

Case Studies of Housing Projects with Operating Agreements That Have Ended

Key Practices for Housing Projects Approaching the End of Their Subsidies

INTRODUCTION

This research documented promising practices of federally assisted housing projects that have transitioned to a post-subsidy environment and continued to provide affordable housing. The research, carried out in 2015, aimed to support other housing providers preparing for the end of their agreements and to provide insight to decision makers. The study was limited to federally assisted social housing projects under the *National Housing Act* (NHA) social housing programs, including co-operative, private non-profit and urban Indigenous housing, whose operating agreements had already ended.

PROJECT OVERVIEW

- Researchers conducted open-ended interviews with informants from 23 housing projects, collected background information, added housing market data and then validated their reports with informants.
- The projects included five housing co-operatives; 13 non-profit organizations; and 5 urban Indigenous housing organizations. They comprised small to large housing providers (from 33 to 2,550 housing units), from across the country, in both metropolitan areas and smaller centres. Housing types ranged from single-family homes to townhouses and apartments and provided housing for all types of households, including seniors, families and others.

FINDINGS

Actions and responses of housing organizations to upcoming expiry of operating agreements were affected by internal and external factors. Some of these factors are represented in Figure 1.

Internal factors

- Planning varied depending on the type and the size of housing organizations. Project-based planning assessments were different from portfolio-wide strategic plans.
- Internal capacity was a key factor in planning for the end of agreements and implementing plans. The internal capacity can include both professional staff and board governance.
- Strong financial planning and analysis were beneficial in assessing alternative scenarios when agreements expire.

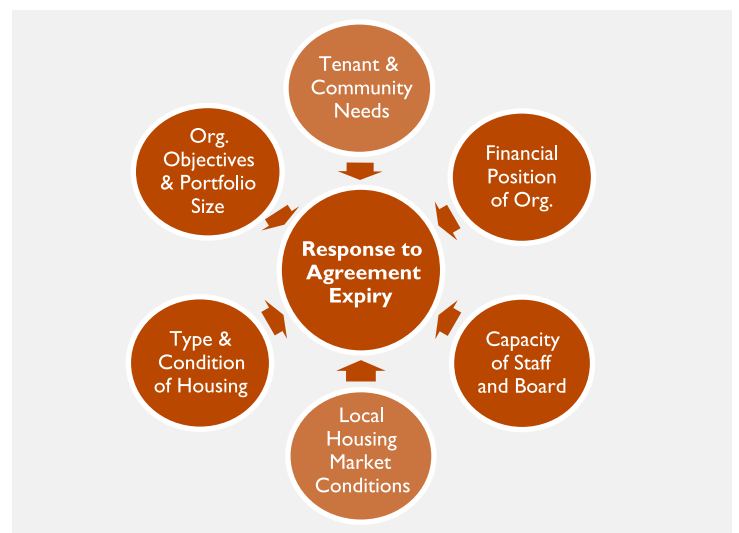
NHA Housing Assistance

Social housing was developed under numerous federal *National Housing Act* (NHA) programs between the mid-1940s and early 1990s.

- The federal government provided funding for construction of social housing and—under some programs—ongoing operating support and rent supplements.
- The terms and conditions for the funding were set out in long-term operating agreements between government and social housing projects, spanning 25 to 50 years.
- Operating agreements have started to expire, with the majority expiring over the next ten years, and the last one in 2038.
- Various recent policy responses exist to continue to support social housing projects after the expiry of operating agreements.

A housing organization’s response to the expiry of its operating agreement can be affected by a variety of internal and external factors

Figure 1: Factors affecting response to end of support agreement



External factors

- The resident and community focus of the organization. In many cases the tenant mix had changed over time. The organizational aim of providing long-term affordable housing for client group(s) in the community needed to be balanced with financial constraints of the housing project.
- Housing providers had to consider their position in the local housing market (and submarkets in larger centres). This required an understanding of local market conditions and trends (for example, vacancy rates, average market rents).
- Housing providers also looked at social trends (for example, income mix, core housing need trends), demographic needs and housing market conditions. These external factors affect housing affordability and were taken into account in developing revised rent structures.

