

# WHAT HAPPENS WHEN SOCIAL HOUSING OPERATING AGREEMENTS EXPIRE?



## Social Housing 101

- Social housing is rental housing that is affordable to low and moderate-income households. It is provided by non-profit organizations, co-ops and public housing agencies. 544,000 households live in funded social housing, including 334,000 with very low income.
- Social housing has been funded by the federal government for over 40 years through long-term agreements currently worth \$1.7 billion annually.
- These agreements are coming to an end. Some agreements have already ended and more will soon.
- The end of an agreement usually corresponds with the end of a social housing project's mortgage. This means the social housing provider **requires less funding** than before because their costs are lower. But they still need some support because rental revenues are by definition very low, and for most this won't account for ongoing operating costs and/or repair and maintenance costs.
- This means many social housing providers will have to increase rents or sell units just to maintain other affordable units. **This will reduce the number of low-income Canadians who have affordable housing.** Already long waiting lists will grow even longer.

## Native People of Sudbury Development Corporation

### Who they are

Incorporated in 1975, the **Native People of Sudbury Development Corporation** (NPSDC) is a non-profit housing corporation that owns, operates and delivers social housing to people of Aboriginal ancestry with low income in Sudbury, Ontario and Espanola, Ontario. In total, NPSDC has 106 housing units within its portfolio, with 95 in Sudbury and 11 in Espanola.

All but eight of NPSDC's homes were purchased or built under the federal government's Urban Native Social Housing program with funding secured through long-term social housing operating agreements. These agreements provided federal funding to cover the mortgage payment of the homes NPSDC purchased or acquired and the difference between the operating costs and the amount received in rental revenue. This allowed NPSDC to offer subsidized rents to households with low incomes who can't afford housing in the private market, as was required by the operating agreements.

For example, individuals receiving social assistance are charged rent based on the maximum shelter allowance for their family size so that they can use their remaining income for other necessities. In March 2014, a single individual with a disability receiving income through the Ontario Disability Support Program (ODSP) pays \$479/month while a single person receiving Ontario Works pays \$376 in rent to NPSDC. Tenants not receiving social assistance are charged rent based on 25% of their gross household income plus a flat domestic hydro rate (for cooking power, lights, etc.) based on the size of the unit. Heat is included in all rental charges. NPSDC has been able to operate with limited revenue from rents because of the funding received through the operating agreements.

## What happens when funding ends?

NPSDC has various operating agreements in place, as many of their housing units were acquired over time and in small batches. As such, NPSDC's funding through operating agreements is expiring incrementally over the coming years. The first NPSDC operating agreement to end occurred in November 2013, which affected 2 units of housing and the families who lived there. Without the operating agreement funding, NPSDC was forced to increase rents (to a Low End of Market rate) in these units in order to continue to operate them, but the families who lived there could not afford the higher rents. Fortunately, NPSDC was able to transfer these families to two other subsidized units within their housing portfolio which became vacant so that the families could continue to pay rents based on their household incomes. While this situation was managed by the adeptness of NPSDC so that these families did not face homelessness, the overall impact is that there are two fewer affordable homes in Sudbury. This situation also caused considerable stress for the families who had to move. The following is an account from one of those tenants, explaining the impact the termination of the operating agreement had on her family:

“ I am a previous tenant of 1050 Beatrice Crescent, upper unit. I lost my subsidy to my unit because the operating agreement expired and a rent subsidy was no longer available.

*I needed to do what was best for me and my daughters at the time because I was unable to pay for the increased rent. I would have had a poor standard of living without the subsidy and would not have been able to afford groceries, gas, clothing and other expenses.*

*Upon receiving an internal transfer, I then had to save money for moving expenses and make all the changes necessary for bills, etc. This resulted in additional costs for me.*

*I am thankful to have been able to receive an internal transfer to a subsidized unit as it meets my needs and is affordable for me and my daughters to live. Having subsidized rent really makes a big change in our standard of living. I am able to buy proper food, clothing and the necessities for my daughters. If I did not have subsidized rent, I would not be able to meet all the needs for myself and my daughters. ”*

Letter submitted dated March 17, 2014 by Amanda Eshkibok, former tenant of 1050 Beatrice Crescent, Upper Unit, Sudbury.

Larger and more consequential impacts will be realized in the next few years. The next NPSDC operating agreement will end before 2019 and will affect 20 households. NPSDC will not have 20 other homes into which these families can move. The families will either have to find a way to pay significantly higher rents by sacrificing other necessities – or they will have to move out. It is unlikely these families will be able to find a place to live which they can afford in the private market. Couch-surfing, housing instability or homelessness may result.

The situation extends beyond NPSDC because there are 900 social housing homes within Sudbury which will lose federal funding over the coming years due to expiring operating agreements with various housing providers, including those owned by NPSDC.

James King-Séguin, Executive Director of the Native People of Sudbury Development Corporation expresses his views regarding the termination of operating agreements: “It makes sense for the federal government to continue funding projects where the operating agreements expire for several reasons: first, the cost to operate these projects is lower because the mortgages are paid in full and mortgage costs are no longer part of the funding equation; and, second, the projects are already established, housing families in need of rents based on income—to remove those units from the low income housing stock makes no sense when the need for affordable housing continues to increase each year. It will only cost the taxpayers more in future years if new social housing units have to be built or acquired to meet the demand for affordable housing and to replace the units lost due to expired operating agreements.”

Letter submitted dated March 17, 2014 by Amanda Eshkibok, former tenant of 1050 Beatrice Crescent, Upper Unit, Sudbury.