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.

Silver Sage Housing Corporation

Who they are

Founded in 1983, **Silver Sage Housing Corporation** is a non-profit social housing organization. They provide safe and affordable housing to primarily First Nation peoples in Regina and the surrounding area who cannot afford the rents being charged in the private market. Silver Sage prioritizes tenants who are homeless, are fleeing domestic violence or who have a serious health condition; in essence, those who are most vulnerable.

Silver Sage owns or manages 501 housing units, most of which are single-family and semi-detached homes. Of those, 229 are owned by Silver Sage. Many of these were acquired through the federal government's urban native social housing program in the 1980s. The program put in place various long-term social housing operating agreements between the Canada Mortgage and Housing Corporation and Silver Sage. Through these, federal funding was to be provided to Silver Sage for a defined period. These funds have been used to make mortgage payments on the homes Silver Sage purchased and to subsidize the rents of low-income tenants by accounting for the difference between Silver Sage's operating costs and the amount they receive in rental revenue. This has allowed them to offer affordable rents to those most in need on a rent-geared-to-income (RGI) basis, which is a requirement of the operating agreements.

What happens when funding ends?

Some of Silver Sage's homes have had their operating agreements end. In these homes, Silver Sage has had no choice but to increase rents. Even though the mortgage was fully paid at the time the agreement ended, the revenue Silver Sage received in rent was inadequate to replace the funding that had been provided through the operating agreements. This is because costs such as property taxes, insurance, maintenance, replacement reserve contributions and property management were greater than the rent received from the tenants. Rents were increased by a minimum of 2.5 times what families had been paying. Despite the fact that even with the increase, those rents are still well below what would be charged in the private market, they were unaffordable to the households who had been living there. Because the families couldn't afford this increase and because these were the first of Silver Sage's homes to have their federal funding cut, the families who were paying subsidized (RGI) rents were able to be relocated to other homes within Silver Sage's portfolio which still had operating agreement funding. While disruptive to the families themselves, this provided a good if temporary solution. But it is only a temporary solution. The homes to which these families moved, as well as other families living in other Silver Sage homes, will, in time, are also slated to lose their federal funding. These families will then face higher, unaffordable rents, but this time there will be no other homes into which they can move unless federal funding is restored. As Silver Sage houses individuals and families who have very low-incomes, it will be next to impossible for them to find decent housing they can afford in the private market.

The next Silver Sage operating agreement will expire in 2022, and others will follow in quick succession. While many of Silver Sage's mortgages will be fully paid ten years before these particular operating agreements end, which provides a helpful buffer, they will no longer receive funding to subsidize rents once the operating agreements end. Silver Sage will make as many repairs as they can afford once they no longer have a mortgage to pay so that the homes are in as good a condition as possible once the operating agreements (and funding that comes with them) end ten years afterwards. This is no small feat, as almost all of their homes are old war-time houses that have very high maintenance costs and require many capital upgrades. But they will do what they can to minimize those costs after the operating agreement funding ends, in order to keep rents as affordable as possible for as long as possible. But without ongoing federal funding, again, they will have no choice but to raise rents in order to pay their bills. Looking at the details of one of Silver Sage's operating agreement makes this clear:

One of Silver Sage's operating agreements ends in 2027. In 2013, Silver Sage received $50,000 from tenants in rental revenue. The federal funding they received was $77,685. So their total revenue was $127,685. Their expenses were $136,000. Even with the funding, there was a loss of $8,315.

The average rent charged to families living in homes under this operating agreement was $379/month in December 2013. While this may seem like very little, families who live in these homes have very low incomes, so this is what is affordable to them. Without federal funding, Silver Sage would need to increase rents to $1030/month just to break even. This does not include any allocation for administration/property management. The families who live in these homes are not going to be able to afford that kind of increase.

But the numbers only tell part of the story. "Too often the discussion about the ending of the funding agreements has been focused on the sustainability of affordable housing organizations" says Maynard Sonntag, CEO of Silver Sage Housing Corporation. "This is not about our organizations. The discussion **has** to be focused on the tenants and the impact the ending of these agreements will have on them."