the first phase of their existence.

The Réseau québécois des OSBL d'habitation has made a major effort of reflection to develop a proposal that would make it possible, if the right partnerships are established, to add value to the equity accumulated for the past 40 years by the community housing movement.

The following pages present the summary of this reflection and a call for action. We share this text with CMHC and all of our partners to stimulate discussion and the decision-making process to arrive at the best possible agreements, in order to put the immense value at the movement's disposal to work and thus favour the sustainability of the 22,000 community housing units developed in Quebec with CMHC's active support.

To facilitate the discussions, we propose a name for the imagined mechanism: VaLoCom, for valorisation du logement communautaire, or valorization of community housing.

The Financing at the Origin of the Community Housing Stock

From the 1960s to the mid-1990s, CMHC, through various programs, directly supported construction of community housing. In particular, this assistance took the form of financing and guarantees of mortgage loans contracted with financial institutions.

This financial support was accompanied by a number of obligations on the part of the NPO, including offering units to financially and socially vulnerable populations, guaranteeing the good condition of the building and ensuring its sound management (paying taxes and the various suppliers, having sufficient insurance coverage, etc.). These agreements are known as "operating agreements". They have terms of 25 to 50 years, depending on the programs under which they were established.

Since 2015, the agreements have begun to expire. The vast majority of Quebec's 22,000 NPO housing units will see their agreement end by 2020, and all will end by 2029.

Among the constraints associated with the agreements, the developer group required CMHC's prior authorization to pledge its real estate assets as collateral to obtain the necessary funds for building renovation or to participate in the development of new projects. It is understandable that CMHC, as the principal lender (or guarantor), wanted to have a real estate portfolio free of other debts. Except to finance renovations indispensable to the preservation of the buildings, it generally refused to authorize second mortgages. In any case, this financing was generally of little interest, because it often imposed prohibitive interest rates. With the end of the agreements, the obligations binding the NPO to CMHC are no longer in effect.

The end of the agreements also means the end of the mortgages. NPOs that no longer have agreements no longer have any mortgage obligations to fulfill. This is certainly an enviable situation, but this "release" imposes an increased level of responsibility on managers and directors to guarantee sound management of the corporation's property and the quality of life of the tenants who live in the building. To facilitate this transition, the RQOH recently produced an excellent tool to support NPOs whose agreements are ending[4].

[4] RQOH, 2016, *Défis et opportunités, Un guide à l'intention des OSBL d'habitation dont la convention d'exploitation arrive à terme*.

Money Set in Concrete

Although the real estate assets of the housing NPOs are very valuable, this money is set in concrete, so to speak.

Freed from their first mortgage, the NPOs can apply directly to different lenders to obtain capital in order to renovate their buildings or use their equity to finance the construction of new units.

The challenge is to add value to the equity accumulated over the years by the NPOs, without jeopardizing the NPO's social mission and its ability to offer low-priced units for the low-income tenants living in the building.

This challenge is especially important, given that the governments in Québec City[5] and Ottawa currently do not offer long-term assistance for tenants living in NPOs at the end of the agreement. Many NPOs are therefore obliged to choose between two evils. They can reduce the rents of their units to preserve their low-income tenants' right to housing, thus making it impossible to repay a mortgage from the rental income. Otherwise, they can maintain (and even increase) the rents, thus preserving the ability to contract a mortgage. However, this choice means that, in practice, the NPO renounces its mission of offering housing to the most vulnerable.

A recent RQOH study[66] establishes the average value of an NPO unit at nearly $100,000. This same study allowed us to put an average value of $4,000 on the financial assets per unit at the disposal of NPOs. In all, as presented in table 1, a typical community unit has assets estimated at $104,000.

Table 1 • Average assets of a typical Quebec NPO unit

Various financial reserves of a typical community unit	$4,000
Value of the typical community unit	$100,000
Average total value of financial and real estate assets	$104,000

[5] In its April 2015 budget, the Quebec government announced a temporary assistance program to compensate in part for the end of direct assistance to tenants living in NPOs at the end of their agreement with CMHC. You can learn more about the *Programme provisoire de soutien aux organismes d'habitation (Interim support program for housing organizations)* by visiting the Société d'habitation du Québec (SHQ) and RQOH websites.

