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SOCIAL HOUSING

+ the value of an expert

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Large-scale production of social housing began in the 1960s and continued into the 1990s. Through various programs, the federal government funded non-profit, public and co-op social housing providers through long-term operating agreements (25-50 years in length) that subsidized rents for low-income households and/or offset mortgage costs.

Over 600,000 social housing homes – single-family, duplex and apartment units – were developed with these programs. Roughly two thirds of the households benefited from subsidized rent; these are Canada’s lowest-income earners and disproportionately represent the most vulnerable in our society: lone parents and their children, seniors, people of aboriginal descent, newcomers, people with disabilities and others.

When all new funding except for on-reserve social housing stopped in 1993, and existing agreements started to expire, total federal funding began its annual decline: to \$1.6 billion in 2014 year, \$1.2 billion in 2020, \$604 million in 2025, and \$35 million in 2035. By 2040, the federal investment in social housing will be zero.

As operating agreements expire, social housing providers are no longer bound by the terms and obligations of the operating agreements. Additionally, since the term of the agreement usually coincides with the end of the mortgage, social housing providers then own the assets outright.

Research undertaken to-date demonstrates that, upon the end of the operating agreement and concomitant funding, at least 334,000 low-income households risk losing their homes because the social housing providers are unable to cover operating costs with rents

well below market rent, will have to raise the rents, or will have to sell some or all of their social housing portfolios.

Unfortunately, these agreements were not structured in a way that would enable providers to be self-sustaining after their expiry. It is estimated that a further 31,000 housing providers may need some financial support to continue to house low-income households.

The Canadian Housing and Renewal Association (CHRA), in partnership with other stakeholders, is leading the charge, advocating for federal reinvestment to protect these homes. Another 179,000 homes will likely be financially viable and continue to offer affordable housing to their communities.

However, because they are aging, the majority of all properties will require significant investment in capital repairs, replacements and retrofits, including for roofs, boilers, building envelope or


other in order to meet new building code requirements to operate safely and efficiently.

For those providers who will be financially viable once their agreements end, refinancing through private funding (e.g., lending institutions) will be an important means to secure the capital required to undertake needed capital repairs and upgrades. In doing so, understanding the market value of their portfolio will be a necessary part of the process. This is where a real estate appraiser comes in.

Appraisal Institute of Canada (AIC) Members can undertake appraisal assignments for various stages of the mortgage process whether at loan origination, for refinancing, debt consolidation or restructuring, or mortgage default.

Unbiased and dependable valuations are and will continue to be critical to the decision-making processes of social housing providers, businesses, lending institutions, governments and the like. The expiry of the agreements brings an opportunity for AIC members to work closely with social housing providers to provide their knowledge and expertise as valuation *Professionals of Choice*.

For more information on social housing, federal funding and the expiry of agreements, please contact Dallas Alderson at dalderson@chra-achru.ca.

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ABOUT CHRA

The Canadian Housing and Renewal Association (CHRA) is the national voice for the full range of affordable housing and homelessness issues and solutions across Canada. CHRA's strength lies in its diverse membership, which includes all thirteen provincial/territorial housing ministries, non-profit housing providers, municipalities, businesses and social service organizations related to housing. CHRA's members collectively house and shelter hundreds of thousands of Canadians, and provide housing supports to many more.

