

October 15, 2018

Asset Sales

Manitoba Housing Renewal Corporation

S.A.M. Management

Winnipeg Housing Rehabilitation Corporation

How We Arrived Here

- “What We Heard” from Provincial Housing Strategy Consultations:
 - Access to social housing through Manitoba Housing or a non-profit housing provider is a valuable community asset.
 - Desire among stakeholders for ongoing collaboration with governments on housing-related issues.
 - Some communities and housing providers believe they have the capacity to deliver housing programs that can better meet local needs.
 - Housing initiatives should build capacity within community-based organizations poised to take on more housing delivery responsibility.
 - Local non-profit organizations called for greater control and coordination of social housing thorough municipal or local housing authorities.
- This work is accomplished within the context of Community-Based Delivery.
- It began with transferring management in the Winkler demonstration.
- Evolved to the selling 5 assets demonstration.

What We Heard

from Manitoba Housing's
Public Consultations

Informing a “Made in Manitoba” Provincial Housing Strategy

The Why

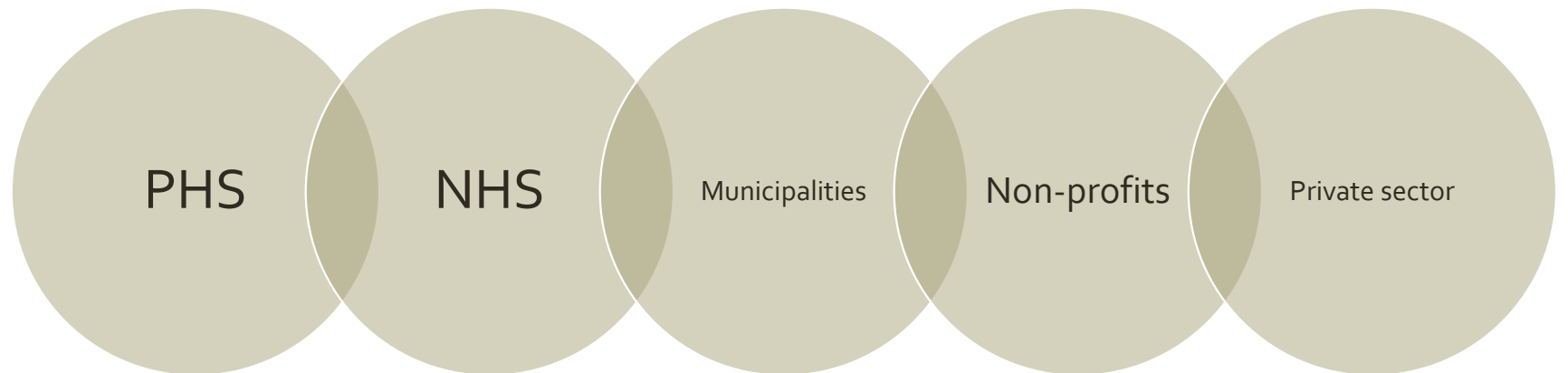
Manitoba Housing

- Engagement with the non-profit and private sectors is critical to strengthening the housing sector.
- The sale of assets to non-profit groups supports greater community capacity to provide improved program delivery and client services.
- Manitoba Housing wants to continue to build the capacity of the non-profit and private housing sectors.
- Local housing providers often have a better understanding of local needs and resources.
- Ownership of assets may place non-profit organizations in a better position to access federal funding, once it is available.
- Asset ownership can increase financial opportunities and sustainability for non-profit housing providers.
- As we develop the Provincial Housing Strategy, which focuses on community-based delivery, asset ownership will increase financial opportunities and sustainability for non-profit housing providers. The initiative allows non-profits to utilize the building equity towards renovation or new construction.

Promote long-term sustainability of social and affordable housing

Only by working in partnership can we collectively respond to the needs of Manitobans of all ages and assist them to enhance their personal opportunities.

Today, we have a unique opportunity to bring together all levels of government, as well as the non-profit and private sectors, to ensure the housing needs of Manitobans are being met.



