



# LET'S TALK CO-OPERATIVE HOUSING

Partner with Co-operatives to House Canadians



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CO-OPERATIVE HOUSING FEDERATION OF CANADA

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# A SUMMARY OF PROPOSALS

## 1. Protect low-income Canadians living in housing co-operatives

*Proposal in brief:*

- Replace expired operating agreements with new rent-supplement programs in order to protect low-income households living in housing co-operatives and to ensure zero net-loss of RGI housing assistance.

## 2. Promote policies and programs that leverage new investments in co-operative housing

*Proposal in brief:*

- Accelerate opportunities for prepayment flexibility of CMHC-held mortgages while protecting rent-geared-to-income supports for low-income households living in housing co-operatives.
- Incentivize the creation and expansion of community land trusts in order to unlock the development and redevelopment potential of suitable properties, including existing co-operative housing properties and federal lands.

## 3. Build new co-operative housing for Canadians

*Proposal in brief:*

- Earmark 25% of CMHC's Affordable Rental Housing Innovation Fund and Affordable Rental Housing Financing Initiative to test and scale innovative development and financing of co-operative housing models across the country.
- Evaluate existing supply programs to promote an appropriate level of new co-operative housing development across Canada.



# INTRODUCTION

The development of a long-term national housing strategy is welcome news to the Co-operative Housing Federation of Canada (CHF Canada). As more Canadians from all walks of life struggle to find housing that is affordable and meets their needs, Canada's housing co-operatives have been, and will continue to be, a part of the solution.

The Co-operative Housing Federation of Canada is the national voice of the Canadian co-operative housing movement. Our members include over 900 housing co-operatives and other organizations in every province and territory.<sup>1</sup> Canada wide, over 2,300 housing co-operatives have built approximately 96,750 units of co-operative housing. Today, over a quarter of a million Canadians live in a co-operative home.

This document offers CHF Canada's perspectives on the development of a National Housing Strategy where all Canadians have access to housing that meets their needs and they can afford. It will demonstrate how Canada's housing co-operatives are committed to addressing the housing needs of Canadians in a manner that is inclusive, affordable and sustainable.

Canada's housing system is struggling to strike a balance between economic, social, and environmental priorities, and as a result many Canadians do not have access to housing that is affordable, suitable and adequate for their needs. According to the 2011 National Household Survey, 3.3 million Canadians are experiencing core housing need.<sup>2</sup> Almost 1 in 5 renter households pay more than 50% of their income on rent<sup>3</sup> and upwards of 235,000 Canadians experience homelessness every year.<sup>4</sup> When Canadians do not have a safe, affordable place to call home, they struggle to participate fully in the social and economic fabric of Canadian life.

## **Renter Households in Core Housing Need<sup>5</sup>**

<b>Female led lone-parent families</b>	<b>45%</b>
<b>Newcomers to Canada</b>	<b>38%</b>
<b>Indigenous households living off-reserve</b>	<b>35%</b>
<b>All renter households</b>	<b>27%</b>

1 Housing co-operatives in Quebec are affiliated with CHF Canada through the membership of regional federations and a Quebec confederation of housing co-operatives.

2 2011 National Household Survey.

