Agenda – Council – November 25, 2021

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – November 10, 2021

Item No. 17 Amendment to the Management Agreement with Winnipeg Housing Rehabilitation Corporation

STANDING COMMITTEE RECOMMENDATION:

On November 17, 2021, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development and submitted the following to Council:

1. That the Director of the Planning, Property and Development Department be authorized to amend the Management Agreement entered into on January 1, 2005, between the City and Winnipeg Housing and Rehabilitation Corporation, by increasing the management fee from $50.00 per unit/per month to $60.00 per unit/per month (plus annual increases at the rate of inflation as measured by the Consumer Price Index).

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report – Standing Policy Committee on Property and Development, Heritage and Downtown Development – November 10, 2021

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 17, 2021, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Property and Development, Heritage and Downtown Development and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On November 10, 2021, the Standing Policy Committee on Property and Development, Heritage and Downtown Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Amendment to the Management Agreement with Winnipeg Housing Rehabilitation Corporation

Critical Path: Standing Policy Committee on Property and Development, Heritage and Downtown Development

AUTHORIZATION

Author	Department Head	CFO	CAO
M. Pittet	J. Kiernan	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

Since 1998, the City has utilized Winnipeg Housing Rehabilitation Corporation ("WHRC") as its rental property manager for the City-owned residential dwellings. WHRC provides full property management services at a cost of $50 per unit/per month. The management fee has remained unchanged since 2013 and WHRC has requested a fee increase to $60 per unit/per month plus an annual adjustment based on the Consumer Price Index. The requested increase is in line with the market.

The Public Service supports the management fee increase as WHRC is an excellent property manager for the City's diverse and constantly changing rental portfolio. The effect of the increased management fee, assuming no increase to rental rates charged, will be a reduction to net revenues remitted by WHRC to the City therefore no budget adjustment is required.

RECOMMENDATIONS

1. That the Director of the Planning, Property and Development Department be authorized to amend the Management Agreement entered into on January 1, 2005, between the City and Winnipeg Housing and Rehabilitation Corporation, by increasing the management fee from $50.00 per unit/per month to $60.00 per unit/per month (plus annual increases at the rate of inflation as measured by the Consumer Price Index).

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing

REASON FOR THE REPORT

In accordance with the Real Estate Policy Framework, adopted by Council on September 29, 2021, the Standing Policy Committee on Property and Development, Heritage and Downtown Development is required to approve management agreements for the City's rental portfolio.

IMPLICATIONS OF THE RECOMMENDATIONS

The City's residential rental portfolio is constantly changing due to tax sale acquisitions and subsequent sales. In 2019 and 2020, the City paid approximately $31,000 in management fees per year (or the equivalent of roughly 52 managed units). The proposed $10 per unit/per month increase will result in $6,000 of additional management fees.

Even though a management fee increase is proposed, utilizing WHRC as the City's residential property manager remains the most cost-effective method to manage the portfolio. WHRC has significant market knowledge and is able to provide management services for less than the cost of adding an FTE.

HISTORY/DISCUSSION

On May 27, 1998, Council authorized the Public Service to enter into an agreement with WHRC for management of the City's residential rental portfolio.

On July 1, 1998, the City entered into a three-year Management Agreement with WHRC, in which WHRC charged $35.00 per unit/per month for their services.

On February 27, 2002, Council authorized the Public Service to enter into an annual continuing Management Agreement with WHRC, consistent with the terms of the former three-year agreement. The revised Management Agreement was executed on January 1, 2005.

The 2005 Management Agreement requires WHRC to collect rent, pay expenses, purchase supplies, deal with inquiries, maintain financial records, conduct inspections and effectively do all things necessary to manage a rental portfolio.

On July 6, 2012, WHRC requested an increase of their management fee from $35.00 per unit/per month to $50.00 per unit/per month. The Public Service supported the increase and Council approved the amendment on March 20, 2013. The Amending Agreement was executed on June 19, 2013.

In 2021, WHRC requested another increase to their management fee, suggesting a revised rate of $60 per unit/per month plus an inflationary increase tied to the Consumer Price Index.
In an effort to confirm the appropriateness of the recommended increase, the Public Service conducted an informal survey of market-based management fees. Management fees typically fluctuate due to portfolio size (or complexity) and are often based on a percentage of rent, usually around 10%. Applying a 10% fee to the City's rentals would yield a fee of anywhere from $55 to $150 per unit/per month. The proposed fee of $60/per unit/per door falls in line with the market range estimate.

The Public Service supports the management fee increase as WHRC is an excellent property manager for the City's diverse and constantly changing rental portfolio.

The effect of the increased management fee, assuming no increase to rental rates charged, will be a reduction to net revenues remitted by WHRC to the City therefore no budget adjustment is required.

FINANCIAL IMPACT

Financial Impact Statement

Date: October 12, 2021

Project Name:

First Year of Program 2022

Amendment to the Management Agreement with Winnipeg Housing Rehabilitation Corporation

	2022	2023	2024	2025	2026
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 6,000	$ 6,120	$ 6,242	$ 6,367	$ 6,495
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 6,000	$ 6,120	$ 6,242	$ 6,367	$ 6,495
Less: Existing Budget Amounts	6,000	6,120	6,242	6,367	6,495
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Direct costs represent the estimated increased in management fees payable to WHRC assumed to be effective Jan. 1, 2022 and to remain constant, increasing only by an assumed annual CPI rate of 2%. The effect of the increased management fee, assuming no increase to rental rates charged, will be a reduction to net revenues remitted by WHRC to the City. **No budget adjustment is required.**

Mike McGinn Oct. 12, 2021

Mike McGinn, CPA , CA
Manager of Finance

CONSULTATION

This Report has been prepared in consultation with:

Legal Services (as to legal issues)

OURWINNIPEG POLICY ALIGNMENT

01-4 Housing

Direction 1: Support diverse housing options in each neighbourhood or neighbourhood cluster throughout the city.

Direction 2: Collaborate with other levels of government and other partners to renew and regenerate Winnipeg's housing stock.

Direction 3: Establish partnerships with the private, not-for-profit and government sectors to provide affordable housing throughout the city, with a particular focus on locations near a variety of transportation options.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

6.1 Reduce Consumption and Increase Waste Diversion from Residential, Commercial and Industry

The rental of homes acquired through tax sale ensures the buildings remain a productive use.

SUBMITTED BY

Department: Planning, Property and Development
Division: Real Estate and Land Development
Prepared by: Gord Chappell, Real Estate Administrator
Date: October 13, 2021
File No: 4225 C10 (V2)