[6] https://rqoh.com/wp-content/uploads/2015/09/Les-caractéristiques-économiques-et-la-viabilité-financière-du-parc-des-OSBL-dhabitation-du-Québec.pdf

Converting a Property Into Cash

When an NPO purchases a property with capital borrowed from a financial institution (generally under a mortgage), the group has to guarantee the money loaned to it by the bank with the market value of the property. But the bank's real objective is not to "recover" the property pledged as collateral; it is to collect interest on the mortgage loan. This explains why a financial institution generally does not accept to lend money simply in exchange for a guarantee equivalent to the value of the loan; it wants a second guarantee, that of the borrower's ability to repay the principal and interest of the loan.

For the past fifteen years, the Canadian mortgage market has offered financing at very low rates (under 3%). According to most analysts, this situation should be perpetuated for a fairly long period. On the other hand, since the Second World War, it has been completely normal to obtain an average annual yield greater than 5% for a large and well-diversified investment portfolio over a 15-year cycle.

The basic concept

This spread between interest rates and average yields can enable the owners of a property to benefit from the ability to borrow capital at a zero rate, without jeopardizing the sound management of the property – quite the contrary. By using this spread to its advantage, a manager can simultaneously grow investments based on the property's equity and increase the value of the property by investing in its improvement.

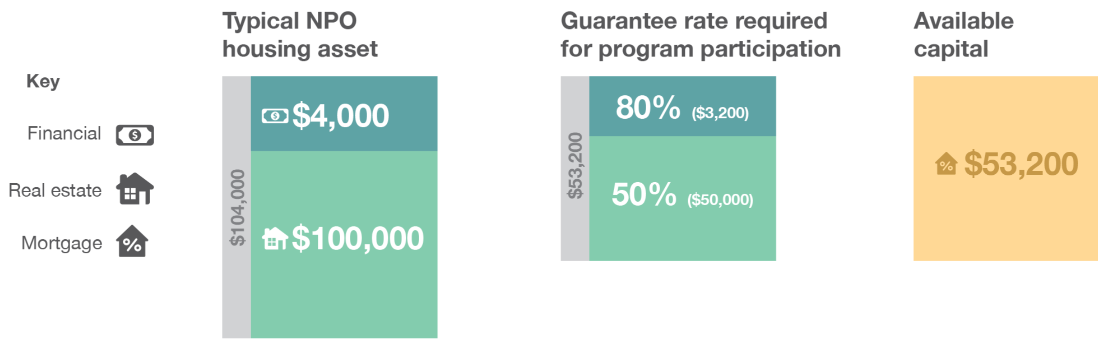
Considering that the typical assets of an NPO unit are $104,000, including $4,000 in liquid assets, and that these assets are used to guarantee a loan, it can be expected that a typical unit can have access to hard cash ranging from $50,000 to $53,200.

This amount is made up of the following components. A mortgage equivalent to 50% of the market value of the unit and a share of the financial reserves of up to 80% of these reserves. Once it has these funds, the group divides this investment in two parts, one for the necessary renovation work on the building, and the other to participate in a mutualized investment portfolio intended to generate income that will allow it to pay the interest on the entire loan and thus increase the financial capital at the group's disposal. Obviously, in all specific cases, the group will have to contribute to the expenditures and investments. However, the return on the program means that the repayment of the loan is largely self-generated by the program itself. Depending on the strategy and the circumstances specific to each project, it can be anticipated that a group can succeed in performing work valued at $25,000 per unit by disbursing less than $1,000 per year during a 15-year program cycle.

Figure 1 illustrates the financial structure on which the VaLoCom program is based.

In short, VaLoCom proposes to use the guarantee provided by the property and the reserves of the group to obtain a mortgage and use the liquidity obtained.

