

Co-op Toolbox - Part 2: Arrears and vacancies

Members' arrears (money members owe to the co-op)

The challenge for housing co-ops is this: how to run a good business that does not allow arrears to become a problem, and at the same time support members who have financial problems.

Two or three situations with high arrears and slow eviction processes can cost a co-op a lot of money that it may never be able to collect. This is why the board needs to review an up-to-date arrears report every month.

The arrears report should answer these questions.

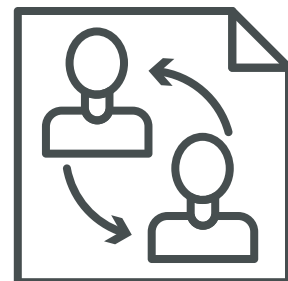
- How many members paid late this month?
- How many members are in arrears on the date of the report?
- What is the total amount owing?
- How many of these members have signed a payment agreement?
- How many members have moved out owing money to the co-op? Will the co-op be able to collect these debts?



Many co-ops use a coding system so that the board does not know the names of the members in arrears. This helps to keep confidentiality. Of course, if the board decides that a situation is serious enough to talk to a member directly, the whole board will know who that person is.

Your co-op must have an occupancy bylaw that includes arrears management and/or an arrears bylaw approved by two-thirds of the members. The board approves procedures that ensure member arrears are dealt with quickly and fairly. These tools should help the co-op to

- receive all payments for that month, or
- have a written payment agreement for the amount the member cannot pay, or
- begin the process of evicting the member.



This may seem harsh. But it will not be any easier if the debt grows to two months' housing charge. There are two aspects to controlling arrears: preventing arrears and controlling arrears once they have built up.

Your co-op can also suggest members in arrears to seek support from organizations that provide credit counselling. Members may also be eligible to receive financial assistance from rent banks and/or homelessness prevention programs located in their respective municipality.

A final note: Board members can help set a 'no arrears' culture by paying housing charges in full and on time. Most co-ops have a by-law (rule) that deals with directors in arrears. They usually require directors in arrears to resign.

Vacancies (co-op units that are unoccupied)

Vacancies can put your co-op out of business. That is because the co-op can never recover money lost because of vacant units. You need to do everything you can to keep vacancies down.

Your financial statements should show vacancy loss as a separate line.

You should also receive a regular vacancy report. It should answer these questions.

- How many units are empty?
- What types or sizes are they?
- How long has each unit been empty?
- Why is each empty?
- What is the co-op doing to fill vacant units?

A marketing plan can help your co-op to

- Advertise effectively to increase the number of applicants
- Ensure a smooth transition from move-outs to move-ins
- Increase the co-op's profile in the larger community
- Reduce the time vacant units are unoccupied

Tips to consider when drafting a marketing plan – identify:

- target market – the people who might like to live in your co-op
- benefits of your co-op (e.g. location, community control, family-friendly)
- areas of improvement (e.g. repair playground equipment or cut grass regularly)
- marketing goals (e.g. we will reduce our vacancy loss by 50% in the next fiscal year.)
- action plan to maintain the external waitlist
- action plan to prepare a unit for turnover

