Centretown Citizens Ottawa Corporation

415 Gilmour St., Suite 200, Ottawa ON K2P 2M8
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MINUTES FOR THE JOINT RENTAL-FINANCE COMMITTEE
MEETING OF JULY 18, 2024 7:00-9:00 p.m.
Microsoft Teams (online)

Chair: Chris Yordy
Present: David Boushey, Liz Allan, Teresa Schoembs, Janoah Willsie, Kerry Beckett, Gil Miranda, Olu Ademeso, Cynara Desbarats, Mitchell Cogan, Nnamdi Anyene, Sulaina Bonaban
Regrets: Cassandra Morton, Rod Manchee, Andrew McNeill, Court Miller, Anna Froehlich, Micah Melnyk, Dougald Brown, Helena Brown
Staff: Maryse Martin (Director of Finance), Fran Childs (Director of Rentals), Arianne Charlebois (Staff Recorder), Linda Camilleri (Staff Recorder)
Guests: Neto Momah (2nd meeting)

Motions for Board Approval

CCOC Motions for Board Approval

MOTION: That the proposed 2025 turnover rents be recommended for approval by the Board of Directors.

(M/S/C, Gil Miranda/Olu Ademeso)

MOTION: To recommend that CCOC increase current tenants' rents by the Rent Review Guideline of 2.5% in 2025.

(M/S/C, Kerry Beckett/Cynara Desbarats)

MOTION: To recommend a parking increase of $5 in 2025 for CCOC, excluding Beaver Barracks.

(M/S/C, Kerry Beckett/Liz Allan)

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1. **Call to order:** 7:03pm
   Anti-oppression statement: The Anti-Oppression statement was read.

2. **Adoption of the agenda**
   - The agenda was adopted as presented.

     (M/S/C, Nnamdi Anyene/Gil Miranda)
   - Gil Miranda was selected as timekeeper

3. **Context setting: Terminology and Concepts**

- CCOC's mission is to create, maintain, and promote housing for low-and moderate-income people. Our market rents are not expected to be affordable to households with very low income (less than $20K).
- If households paying market rent have a change in circumstances that make their rent a challenge, they can apply to the Registry to be eligible for a subsidy.
- Rent subsidies vary in depth of affordability.
- Turnover rents apply to new tenants moving in during 2025. In the past we aimed to have our turnover rents near 95% of zone average market rents (AMR). This year, we're targeting turnover rents to the city-wide AMR to simplify operations and to protect against the volatility of zone rents.
- Rent increases for existing tenants apply to every tenant at their annual lease renewal in 2025. For tenants with RGI rent subsidies this would not affect what they pay, but would affect the amount of subsidy payments we receive if it's a fully-funded subsidy.
- The Rent Review Guideline set by the province of Ontario is 2.5% for 2025. As a non-profit housing provider, we are exempt from the guideline. In the past several years we've chosen to followed this guideline. Whether or not we continue to do so is a strategic discussion CCOC needs to have. The guideline is not keeping pace with inflation.
- Rent increases impact our subsidy revenue for 2/4 types of subsidies:
  - Portable housing benefits (34 units currently or 2% of total): CCOC receives the full market rent. Rent increases increase CCOC's revenue.
  - Rent Supplement (229 units currently or 13.8% of total): CCOC receives the full market rent. Rent increases increase CCOC's revenue.
  - Provincial subsidies (595 units target or 36% of total): CCOC receives a top-up to the "benchmark rent" which is set by the city. The benchmark rent increases each year but has not kept up with actual market rents. Rent increases do not increase CCOC's revenue. These properties' operating agreements are starting to expire and CCOC will begin negotiating new subsidy levels with the city in 2025. The properties will be

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coming off their operating agreements at different times over the next several years.
    - Internal subsidies (142 units currently or 8.6% of total): CCOC receives the amount paid by the tenant and fully funds the subsidy. Rent increases do not increase CCOC's revenue. These subsidies are a mix of BMR (below market rent) subsidies, the legacy subsidies for some properties that have come off their operating agreements, and a small number of subsidies that have been traditionally funded by CCOC.
    - Therefore, rent increases only affect revenue on 55% of our units overall, including market rent units.
- Members asked about different options that we could pursue as the Provincial property operating agreements end, including negotiating new levels of subsidies and telling the city that we will have to switch subsidized units to market rent if those subsidies don't increase. We have brought these up with the city in our preliminary discussions and plan to continue with these strategies among others.
- A member asked if we can sell one or two of the three properties slated for redevelopment. All options are on the table and this is something we're considering. Carruthers and Armstrong just received funding from the City for the redevelopment.

