

Calgary Housing Company Submission to the Affordable Housing Review Panel

About Calgary Housing Company

CHC is a wholly owned subsidiary of The City of Calgary that provides housing options to more than 9,000 households representing nearly 25,000 Calgarians. CHC's mission is to make life better for Calgarians through the provision of safe, affordable housing to low and moderate income households.

In response to fiscal pressures applied by core funders, particularly the Government of Alberta, and with an eye to long term sustainability and growth of our portfolios, CHC embarked on a transformational journey.

We are shifting from historic, deeply subsidized operating models to a model in which rents are variable based on the income levels of tenants. Such mixed-rent portfolios provide more choice and mobility for tenants, reduce red tape and regulation, and provided capital maintenance is appropriately addressed, over time, can require less government subsidy.

Concurrent with the movement towards mixed-rent approaches, it's imperative the Provincial and Federal governments as well as operators commit ongoing investment in the addition of new housing units ensuring those with lowest incomes continue to be appropriately housed. CHC's operations are constrained in terms of access to debt financing as a source of capital funding heightening our reliance on grant-based capital contributions from government.

CHC continues to implement additional strategies to achieve fiscal sustainability including the rollout of a new software system and a reduction of the administrative and utilities budgets by 9% and 5% from 2019 to 2020, respectively. Efficient non-profit housing providers can significantly contribute to the housing solutions Alberta needs thereby providing higher value for the investment in affordable housing.

There is no silver bullet to resolving the gaps in housing supply; however, there are multiple levers and opportunities for government to explore. It is important to recognize that non-market housing requires government subsidy and that it is a key responsibility of Provincial governments in Canada to ensure the economic success of all citizens. The below section provides more detail on the four proposed recommendations for consideration by the panel.

Four key recommendations for the Government of Alberta

1. Invest in maintaining existing affordable housing

Regular and adequate investment in existing assets is the best way to minimize the cost of housing operations over a building's lifecycle. Existing affordable housing is aging and lifecycle maintenance is needed to meet minimum housing standards. More than 84% of CHC's properties (174 properties) were built more than 30 years ago, while 41% of properties are 40+ years old. With adequate investment, the

lifecycle of these homes can be doubled for a fraction of the cost of new construction.

Reductions in affordable housing maintenance funding from the province in 2019 and 2020 have further deferred maintenance on 2,703 Provincially-owned affordable housing units managed by CHC. As the steward of these assets – which belong to Albertans – CHC has significant concerns related to these urgent lifecycle maintenance requirements.

Now is the time to invest in the regeneration of these units: CHC has doubled the lifecycle of buildings for another 40 years with an investment of \$50,000 per unit vs. \$250,000 per unit to build new. CHC requested \$18.4M and \$4.0M in capital maintenance renewal funding for the provincially-, and municipally-owned social portfolios, respectively, as part of our 2021 Business Plan and Budget Submission to Seniors and Housing. This request is based on building condition assessments (~1,100 units) and is only a portion of the total investment required against these properties.

2. Support new mixed-rent housing models

In light of constrained Provincial investment, mixed-rent approaches can offer a path towards operational sustainability for housing providers and serve as a powerful way to create more inclusive and equitable communities. Driven by continued under-investment by the Province, CHC has embarked on a transformational journey from the current deep subsidy model to a mixed-rent model that provides more choice and mobility for tenants, increases transparency for tenants and – after deferred maintenance is addressed – will require less government subsidy as near-market rents begin to offset those paid by lower income tenants.

Within our existing operations, we have demonstrated success with mixed-rent approaches within one property portfolio. As households' incomes change, they shift 'program type' rather than being forced to move out. Although specific programming and financial targets are set, there is flexibility and movement from Rent-Geared-To-Income (charged at 30% of income); Affordable (30% below average market rent); and Near Market rents charged to tenants. As the operator this means, unit distribution will change due to income levels of households. As units turn over, they will be filled to balance out programming and revenue mix.

