BACKGROUNDER ON SOCIAL HOUSING

Housing For All: Social Housing for People in Need

The federal government invested over $2 billion each year in social housing to support 620,000 households at the height of Canada's social housing program in the mid-1990s. Through various programs, the federal government funded non-profit, public and co-op social housing providers through long-term agreements that subsidized rents for low income households, offset mortgage costs or did both. Roughly two thirds of the households benefited from subsidized rent; these are Canada's lowest-income earners and disproportionately represent the most vulnerable in our society: lone parents and their children, seniors, people of aboriginal descent, newcomers, people with disabilities and others. Only one third of the social housing homes under long-term agreements simply covered the mortgage payments.

When all new funding except for on-reserve social housing stopped in 1993 and existing agreements started to expire, total federal funding began its annual decline: to $1.6 billion this year, $1.2 billion in 2020, $604 million in 2025 and $35 million in 2035. **By 2040, the federal investment in social housing will be zero.**

With the end of new investments, the federal government transferred responsibility and ownership of social housing to all but three provincial and territorial governments who signed on to Social Housing Agreements. As federal money receded, provinces and territories increased their funding and today spend $1.5 billion just on the 464,000 homes they cost-share with the federal government. Provinces and territories don't have the fiscal capacity to absorb all social housing investment without sacrificing their other existing and future housing programs.

What will happen to social housing after the agreements?

Once the existing 544,000 social housing homes no longer receive federal funding, CHRA projects that:

- The 334,000 deeply subsidized households, where operating agreements required all rents be set as a percentage of their tenants' incomes, risk losing their homes because the social housing providers, unable to cover operating costs with rents well below market value, will have to raise the rents or sell some or all of their social housing homes.
- Another 31,000 households receiving subsidies face uncertainty. Their providers have a mix of tenants – some subsidized and some paying close to market rents. Whether the subsidized homes will continue to be subsidized for low-income households will depend on the capacity of the provider to internally offset these deep subsidies.
- Because they were not deeply subsidized or in other words not required to carry rents based on what their tenants could pay, the providers managing the remaining 179,000 homes will likely be self-sustaining and continue to offer affordable housing to their communities.
- The majority of properties will require significant investment in capital repairs, replacements and retrofits because they are aging, including for roofs, boilers, building envelope and to meet new code requirements to stay safe and operate efficiently.

With demographic change such as a rapidly aging population, more immigration and high birth rates in aboriginal communities, Canada's population is not only growing but is also growing in segments currently served by social housing. In many areas, hot real estate markets and tight rental housing markets make it even more difficult for many to afford housing as the gap widens between the highest and lowest income earners. **Right now, the vacancy rate in social housing is effectively zero.** With demand increasing and supply diminishing, we cannot risk the loss of social housing homes.

Why is so much social housing at risk?

Over the decades, social housing has provided stable, safe and affordable homes for vulnerable Canadians. Yet, many of today's challenges to two-thirds of existing social housing homes stem largely from unintentional but structural flaws in the original operating agreements governed by a series of federal programs with different priorities and policy goals – some of which were barriers to financial sustainability:

Program: Some agreements mandated providers to house only low-income families with rents that were geared to their income, approx. 334,000 households. The funding explicitly covered both the cost of the mortgage and the difference between the actual operating costs and the purposefully low rent. Without government funding, the provider who has 100% of their tenants paying less in rent than it costs to run the building is set up to fail.

Size: Larger providers, with many operating agreements and various social housing projects, will fare better than smaller ones, yet, government policy once favoured small, community-based housing organizations with single projects. Today, small providers don't have the economies of scale to lower operating expenses or the larger portfolio needed to cross-subsidize deeply discounted rents as some larger providers are able to do.

Household: Some agreements required providers to serve particularly vulnerable population groups with unmet housing needs, despite the often higher cost of doing so. The Urban Native Program provides subsidized rents to 10,301 low-income families, many in single or duplex homes, which cost much more to operate than multi-unit buildings. Supportive housing programs can also be a costlier option due to adaptations required to meet the needs of the occupant living with a disability.

Location: Housing costs vary across Canada but in the North operating costs run 10 times higher than in the South, with construction costs similarly high. There are 7,525 households who live in social housing in the Territories, and almost all are low-income tenants.

Program constraints: The federal government imposed restrictions on housing providers that inhibited their ability to make good business decisions. For instance, public housing providers were not permitted to accumulate a capital reserve fund to deal with aging buildings and infrastructure. The current estimate of capital spending needed each year to keep the existing social housing buildings safe for residents is $1.54 billion.

