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July 5, 2011

The expiration of operating agreements in social housing: The beginning of the end?

One of the most pressing issues facing social housing providers is the on-going expiration of long-term operating agreements. These subsidies, created by the federal government in the 1970s in light of the high operating costs of various housing projects, were meant to give social housing providers some breathing room while they paid the debt on their mortgages. These agreements were struck for periods between 25 and 50 years depending on each situation. Some subsidies also assisted with operating deficits. When the program was designed, it was presumed that once mortgages matured, cash flow requirements would fall and housing projects would be able to continue operating with affordable rent levels, without subsidies. While the presumption that projects would become viable at expiry may be true for some housing providers, it has not been the case for all.

A study of the operating agreements was commissioned by the Canadian Housing and Renewal Association (CHRA) in 2005. It found that most social housing projects implemented after 1986 were most likely to be non-viable once the agreement expired. This was the year federal subsidies began to decline in Canada, leading to many shifts in social housing policy, including a gradual adoption of neoliberal economic ideals and Ottawa's retrenchment from housing in 1993. While social housing providers were experiencing funding cuts, the number of homeless people in Canada was also increasing. More importantly, the needs of households living in poverty deepened, as did the needs of rent-geared-to-income (RGI) households, especially urban Aboriginal households.

The end of operating agreements means that once the mortgages expire, housing providers must survive on their rental revenues alone. This is especially problematic for agencies who serve a majority of people on RGI who, by definition, cannot pay full market rents. Most worrisome, however, is that even with subsidies, some agencies are experiencing yearly deficits because inflation is increasing operating expenses faster than revenues. In their case, the annual subsidy they need is greater than their mortgage payments, a defining characteristic of non-viable housing projects.

Housing providers serving urban Aboriginal households with a high proportion of people with very low income levels and in need of deep RGI subsidies - in most cases, 100% of their tenants - are especially vulnerable when their operating agreements expire because the rental revenues they can realistically collect are insufficient to cover the operating costs of the housing projects. The

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assumption underlying the operating agreements, that once mortgages were paid off projects would become viable, does not account for this reality.

The purpose of the CHRA study was to help social housing providers, funding agencies and governments understand the implications of expiry, and to adopt some corrective measures before the agreements expired. Here is a list of possible solutions offered:

a) Increase market revenue
b) Explore opportunities to transfer surplus from one project to another
c) Increase RGI revenue
d) Increase rents for social assistance tenants
e) Increase the RGI ratio charged to tenants to a higher percentage of income
f) Move RGI units to market rent - raise the number of market units
g) Negotiate a new rent supplement agreement with funders
h) Reassess the need to retain non-viable projects also in poor state of repair

While these possible remedies were presented to protect the availability and viability of social housing assets over the long term, they have a definite neo-liberal flavour in that the overriding concern is to increase revenues with market-based mechanisms. Without the financial support offered by operating agreements, and with limited rental revenues, some Aboriginal housing providers are now being forced to look at these options to create more revenue. Some have had no choice but to replace their RGI tenants with tenants who can pay full market rent values - a solution that deeply contradicts their mandate to provide affordable housing for all. More to point, the lack of governmental support will only increase the number of homeless people, and create an even greater need for affordable housing.

The CHRA study calculated that once all the operating agreements expire, around 2040, federal, provincial and territorial governments would economize about $3.5 billion annually. This raises questions about what to do with the dollars in reduced expenditures. The study called for a reinvestment into housing projects experiencing viability issues, or assisting them with capital replacements, given that these housing assets are paid for and it would be less expensive to reinvest in them than replace them. Given the current homelessness issue, another use would be to expand the affordable housing stock, especially where the need is greatest. So far, there has not been any movement by the federal government. Housing activists are also raising questions about what to do with the CMHC surplus, which could be used in a similar manner since it was collected through housing activities in Canada.

Given the new federal political landscape, housing activists will need to redouble efforts to sensitize politicians into developing housing policies that reflect the real affordable housing needs of all Canadians. The argument that government programs and taxes are effective methods of redistributing wealth and creating social justice may, however, fall on deaf ears for at least the next four years. In frustration, some housing activists are looking at other courses of action, such as seeking donations from the private sector to set up trust funds targeted for housing. Will corporations be more amenable to the argument that all Canadians have a right to housing than all three levels of government? It will be a sad day in Canada if, and when, social housing solutions become dependent on that.

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