Experience in other jurisdictions tells us 1,500 debt-free units is a baseline scale at which mixed rent portfolios – with units at a quality standard of maintenance, as referenced above – become self-sustaining on an operational basis based on economies of scale with regard to business administration and contracting. In such examples, rent paid by near-market tenants (approximately 90% of average market rent) helps other tenants who pay as low as \$350/month rent (including utilities) have a home, all without operating subsidies. There are many social and economic benefits of mixed income housing including supporting strong communities. One limitation of this model, as compared to social housing which provides 100% deep subsidy, is the need for more housing supply. As portfolios are transitioned from social

housing to mixed income, such as The City of Calgary owned social housing portfolio, new supply is required to ensure there is no net loss of homes for low income households. Overall it is recommended that all social housing be funded for repair costs and maintained to sustain the housing supply for low income households in combination with the investment in mixed income housing supply. Government can support this transformation in key ways:

a. Support mixed-rent through operating agreements that provide adequate funding

We appreciate the efforts the Ministry has made over the last year to outline a new operating agreement for CHC's municipally-owned community housing portfolio of 1,048 units. This new operating framework will modernize delivery of affordable housing in alignment with Federal and Provincial bi-lateral agreements, as well as support a transition of CHC managed properties to a mixed-rent model over time.

We look forward to resuming negotiations in September for the provincially-owned social housing portfolio of 2,703 units, with a continued focus on the need to preserve Provincial operating support for the lowest income Albertans. Provincially-owned social housing is the primary housing source for Alberta families with low income. Asset management and portfolio planning is required to carefully plan for regeneration and replacement as developments reach the end of their life cycle. Investment is vital and can double the life of this essential social infrastructure. If these housing developments are inadequately maintained and require premature closure, there are constrained alternate housing options available for relocation of tenants who pay average of \$380/month rent in these properties. The 2021 budget forecast from the government of Alberta indicates a 50% reduction of already significantly underfunded capital investment for Provincially-owned social housing. This increases the risk of imminent unit and building closures and is an urgent matter for reconsideration.

b. Provide predictable capital funding for the development of new affordable housing

Concurrent with the transition to mixed-rent approaches to improve the operational sustainability of affordable housing, it is essential to continue building new units of affordable housing to maintain an appropriate proportion of social units, supported by continued Provincial operating investment, for those living on the lowest incomes.

CHC works with The City of Calgary to operate units created as part of The City's 10-year affordable housing capital development plan. Additionally, CHC is one of more than 40 organizations which supports the *COVID-19 Community Affordable Housing Advocacy Plan*. The Plan would move Alberta towards eliminating functional homelessness and urgently requests Provincial and Federal investment to address Calgary's supply gap. The plan highlights the urgency of housing as a key factor underpinning individual and community health in the context of COVID-19, and focuses on stimulating Calgary's struggling economy through the activation of stranded hotel assets, immediate build of 22

shovel-ready non-profit projects and support for the construction and real estate sectors.

Recent provincial budgets have not invested in new affordable housing leaving leveraged local, private, municipal and federal housing dollars on the table. The Province is urged to re-confirm a commitment to annual, predictable grant-based capital funding similar to previous conservative governments which resulted in increased supply of mixed income housing. Calgary represents a unique investment opportunity with favourable real estate and construction pricing. Growing the number of units is a key component of a mixed-rent model ensuring support for the lowest income tenants is not lost. This approach considers a full housing system and avoids the higher costs of homelessness as well as economic constraints referenced above.

c. Exempt property taxes for non-profit housing providers and advocate for federal income tax reform to enable mixed income housing

Affordable non-market housing for low and moderate income households provided by non-profit organizations should be exempt from property tax as it provides substantial public value. Affordable housing is a public priority that creates jobs, boosts local economies, and saves taxpayers money through reduced spending on Provincial services all while supporting low-income Albertans to participate in our communities and economy. The cost burden of property taxes is a key barrier to the creation of mixed-rent housing by non-profit housing providers. Tax exemptions for such properties or operating organizations will support the financial sustainability of non-market housing providers, allowing money to be reinvested to build assets and sustainability in the sector as portfolios transition to mixed-rent models. Since 2017, Calgary City Council has cancelled municipal property taxes incurred by CHC annually. This resulted in \$1.5M in savings in 2020 which can then be reinvested in the assets however, under Provincial legislation this currently requires cumbersome red tape including annual Council approval through notice of motions and does not cancel the Provincial Portion of property taxes.

To successfully transition from deeply subsidized housing to a social enterprise mixed-rent model there are a number of barriers for non-profits with regard to federal income taxes. The panel is encouraged to explore this in more detail and make recommendations for Federal and Provincial discussions on tax reform to enable non-profits to successfully deliver this essential service.

We are committed to mixed-rent operations and communities as a partial solution to fiscal and social challenges as an alternative to government subsidy for housing operations. However, it must be re-stated that, in the absence of income adequacy, lower income Albertans will remain reliant on affordable housing which requires an operational supplement from the Province.