A New Plan: "Housing for All"

The expiry of operating agreements presents an opportunity to do things differently – to build an efficient, self-sustaining, and innovative system of social housing in Canada. Our plan, ''Housing For All,'' calls on the federal government to reinvest in social housing through three funding streams:

RECOMMENDATION #1 – SECTOR TRANSFORMATION INITIATIVE

This initiative would flow funds to the social housing sector to enable its transformation away from the old operating agreements to greater efficiency, innovation and self-sufficiency. With this, the sector can get ready to address challenges such as size, government dependence and management flexibility by:

- Fostering partnerships, resource sharing and/or amalgamation among social housing providers, where there is a desire to do so;
- Encouraging social housing providers to become more self-sufficient through new business opportunities, such as developing commercial space for rent or starting social enterprises; and
- Enabling early changes to existing operating agreements, including flexibility for income-mixing.

RECOMMENDATION #2 – SUPPORT FOR LOW INCOME HOMES: "THE AFFORDABILITY ACCOUNT"

From the start of Canada's social housing program in the 1940s until its end in 1993, the funding allowed deep subsidies for low income families and individuals, so that they could afford housing the market would not provide. Current federal investment in housing through the Investment in Affordable Housing (IAH) mandates homes developed through the IAH be rented only at or below the market average rent, meaning they may not serve the households with the deepest needs the way social housing does.

The Affordability Account would keep social housing rents affordable for households in deepest need. It makes up the difference between the operational costs of social housing providers and the rent they receive from low-income tenants. Although similar to the rent subsidy components in existing agreements, the Affordability Account differs because it is:

- No longer fixed to a physical social housing unit, but is flexible and can be applied to any home or household within a social housing provider's portfolio;
- Not necessarily geared-to-income, so is not a disincentive to tenants' income growth;
- Allocated on the basis of the number of low income social housing homes in a particular jurisdiction; and
- It offers a higher per unit dollar amount for off-reserve housing for aboriginal people, supportive housing and housing in the North, in recognition of higher costs.

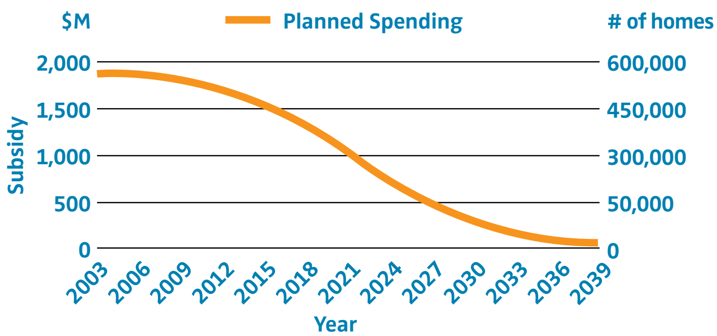
RECOMMENDATION #3 – CAPITAL REPAIRS, REPLACEMENT AND RETROFITS: "THE 3R CAPITAL RENEWAL FUND"

Social housing in Canada is aging rapidly. With no new buildings since 1993, much of the stock was built in the 70s and 80s and, without capital reinvestment, cannot be safely maintained, efficiently managed or operated cost-effectively. This investment stream supports capital repairs, replacement and retrofits to the building envelope, parking garages, appliances, boilers, elevators, etc. As with the Affordability Account, it would be allocated on the basis of the number of low income social housing homes (excluding rent supplements) in a given jurisdiction.

The Investment in Affordable Housing Framework in which the federal government commits funds for affordable housing, the provinces and territories match funds, and then design and deliver programs based on local needs, has proven effective and flexible. CHRA proposes a similar, negotiated cost-shared delivery mechanism for Recommendations #2 and #3.

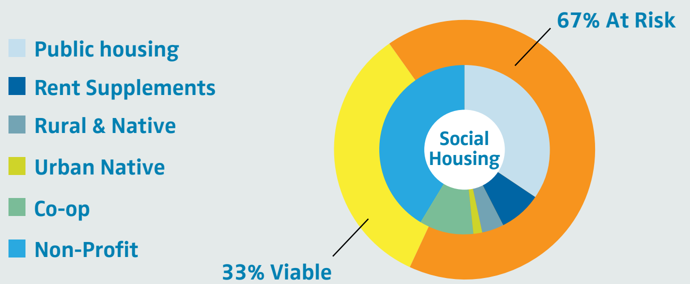
''Housing For All'' can only happen with deliberate outreach and engagement by all who touch the affordable housing sector including non-profit housing providers, municipalities, businesses, provinces, territories, co-ops, tenants, financial institutions and others. Together, we can revitalize social housing and work toward our ultimate goal of a Canada where every Canadian has a safe and affordable place to call home.

Housing For All: Social housing for people in need



Federal investment in social housing is ending and will be zero in 2040

Since the 1940s, the federal government invested in 600,000 homes in social housing with an annual commitment of over $2 billion each year at its peak in the mid-1990s. Without a recommitment to social housing, federal investment in 2040 when all agreements have expired will be zero.