Figure 1 • Financial structure



A range of purposes

The use of these funds would make it possible to achieve two objectives: constitution of financial reserves and rehabilitation of the unit. These two objectives are not mutually exclusive. It will be up to the group to determine the proportion in which it prioritizes one or the other. An organization managing a building in very bad condition may choose to apply all the resources generated by the program to renovation work, while another organization whose building is in better condition may choose to replenish its reserves for a rainy day or even to support the development of new housing units.

The expected objective

As the net result, it can be expected that a typical group can complete a VaLoCom cycle with a building in better condition and with stronger financial reserves, for the price of a modest annual capital investment by the group, all without needlessly burdening government resources. VaLoCom makes it possible to ensure the sustainability of community housing projects that reach the post-agreement phase of their evolution.

The next two sections of the text concretely illustrate the flexibility and the advantages the VaLoCom program would provide to favour the sustainability of community housing.

The Example of Group #1

The example of Group #1 illustrates the VaLoCom mechanism for a typical NPO with a market value of $100,000 and financial reserves of $4,000, confronted with urgent repair needs.

Group #1's strategy

- Invest $2,500 from its reserves in the program.
- Invest $1,200 per year in the program.
- Perform the work effective from the first year of the program.
- Invest $25,000 in the VaLoCom portfolio.

The following figure illustrates the highlights of the program according to the strategy identified by the group. The progression of the group's equity is clear.

Figure 2 • Highlights of the program for Group #1

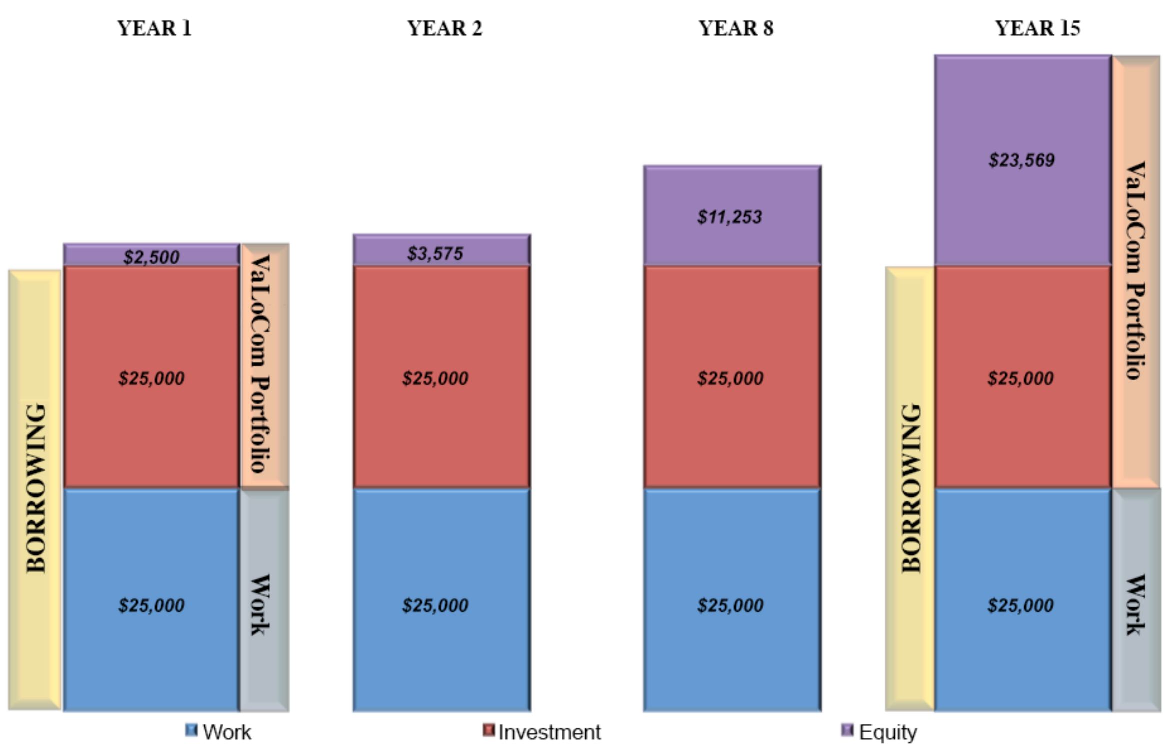


Table 2 gives the details of the program's evolution.

