Using Post 1985 expiry to transform the community housing sector in Manitoba

Presentation to MNPHA

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Purpose of research

- To analyse impacts of expiring federal subsidy in post 85 Non-profit portfolio
- Identify possible options to address any negative impacts
- Produce assessment and recommendations that may require transformation in how providers operate (a more entrepreneurial social enterprise approach)

Methodology

- Sample of 49 projects (62% of projects/64% of units).
- Used the CHRA/MNPHA Simplified Assessment Tool; (SAM) to assess each project
- Two tests: operating viability and adequacy of reserves

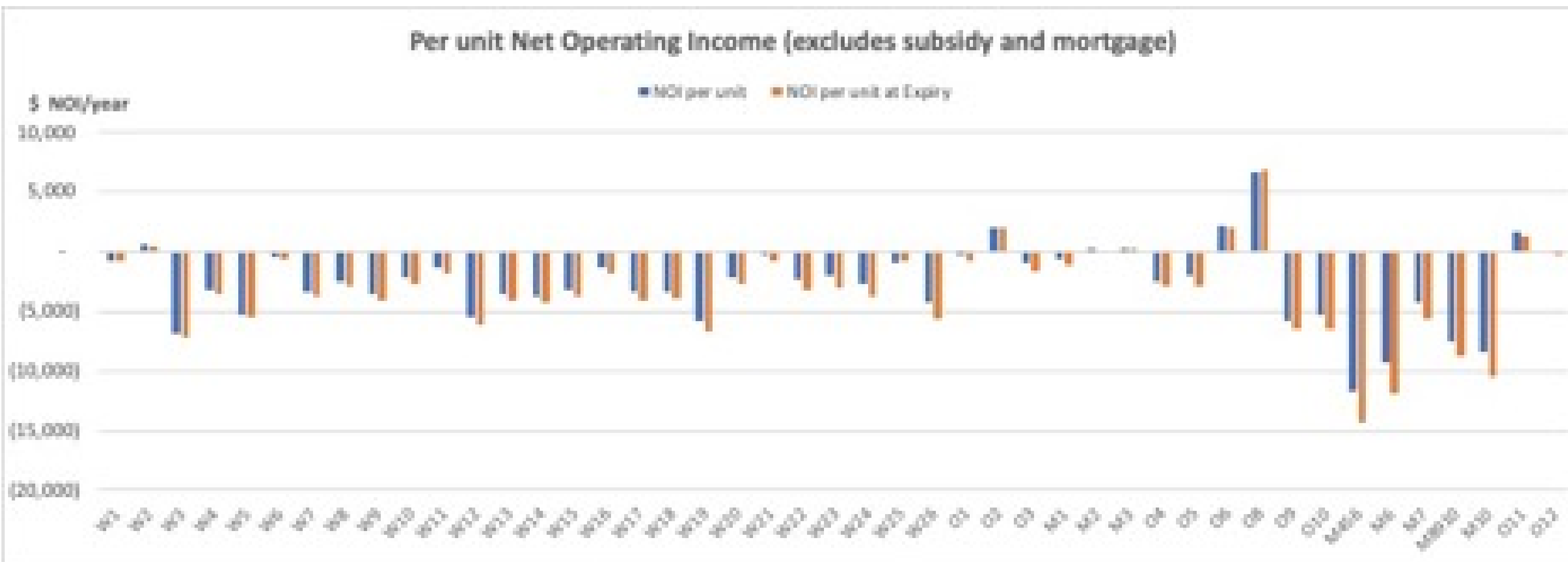
Assessment output		
Overall Assessment Matrix		
	Capital reserves	
	Sufficient	**Insufficient**
Positive NOI	(1) Project is viable, can maintain current RGI market mix and has sufficient capital reserve	(2) Project generates a cash flow surplus, but asset is under-maintained.
Negative NOI	(3) Project is not viable but has good reserves	(4) The project is not viable and replacement reserve is insufficient. Project is at risk

Key features of Post 85

- Unliked Pre 85, mixed income where subsidy formula results in mortgage payment greater than subsidy; in post 85 returned to 100% targeted and subsidy greater than mortgage
- So more likely to be non-viable (vs pre 86)