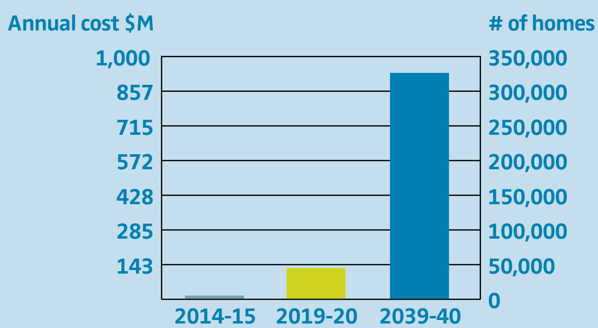
Two thirds of households in social housing will be at risk

Federal investment flows through operating agreements that enable social housing providers to subsidize rents for low income households, offset mortgage costs or both. It bridges the gap between what tenants can pay and actual operating costs. Without ongoing support for low income households, all housing within the Public Housing, Rural and Native, Urban Native and Rent Supplement agreements and some of the Non-Profit and Co-operative agreements will run operating deficits once the agreements end. Tenants will face rent increases they cannot afford or risk eviction if the building has to be sold.

Affordability Account	2014-15	2019-20	At term 2039-40	Unit costs	2014-15	2019-20	At term 2039-40
	Number of homes				Annual cost in 2014 $		
Off-reserve aboriginal households	1,900	12,500	19,000	$3,600 / year	$7M	$45M	$68M
Housing in the Territories	100	700	7,000	$9,600 / year	$1M	$7M	$67M
Other housing at risk	3,400	36,400	339,000	$3,000 / year	$10M	$109M	$1,017M
TOTAL	5,300	49,600	365,000		$18M	$161M	$1,152M

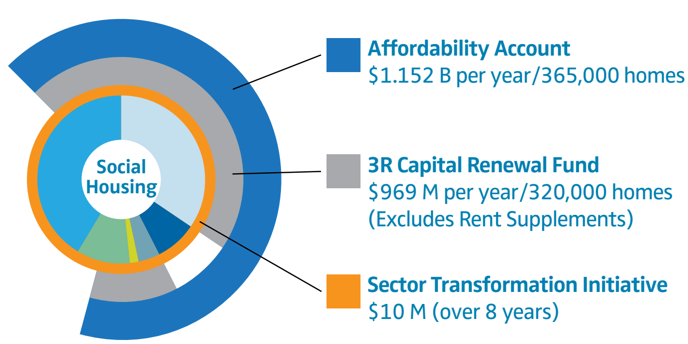
The Affordability Account: To keep social housing affordable for low-income households

The Affordability Account is for social housing that is at risk. As existing homes come out of their operating agreements, CHRA calls on the federal government to invest in new funding under a negotiated cost-shared agreement with the provinces and territories (P/Ts), based on the calculated need of $3,000 per unit per year, with increased allocations for off-reserve aboriginal households, supportive housing and housing in the Territories. The federal investment would flow to P/Ts on the basis of number of social housing units for low-income households per jurisdiction. The other third of social housing stock will not need this investment to remain viable. Once all agreements expire, the annual cost of the Affordability Account will be $1.15 billion and apply to 365,000 homes.



The 3R Capital Renewal Fund: Investing for Healthy Safe Homes

Social housing in Canada is aging rapidly. Buildings with decades-old roofs, boilers, windows, electrical systems, etc must be renewed to keep homes safe and operating cost effectively. And for public housing, agreements actually prohibited savings for such capital needs. Annual capital needs are estimated at $1.54 billion for all social housing, but CHRA recommends only homes at risk receive investment through the 3R Capital Renewal Fund. Valued at $3,000 per unit, 320,000 homes (excludes Rent Supplements) would receive just under $1 billion annually once all agreements expire for the 3Rs: Repairs, Replacements and Retrofits. As above, the federal portion of this negotiated cost-shared investment stream would also flow to the P/Ts who are most familiar with the capital needs of social housing within their jurisdiction.



Housing For All = Affordability Account + 3R Capital Renewal Fund + Sector Transformation Initiative

Housing For All is a new way of doing business. It breaks away from the old operating agreements to offer greater efficiency, innovation and self-sufficiency in providing social housing to low income Canadians. To do this, beyond support for capital needs and affordability, CHRA calls for federal investment in the social housing sector itself – to enable a transformation to take on issues such as provider size, government dependence and management flexibility. A non-renewable fund of $10 million over eight years would flow from the federal government to the sector, along with the cost-shared annual investments of $1.152 billion for affordability and $969 million for capital renewal. Housing For All will lead us to a Canada where everyone has a safe and affordable place to call home.