The Why

S.A.M. and WHRC

- To have control over the asset assures the board the housing will remain for those that need it most. Tenants will not be displaced.
- To set the groundwork for other non-profits to have the opportunity to own assets from the Province.
- To use the asset in the future to expand the mission of the organization.
- Having more control over the budget and decisions on spending. We can better plan for future replacement items. Not dependent on when Government has funding to complete.
- Control over day to day operations allows the non-profit more flexibility. We don't have to wait for approvals. We can be more nimble in our decision making process.

What criteria is Manitoba Housing looking for?

- Organizational mandate and vision
- Organizational capacity
- Board governance
- Financial capacity to borrow
- Project management capacity for repairs
- Sector amalgamation



The Pilot Project

- Being part of a pilot project meant a lot of negotiations. MHRC, SAM, WHRC worked cooperatively to achieve the outcome.
- Both SAM & WHRC knew we weren't just representing our organizations but ensuring success for future groups
- The agreement had to work for the non-profit boards and for the Province to commit to the agreements and financing
- All three organizations knew our outcome was to solidify an agreement and template that would be acceptable to future groups.

The Process / The Agreement

- It was a very intense and time consuming process to go through for the first time. Our deadline to complete the process by end of March was fast approaching and we did not complete till April. Set deadline for closing and work backwards to have ample time.
- Critical to this process is first having the Board of Directors approving the purchase and how they will be involved.
 - Resolutions required for financing approvals, decisions, signing authority for agreements, etc. Have a clear understanding of boards role and Executive Directors/Management roles and responsibilities.
- There are numerous “due diligence” items that need time to be completed. The Lawyers provided a list of items. Some searches take time to do such as environmental. Start process early.

The Process / The Agreement

- Need to have strong leadership to complete the process
- Will require providing a lot of administrative support. Need to provide applications for financing, insurance applications, instructions to Lawyer, keeping boards updated, etc.
- Having a timeline to complete the necessary process and understanding what is required when
- Understanding deadlines and how the different processes will need completion. Example: Financing subject to finalizing agreement by specific date. Need to understand there may be tight deadlines for completion of items
- Understanding your corporate structure. What corporation is purchasing the assets. Charity, non-profit, set up new corporation

The Process / The Agreement

- Other items to work through;
 - Financing – securing finances, other properties in corporation to consider, security, resolutions, approvals and documentation requirements, asbestos and environmental reports, etc.
 - Understand the operating agreement and other agreements that will need to be finalized
 - By-laws and corporate documents in order
 - Capital items that need to be considered with financing
 - Agreements in place such as rooftop leases, transfer of maintenance and warranty agreements, elevator contract
 - Insurance on property
 - Residential Tenancies Branch and confirming rent and rent structure
 - Communication with staff and tenants
 - Property taxes and any appeals in process

What We Agreed To

- 25% discount
- 10 year assessment of building capital needs
- 25 year operating subsidy
- Flexibility to alter unit mix



What We Learned

- Board of Directors and Executive Director/Management to understand process, approvals and workload of getting completed
- Planning in advance with a clear checklist will assist on getting all the approvals and legal items go smoothly. Should be a 8 month+ process to complete.
- You really need to allow time to complete due diligence
 - Corporate documents,
 - by-laws,
 - signing authorities,
 - violation compliance,
 - registrations,
 - tenant communication, etc.

The Next Steps / Looking Forward

- Development of a roadmap for projects to follow will make the process much easier and not rushed.
- Sharing experiences making it easier for others to go through

Alignment with the Federal Co- Investment Fund

- Experience with recent funding has indicated that the federal government may prefer to deal with housing providers directly.
- Manitoba Housing believes that ownership of assets will place the non-profit organizations in a better position to access federal funding when it is available.
- The discount sales price could represent provincial contribution.
- Instead of depending on a financial institution, a combination of grants and loans could be leveraged from the Co-Investment Fund to complete repairs.



Grant, 15%

Private
Sector



Grant, 30%

Provincial &
Municipal



Grant, 40%

Co-op, Non-profit,
Indigenous



Loan, 75%

Provincial &
Municipal,



Loan, 95%

Co-op, Non-profit,
Indigenous

Questions?

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