

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.



Prince George Métis Housing Society

Background

The **Prince George Métis Housing Society (PGMHS)** has a long history of delivering affordable housing to low-income Aboriginal people in Prince George and the surrounding rural communities of northern British Columbia. Established in 1985, PGMHS currently serves over 1070 individuals and families living in 160 scattered site homes funded through the Urban Native social housing program, and 108 scattered site homes funded through the Rural and Native social housing program.

Long-term federal funding from social housing operating agreements has provided an important level of support for the operation of the low-income housing managed by the Prince George Métis Housing Society. The agreements administer funding for both the mortgage payments and offset the difference between the housing providers operating costs, such as for maintenance and building repairs, and the revenue received from subsidized rents to their tenants.

Beginning in 2009 however, the operating agreements and associated funding began to end, as homes became mortgage free. Currently, 41 percent of PGMHS' Urban Native Housing (67 homes), and 27 percent of their Rural and Native Housing (30 homes) no longer receive federal funding. All of PGMHS' remaining homes will lose federal funding by the end of 2026.

Even now that mortgages have come to maturity, PGMHS continues to have considerable operational costs, including for property tax, deferred maintenance work, insurance, utilities and administration. The revenue they continue to receive in rent, which remains below low-end market rates, is not enough to cover these ongoing costs. In order to continue providing affordable housing to the community, PGMHS has had to sell homes, increase rents and reduce operating costs where possible. This has meant displacing some households and increasing rents for others.

As Leo Hebert, PGMHS Executive Director explains, "The end of federal funding has created challenges to the capacity of the organization and for our tenants – it has forced Prince George Métis Housing Society to become more innovative – but we have had to make difficult choices as a result, affecting those most in need in our community."

Challenges due to the loss of federal funding

In order to address ongoing operating costs, the society has established an *Economic Rent Formula* to secure increased rental revenues in the face of lost federal funding. PGMHS tenants have been paying a variant of household income on rent based on the terms of operating agreements, and PGMHS is now seeking to standardize a fixed rent for all tenants tied to household income while keeping rents below market rates. Research is underway to ensure a balance between housing affordability and operational sustainability while maintaining fairness and transparency. One option being considered is in having all tenants pay 35 percent of household income up to a maximum of the median rental rate for the area.

Some tenants will continue to be impacted as a result of the changes to PGMHS' rental policy as they will not be able to afford the increase in rent. This will force some households to move, potentially into substandard market rental housing, while raising the overall demand for affordable housing in the city. Waitlists for PGMHS housing has risen to as many as 4,000 households at any one time, with demand far outstripping supply.

The organization will also have to address the approximately \$2.5 to \$3.0 million accumulated in deferred maintenance to PGMHS' housing stock. This can in part be attributed to restrictions on the asset limits of replacement reserves under the terms of their original operating agreements, as well as to the average age of PGMHS' homes, which is 48 years. The organization has been able to maintain modest savings, spending to date approximately \$270,000 per year, above the budgeted maintenance allowance, on capital improvements to their existing portfolio, including the replacement of furnaces as well as in bringing homes up to energy efficiency and building code standards.

Innovation and the road ahead

Prince George Métis Housing Society has faced many challenges, and in doing so have made a number of strategic decisions that have created new opportunities for the organization to generate partnerships, initiate research and to evolve as an affordable housing provider. Leo Hebert states that in order to make these difficult decisions, and do the work, it requires a dedicated team of 8 volunteer Board members and 7 hard working staff. Their mission statement clearly articulates this commitment. "We provide safe, healthy, and affordable housing for Aboriginal people of all incomes, ages, and capabilities".

PGMHS has established an ongoing partnership with the University of Northern British Columbia's Community Development Institute to provide research on the demand for affordable housing in Prince George. The society is also working in collaboration with the Prince George Native Friendship Centre and the Prince George Branch of the Canadian Mental Health Association to provide integrated wrap-around services and supports to PGMHS tenants facing addictions, mental health and unemployment challenges.

PGMHS is also working with Fortis BC, BC Hydro and others to train 10 individuals to assess low-income housing for energy efficiency improvements, reducing utility costs for low-income tenants while increasing skills training and employment opportunities within the local community. The sale of 8 single-family homes in 2011 furthermore allowed PGMHS to diversify their property holdings through the purchase of land for the development of high-density one and two-bedroom mixed-income seniors and student housing in the downtown core.

An active participant in the planning of the City of Prince George's *Affordable Housing Strategy Framework*, PGMHS is also seeking to stabilize their existing tenant base through the provision of down payment assistance to current rental households in homes that will soon come off federal subsidy. This will help PGMHS families and individuals to build financial equity while supporting their transition to affordable homeownership.

At its helm, Leo Hebert is charting a renewed course for PGMHS, seeking to balance the continuing need for affordable housing with the sustainability of the organization. As Hebert explains, "While the loss of federal funding has opened up opportunities for our organization to grow, in no way should the federal government relinquish their fiduciary responsibility to house and support the Aboriginal population. We can't go as far on our own as we can with federal support and continued funding."