



CANADA MORTGAGE AND HOUSING CORPORATION

ABOUT YOUR GOVERNANCE

Developing a Management Plan

A management plan is a detailed operating plan designed to achieve the objectives of the non-profit or co-operative. These objectives can be as basic as sticking to the operating budget or as complex as carrying out major renovations or addressing a change in management style. By providing direction for the housing project, including how to maintain control of all financial and physical operations, the management plan establishes the path to success.

The group should not be intimidated by the prospect of developing a good management plan, although this can entail a substantial amount of work. Ideally, the preparation of a management plan will be a co-operative effort among the property manager, the Board of Directors, the staff and, in the case of cooperatives, the membership.

A management plan has several components:

- Data collection
- Goal statement
- Financial analysis
- Operating plan
- Budget
- Summary of recommendations and conclusions

Management Plan

- Data collection
- Goal statement
- Financial analysis
- Operating plan
- Budget
- Summary

Component I: Data collection

A typical management plan will include a description of the economic and demographic influences that the region and neighbourhood will exert on the housing project, as well as an analysis of the property itself.

A typical regional analysis includes examining such elements as the demand in the neighbourhood for the type of housing being offered and the demographics of the group being targeted by the project (such as families, seniors, persons with disabilities, etc.).

09-09-13



67922

The neighbourhood analysis will consider how the project itself will be influenced by the location of schools and shopping areas as well as the availability of public transportation.

Finally, the property will need to be analyzed in terms of favourable and unfavourable aspects of the building. This includes information such as age and appearance, necessary improvements, facilities and amenities, unit types, deferred maintenance and cost of repairs.

Component 2: Goal statement

A management plan can have one or more complementary goals, such as ensuring the continued availability of adequate and affordable housing for the client group or the long-term viability of the project. The project's goals determine whether a management plan is long term (generally five years or more) or short term (less than five years).

Short-term management plans normally aim to resolve, within a short period of time (typically one to three years), specific problems such as:

- a change in the sponsor's objective,
- insufficient funds for operations,
- insupportable operating costs, or
- the deteriorating physical condition of the building.

Component 3: Financial analysis

The next step in developing a management plan is to prepare a financial analysis of current operations and performance in a number of categories, the most important of which is a statement of revenue and expenditures during the past twelve months.

Revenue:

- Details of gross rents by unit and unit size
- Details of income from other sources
- Current vacancies and rent losses
- Calculation of full rent potential
- Details of each item of income explained

Expenditures:

- Details of regular recurring operating expenses
- Explanations of expense items
- Indication of whether particular expenditures are controllable or uncontrollable costs (with good management practices, expenses can be reduced or controlled in most areas)



Component 4: Operating plan

A draft operating plan can now be prepared based on the analysis of the data compiled. This plan should include:

- recommended repairs and capital replacements with cost estimates;
- details about correction of deferred maintenance;
- detailed explanations of proposed capital additions, property improvements, changes of use, etc.;
- detailed explanation of the proposed preventive maintenance plan;
- detailed explanation of the proposed capital replacement plan;
- recommended operating procedures;
- proposed contracts;

- proposed leasing program;
- staff requirements;
- income and expense goals;
- acceptable expense/income ratio; and
- timetable for implementation.

Component 5: Budget

The budget is a critical component of the plan, because it sets out what needs to be done and how these things can be achieved within the sponsor group's financial capabilities over the desired time frame.

The budget should estimate the expenditures that will be made during the operating years under study. It will be based on recommendations that have been made following the analysis of the different components of the management plan.

These include the objectives of the sponsor group, the analysis of the region, neighbourhood and property, and the financial performance of past and current operations.

The budget also must take into account the annual rent potential minus the amount of money lost during the year as a result of tenants moving in and out or simply because units are not rented. Losses resulting from bad debts must also be accounted for on the basis of past experience.

Note: As the budget is developed, it may be necessary to amend the operating plan depending on the availability of financial resources.

Component 6: Summary of recommendations and conclusions

The final step in preparing a management plan is to sum up the recommendations and conclusions in ways that demonstrate how these are supported by appropriate budget provisions and cash flows. The management plan will then be complete.

For more information, please visit CMHC's website at www.cmhc.ca/affordablehousing.