4. Context setting: Financial Picture

- 2023 Financial snapshot
    - Revenue of $24M, and operating expenses of $25M
    - Rent paid by tenants represents 61% of revenue. Rent and operating subsidies represent 29% of revenue. Financing subsidies represent 3% of revenue. The remaining 7% of revenue is made up of other revenue streams like parking, Beaver Barracks utility cost recovery and laundry revenue.
    - Rent subsidies to tenants were $7.9M of which $5.8M were funded by the City. This means CCOC funded $2.1M of subsidies through its operating surplus ($1.4M of subsidies not recouped on the Provincial portfolio and $0.7M of internal subsidies).
    - Mortgage, payroll, and maintenance costs are the largest contributors to operating expenses (74% combined of total).
    - The total capital expenditure in 2023 was $5.8M, of which $1.5M was funded through grants.
- Long-term planning considerations include:
    - Costs growing faster than revenues. At status quo, there won't be enough surplus to pay for capital repairs by 2037. To address this, we're looking at multiple avenues: operational efficiencies, unit mix (% of market rent, depth of affordability), rent levels, new service agreements upon end of operating agreements, and additional revenue streams.

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- Inadequate reserves for various corporate needs (operations, development opportunities, etc.). We need to be intentional about building up reserves to sustain operations and also be in position to seize growth opportunities.
- Increasing capital needs as our properties age. We've identified $90M in repair needs over 2023-2033. Our current operating model can only afford $49M (54%). A strategic review of the portfolio, focused on sustainability and growth, is required. The future portfolio might look different: more units and less buildings.
  We are also exploring innovative capital solutions like accessing funds from social impact investors that want to do good in the community.

5. Proposed turnover rents for 2025

- Turnover rents were increased by about 4% over 2024 turnover rents in almost all cases, while staying below city-wide AMR and above whatever the current highest market rent is at the building for that size of apartment.
- On average, CCOC rents are discounted about 15-20% compared to average market rents.
- Also looking at the HART methodology, based on 2021 census data, the majority of our rents are still serving households with low and moderate income (from $20K-80K) as per our mission.
- A member asked whether any rents increased by more than 4%. A few of our properties are in less central zones that had much lower average zone rents. Now that we're targeting city-wide AMR, those units are increasing by more than 4%.
- A member asked why the ages of the buildings don't come into play in rent setting. This does factor into desirability/rentability which impacts the rents that are set.

MOTION: That the proposed 2025 turnover rents be recommended for approval by the Board of Directors.

(M/S/C, Gil Miranda/Olu Ademeso)

6. Rent increases for current tenants in 2025

- Our proposal is to follow the guideline for 2025 (2.5% increase) but to have deeper discussions before next year's rent setting meeting.
- Whether or not we continue to increase rents based on the guideline is a strategic discussion that CCOC will have in the coming year. As discussed earlier, the guideline doesn't keep pace with inflation and this puts the viability of the organization at risk. We need significant resources to run operations and keep the buildings in good conditions.

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MOTION: To recommend that CCOC increase current tenants' rents by the Rent Review Guideline of 2.5% in 2025.

(M/S/C, Kerry Beckett/Cynara Desbarats)

7. **Parking increases for 2025**
   - CCOC's parking fees are low compared to privately-owned lots.
   - There were many years where there were not parking increases.
   - Revenues for parking are more than $640,000 per year.
   - Parking is separate from rent. It is not quoted on CCOC's lease and anyone renting parking signs a separate parking agreement. Parking is not governed by the Residential Tenancies Act.
   - Staff presented 3 possible options: a 5% increase, a $5 increase, and a $10 increase. Staff recommend that we opt for the $5 increase again this year, and that we do not increase rates at Beaver Barracks.
   - Parking at Beaver Barracks is still $25 per month higher than all other properties, so we haven't increased them all yet. They also have some of the highest rents and the highest utility costs.
   - A member asked if it's possible to increase the category "secured garage" parking by $10 and other spots by $5.
   - Staff explained that the "secure garage" parking is typically covered surface parking with a gate, and that we've had security issues with these gates. There may not be enough difference from the other parking categories to justify the extra increase.
   - Another member supported the plan of increasing all spots by $10.
   - Several other members supported the plan to increase all spots by $5.
   - Another member asked why 2/3 proposals were for dollar amounts rather than percentages. This is just to keep the parking rates at round numbers.
   - Members agreed that rates at Beaver Barracks shouldn't increase this year.
   - For next year, staff want to make a broad proposal to simplify parking rates to 3 rates (indoor, covered, uncovered) instead of about 15 different rates. We want to bring all properties in line with the rates at Beaver Barracks by 2026 or 2027. The committees liked this idea.

MOTION: To recommend a parking increase of $5 in 2025 for CCOC, excluding Beaver Barracks.

(M/S/C, Kerry Beckett/Liz Allan)

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8. Meeting follow up

a. What decisions or comments do you need from the board?
- See motions above

9. Adjournment: 8:25 p.m. (M/C, Gil Miranda)