The CO-OPERATIVE HOUSING FEDERATION *of Canada*

Budget 2017 Submission

You hold the key: What's needed to fix co-op housing

Introduction

Amid an ongoing affordable housing crisis where one in four households cannot find a safe, affordable place to call home, Canada's housing co-operatives have been, and will continue to be, a part of the solution.

A quarter of a million Canadians live in housing co-operatives. Over the past fifty years, the co-operative housing movement has developed over 91,000 co-op homes in every province and territory. Co-operative housing represents an effective form of purpose-built, mixed-income non-profit housing that builds strong and inclusive communities.

Approximately 62,000 co-op homes were developed in partnership with the federal government, of which approximately 21,000 units are targeted to support the housing needs of low-income Canadians. Low-income households living in co-ops include seniors, persons with disabilities, newcomers and lone-parent families. They pay an affordable rent based on their income through a long term funding partnership with government.

PROTECT CO-OP HOUSING
YOU HOLD THE KEY!

These households are now at risk because federal funding has ended or will soon come to an end. Without help, the co-ops in which low-income Canadians live will be unable to provide affordable rents. With funding agreements now expiring in large numbers, a new sense of urgency surrounds the issue, and immediate action is required.

Housing co-operatives welcomed commitments made in the 2016 federal budget. These measures were designed to protect the affordability of co-op housing for low-income households on a two-year transitional basis while longer term solutions are developed through the national housing strategy.

In the meantime, there are immediate opportunities to support the housing needs of Canadians through investments in the 2017 federal budget. On behalf of housing co-ops, the Co-operative Housing Federation of Canada (CHF Canada) is proposing specific solutions that will:

1. Protect co-op housing for low-income Canadians,
2. Leverage private investment for the renovation and modernization of housing co-ops;
3. Build new co-op homes so that more Canadians can find an affordable place to call home.

Background

Co-op housing occupies the space between renting and owning, in a mixed-income community. People who live in housing co-ops are members and hold a share in the co-op, but it is not equity generating because housing co-ops are not-for-profit organizations. People choose to live in a housing co-op in order to have an affordable and secure home, over which they collectively make decisions.

The majority of housing co-ops were developed between 1972 and 1992. The 62,000 federally developed co-op homes are part of the more than 600,000 homes developed through the federal government's social housing program, which ended in 1992.

Funding that enables co-ops to support low-income households is provided through long-term federal agreements (normally between 35 and 50 years). These agreements have already started to expire, and the number of co-ops facing expiry will quickly accelerate in the next two to three years.

Co-ops in which funding has already ended face serious challenges because they can no longer continue to subsidize the low-income households that live in the co-op. In many of these cases, once low-income members leave the co-op, the unit will be rented to a market-paying household.

After federal funding ends, most co-ops have no choice but to raise rents for their low-income members. In all cases, whether immediately or down the road, affordable, co-operative housing is being lost.

Although co-ops will have paid off their original mortgage at the same time as the funding agreement ends, keeping the co-op building in good condition will require most to take out a new mortgage. So, while co-ops can leverage their asset and take out a new mortgage in order to undertake these needed repairs, they cannot afford to do this and support low-income members by subsidizing their rents.

Recommendations

Recommendation 1: Protect low-income households living in housing co-operatives

Ottawa should commit funding streams to the provinces/territories for a new long-term rent supplement program that the provinces/territories will deliver. The program—no matter how it is developed and delivered, should adhere to the following principles in order for it to be effectively used by co-ops, which will in turn support low-income households:



- **This new program needs to be specifically earmarked for co-ops;**
- **Low-income households currently receiving a rental subsidy in co-ops need to be prioritized in the new program;**
- **The program should ensure that the same number of low-income households in a co-op will be supported in the future (if a low-income household moves out, another can move in, even if in a different unit); and**
- **Rental assistance should be provided on a geared-to-income basis, or an equivalent that ensures an equally sufficient level of support so that households pay no more than 30% of income towards rent.**

While the 2016 budget introduced transitional measures to extend subsidies for rent-geared-to-income (RGI) households, support has been limited to co-operatives coming out of federally administered agreements between April 1, 2016 and March 31, 2018. For co-ops whose agreements expired before April 1, 2016, or for housing co-ops coming out of provincially administered agreements, the continuation of subsidies to RGI households has not been assured and low-income households have been adversely affected.

