The End of Operating Agreements for Aboriginal Housing Providers

A CHRA Congress Session Summary

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Moderator:
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This session brought together representatives from four Aboriginal housing providers across Canada Skigin Elnoog Housing Corporation (New Brunswick), Métis Urban Housing Corporation (Alberta), Gignul Non-profit Housing Corporation (Ontario), and Kinew Housing (Manitoba).

The four organizations have different approaches to affordable housing provision, and are addressing the end of the operating agreements differently. All want to continue to provide RGI units, but it will be a question of degree dependent upon their particular variables such as portfolio size, tenancy mix, building condition, etc. All providers foresaw the need to shift to more market or lower-end-of-market rental units.

Each of the representatives talked about the challenges and opportunities they see as their operating agreements begin to expire. Some of the challenges include:

- educating their boards and staff about the issue;
- having insufficient funds (from rents) to cover operating and capital costs once the subsidies end;
- developing strategies and long-term plans to address the expiry of the operating agreements, with little support from the federal government; and
- finding ways to continue to provide rent-geared-to-income units.

Although these challenges are significant, the housing providers also identified opportunities for their organizations. The opportunities include:

- a chance to become self-sufficient, to not be constrained by or dependent on government funding;
- taking advantage of current low interest rates, which make it easier to cover costs; and
- using the equity in their buildings to renovate existing units and build new units.

Some housing providers are looking towards the end of operating agreements as an opportunity to be more independent and less reliant on—and limited by—funding from governments. On an individual level, housing providers need to assure their organization's stability and longevity; otherwise they wouldn't be able to provide any housing at all.

Kinew Housing

The organizations that want to continue to provide RGI units will have tough decisions to make. If funding shortfalls make it impossible to continue to make up the difference between operating costs and rents, organizations may have to sell some units or raise the rents. For example, Kinew Housing reported that it will have to raise its rents to make up the shortfall in its operating budget. By 2017 it will have no more subsidized housing. Currently, Kinew has about 900 applications on file, and some of these applicants have already been displaced from other housing providers as their operating agreements have expired. As operating agreements continue to expire, and housing providers are required to raise rents to make up the shortfall in their operating budgets, existing tenants will continue to be displaced from affordable, safe and stable housing.

Skigin Elnoog Housing Corporation

Due to its small aboriginal population relative to other provinces and the scattered urban and rural composition of the 7,200 off-reserve aboriginal population, New Brunswick did not establish urban-based aboriginal housing societies, as most other provinces did. Rather, they created a province-wide not-for-profit housing society serving urban and rural areas and also helping non-aboriginals access social housing service. This decision was born out of the necessity to create economies of scale, but it allowed them to avoid the 100% Rent Geared to Income (RGI) situation that many urban aboriginal housing providers face. This, combined with locked-in mortgage rates from 8% to 11%, will result in a positive cash flow for the majority of their overall portfolio. For the small number of units that are at risk once the agreements expire, Skigin-Elnoog is looking at many potential options it can take over the next decade before expiry. These include: keeping units viable by providing subsidies from surpluses in other portfolios; exploring homeownership options for existing clients; raising rents to lower end of market rent; changing to rent supplement units instead of RGI units; and selling units to use the proceeds from the sale.

Métis Urban Housing Corporation

Métis Urban Housing Corporation (MUHC) operates under the Urban Aboriginal Housing Program and in 2008, the first 10 units came out of the CMHC operating agreement. This spurred the organization to develop a strategic plan that, once approved, led to the creation of a separate corporate entity – the Metis Capital Housing Corporation (MCHC) – which was formally joined to the original organization but was operated as a separate entity. The new entity leveraged the equity of the mortgage- and condition-free units (by using seven units to secure a loan and selling the other three) to purchase a $1.5 million seniors lodge with financing from the First Nation's Bank.

To ensure viability, MCHC developed a new business model which featured analyses of rental needs, material discounts, new software for reporting, tracking and monitoring (designed for its own property management database), new programs, and new partnerships. Central to its new model was the understanding that financial dependence on any one funder or source of funds placed too much risk on the organization if those funds were cancelled and as such MCHC has sought diversified funding sources.

The impact on tenants has been twofold. They have to pay more for rent and utilities which is a hardship for those on a fixed income, especially for seniors and persons on Assured Income for Severely Disabled.

On the positive side, the business model change has put greater onus on community members to achieve personal growth through the increased options MCHC now provides, including homeownership, rent supplement, affordable, market, and services combined with housing.

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