Table 2 • Financial progression of a VaLoCom project for Group #1

Year	1	2	8	15	Totals
Reserve invested in the VaLoCom portfolio	$2,500	$0	$0	$0	$2,500
Mortgage loan	$50,000	$0	$0	$0	$50,000
Share of the mortgage allocated to the work	$25,000	$0	$0	$0	$25,000
Share of the investment coming from the mortgage loan	$25,000	$0	$0	$0	$25,000
Capital of the VaLoCom portfolio	$27,500	$28,575	$36,253	$48,569	$50,697
Additional annual investments	$1,200	$1,200	$1,200	$1,200	$18,000
Cost of borrowing (3%)	$1,500	$1,500	$1,500	$1,500	$22,500
Appreciation of the portfolio (5%)	$1,375	$1,429	$1,813	$2,428	$27,697
Annual income of the portfolio (including annual contribution)	$1,075	$1,129	$1,513	$2,128	$23,197
Total value of the program at the beginning of each year	$52,500	$53,575	$61,253	$73,569	
Total value of the program at the end of each year	$53,575	$54,704	$62,765	$75,697	

The following table presents a synthesis of the application of the VaLoCom cycle for Group #1.

Table 3 • Synthesis of a VaLoCom cycle for Group #1

<table>
<tr><th>Start</th><th>Each year
for 15 years</th><th colspan="2">Balance sheet
at the end of the cycle</th></tr>
<tr><td rowspan="3">• Initial investment by the group: $2,500
• Borrowing under the program: $50,000
• Value of the work: $25,000
• VaLoCom investment portfolio: $27,500</td><td rowspan="3">• Investment by the group: $1,200
• Appreciation of the VaLoCom portfolio: 5%
• Payment of interest on the loan: $1,500 (3%)</td><td>• Total investment by the group: $20,500
• Total appreciation of the VaLoCom portfolio: $27,697</td><td>Total income
$48,197</td></tr>
<tr><td>• Cost of borrowing: $22,500
• Value of the work: $25,000</td><td>Total expenditures
$47,500</td></tr>
<tr><td colspan="2">Surplus: $967
Work: $25,000</td></tr>
</table>

Table 4 shows the final results of a cycle of the VaLoCom program for a unit for which the managers determined that it was imperative to invest quickly to carry out renovation work. As the net result, the group will have to spend $19,803 to obtain work valued at $25,000. The operation therefore allows the group to spend $5,197 less than the cost of performance of the work.

Table 4 • Results of the VaLoCom program for Group #1

Consolidated income of the portfolio at the end of Year 15	$23,197
Liquid assets available before repayment of the mortgage	$50,697
Liquid asserts available after repayment of the mortgage	$697
Direct investments by the group ($2,500 taken from the reserves + annual investments – liquid assets available after repayment of the mortgage) for performance of the work	$19,803
Value of the work	$25,000

The gain of $5,197 over 15 years may seem modest, but it must be compared to a situation where the organization finances the work by means of a traditional mortgage. This is the scenario set out in table 5. It is understood here that the interest costs of the mortgage increase the expenditure, but not the value of the work. In fact, at 3% interest (which is an extremely low rate for a 15-year fixed mortgage loan), the total expenditure required by the group is $31,036.

Table 5 • Result of a traditional mortgage transaction for Group #1

Value of the work	$25,000
Principal to be repaid	$25,000
Interest cost (3% over 15 years)	$6,036
Direct contribution by the group for the performance of the work	$31,036

Table 6 determines the spread between the VaLoCom formula and the traditional mortgage formula. The overall gain is impressive, established at $11,233.

Table 6 • Spread between VaLoCom and a traditional mortgage for Group #1

	VaLoCom	Mortgage	Spread
Value of the work	$25,000	$25,000	$0
Direct investments by the group for the performance of the work	$20,500	$31,036	$10,536
Liquid assets available at the end of the program	$697	$0	$697
Total	$44,803	$56,036	$11,233

If a 20-unit project is considered, VaLoCom enables the NPO to save $224,660, which is considerable for this type of organization.