Key practices and learning

Using content analysis of the interviews, researchers identified nine groupings of related practices that were frequently mentioned by organizations (see figure 2).

To plan for future viability, all of the housing organizations had considered the impacts of the end of their operating agreement from multiple angles. These included resident profiles, capital reserves and future capital needs, financing, capacity and rent structures. Steps that housing providers in this research took included:

- determining what type of planning was suitable for the organization’s needs;
- developing organizational capacity for planning and managing change at the end of the agreements;
- assessing the scope and sources of financial advice before agreements expired;
- considering the social impact on residents and the community as part of plans to address the needs of existing residents; and
- understanding the local housing market.

Figure 2: Key Practices of Projects Dealing with Expiry of Subsidies

Key Practices (in order of frequency)	Learning
1. Planning	Plan ahead well before agreement expires. Carry out long-term planning. Be realistic; collect data. Develop capital and equity plans.
2. Developing new business models	Explore new models—for example, changes to proportion of subsidized units or depth of subsidies. Innovation; entrepreneurship. Financial models for decision making.
3. Building partnerships, networks and support	Strong partnerships with other non-profits are an asset. Network with local community—businesses and agencies. Build good relations with provinces/municipalities.
4. Maintaining affordability, rent structures and income mix	Maintain affordability—compare rents to local market. Create new viable rent structure—for example, changes to proportion of subsidized units or depth of subsidies. Maximize mix of incomes—units at market rates can subsidize others at RGI.
5. Maintaining building quality and asset value	Maintain building conditions. View maintenance as an investment. Be prepared with adequate reserves for future maintenance.
6. Planning finances to ensure ongoing viability	Build surpluses for reserves before agreements end. Ensure adequate revenues. Focus on equity—remortgage to fund renovation.
7. Communicating with residents	Inform residents in advance. Explain rent changes to residents.
8. Developing internal capacity and using outside professional advice	Broaden Board membership with needed skills. Hire well-paid professional staff or partner with other non-profits for shared services Use outside expert advice when needed, for example, for assessment of building condition, financial modelling.
9. Using equity to finance renovations/redevelopment	Consider remaining life of buildings and need for additional investment.

IMPLICATIONS FOR THE HOUSING INDUSTRY

There is limited information on social housing projects that are no longer under operating agreements and that have continued to provide affordable housing. The case studies in this research helped fill this gap and identify lessons learned and approaches for housing providers to consider.

The research uncovered many practices, both common and unique, used by housing organizations to address the changes and transition beyond the end of their operating agreements. Key practices identified included planning ahead, developing new business models, and increasing partnerships and networks. These practices can be combined in many ways to address the particular challenges and conditions facing each housing organization to ease transitions at the end of an operating agreement. The case studies point to positive outcomes for the transition of projects after operating agreements end, to remain viable and able to offer affordable housing to those in need.

These best practices will support social housing providers that are considering options for the end of operating agreements and help facilitate the preservation of housing serving low-income people.

FURTHER READING

Full report – *Housing Projects with Operating Agreements that have Ended: A Summary of Key Practices* (https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/research_3/case_studies_of_housing_projects.pdf)

Project Manager(s):

Robyn Magee
Housing Needs, Housing Research
Canada Mortgage and Housing Corporation

Consultant:

Auguste Solutions & Associates Inc.



ALTERNATIVE TEXT AND DATA FOR FIGURES

Figure 1: Factors affecting response to end of support agreement

Response to Agreement Expiry

Tenant & Community Needs

Financial Position of Org.

Capacity of Staff and Board

Local Housing Market Conditions

Type & Condition of Housing

Org. Objectives & Portfolio Size