3 Canadian Rental Housing Index, [www.rentalhousingindex.ca](http://www.rentalhousingindex.ca).

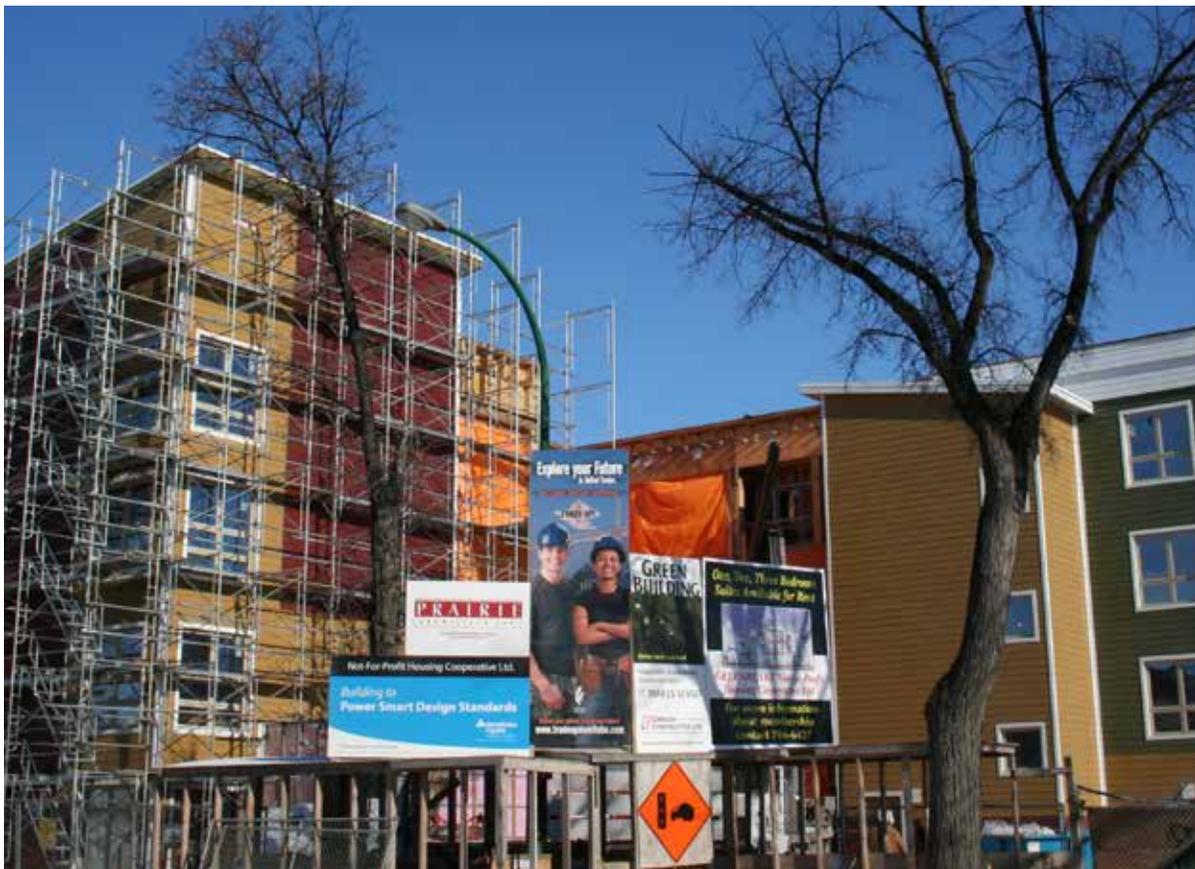
4 Canadian Alliance to End Homelessness (2016). State of Homelessness in Canada.

5 CMHC (2011) Canadian Housing Observer: Characteristics of Households in Core Housing Need.

Canada's national housing strategy must act to harmonize Canada's housing system in a way that ensures all Canadians have access to housing that meets their needs and they can afford. In order to do so, CHF Canada is proposing instruments that will support the development of a more co-operative and enterprising housing system that empowers housing consumers from all walks of life to come together in order to build and own the housing they need to thrive.

CHF Canada is proposing three initiatives that will advance the vision of Canada's National Housing Strategy in ways that promote economic strength, social generosity and environmental sustainability. Specifically, this document offers proposals that will:

- 1. Protect low-income Canadians living in housing co-operatives;**
- 2. Promote policies and programs that leverage new investments in co-operative housing;**
- 3. Build new co-operative housing for Canadians.**





# THE CO-OPERATIVE ADVANTAGE IN CANADA'S HOUSING SYSTEM

Canada's history reflects the achievement of a relatively small population that has built a powerful economy and a generous society. When Canadians work together in a manner that harmonizes economic, social, and environmental interests, Canadians prosper. When these interests are not harmonized, as currently seen in Canada's housing system, Canadians struggle.

As governments, businesses and families grapple to strike the right balance between economic, social and environmental needs, co-operatives have already developed a business model that balances the social, economic and environmental aspirations of members.

**The co-operative business model is at work around the globe, with over one billion members and 3.2 trillion dollars (US) of economic activity.<sup>6</sup>**

At its most basic level, a co-operative is an autonomous association of persons working together to meet their own economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise.<sup>7</sup> In the case of a housing co-operative, people from all walks of life are empowered to come together to build and own housing that meets their own needs in a manner that is affordable and sustainable.

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Worldwide, co-operatives share a common set of business principles that help guide their development and operation. In housing co-operatives, these principles have cultivated inclusive and affordable housing communities across the country.

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<sup>6</sup> International Co-operative Alliance (n.d.) Facts and Figures.

<sup>7</sup> International Co-operative Alliance (n.d.) Co-operative identity, values and principles.