The Example of Group #2

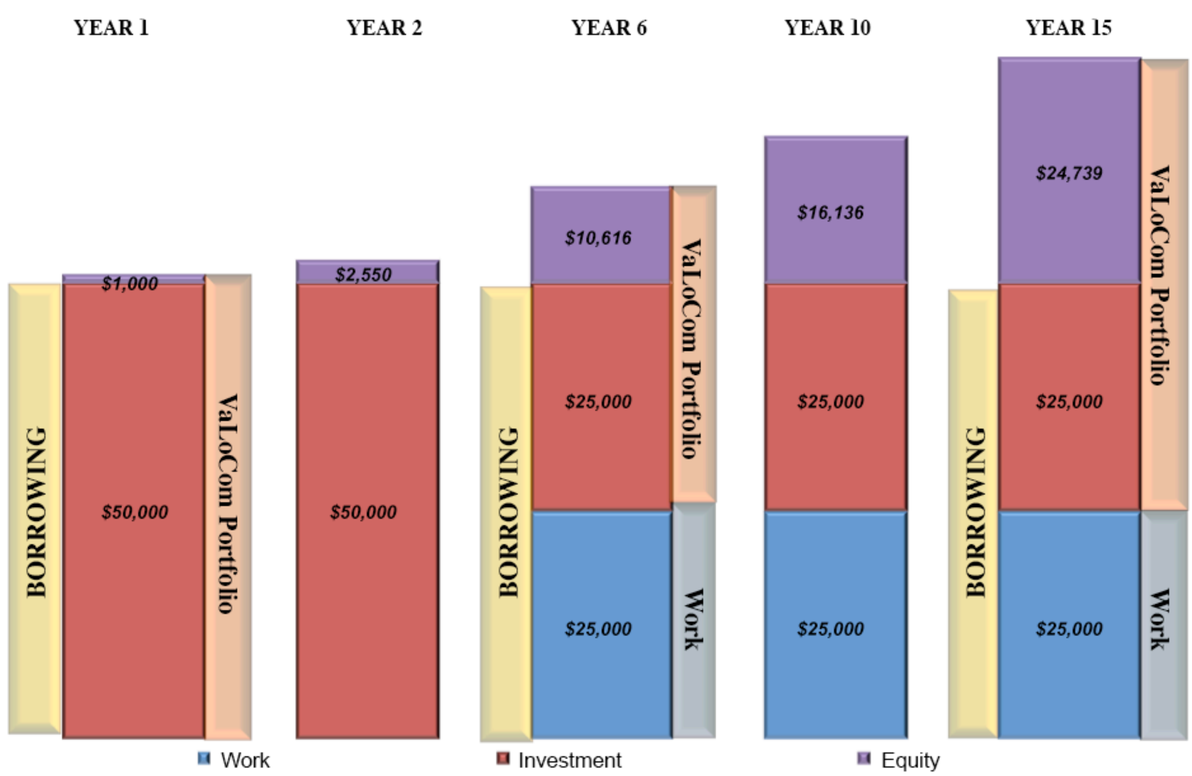
Group #2 considers that its building is still in good enough condition to postpone major work for five years. Furthermore, it has more modest liquidity than Group #1. It therefore chooses to maximize the increase in value of its assets to capitalize and invest by taking advantage of the means made available to it by the VaLoCom program.

<u>Group #2's strategy</u>

- Invest $1,000 from its reserves in the program.
- Invest amounts ranging from $500 to $1,000 per year in the program.
- Carry out $25,000 in work in the 6th year of the program.
- Invest a variable portion of the program in the VaLoCom portfolio.

The following figure shows the impact of the portfolio's leverage in the strategy adopted by Group #2.

Figure 3 • Highlights of the program for Group #2



Reading table 7, it can be recognized that the group's contribution is modest, which should considerably limit the pressure on rents.

