

Expiry of Operating Agreements Research Results:

Impacts on social housing

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Overview

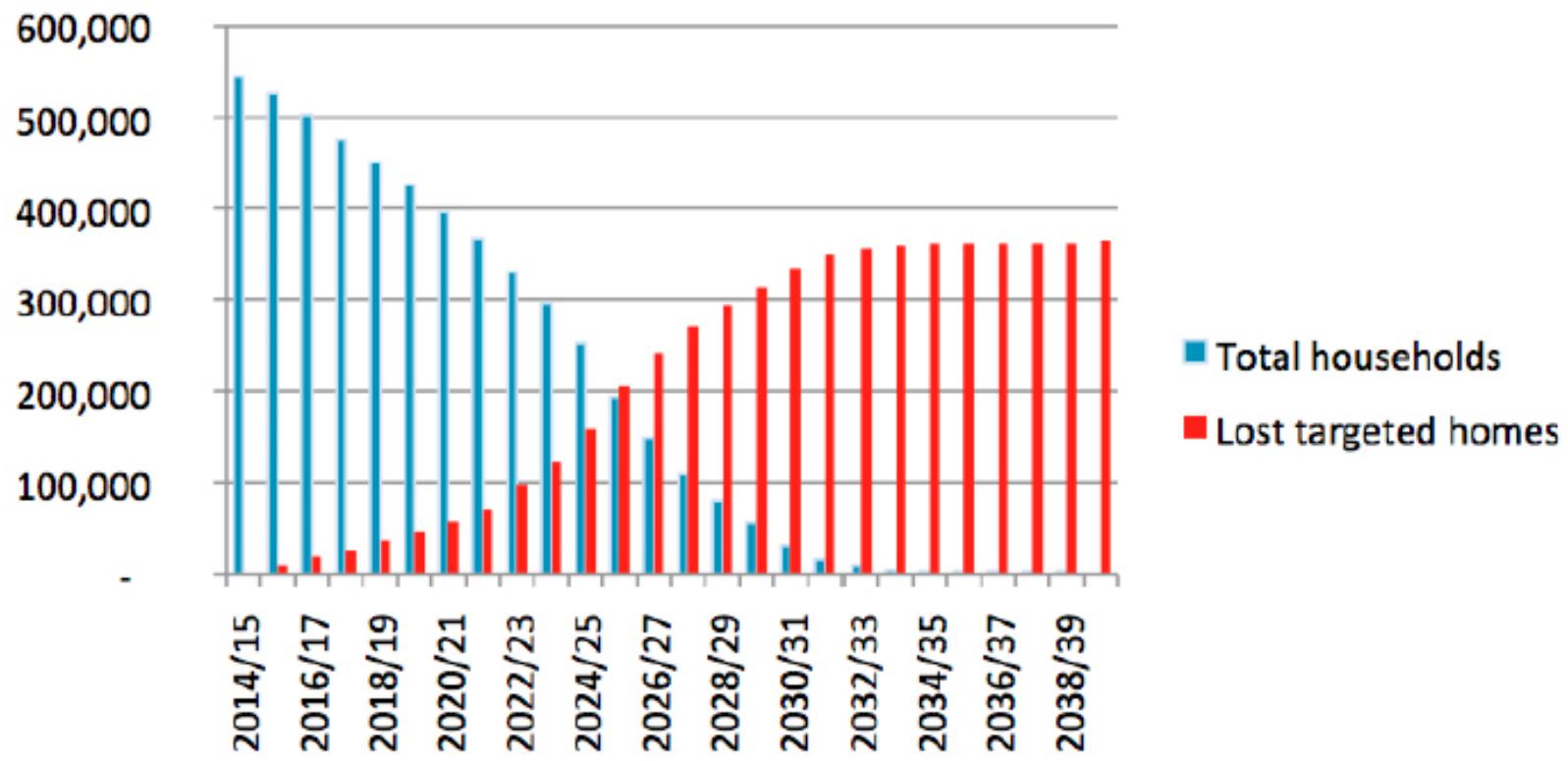
- Social housing in Canada
- The theory: social property
- Before and after: how providers are changing
- Opportunities and challenges
- Conclusions

Social Housing in Canada

- Public, nonprofit and non-equity cooperatives
- Funded by federal and provincial governments through social housing operating agreements
 - Assistance with mortgage payments
 - Rent Geared to Income (RGI) subsidies

