

Canada Mortgage & Housing Corporation
&
Co-operative Housing

Presentation
by
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of Co-operative Legislation

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Good afternoon.

I'd like to ask you to cast your minds back to 1960.

I am prepared to admit I was still in high school.

Prime Minister John Diefenbaker was in mid-flight of his lively six-year reign. The Premier of British Columbia was W.A.C. Bennett, also in the middle of his 20-year Social Credit regime.

The flag of Canada was still the Red Ensign.

The motion picture of the year was The Apartment, with Jack Lemmon ---remember that one?

The No. 1 show on television was Gunsmoke, and The Nature of Things made its debut on TV.

The Ottawa Rough Riders beat the Edmonton Eskimos to win the Grey Cup. This is possible?

And, also in 1960, a group of community-minded people formed the Co-operative Housing Association of Manitoba, to sponsor Willow Park, in Winnipeg, Canada's first continuing housing co-operative for families. In this type of co-operative enterprise, ownership of the entire project was, and continues to be, shared by all the members. Still earlier in the history of co-operatives, each family became the owner of each dwelling, separately.

Thirty-one years ago, inspired by the century-old spirit and tradition of the co-operative movement, Manitobans built the first co-operatively-owned housing in Canada for families.

What have we done lately?

Well, here are a few recent quotes.

"There's no other place just like it. I have special needs, and this meets my needs best." A resident of the Daly Housing Co-operative in Ottawa, which caters to persons with disabilities.

"We feel secure here. We manage the place ourselves. And it's good housing." A founding member of Native Intertribal, a housing co-op in London, Ontario.

"The co-op is good for immigrants. The rents are reasonable and affordable. It is good for improving our English and it is easier to meet other people." A member of the Lotus Housing Co-operative in Toronto.

"The women took charge from the very beginning ---designing the project, choosing the site, supervising the construction." An advisor to The Brambles, a 42-unit housing co-op established by women in South Burnaby, B.C.

"Everybody likes it. We have committees to supervise the maintenance . . . but we keep meetings to a minimum." A member of the South East Saskatchewan Seniors Housing Co-operative in Moosomin.

These are some examples of various groups across the country that have taken the initiative and organized their own solution to their particular housing needs. In the last 20 years alone, the movement, backed by the federal, provincial, territorial and municipal governments, has produced more than 65-thousand units.

How did the role of the federal government in the co-operative housing movement develop?

Let's look at a little history.

In 1932, the government of Nova Scotia passed legislation which authorized funding for housing. Five years later, the Extension Department of St. Francis Xavier University organized the first co-op housing group on Cape Breton Island; it built 11 units. Over the next 25 years, Nova Scotia's 35 co-operatives produced 400 homes, mostly in Cape Breton.

By the mid forties, co-operative housing had spread to Newfoundland, Quebec and Ontario. In 1953, CMHC joined with the Nova Scotia Housing Commission to fund the construction of co-operative houses.

The National Housing Act authorized acquisition and development of land or existing buildings. Then, Nova Scotia, Prince Edward Island, New Brunswick and Saskatchewan signed cost-sharing agreements with the federal government.

Up to the mid-60s, virtually all co-operatives focused on building. A group of people would form a co-operative to construct their homes, often providing the labour themselves. Upon completion, the household would take possession; typically, the co-operative would continue to repay a common mortgage.

Low interest funds available through the National Housing Act were not provided for building co-ops because, at the time, the CMHC considered that social housing assistance should not be used to enable recipients to accumulate assets.

In the 1960s, continuing housing co-operatives came into their own. In this type of co-operative, ownership of the entire project continues to be shared by all the members, vis a vis the earlier practice, when the co-operative ended with the completion of construction.

As I indicated earlier, in 1965, the Co-operative Housing Association of Manitoba completed Canada's first continuing housing co-operative for families.

The 200-unit Willow Park townhouse project in Winnipeg received financial support from the CMHC, the Co-operative Credit Society and the City of Winnipeg. Occupants made a down payment ranging from 556 dollars for a one-bedroom unit to 889 dollars for a four-bedroom townhouse. Monthly rents were from 91 to 137 dollars.

