Summary

Creating Co-operative Housing in a Forbidding Climate: A Case Study of the Old Grace Non-Profit Housing Co-operative

In June 2019, Old Grace Not-for-Profit Housing Co-operative (OGHC) held its grand opening. The first members of the 64-unit co-op in Winnipeg's downtown Wolseley neighbourhood had moved in a little more than a year before, and the opening was the culmination of seven years of work.

The co-op was one of five non-profit housing co-operatives that opened in Manitoba in the last decade. The opening of these five co-operatives marks a revival the development of non-profit co-operative housing in Manitoba, which had been, with a couple of small-scale but heroic exceptions, dormant since 1993, when the federal government ended its commitment to social housing in general.

A case study of the development of Old Grace Housing Co-operative prepared for the Canadian Centre for Policy Alternatives – Manitoba identifies a number of the barriers that these projects faced in getting established and proposes policy initiatives that should be incorporated into the revival of federal social housing policy.

In terms of their financial structure, the co-operatives developed in the past decade differed from the ones built prior to 1993 in a number of significant ways. For example, in all but one case, the provincial government played a significant role in financing and facilitating the projects. Secondly, a number of these projects required levels of member share purchases that were much higher than those required for previous co-operatives.

OGHC, for example, reserved just over half of its suites for members who met the Manitoba government's Affordable Rental Housing Program income criteria. Depending on the size of the unit, these members were required to purchase between $16,000 and $28,000 worth of shares. For the remaining suites, the required share purchase was between $72,000 and $132,000. This is best described as a 'variable share purchase model.' For comparison's sake, the co-operatives developed under federal government programs between 1973 and 1993 usually required members to purchase between $500 and $1,000 worth of shares. The share purchase level was so low because the federal government essentially covered all the initial capital costs, with members repaying the federal government over a period of 35 to 50 years.

It is important to note that in a not-for-profit housing co-operative, shares do not appreciate

in value: when members leave, they receive the same amount of money they paid for their initial share. New members in turn are required to pay no more than the departing member received. The longterm impact is that with each passing year the cost of entry declines in real terms.

OGHC's variable share purchase model provided a benefit to government, in that it invested only $3.8-million for project that cost $17.8-million to construct. (Government also provided a longterm lease for the site at what amounts to a nominal fee.)

While this model allowed the government to make its investment go further, government officials, lenders, and advisers all wondered whether the co-operative would be able to recruit a sufficient number households prepared to make the economic investment (in some cases an investment of between $92,000 and $112,000) needed to get the project off the ground, particularly since the investment would likely have to be made close to two years before occupancy and would not increase in value. OGHC's success demonstrates there is a portion of the population that both has access to investment funds and is prepared to put those funds to use in aid of a principle. The new co-operative's success was, in no small measure, due to the willingness of its members to make the economic sacrifice of purchasing shares nearly two years before the project was ready for occupancy.

OGHC recognized that the variable share model also presented a barrier for entry to low-income people. Thirteen of the OGHC's suites are reserved for households that qualify for rent supplement: for many such people the share purchase, even at the $16,000 and $28,000 level, was far beyond their means. To address this issue, OGHC developed a series of partnerships with charities. Four different groups participated by assisting in the purchase of member shares for newcomer families. A Winnipeg organization that helps people living with physical or intellectual disabilities paid the member shares for a suite housing two residents. A separate fundraising campaign contributed to the partial sponsorship of shares of other low-income members. In addition, OGHC helped members enroll in SEED Winnipeg's asset-building programs for low-income people. Finally, the co-op provided small loans to rent-supplement members who were not able to pay their full shares before becoming residents.

If this sounds complex, ad hoc, and uncertain, that is because it is just that. It is also the type of structure that develops in the absence of a coherent national social housing program. During the recent federal election campaign both the Liberal Party and the New Democratic Party made commitments to significantly expand the development of affordable housing over the next decade. The most effective way of meeting these ambitious goals in an efficient manner would be to move away from the current process in which the government provides only a portion of the needed capital funding through a patchwork of programs administered by provincial governments. A return to programs that assure capitalization for low-income housing will be essential to increase the growth of non-profit affordable housing.

At the same time, the success of OGHC suggests that there are further resources that could be employed in developing other variable share purchase non-profit co-operative housing projects.

Regrettably, the Canada Mortgage and Housing Corporation (CMHC) takes the position that variable share purchase co-ops such as OGHC are not eligible for funding under the National Housing Strategy's National Housing Co-investment Fund. This fund is intended to deliver 60,000 suites of new affordable housing (plus 7,000 affordable suites for seniors and 2,400 affordable suites for people with developmental disabilities). It would appear that the major reason for this opposition is that low-income individuals cannot afford to purchase memberships. This was true at OGHC, but the solution is not to ignore this type of development example, but for CMHC to provide funding at a level required to bring the cost of shares for what would be termed 'affordable' members down to a truly affordable level. It would also appear that CMHC is concerned that members might attempt to hold CMHC responsible should any future co-op supported by the National Housing Co-investment Fund fail. This is currently and properly addressed by having co-operatives provide a clear disclosure of risks prior to investment.

The Co-operative Housing Federation of Canada is on record as recommending that the federal government, as part of its national housing policy, provide funding to "test and scale innovative development and financing of co-operative housing models across the country." The OGHC's variable share purchase approach represents an innovation that would appear to be ideal for inclusion in an array of models intended to expand the provision of non-profit, affordable, housing co-operatives in Canada and Manitoba. The federal and provincial governments would do well to recognize the merits to variable share purchase co-operatives and the way that they both create mixed housing and bring additional capital to affordable housing and include such co-operatives in the type of testing the Co-operative Housing Federation of Canada has proposed.