1986+35 = 2021 so just commencing

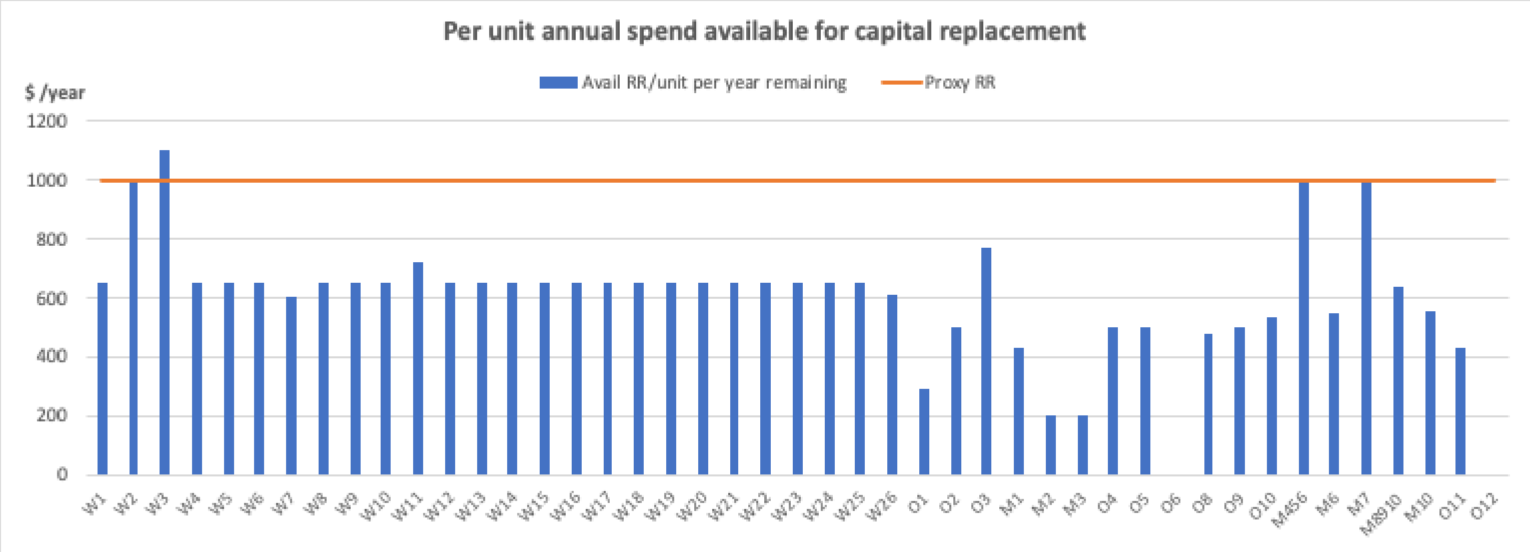
43/49 non-viable at expiry
Ave shortfall = $2,081 per unit ($173/month)

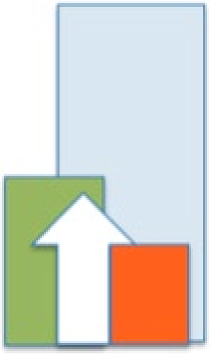


5 viable, but unique circumstances: not 100% targeted, higher rents

45/49 insufficient capital reserves

Target having $1,000/unit/yr; most only have $600

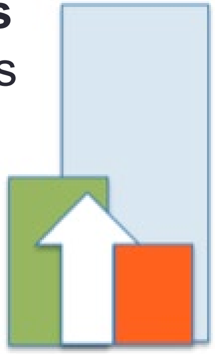




Combined outcome (viable and reserves)

Overall Assessment Matrix		
	Capital reserves	
	Sufficient	**Insufficient**
Positive NOI	(1) Project is viable, can maintain current RGI market mix and has sufficient capital reserve	(2) Project generates a cash flow surplus, but asset is under-maintained.
	none	**7**
Negative NOI	(3) Project is not viable but has good reserves	(4) The project is not viable and replacement reserve is insufficient. Project is at risk
	1	**41**

At expiry of the post 85 subsidy agreements **the entire portfolio is at risk** and will required renewed subsidy assistance and/or access to capital funds to complete necessary capital replacement to maintain assets in sound condition.