As the continuing co-operative movement grew, three groups --- the Co-operative Union of Canada, the Canadian Labour Congress and the Canadian Union of Students--- jointly founded the Co-operative Housing Foundation of Canada, now known as the Co-operative Housing Federation of Canada.

Its mandate has been "to promote the development of continuing housing co-operatives and to provide organizational, technical and administrative services to . . . housing co-operatives."

Over the last 23 years, the Co-operative Housing Federation has become an outstanding contributor and increasingly important partner in the housing industry in Canada.

In 1970, the federal government introduced a 200-million-dollar fund to finance innovations in affordable housing. Under a section of the Housing Act providing loans for direct home ownership, CMHC extended financing at below market interest rates to 11 pilot projects in co-operative housing. Low-income tenants still put up a five per cent equity.

In exchange for preferential lending terms, the co-operative effected a subsidy and surcharge policy. Higher-income members paid a surcharge to offset rent subsidies for lower-income tenants. The purpose was

- to reduce a need for additional subsidies
- to provide for a mix of higher and lower income members, and
- to avoid requiring higher-income members to leave if their incomes exceed a set threshold.

By 1973, a major review of federal social housing policy culminated in a package of amendments to the National Housing Act.

There was increased public support for a variety of housing types and tenures, and for wider income ranges in assisted housing. A prevailing view was that a range of incomes for occupants of housing projects was socially desirable and would require fewer subsidies. Public housing and limited dividend housing would no longer be the cornerstones of federal public housing policy.

The emphasis was to be on municipal and voluntary non-profits and co-operatives.

The objectives of the new federal Co-operative Housing Program
were

to provide modest, affordable housing appropriate to the
needs of low- and moderate-income families and
individuals

to house mainly families whose incomes may be too high for
public housing, but who cannot compete in the open
market for housing, and

to encourage the integration of families and individuals of
varying incomes.

Under the new Program, co-operatives now had access, for the first time, to 100 per cent financing.

As additional subsidies

CMHC would provide a capital contribution of ten per cent of the capital cost

On the remaining 90 per cent of the capital cost, CMHC would provide a preferred mortgage loan at the low interest rate of eight per cent over 50 years

Local groups could obtain start-up grants (up to ten thousand dollars) to develop proposals for co-operative housing projects, and

Under the Community Resource Organization Program ---CROP--- groups could obtain operating grants to provide technical assistance and help in getting organized.

Introduction of the Co-operative Housing Program in 1973 prompted rapid development of the movement in Canada.

Five years later, a major review of the government's social housing strategies resulted in another package of amendments to the National Housing Act.

The federal subsidies provided were regarded as too shallow and insufficient to meet the needs of the lowest income groups without the voluntary contribution of additional subsidies by the provinces.

Amendments in 1978 were designed to streamline social housing assistance into a single instrument capable of meeting the needs of both low- and moderate-income people, available to both public and private sponsors, provinces, private non-profit organizations, and co-operatives.

Other problems included subsidies which did not permit production of housing affordable for lower-income people; and the housing program's requirements for large direct capital funding by the federal government, in the face of growing needs for other programs.

Objectives of a new Co-operative Housing Program introduced in 1979 were to meet the established targets and

to produce housing at minimum cost by implementing
appropriate cost controls, and

to encourage approved lenders to provide capital
for low and moderate income housing needs.

Borrowers were to obtain 100 per cent capital cost financing from approved lenders, insured by CMHC. The Corporation remained lender of last resort. This feature of the new program replaced the direct mortgage loans provided by the existing program and was designed to reduce the federal government's cash participation.

By leveraging private funds, a larger social housing effort could be mounted with the same amount of cash from the government.

Under the new Co-operative Housing Program, commitments for new units rose, from under two-thousand (2000) in 1979, to more than 65-hundred (6500) in 1982. But as interest rates rose to unprecedented heights in the early 1980s, the subsidy costs mounted higher and higher.

By the mid-80s, the concept of mixing households of varying income in subsidized housing, and the view that persons with moderate incomes should benefit from public financing, were both questioned.

In January, 1985, the new federal government issued a consultation paper on housing with a view to restructuring the existing social housing programs. A new policy had two principal features:

Targeting all social housing funds to people
with core housing needs, and

Transferring delivery of programs to the provincial
governments.

The following year, in association with the Co-Operative Housing Federation of Canada, the federal government introduced a new program, the Federal Co-Operative Housing Program.