While CHC is a large provider of independent living rental housing, there is also significant need for housing

that requires intensive supports such as the housing first model. CHC is an advocate of a provincial approach in Alberta that would comprehensively addresses housing gaps in the full housing continuum from shelter to independent homeownership and rental. There is significant opportunity to streamline coordination of programs between Ministries, particularly programs that have shelter components of income support. The *COVID-19 Community Affordable Housing Advocacy Plan*, referenced above, identifies some short term immediate solutions to address the gaps in the housing system for supportive housing.

3. Provide funding for rent supplements

Rent supplements are a critical component of the housing continuum and can be leveraged to support households where non-market housing is not available to meet their needs. Rent supplements are a flexible and efficient way to access available stock in the private market and enable housing providers to quickly serve vulnerable populations, including women and children fleeing violence and larger families including Indigenous peoples and new Canadians. Rent supplements are beneficial particularly when the challenges of affordable housing are income based vs supply based, they enable integrated mixed income communities, support private sector business and offer diverse housing choices for Albertans seeking housing. One limitation is they can be more costly per unit and are subject to increases in cost from rent escalation. Rent supplements are often well supported in downward economic markets however, can be less desirable for landlords to continue offering in tight booming housing markets.

In 2018, prior to Provincial reductions to the program, CHC distributed \$19.2M in rent supplements to private landlords and non-profit housing providers to meet the needs of 2,252¹ Alberta households. Rent supplements are key to preserving much needed private rental housing and enable market units to be accessible for low income Albertans who do not require support services.

Recognizing the Government of Alberta proposal in 2020 to reduce rent supplement spending by 25% over three years, CHC has placed the waitlist for the program on hold and is reducing households in the program as people exit. For 2021, CHC has requested a \$17.6M CHC-specific Rent Supplement Program budget to serve 2,042 households as part of our 2021 Business Plan and Budget Submission to The Ministry of Seniors and Housing submitted on July 31, 2020. Recent decisions to reduce program funding for rent supplement in Alberta has reduced supply for this program and has resulted in a more constrained housing supply for the lowest income Albertans. CHC recommends the reconsideration for investment into this program to house the highest priority and lowest income Albertans particularly at a time when there is limited new investment in supply and existing social housing is transitioning to mixed

¹ Following 2019/20 Budget reductions, 2020 rent supplements administered by CHC are anticipated to serve 225 fewer households (2,027 total)

income housing.

While beyond the scope of the Panel, a more broad consideration of rent supplements and financial assistance for Albertans living on low incomes reveals considerable inefficiency in targeting non-market and social housing as well as rent supplements. Often, the lowest income and most vulnerable households are navigating complex and intersecting income, rent, and housing programs which are administratively burdensome and lack transparency. As long as government income support benefits for people with disabilities or barriers to full employment remain inadequate to enable access to market housing, the demand for Provincially-supported rent benefits and non-market housing options will remain unmet and growing. Further, working Albertans with low incomes struggle to access affordable housing options relative to other individuals and households who may have existing linkages to social services. Prior to the recent changes of Social Housing Accommodation Regulation, social housing programs were prioritized for people with working income assuming that people receiving social assistance had sufficient shelter allowances to afford housing in the private sector. Currently shelter allowances is well below market housing rates thereby constraining the supply and increasing the pressure for affordable housing.

4. Open the Social Housing Accommodation Regulation (SHAR) to reduce red tape

SHAR is a highly complex regulation which housing providers must follow related to government-funded social housing. Its application is costly, administratively burdensome and results in significant intrusion for the lowest-income tenants and applicants.

In line with the Panel's interest in removing red tape and unnecessary regulations, we recommend a review of SHAR to determine whether it is still meeting the government's needs. Both through the negotiation of operating agreements for specific CHC portfolios and more broadly, there may be opportunities to adjust administrative requirements and meet the needs of the lowest income Albertans. Consideration should be on more efficiently and effectively transitioning housing management bodies from focusing on regulation and compliance and switch to a focus on coordination of programs and services that work for positive outcomes for residents including eviction prevention, debt reduction, income growth and in some cases opportunities for home ownership.

Specifically, and related to the income benefits commentary above, we believe income exemptions could be streamlined and based upon 1/3 of gross income with exceptions made only for grants, and bursaries specifically linked with access to education, to support more sustainable rent levels. It is also recommended that SHAR be reviewed to seek opportunities to modernize government housing policy to support households to achieve positive economic outcomes. There are a variety of opportunities being

piloted in the new City/Provincial agreement that could be considered such as: exemption of dependents under 22 years of age from income calculation towards rent and progressive exit to reduce poverty entrenchment.

On behalf of Calgary Housing Company, we thank the Panel for your consideration of this submission.