Table 7 • Financial progression of a VaLoCom project for Group #2

Year	1	2	5	6	7	15	Totals
Reserve invested in the portfolio	$1,000	$0	$0	$0	$0	$0	$1,000
Mortgage loan	$50,000	$0	$0	$0	$0	$0	$50,000
Share of the mortgage allocated to the work	0	$0	$0	$25,000	$0	$0	$25,000
Share of the investment coming from the mortgage loan	$50,000	$0	$0	$25,000	$0	$0	Variable
Capital of the VaLoCom portfolio	$51,000	$52,550	$58,301	$35,616	$36,897	$49,739	$51,726
Additional annual investments	$500	$600	$900	$1,000	$1,000	$1,000	$13,500
Cost of borrowing (3%)	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$22,500
Appreciation of the portfolio (5%)	$2,550	$2,628	$2,915	$1,781	$1,845	$2,487	$34,726
Annual income of the portfolio (including annual contribution)	$1,550	$1,728	$2,315	$1,281	$1,345	$1,987	$25,726
Total value of the program at the beginning of each year	$51,000	$52,550	$58,301	$60,616	$61,897	$74,739	
Total value of the program at the end of each year	$52,550	$54,278	$60,616	$61,897	$63,242	$76,726	

In consulting the following table, it is possible to concentrate on the highlights of the program's application for Group #2.

Table 8 • Synthesis of the VaLoCom program for Group #2

<table>
<tr><th>Start</th><th>The first five years</th><th>From the sixth to the fifteenth year</th><th colspan="2">Balance sheet at the end of the cycle</th></tr>
<tr><td rowspan="3">• Initial investment by the group: $1,000
• Borrowing under the program: $50,000
• Value of the work: $25,000
• VaLoCom investment portfolio: $51,000</td><td rowspan="3">• Investment by the group increasing gradually from $500 to $900 per year
• Appreciation of the VaLoCom portfolio: 5%
• Payment of interest on the loan: $1,500 (3%)</td><td rowspan="3">• Investment by the group: $1,000
• Appreciation of the VaLoCom portfolio: 5%
• Payment of interest on the loan: $1,500 (3%)</td><td>• Total investment by the group: $14,500
• Total appreciation of the VaLoCom portfolio: $34,726</td><td>Total income $49,226</td></tr>
<tr><td>• Cost of borrowing: $22,500
• Value of the work: $25,000</td><td>Total expenditures $47,500</td></tr>
<tr><td></td><td>Surplus: $1,726
Work: $25,000</td></tr>
</table>

Table 9 shows the final results of a cycle of the VaLoCom program for a unit for which the managers determined that it was possible to wait a little before doing the work and to grow the liquid assets made available to it by the program for five years. As the net result, the group will only have to invest $12,774 to obtain work valued at $25,000. This means the group will be able to pay 49% of the bill for the work with the gains derived from the program.

Table 9 • Results of the VaLoCom program for Group #2

Consolidated income of the portfolio at the end of Year 15	$25,726
Liquid assets available before repayment of the mortgage	$51,726
Liquid asserts available after repayment of the mortgage	$1,726
Direct investments by the group ($2,500 taken from the reserves + annual investments – liquid assets available after repayment of the mortgage) for performance of the work	$12,744
Value of the work	$25,000

This result is very advantageous in itself, but the impact of the program is measured in relation to the work that would be financed by a traditional mortgage. As shown in table 4, if the interest is added to the principal, $31,036 must be disbursed to perform $25,000 of work.

Table 10 shows the spread between the VaLoCom formula and the traditional mortgage formula. The overall gain is impressive, amounting to $18,262.

Table 10 • Spread between VaLoCom and a traditional mortgage for Group #2

	VaLoCom	Mortgage	Spread
Value of the work	$25,000	$25,000	$0
Direct investments + reserve disbursed for the performance of the work	$14,500	$31,036	$17,536
Liquid assets available at the end of the program	$1,726	$0	$1,726
Total	$12,774	$31,036	$18,262

If this saving is projected over a 20-unit building, the VaLoCom program makes it possible to save $365,235 compared to a traditional mortgage loan.