The objective of this program, a five-year experiment beginning in 1986, was to promote security of tenure for households otherwise unable to own a home.

This new co-op program became more market-oriented, rather than social housing. In part, a project's viability was determined by market conditions ---for example, rental **(word to come)** and rent levels.

The policy objectives of the government in the area of market housing are to promote stability in the private market, so that it can function effectively, and to promote home ownership and co-operative housing.

A central feature of the new program is the Index-Linked Mortgage ---ILM.

The Index-Linked Mortgage is a loan in which the interest rate is stated as a fixed, real rate of return, combined with a variable rate, linked to inflation. The variable rate is adjusted periodically in accordance with actual changes in inflation. This ILM mortgage is obtained in the private mortgage market through the Co-operative Housing Federation. The mortgage is insured under the National Housing Act for 100 per cent of the project's capital costs.

Under the design of the ILM mortgage instrument, monthly payments of the principal and interest rise over time with inflation, less two per cent. Therefore the payment can be less than under the equal payment mortgage typically used throughout the Canadian mortgage banking industry.

This Index-Linked Mortgage feature, developed in consultation with the Co-operative Housing Federation, is intended to cut start-up financing costs of co-op projects, thereby reducing the need for subsidies at the outset.

Unilateral federal assistance is still available to bridge the gap between economic and market rents for those projects which need it; an annual bridging subsidy declines over time (after the 16th year).

The 1986 ILM Co-operative Housing Program provides for a stabilization fund to assist co-operatives experiencing problems which threaten to cause a default in the mortgage loan. In the past, some graduated payment mortgages, such as those used in the Assisted Home Ownership Program (AHOP), experienced high default rates. The new stabilization fund is financed by one-time payments by each co-operative.

The 1986 co-op housing program incorporates features similar to previous programs. A minimum of 15 per cent of units in each co-operative must be provided to low-income people under the Rent Supplement Program. A maximum of 30 per cent of units in each province may be used for accommodation under rent supplement. In 1988, this maximum was increased, to 50 per cent of co-operative units in a project, in all provinces except British Columbia, Quebec and Saskatchewan.

In a feature new to co-operative housing, the program requires that each co-op establish a Security of Tenure Fund. This is to assist temporarily some occupants whose income drops, due to unemployment, illness or other causes.

And to enhance the scope of the program, the maximum available to develop a proposal for a project was been increased to 500-thousand dollars (\$500,000).

The general approach by the federal government to the creation and development of housing has had three main thrusts: enhancing the private market, helping the disadvantaged, and developing skills and technology.

Support for the private market has taken many forms, but has primarily fostered financing of housing through mortgage insurance, and such instruments as the Indexed-Linked Mortgage for co-ops and mortgage-backed securities.

The social housing programs, such as those I have described, have been effective in creating non-profit housing. For almost 50 years, the Government of Canada has helped to provide housing for low-income Canadians. Currently, there are more 640-thousand (640,000) units sustained by our social housing programs.

This year, we are adding another 20-thousand (20,000) units, and the overall budget has increased to almost two-hundred million dollars (\$200,000,000). (correct?)

Our support for skills and technology has contributed greatly to the quality of homes and living standards. Research, demonstration projects, construction standards, technology and many other activities have helped make Canada a leader in housing.

A major criterion in our policies has been co-operation with the provinces; this has expanded the resources available for housing. Agreements between the federal government and the provinces and territories now encompass eighty-five per cent of all provincial expenditures on housing.

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The co-operative housing programs I have described illustrate the flexible, adaptive, evolving approach the federal government has taken.

The focus has not been on buildings, but on people. The programs were adapted and changed, but the fundamental idea of creating viable, cohesive integrated communities has been constant. The sense of community ---the heart of co-operative living--- has been the basis for establishing policies and building programs.

In 1991, the traditions of the co-operative movement are flourishing in co-op housing across Canada. More than three-quarters of residents participate in community activities. Most residents have learned useful skills and experience in managing the co-op. Many have used this practical experience to advance in their employment and careers.

Each co-operative community is society in miniature . . . with its challenges and opportunities, disagreements and compromises, problems and solutions.

As I mentioned at the outset, co-operative housing helps meet the particular needs of various groups in society.