Social Housing in Canada

Figure 2: Homes under operating agreements and loss of RGI 2014-2040¹³



Defining Social Property

- Property that has been removed from the market for a social purpose
- Three main characteristics:
 - Security
 - Affordability
 - Collectivity

Security

- Security of tenure
 - Household's ability to stay as long as they want
- Access
 - Ability to find housing that is appropriate for the household
- Community resilience
 - Housing that supports security for the wider community

Affordability

- Affordability
 - How affordable the housing is for the household
- Unearned increment (property value increase from external investment)
 - Benefits community, not individual
- Social limit on entrepreneurial interests
 - Limits on potential for speculation

Collectivity

- Organizational interconnection
 - Umbrella or collective administration
 - Public provision of services and subsidies
- Collective (i.e. non-individual) ownership
 - E.g. cooperatives
- Common system
 - Enabling access to the system that most of society functions on

Security

Before Expiry

- 35-50 year agreements provide stable funding and policies for providers and tenants

After Expiry

- No more safety net for providers; providers must become self-sufficient
- Often must raise rents and reduce subsidies
- More difficult for low-income households to find and keep housing

Affordability

Before Expiry

- Subsidies, including Rent-Geared-to-Income (RGI)
- Equity cannot be used

After Expiry

- No more government funding/subsidies
- Can refinance
- Nonprofits: can sell property for profit
- Cooperatives: if coop dissolves, property must go to another coop

Collectivity

Before Expiry

- Cooperatives make decisions collectively; nonprofits do not
- Funding for subsidies is gathered through taxes for the collective social safety net

After Expiry

- Cooperatives continue to make decisions collectively
- Funding for subsidies—where available—comes from other tenants, not from society at large

Opportunities

- Providers working together
- More creative, new ways to deliver affordable housing
 - *"I think we all sort of took responsibility for our future, we didn't take it for granted, and I think that was a good thing."*

Opportunities

- Increased independence and flexibility
 - *"They limited how much you could put into the replacement reserve because they wanted to control the rents. They didn't want you wasting money. And they had all these rules around how you could save, and what you could save, and what you could spend and how you spend it. You need three quotes for everything, and you need consultants involved, and everything has to be accountable."*

Opportunities

- Potential for expansion
- Option to use equity to remortgage, expand
 - *"You're not even really sure what you're able to do because you've never really done it. Like, what do you mean we can go out and get a mortgage, or, you mean we can do that, we don't have to get approvals and stuff? So I think it's that whole mindset about, yeah, we can do that, what else could we think about doing?"*

Opportunities and Challenges

- Opportunities for tenants are mixed
 - *"Overall there's a loss of social housing but the social housing that's left in their portfolio is healthier and more sustainable."*
 - *"I see opportunities for the organization, I don't see opportunities that would help the tenants. If I was to sell homes, the money that I would recover from those homes wouldn't be enough to build new homes to replace them... And I would probably end up with a mortgage on those properties, so rents would have to be charged to cover the mortgages."*

Challenges

- Lack of clarity of what will happen post-agreement
- Loss of operating and RGI subsidies
 - *“Once the agreement ends...we would probably lose somewhere in the neighborhood of \$40 to \$50,000 a year if we continued to operate in the way they are, and so we’ll need to look at some kind of market, median market rent/RGI mix, to keep the buildings going.”*

Challenges

- Setting a new rent structure
 - Minimum rents
 - E.g. EIA housing charge + RentAssist
 - Internal subsidies
 - Subsidies created by other tenants slightly more
 - Offering discounted rents
 - E.g. Registering the rents at \$800/mo, but discounting the rents to \$600/mo

Challenges

- Renovations and reserves
 - *\$300 per unit per year, not enough. And ... all the ones that I met through Manitoba Nonprofit [Housing Association] with those earlier agreements, are all in the same boat. None of them have [enough in the reserve]—and elevators, just one elevator renovation is somewhere between 250 and 400 thousand. And many sites don't even have that in their replacement reserve.*

Conclusions

- All of these opportunities and challenges are pushing housing providers to change how they operate
- Social housing is moving towards the private property end of the spectrum, but isn't there yet
 - Subsidies decreasing; rents increasing
 - More potential for refinancing with private capital
 - Internal subsidies, not collective safety net

Thank you!

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Discussion Questions

- Are there other opportunities or challenges? Does this reflect your organization's experience?
- How do you see security, affordability, and/or collectivity changing with the end of operating agreements?
- Is social property a helpful way to think about social and affordable housing? Why or why not? Is this changing with time (e.g. maybe it used to be but no longer is)?
- How does this connect with the National Housing Strategy?