If the increase in value of the property is included in the calculation, the results are even more conclusive. An aggregate increase in the value of assets under management to $35,312 per unit can be anticipated thanks to the program. This growth is based on annual real estate market appreciation of 2% per year, or $34,586 at the end of 15 years. Without the work made possible by the program, it is probable that the value of the property will be stable at best, and possibly in decline, 15 years after the end of the agreements.

CMHC Participation, an Essential Condition for the Program's Success

CMHC is the Canadian organization with the role of supporting the real estate market so that it meets the public's needs.

For a very long time, CMHC has intervened in the financial markets with great success, particularly with its mortgage insurance program and on the bond market. It is therefore appropriate to rely on this expertise and the means developed by CMHC.

A programmatic vision

VaLoCom can be a success if, and only if, the concept is treated as a program with an overall vision. Taken in isolation, the risk level of each transaction is much too high for managers whose primary mission is the sustainable supply of affordable housing for the vulnerable segments of the population to participate in it.

However, on the scale of a multi-year program bringing together a large number of participants, the risk level is reduced considerably. An investment portfolio, to which the groups would adhere for 15 years as the operating agreements expire, would allow the constitution of invested capital over a long period, and which would also appreciate over the term. Similarly, the average expected yield of 5% over 15 years becomes even more probable when it is constituted by adding new capital every year for a 15-year period. In these circumstances, the objective is to achieve a yield of 5% over 30 years and not over 15, because there would be at least 30 years between the first investment and the last withdrawal.

The difference between a program and a project can be compared in the same way the resilience of a forest and a tree can be differentiated. During an ice storm, many trees suffer and even die, but the forest survives without a major problem. CMHC's role, therefore, is to provide the necessary governance to bring the organizations participating in VaLoCom together within a program.

Concretely, this CMHC intervention should take two specific forms, corresponding to its expertise and resources. The actions reserved for CMHC under this program cannot be assumed, in our opinion, by any other Canada-wide organization.

Give access to capital through a bond fund

CMHC is recognized for the quality of its bonds. By using its capacity to mobilize funds on the markets at low cost, CMHC is able to make the necessary capital available for the VaLoCom program at extremely competitive rates, in fact, probably lower than the 3% rate used as an assumption in this text. The bonds would be backed by the real estate and financial assets of the housing NPOs. By limiting the mortgage loans to 50% of the value of the properties, the guarantee level is extremely high and makes it possible to consider the bonds backed by these assets as very solid financially. This justifies very low interest rates.

Act as the overall guarantor of the program

The other key role CMHC could play in this program is to assure the responsibility of overall guarantor of the program and its yield. The objective of an average yield of 5% per year is not far-fetched; in fact, it is fairly conservative. But this yield is an annualized average result. In practice, the VaLoCom program's investment portfolio, like all other investment portfolios, will have some very profitable years and other years of losses that are sometimes considerable.

It would be irresponsible for NPO managers to put their real estate assets at risk in an approach that exposes them directly to variations of this kind. However, CMHC has the financial depth and the necessary means to deal with these variations. This is what we ask it to do.

Plainly speaking, CMHC could guarantee to the groups participating in the VaLoCom program that, at the end of the 15-year cycle, they will receive the yield expected by the program, if they have made the planned capital contributions.

Since the assumptions retained for the program are very modest, the probabilities are strong that, in the final analysis, CMHC will not have to disburse anything to allow the NPOs to have access to this capital and these yields. Perhaps some cycles will perform less well, but it is also very reasonable to anticipate that other cycles will exceed the objectives. In the program as a whole, CMHC would therefore play a facilitating and stabilizing role. In fact, it can even be foreseen that CMHC will generate profits from the operation, because the VaLoCom portfolio's projected 5% yield is conservative.

CMHC’s Partners in VaLoCom

As essential as CMHC’s participation in the VaLoCom program may be, the RQOH believes it probably would be more effective for CMHC to establish partnerships for its implementation. On reflection, it is possible to share these strategic partnerships in three distinct categories, each of these partnerships being established with stakeholders credible and experienced in their specific fields of expertise.