Fiscal impacts

- Note with matured mortgages aggregate subsidy need significantly lower
- ($2.4 million/yr. vs. $7.1million),
  - based on the sample, which covers two-thirds of units
- Need to refine analysis with BCA and revised estimates of capital need (re $1,000 proxy for RR)

Exacerbating issue – Income Assistance

- Existing unrealistic administratively set low RGI rents when on Employment and Income Assistance (EIA)
  - undermine revenues (thus lower rents collected in family (ave $405) vs. senior ($590)
  - Create work disincentives (re 30% income)

Table 1: Comparing administrative RGI rents and EIA shelter maximums ($/month)

Example Household	EIA Shelter Max	Social Housing Rent	Difference
Single	576	285	291
Lone parent 1 child (age 7-12)	896	387	509
Couple 2 children (age 7-12)	896	471	425
Sources:			

Social Rents https://www.gov.mb.ca/housing/rtr/portfolio-management/qc-and-pcd/mh-info-key-guide-2018.pdf; Social housing rent includes water, heat, electricity.

EIA Max shelter: https://web2.gov.mb.ca/laws/regs/current/_pdf-regs.php?reg=404/88%20R

Potential remedies

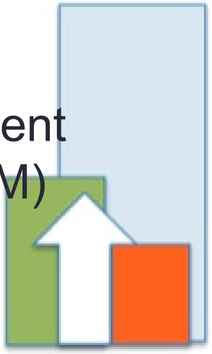
1. Utilize the CCHI funding stream under the NHS, specifically intended to address EOA issue, to extend current subsidy mechanism
   - (requires average $276/unit/month, after increasing RR)
   - By 2022 CCHI at $17.1 mill vs need of $8.5mill (all 1,851 units)
   - Protects tenants, but perpetuates status quo (not transformational)

Potential remedies

1. Review and reform rent setting practices (especially EIA)
    - Replace low administrative rent with max EIA
    - (emulate private practice – no longer social housing so charge max EIA shelter rent)
    - Would substantially raise rents in 1/3 of family units
    - May not fully address subsidy shortfall

Potential remedies

3. Replace RGI project-based subsidy with person (household) based subsidy i.e. Rent Assist
   - Set rents at 80% median market for all
   - Those cannot afford, draw on Rent Assist
   - Set up parallel program funded under Canada Housing Benefit, emulating Rent Assist (address Prov concern re budget)
   - Helps to potentially reform EIA shelter subsidy model
   - Facilitate seamless transition for those moving on/off EIA and for those exiting social housing and
4. Capital funding to preserve and improve building condition
   - Where near market rent insufficient to build replace reserve, augment with funding specific to support capital renewal (CCHI,. NHCF, FCM)

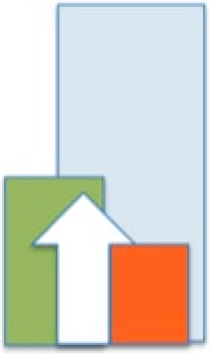


Transforming operational and subsidy model

- RGI and Low EIA rents an unsustainable model
  - And perpetuate a dependency culture
- Evolve into a more sustainable social-enterprise model
  - Separate person-based from project-based subsidy
  - Set low but realistic rents (e.g. 80% median) to sustain a viable asset funded from rent revenue
    - Note in most projects the break-even rents will be below the 80% MMR benchmark in the Rent Assist formula
  - Separately assist low income via Rent Assist
  - (and to protect province from subsidy burden frame inside cost shared program, parallel to rent Assist)

Sector support for transformation

- MNPHA (alone or in partnership) creates a portfolio reporting risk management system
- Pools sector stability premiums from all providers as reserve for PIDs
- Develop process of best-practice documentation and sharing
- Creates stronger, better performing sector
- Greater independence from government and reliance on project subsidy
- Lower admin costs for province and providers
- Low income households directly assisted to ensure housing affordable



Questions/Discussion

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