The co-operative principles:<sup>8</sup>

1. **Open membership:** Co-ops are open without exception to anyone who needs their services and freely accepts the obligations of membership.
2. **Democratic control:** Co-ops are controlled by their members, who together set policy, make decisions and elect leaders who report to them.
3. **Economic participation:** All members contribute fairly to their co-ops, which they own together.
4. **Independence:** All agreements co-ops sign with outside organizations or governments should leave the members in control of the co-op.
5. **Co-operative education:** Co-ops offer training to their members, directors and staff. Co-ops tell the public what they are and what they do.
6. **Co-operation among co-operatives:** Co-ops work together through local, national and international structures to serve their members.
7. **Community:** Co-ops meet members' needs in ways that build lasting communities within and beyond each co-op.

Canadians want to create and live in communities that support their economic aspirations, advance social wellbeing and promote environmental sustainability. Building a housing system that supports co-operative and entrepreneurial values can help make this happen.

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8 CHF Canada. (1995). Co-operative principles for housing co-ops.



## A track record of success

After decades of development and operation, Canada's housing co-operatives have created a solid platform for affordability and inclusion in housing markets across the country. Approximately 2,300 housing co-operatives have built over 96,750 units of co-operative housing for Canadians from all walks of life. Co-ops are home to 250,000 Canadians, representing 1% of the Canadian housing market.

As a result of long term partnerships with governments, a significant portion of Canada's housing co-operatives were developed using supports in the form of preferential government mortgages, operating subsidies and rent assistance to low-income households.

This makes Canada's housing co-operatives unique in comparison to their international counterparts. A significant portion of Canada's co-operative housing is specifically dedicated to meeting the housing needs of low- and moderate-income Canadians. This means that single-parent families, persons with disabilities, and seniors on fixed incomes have security of tenure, and an affordable place to call home that is otherwise unavailable in the private market. Low-income households pay an affordable rent based on their income, and government funding covers the difference.

A 2003 Co-operative Housing Programs Evaluation<sup>9</sup> completed by CMHC concluded that:

- Co-operatives provide affordable housing for low- and moderate-income households,
- 95 percent of housing co-ops built with federal program funding are mixed-income communities,
- Co-operative residents benefit from a greater degree of security of tenure as compared with private renters, and
- Households in co-operatives achieve greater progress on key quality of life indicators compared to residents in other forms of housing.

The CMHC study also offers a profile of co-operative housing members in Canada. The profile indicates that housing co-operatives have successfully integrated Canadians who have typically faced barriers to housing stability. The study made the following observations:

- The population living in co-operative housing includes a higher proportion of women than in the Canadian population (58%). Nearly half of co-operative households are female single-person households and 90% of single-parent households are female-led.
- Co-operative housing residents are culturally diverse. The survey data shows over 20% of households are newcomers to Canada, and 11 percent of households are members of visible minorities.
- Survey data also showed that 12% of co-operative housing units were occupied by households that include a person or persons with a long-term physical disability.

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<sup>9</sup> CMHC. (2003). Co-operative Housing Programs Evaluation.

**The literature demonstrates that co-operative principles have established a solid platform for housing affordability and inclusion. Co-ops offer synergy across family life by providing security of tenure and progress across key quality of life indicators within a mixed income community.**

Canada's housing co-operatives have proven their value to their members and are here to stay. With an established track record, housing co-operatives are ready to take new risks, and leverage their experience, land and money in order to help build a more co-operative housing system that works for Canadians.

### **A new partnership paradigm**

Long-term operating agreements between governments and housing co-operatives are coming to an end, and this invites a new partnership between actors within Canada's housing system. CHF Canada aims to change the partnership paradigm between co-operative housing and government to more effectively address today's challenges and opportunities.

#### **Innovation Shift: A new partnership paradigm between government and co-operative housing:**

<b>From:</b>	<b>To:</b>
Co-operative as recipient of government funds to build housing.	Co-operative as asset holder capable of leveraging debt and equity financing to redevelop and build co-operative housing. Government helps close the affordability gap.
Co-operative as recipient of government funding to operate housing.	Co-operative as autonomous private enterprise whose portfolio is in part dedicated to meeting the housing needs of low-income households. Low-income households pay rent-geared-to-income through rent supplement programs.