Monitoring of compliance with the agreement, the good management of the project and the good condition of the building

The program as a whole seeks to support the rehabilitation of buildings, and the program’s financial structure is largely based on the guarantee of assets offered by the program. Consequently, it is indispensable to establish an agreement between CMHC and the partner group on the responsibilities of the parties to guarantee VaLoCom’s success.

First of all, it is appropriate to ensure that the project’s partner organization has a good financial position, sound management practices and an offering of services to vulnerable populations. It is therefore normal for the group benefiting from the program to account for these three aspects of its situation.

The building must also be in satisfactory condition and be maintained appropriately. Sound maintenance practices must be in place.

Finally, the building covered by the program must be suitably insured to guarantee both the repayment of the loan and the reconstruction of the building in case of a disaster.

At the Quebec level, the RQOH believes it is CMHC’s ideal partner for the NPOs in relation to these three issues. Distinct proposals will be submitted to CMHC at the appropriate time if CMHC decides to pursue the dialogue and reflection needed to develop the program.

In the other provinces and territories, we know that organizations similar to the RQOH would be interested in assuming the same type of responsibilities.

Loan management

CMHC will probably want to make an agreement with an intermediary for this aspect of the work. This is not a value-added issue. It is simply to ensure strict and rigorous accounting and administrative monitoring. All Canadian banking institutions will probably be interested in playing this role, as well as several management and accounting firms (such as Deloitte, KPMG, etc.).

A tendering process should allow for the identification of the best partner for this aspect of the work to be accomplished.

Management of the VaLoCom Investment Fund

Once again, many well-established stakeholders could be tempted by the prospect of playing the role of manager of a large-scale investment fund for several years. After all, in Quebec alone, 22,000 VaLoCom housing units represent a potential combined portfolio of nearly three quarters of a billion dollars. Across Canada, the amount can thus be valued at three billion dollars. If the program were extended to other tenures, including housing co-operatives, the portfolio quickly would reach six billion dollars.

As a precondition, a well-established public institution with the necessary expertise and resources seems to be an interesting channel to explore for this aspect of the program. The Canada Pension Plan Investment Board and the Caisse de dépôt et placement du Québec meet these criteria. Other major funds, such as Encasa, Teacher's or the Solidarity fund of the Fédération des travailleurs et travailleuses du Québec (FTQ), could also be interesting interlocutors, given their ties with the social movements to which community housing belongs. Obviously, other financial enterprises, unrelated to social movements or government, would also certainly be willing to offer their services.

Once again, it probably would be relevant to make the decision after a tendering process.

Conclusion

The federal government has made serious investments in the development of a large community housing stock intended for society's most vulnerable and fragile groups.

These investments have proved very productive from a social and financial point of view. But the socioeconomic characteristics of the tenants of these properties mean that, in the final analysis, it will always be extremely risky to expect these properties to be managed only according to the rules of the private real estate market.

This does not mean that the State perpetually has to assume new investments simply to maintain in good condition the buildings that it helped to build. Now that the development costs have been repaid to the creditors, it is possible to make creative use of the imposing value represented by community housing's real estate assets to achieve this purpose.

For the past 25, 40 and 50 years, community housing managers have proved that, with a minimum of guidance and training, they are able to manage these properties responsibly and make them social development tools for the tenants who live there and their host communities.

The end of the agreements means that we are now moving into a new phase in the life cycle of these buildings. New tools therefore must be developed, adapted to this new reality. The VaLoCom program tends toward this goal.

By relying on its own strengths and those of the different stakeholders active in the community housing sector, CMHC, through an intervention that should prove inexpensive, can play a central role for the sustainability of existing social housing.

Obviously, the project presented is a summary outline. The technical means available to the RQOH do not allow it, on its own, to conduct the major econometric studies necessary to define such a program completely. Nonetheless, the RQOH sincerely believes that CMHC and the federal government should explore this perspective further. We are enthusiastic at the idea of being associated with this process and with the eventual implementation of the program that would result from this work.

RÉSEAU QUÉBÉCOIS DES OSBL D'HABITATION

50,000 housing units

1,200 organizations

8 regional federations

1 solidarity network

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