

WHAT HAPPENS WHEN SOCIAL HOUSING OPERATING AGREEMENTS EXPIRE?



Lloydminster
Métis Housing Group Inc.

Who they are

The **Lloydminster Métis Housing Group** is a non-profit housing provider that owns, operates and delivers affordable housing to people of Aboriginal heritage with low and moderate income who cannot afford housing in the private market. They are located in the community of Lloydminster, which straddles the Saskatchewan and Alberta borders. Lloydminster has 31,000 residents, but given its proximity to the booming economies of northern Alberta, its population has increased by 18 per cent in the last four years. About eight percent of the population identifies as Aboriginal. Housing availability has not kept up with population growth, which has rendered housing in the private market out of reach for many. Between 2012 and 2013, rents increased by 13 per cent. Social housing is needed more than ever in Lloydminster.

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.

What happens when funding ends?

The Lloydminster Métis Housing Group Inc. (LMHG) has historically provided rent-geared-to-income (low-income) housing to those most in need, primarily Aboriginal families. They have 112 homes which were acquired through the federal government's urban native social housing program in the 1970s and 1980s. The program put in place long-term social housing operating agreements which provided federal funding to cover the mortgage payment of the homes LMHG purchased and built, as well as the difference between their operating costs and the amount received in rental revenue. This meant they could subsidize rents and utility costs in order to provide homes that were affordable to those most vulnerable, with the lowest incomes. In 1996 their annual operating budget was \$1.2 million, of which \$924,000 or two-thirds was federal operating agreement funding. Since then, funding is being reduced as each of their several operating agreements expires. LMHG currently receives \$433,000 in federal funding. Just five years from now, federal funding will be reduced to only \$187,000. By 2029 all of their agreements will have expired and they will have no federal funding with which to subsidize rents.

Given about half of LMHG's homes have had their funding end due to the expiry of the operating agreements, in order to keep the doors open, LMHG has had to increase rents in those homes where funding has ended, to what could be considered "low-end-of-market" rents. While the rents charged by the LMHG are still less than the average rent in Lloydminster, once you add the high cost of utilities the total housing cost is out of reach for those who are most vulnerable, even though they likely have nowhere else to go. As a result, many families have been displaced as they could not afford the rent increases and some have become homeless.

LMHG has had to reduce support for the 46 homes still funded by an operating agreement in order to set aside savings to help offset the shortfalls expected as funding continues to erode. Whereas LMHG used to be able to provide a \$125 per month subsidy to offset the high cost of utilities, they are now only able to offer a subsidy of \$50 per month, even though the cost of utilities has risen by over 100% in the last 10 years.

In the past, LMHG selected tenants on the basis of need, even if it meant 'taking a risk' with a family who was struggling with mental health challenges, addiction or family instability and, at times, was late in paying the rent in full. LMHG simply cannot afford to take 'risks' like that anymore given their precarious financial situation. This has meant turning away struggling families. For example, LMHG currently has a single mother with two teenage children on their waiting list. They are couch-surfing and have no source of income. Without an address, she cannot collect social assistance but without a stable home, she finds it impossible to be employed. With no source of income, she scores very low on LMHG's rental application assessment. This family is an example of one who, in the past, could have been housed by LMHG, but now, as they are unlikely to be able to afford the new, higher LMHG rents, represents too significant a risk to LMHG, as they are operating with a perpetually shrinking budget.

LMHG is anticipating that once all of the agreements end, they will have to continue to increase rents from low-end-of-market to market average. This is not what LMHG wishes to do and it is counter to the intent of social housing programs, which was to support those most in need with no other option to attain safe, affordable housing.

But LMHG is left with few choices in the absence of renewed federal funding because their operating costs are considerable and they have an older, aging portfolio that requires maintenance and much modernization. While their mortgages will be fully paid once the agreements end, they will no longer receive funding to subsidize rents. At the same time, their

ongoing operating costs have increased. For example, given the increase in value of their housing with the booming Lloydminster economy, LMHG's property taxes have increased by around 66% in the last five years, as the local government must expand infrastructure and community amenities to keep up with the growing population. Similarly, for any repair or maintenance work, LMHG must offer relatively high wages to attract technicians or tradespeople to undertake this work, as they are in high demand with local or nearby private sector companies.

"Lloydminster Métis Housing Group Inc. has a very committed and responsible Board of Directors who wish to maintain their mission of supporting the Aboriginal community and those most in need" says Manager Sandra Brown, who has been with LMHG since 1993. "They have said they will continue to keep rents as affordable as possible for as long as possible. However, they are faced with difficult decisions around no longer selecting tenants who may bring 'risk', although they may be the most in need" continues Brown.

"I have watched people grow, take wings and fly. What a beautiful thing, when someone finds their way, purpose in life, and improves their condition for themselves and their children. It can be a very slow process, one step forward and two steps back. Nothing happens quickly. But people need hope, a sense of community and they need a safe home. There will always be people who suffer from addictions, abuse and/or mental illness. For some, these issues affect their ability to hold employment, gain education and they are frequently alienated from family. Many of these individuals are of Aboriginal ancestry. These individuals find it very difficult to afford a home "in the market". They have very poor rental histories, and fail to thrive without a supportive landlord. But Aboriginal housing providers have been doing good work and have had a lot of success. We are here, with over 30 years of experience and expertise in delivering affordable rental programs to this vulnerable population. We simply need continued funding to be able to continue doing this work. We must have a commitment from the federal government in the form of predictable, long-term funding for social housing, or Canada's homelessness problem will become a major crisis in the very near future" concludes Brown.