# PARTNER WITH CO-OPERATIVES TO HOUSE CANADIANS

In the context of a new partnership between government and the co-operative housing movement, CHF Canada offers the following proposals to help advance the National Housing Strategy's vision—where **all Canadians have access to housing that meets their needs and they can afford.**

To build a more co-operative housing system for Canadians that balances the interests of people, planet and profit, CHF Canada proposes three integrated initiatives:

1. **Protect low-income Canadians living in housing co-operatives,**
2. **Promote policies and programs that leverage new investments in co-operative housing;**
3. **Build new co-operative housing for Canadians.**

## **PROPOSAL 1:**

### **Protect low-income households living in housing co-operatives**

The end of government operating subsidies for low-income households living in housing co-operatives is top of mind for the members of CHF Canada. Our member co-operatives are overwhelmingly dedicated to building inclusive, mixed income housing communities where low income Canadians can own housing that is affordable, adequate and suitable to their needs.

Funding that enables co-ops to house low-income Canadians is now ending in large numbers. After federal funding ends, most co-ops have no choice but to raise housing charges (rents) for their low-income members. In all cases, affordable, co-operative housing is being lost. Without a renewed partnership, over 20,000 households will face economic eviction and housing instability.

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While the 2016 federal budget introduced transitional measures to extend subsidies for rent-geared-to-income (RGI) households, support has been limited to co-operatives coming out of federally administered agreements between April 1, 2016 and March 31, 2018. For co-ops whose agreements expired before April 1, 2016, or for housing co-ops coming out of provincially administered agreements, the continuation of subsidies to RGI households has not been assured and low-income households have been adversely affected.

The National Housing Strategy should recommend that the government reinvest money saved from expired operating agreements and create new, dedicated funding streams for long-term rent supplement programs in support of low-income households living in housing co-operatives. These programs—no matter how they are developed and delivered, should adhere to the following principles in order to most effectively support low-income households living in housing co-operatives:

- Rent supplement programs should be specifically tailored for co-ops;
- Low-income households currently receiving a rental subsidy in co-ops need to be prioritized;
- The same number of low-income households in a co-op will be supported in the future (if a low-income household moves out, another can move in, even if in a different unit); and
- Rental assistance should be provided on a rent-geared-to-income (RGI) basis, or an equivalent which ensures a sufficient level of support so that households are paying no more than 30% of income towards rent.

Further emphasis must be placed upon the continuity of RGI assistance to low-income households. RGI assistance is valuable because it is targeted to households in greatest need at a level of support that is proportionate to the need of that specific household. Combining this type of assistance in the context of a housing co-operative results in additional synergies for low-income households that might not exist in other forms of housing. Progress in quality of life indicators, proximity to transit and other services, and a supportive community combined with RGI assistance offers low-income Canadians a pathway into the middle class.

The National Housing Strategy, starting with Budget 2017, should continue to make funds available to all co-ops coming out of agreements in order to protect low-income households. Further, to achieve the principles outlined over the long term, the National Housing Strategy should offer a framework to ensure that provincial/territorial programs meet these principles so that low-income households are protected into the future.

#### **SUMMARY OF PROPOSAL 1:**

- *Replace expired operating agreements with new rent-supplement programs in order to protect low-income households living in housing co-operatives and to ensure zero net-loss of RGI housing assistance.*



## PROPOSAL 2:

### Promote policies and programs that leverage new investments in co-operative housing

Housing co-operatives can leverage their mixed-income revenue base along with accrued equity and surplus land in order to attract new forms of investment. CHF Canada proposes that the National Housing Strategy promote policies and programs that leverage new investments in co-operative housing.

#### Refinancing

The majority of Canada's housing co-operatives were financed through long term mortgages held by CMHC. With today's historically low interest rates, it makes business sense for housing co-operatives to refinance to reduce their interest payments while also investing the additional funds in modernization, energy efficiency retrofits and in some cases, to build new co-operative housing.

Until recently, a number of federal restrictions prevented, and in some cases prohibited, co-operatives from pre-paying their first CMHC mortgage. These policies handcuffed housing co-ops to unfair, high interest CMHC mortgages (some as high as 13.25%), while also restricting co-operatives from accessing private lending to address capital repair and renewal.





In 2013, CHF Canada’s advocacy efforts resulted in fair and reasonable prepayment terms for Section 95 housing co-operatives. As a result, in just three short years, housing co-operatives have leveraged nearly \$90 million in new private investment at no cost to government.

