Fast FACTS
CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

there is an alternative.

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The Loss of Subsidized Housing Through Expiring Operating Agreements

The ongoing expiry of social housing operating agreements is becoming a more prominent issue across Canada. As these agreements expire, many housing providers are finding that they cannot afford to provide the same levels of affordable or rent-geared-to-income (RGI) housing without the subsidies. This is a crisis for the many households who cannot afford market rents and rely on subsidized housing.

In the decades before the early 1990s, social housing operating agreements were signed between the Government of Canada and non-profit housing providers. These agreements covered mortgage payments and the difference between rents geared to incomes and operating expenses. It was expected that once the agreements expired, rents would cover the operating and capital expenses, but this has not been the case for many housing providers.

Across Canada, many agreements have already expired, and others are expiring soon. The federal government has provided no indication that it will renew the agreements. Housing organizations will lose about $3.5 billion per year in funding from the federal and provincial governments as the operating agreements expire (Pomeroy 2006). Between 2010 and 2020, about 175,000 units of social housing will lose their funding. Many of these units will continue to be financially stable; however, about a third of these units will not be viable after expiry (Pomeroy 2011).

While at the 2013 Canadian Housing Renewal Association Congress, I attended a session called *The End of Operating Agreements for Aboriginal Housing Providers.* This session brought together representatives from four Aboriginal housing providers: Skigin Elnoog Housing Corporation (New Brunswick), Métis Urban Housing Corporation (Alberta), Gignul Non-profit Housing Corporation (Ontario), and Kinew Housing (Manitoba).

The four organizations have different approaches to affordable housing provision, and are addressing the end of the operating agreements differently. Some are committed to continuing to provide RGI units; others are looking to shift their focus and provide more market or lower-end-of-market rent units.

Each of the representatives talked about the challenges and opportunities they see as their operating agreements begin to expire. Some of the challenges include:

- educating their boards and staff about the issue
- having insufficient funds (from rents) to cover operating and capital costs once the subsidies end
- developing strategies and long-term plans to address the expiry of the operating agreements, with little support from the federal government
- finding ways to continue to provide rent-geared-to-income units

Although these challenges are significant,

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the housing providers also identified opportunities for their organizations. The opportunities include:

- a chance to become self-sufficient, to not be constrained by or dependent on government funding
- taking advantage of current low interest rates, which make it easier to cover costs
- using the equity in their buildings to renovate existing units and build new units.

Some housing providers are looking towards the end of operating agreements as an opportunity to be more independent and less reliant on—and limited by—funding from governments. On an individual level, housing providers need to assure their organization's stability and longevity; otherwise they wouldn't be able to provide any housing at all.

However, on a local, provincial, or national level, the end of operating agreements is creating a large gap at the affordable end of Canada's housing system.

At a local level, housing providers have limited options for continuing to provide RGI units. To continue to provide housing, many providers are selling some of their stock and/or raising rents on some or all units. When RGI units are sold or rents are raised beyond an RGI level, the total number of RGI units available drops. Similarly, if the RGI rent is increased (e.g. from 30 percent of household income to 32 percent), there is an increased burden on the household. These changes will make it more difficult for low-income households to access and retain quality housing.

Nationally, it has been about 20 years since Canada has had any kind of housing strategy. However, the social housing operating agreements have continued, providing affordable and RGI housing across the country through national and provincial funds. Many of these housing organizations are isolated, without connections to other providers, but nevertheless there was a sense of a mandate from the national and provincial funding that affordable and RGI housing are important. As the operating agreements expire, these organizations no longer have an obligation to provide any particular kind of housing, except for that within their individual mandates; the result is a further weakening of the social safety net.

The lack of action on this issue at a federal level is of concern, especially since the federal government recently announced that its Homelessness Partnering Strategy would take a 'Housing First' approach, meaning a focus on permanent housing, rather than shelters and other temporary housing. The expiry of operating agreements—and consequent loss of RGI and affordable housing units—will make it more difficult to house those who cannot afford market rents.

The organizations that want to continue to provide RGI units will have tough decisions to make. If funding shortfalls make it impossible to continue to make up the difference between operating costs and rents, organizations may have to sell some units or raise the rents. For example, Kinew Housing reported at the CHRA session that it will have to raise its rents to make up the shortfall in its operating budget. By 2017 it will have no more subsidized houses. Currently, Kinew has about 900 applications on file, and some of these applicants have already been displaced from other housing providers as their operating agreements have expired.

Each of the representatives at the CHRA session expressed some uncertainty about what the future might hold, as their organizations adjust to life after operating agreements. Undoubtedly, tenants facing increased rents or moves to non-subsidized housing are also concerned about their future. This is an issue that will have broad repercussions for Canada's housing system over the next few years; acting now to ensure that RGI and affordable housing units are not lost is critical.

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