Budget 2017 should continue to make funds available to all co-ops coming out of federally administered agreements in order to protect low-income households. Further, to adhere to the principles outlined over the long-term, the National Housing Strategy should develop a framework to ensure that provincial/territorial programs meet these principles so that low-income households are protected into the future.

Recommendation 2: Support policies and programs that will allow housing co-operatives to leverage private investment

The majority of Canada's housing co-operatives were financed through long-term high interest mortgages held by CMHC. With today's historically low interest rates, it only makes sense for housing co-operatives to refinance at lower rates in order to reduce their interest payments while also investing the additional funds needed to maintain their properties, and in some cases, build new co-operative housing.

Until recently, a number of federal restrictions prevented, and in some cases outright prohibited, co-operatives from pre-paying their first CMHC mortgage. These policies handcuffed housing co-operatives to unfair long-term, high interest CMHC mortgages (some as high as 13.25%), while also restricting co-operatives from accessing private lending to address much needed capital repair and renewal.

In 2013, CHF Canada's advocacy efforts resulted in fair and reasonable prepayment terms for Section 95 housing co-operatives. As a result, housing co-operatives have leveraged over $60 million in new private investment at no cost to government.

Budget 2016 confirmed an earlier commitment of $150 million over four years, starting in 2016–17, to allow Section 61 housing co-operatives, among others, to prepay their high interest mortgages held by CMHC, without penalty.

CHF Canada looks forward to working with the federal government to ensure that prepayment programs and policies are responsive to all viable opportunities to leverage new private investment for co-operative housing. New financing opportunities allow housing co-operatives to undertake much needed capital repair and renewal, without depending on public funding. These activities will result in better asset management and greater energy efficiency for housing co-operatives, while also supporting local job creation throughout the entire housing development supply chain.

Recommendation 3: Build new co-operative housing

Canada's escalating crisis of affordability in housing is so acute that it not only affects low-income households, but also Canada's middle class. Finding and keeping a job, raising a family, completing an education or aging with dignity are all impossible without a safe, affordable place to call home. Canada's prosperity depends upon a housing system that meets the needs of all Canadians. Clearly, more durable, long-term programmatic and policy measures will be required to address Canada's housing crunch.

After decades of development and sound stewardship, Canada's housing co-operatives have demonstrated their durability in providing long-term affordable housing for their members, and it is for this reason that the federal government should partner with CHF Canada to significantly scale up opportunities to build new co-operative housing. Specifically, CHF Canada recommends earmarking 25% of CMHC's Affordable Rental Housing Innovation Fund and Affordable Rental Housing Financing Initiative in order to test and scale innovative development and financing of co-operative housing models across the country, starting in 2017.

Conclusion

The end of federal operating subsidies for housing co-operatives presents both challenges and opportunities.

The most pressing challenge will require the federal government to recommit its support to low-income members of housing co-operatives where subsidies have ended, or will end. A new rent supplement program which would replace expiring funding agreements will solve this crisis.

Once existing households are protected, Canada's housing co-ops are ready to get to work, leveraging their expertise and assets in order to create and deliver affordable housing at a time when Canadians from every walk of life need immediate solutions to the mounting affordable housing crisis.

About CHF Canada

CHF Canada is the national voice of the Canadian co-operative housing movement. Its members include over 900 non-profit housing co-operatives and other organizations across Canada. More than a quarter of a million Canadians live in housing co-ops, in every province and territory.

Contact: Timothy Ross
Program Manager, Policy and Government Relations, CHF Canada
tross@chfcanada.coop
1-800-465-2752, ext. 222 | www.chfcanada.coop
www.protectcoophousing.ca