To be clear, new financing opportunities are not meant to replace government grants and forgivable loans targeted to the renovation and upkeep of co-operative and social housing, but should complement existing programs. CHF Canada believes that governments should continue to fund robust renovation and retrofit programs in order to preserve the quality of co-operative and social housing, while also advancing other government objectives such as energy efficiency and wastewater management measures designed to mitigate climate change.

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Budget 2016 confirmed an earlier commitment of \$150 million over four years, starting in 2016–17, to allow Section 61 housing co-operatives, among others, to prepay their high interest mortgages held by CMHC, without penalty. The national housing strategy should continue to accelerate prepayment flexibility for housing co-operatives while also protecting rent-g geared-to-income supports for low-income households living in housing co-operatives.

## Community Land Trusts

Community Land Trusts (CLTs) acquire land in various ways and hold it in trust for the community to provide affordable housing. A CLT typically separates the value of the land from the buildings on the land—thereby removing the land from the private speculative market. One of the key features in the Land Trust model is a *portfolio approach*—a single organization developing and operating properties as a portfolio rather than single sites. The CLT model has demonstrated numerous benefits, including:

- Cost-efficiencies in construction and operation of properties;
- The ability to redistribute capital across properties in order to facilitate the growth of mixed income communities;
- The ability to distribute risk and leverage assets in order to unlock new forms of debt and equity financing.

The CLT model is already demonstrating success across Canada, and it is therefore proposed that the National Housing Strategy further incentivize the creation and expansion of community land trusts.

CHF Canada looks forward to working with the federal government to develop and promote policies and programs that are responsive to all viable opportunities to leverage new forms of investment for co-operative housing.

### SUMMARY OF PROPOSAL 2:

- *Accelerate opportunities for prepayment flexibility of CMHC-held mortgages while protecting rent-geared-to-income supports for low-income households living in housing co-operatives.*
- *Incentivize the creation and expansion of community land trusts in order to unlock the development and redevelopment potential of suitable properties, including existing co-operative housing properties and federal lands.*

### **PROPOSAL 3:** **Build new co-operative housing**

Canada's escalating crisis of affordability in housing is so acute that it not only affects low-income households, but also Canada's middle class. Finding and keeping a job, raising a family, completing an education or aging with dignity are all impossible without a safe, affordable place to call home. Canada's prosperity depends upon a housing system that meets the needs of all Canadians. Clearly, more durable, long term programmatic and policy measures will be required to address Canada's housing crunch.

After decades of development and sound stewardship, Canada's housing co-operatives have demonstrated their durability in providing long-term affordable housing for their members, and it is for this reason that the federal government should partner with CHF Canada to significantly scale up opportunities to build new co-operative housing.

Specifically, CHF Canada recommends earmarking 25% of CMHC's Affordable Rental Housing Innovation Fund and Affordable Rental Housing Financing Initiative in order to test and scale innovative development and financing of co-operative housing models across the country, starting in 2017. Furthermore, existing supply programs should be evaluated in order to ensure an appropriate level of new co-operative housing development across Canada.

#### **SUMMARY OF PROPOSAL 3:**

- *Earmark 25% of CMHC's Affordable Rental Housing Innovation Fund and Affordable Rental Housing Financing Initiative to test and scale innovative development and financing of co-operative housing models across the country.*
- *Evaluate existing supply programs to promote an appropriate level of new co-operative housing development across Canada.*

## CONCLUSION

Canada's history reflects the achievement of a relatively small population that has built a powerful economy and a generous society. When Canadians work together in a manner that harmonizes economic, social, and environmental interests, Canadians prosper. The same has proven to be true within Canada's co-operative housing movement. Today, there is enormous potential to bring greater harmony to Canada's housing system through a focused blend of co-operation and entrepreneurship.

Empowering housing consumers from all walks of life to come together in order to build and own affordable housing and harmonize their economic, social and environmental interests is the co-operative way.

Empowering housing consumers from all walks of life to come together in order to build and own affordable housing and harmonize their economic, social and environmental interests is the co-operative way. Our commitment to co-operative principles and sustainable development goals means that co-ops are recession proof. They are inclusive communities and they are committed to building resilience in the face of economic uncertainty and climate change.

Canada's federal government has made a commitment to develop a National Housing Strategy at a time when there is unprecedented support to take bold and decisive action to reshape Canada's housing system so that it works for all Canadians. CHF Canada joins the many voices urging the federal government to take substantive action in partnership with housing stakeholders and consumers in order to build a housing system where all Canadians can have access to an affordable, adequate and suitable place to call home.







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