The role of women ---the responsibilities they shoulder, the challenges they face--- are part of day-to-day life in co-ops. They are home to tens of thousands of women for many reasons: the supportive environment; the affordable housing; and the warm haven for children ---too often denied homes in the rental market.

The Brambles, the community in South Burnaby, B.C., I mentioned earlier, is one of 11 housing co-ops in Canada developed with federal government assistance for women. A CMHC study showed that, with their unique mix of affordability and quality, such co-ops have created supportive, well-managed communities. They are also meeting the particular needs of single women, those recovering from illness or other difficulties, and older women.

Senior citizens are often faced with difficulties when they try to continue living in a private house ---cutting the lawn, shovelling snow, trying to travel to and from a suburb alone, coping with a lower income.

There are more than 60 communities across Canada like the seniors housing co-operative in Moosomin, Saskatchewan that I referred to earlier. They are providing the right balance of affordability and security. Ninety-six per cent of the residents interviewed in three large co-ops in Toronto recommended their co-op to other seniors.

As one put it, "This is a good situation: no landlord to fight, the maintenance person is on site all the time and units are well maintained." And another said, "It's a very good idea getting elderly people together in a co-op. The people are closer to each other, more like a family."

Others with special needs include people with physical disabilities; persons who are blind, or deaf, or are quadriplegics; and people who are mentally disabled.

The Stanley Noble Strong co-op in Vancouver has seven units for people who depend on respirators and have minimum physical capacities below the neck. This co-op is a pioneer in providing housing options for people with severe disabilities.

Such co-ops provide support, security and adaptability for persons with these needs.

As one resident said, "In a house, I would be isolated. I would be there, waving to the neighbours as they went by. Without access for my wheelchair, I wouldn't be able to visit my friends in their own homes."

For almost 150 years, the co-operative movement, with all its ideals and disappointments, achievements and false starts, maturity and recurring challenges, has been the inspiration for remarkable accomplishments around the world.

In Canada, CMHC has been a supporter ---in every sense--- for almost 50 years. From modest beginnings in Nova Scotia in the 1950s, government participation in co-operative housing has grown to a level which is impressive ---in buildings, in communities, in people acquiring homes which they could not have obtained otherwise.

Six-hundred-and-forty-thousand (640,000) housing units --- households which have received good accommodation--- is an impressive number.

We need to continue to foster co-operative housing, to increase that number, while making the most of funding from every possible source, and attracting financing from partners who are interested, willing and committed.

But we face the future with compelling questions.

In the long run, how can co-operative housing continue to meet as effectively the needs of many people in Canada?

Are larger projects the way of the future?

Can present or future co-op projects survive without subsidies?

What of income mixing policies? Should there be ceilings on incomes of co-op residents? Can the risk of creating ghettos be avoided?

I would ask you ---How do you see choices in restructuring co-op housing policies and programs?

What is the potential of new proposals for land-lease?

For example, in Vancouver's Killarney Gardens, the City purchased the land, wrote it down by 25 per cent of the market value, and leased the project back to the co-op.

This was critical to the success of Killarney Gardens.

What are the policies in other municipalities across Canada?

Should they be invited to follow the example of Vancouver ---to make such concrete commitments to this form of housing for their citizens?

What could the Federation of Canadian Municipalities do to advance this approach to mobilizing assets for co-op housing?

And what changes might be desirable in co-operative legislation?

For example, the provisions in agreements funded by CMHC typically expire after 35 years. At that point, a housing co-operative is entirely under provincial jurisdiction. A 35-year-old housing co-operative could be vulnerable to sale for profit. We are recommending that provincial governments adopt legislation to prevent the sale of projects.

These are some of the questions we face as we approach the end of the 20th century ---and an important anniversary.

Almost 150 years ago, in 1844, 28 weavers in Lancashire, England, got together and founded the Rochdale Society of Equitable Pioneers, one of the first consumers' co-operatives in the world.

And thirty-one years ago, in 1960, other people got together, formed the Co-operative Housing Association of Manitoba, and launched the first continuing family housing co-operative in Canada.

What of the future?

Well, also thirty-one years ago, the Ottawa Rough Riders got it together and won the Grey Cup.

That should tell us that just about anything is possible.

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