

RENTAL ASSISTANCE PROGRAM

Overview for S95 Co-operatives of CMHC's New Rental Assistance Program (FCHI-2)

Background

In Canada, non-profit housing co-operatives like yours received funding through housing programs offered by different levels of government. If your funding came from the federal government between 1979 and 1985, your co-op signed a S95 operating agreement with Canada Mortgage and Housing Corporation (CMHC).

When you signed the agreement, you agreed to

- include low-income households in your membership
- manage the co-op well
- set aside money in a reserve for future repairs
- keep the property in good repair.

In exchange, CMHC gave your co-op

- mortgage insurance that allowed you to take out a loan to buy or build your housing
- an operating subsidy during the early years to cover the difference between the co-op's expected revenues and expenses
- a pool of money, called Income-Tested Assistance, to reduce the housing charges of low-income members.

The operating subsidy eventually fell to zero, but the income-tested assistance continued for 35 years.

Housing Low-Income Members Now

From September 2020, CMHC's new **Rental Assistance Program** (known formally as the Federal Community Housing Initiative Phase 2, or FCHI-2) takes the place of the S95 Program for co-ops with expiring operating agreements.

This is a new program, not an extension of your operating agreement. This means

- the co-op will need to sign a new agreement with CMHC
- the rules around subsidizing low-income households have changed.

You can expect to be offered the new agreement to sign six months before your operating agreement expires.

Key Program Features

1. Which S95 co-ops can take part in the Rental Assistance Program?

Your co-op can join the program if your original operating agreement ended after March 31, 2016 and you accepted an extension. If you still have an operating agreement, you can join when it ends. Funds permitting, CMHC may open the program to S95 co-ops whose agreements ended before March 2016, but this is by no means certain.

2. Which households are eligible for assistance under the Rental Assistance Program?

A household is eligible if the co-op's full housing charge is more than 30 per cent of the household's total monthly income.

3. How many units can we subsidize?

Your new agreement with CMHC will set the maximum number of units that CMHC is guaranteeing funding for. Here's how it works.

- Your co-op fills out a form to let CMHC know that you want to take part in the new program (the **Enrolment Form**).

- In a schedule to the form (the **Annex**), you list the units in the co-op that are benefiting now from Income-Tested Assistance or an internal subsidy. (If you also have rent supplements from CMHC, you will include these.) You can also report the number of households on your internal waiting list for assistance. CMHC will set the **Initial Number of Assisted Households** based on the Annex.
- Following your first fiscal year end after you join the program, the Agency will compare your spending on assistance with the amount you received from CMHC. Your experience to that point will decide the number of households you can assist under the program for the life of your FCHI-2 Agreement. This is called the **Base Number of Assisted Households**. More on this below.

4. **Can we ask for more subsidized units later?**

Budget permitting, CMHC may invite co-ops from time to time to ask for an increase in the Base Number of Assisted Households. But this isn't something you can count on.

5. **How much do assisted households have to pay?**

The answer depends in part on whether the household is getting social assistance (i.e., welfare or disability benefits):

- In provinces where social-assistance payments include a separate shelter allowance, households receiving social assistance pay the maximum shelter allowance available, based on their size. If they also have other sources of income, they pay the higher of the maximum shelter allowance or a fixed percentage of their total income.
- All other assisted households pay a fixed percentage of their income, before adjustments for services (more on this below).

The co-op chooses the rate. It can charge as little as 25 per cent of income or as much as 30 per cent, but it has to charge the same rate to all households.

6. How much money will our co-op get from CMHC?

As long as you charge assisted households not more and not less than 30 per cent of their income, CMHC will pay the full cost of assisting the **Base Number of Assisted Households**, whatever that is. Here's how it works.

- The Annex to the Enrolment Form asks you for the gross incomes of the households your co-op is assisting and those on your internal waiting list. CMHC will use that information to set the assistance amount it will pay you in the first year. This is called the **Initial Amount of Rental Assistance**.
- As noted above, CMHC will confirm the Base Number of Assisted Households after your first fiscal year end under the program. Every year after that it will give you what you need to cover the cost of assisting the Base Number of Assisted Households at an assisted housing charge equal to 30 per cent of income. This is called the **Guaranteed Rental Assistance**. It is not a fixed sum of money. It will change as your needs change.
- After your co-op files its Annual Information Return each year, the Agency will compare the assistance you spent to the amount CMHC paid you. If you spent more than you received, CMHC will make up the difference, up to the Guaranteed Rental Assistance amount. If you received more, CMHC will deduct the unspent money from one or more future payments.

7. Could we find ourselves with less rental assistance than we need?

CMHC will cover your whole cost as long as

- you follow the program rules,
- assist no more than the Base Number of Assisted Households, and
- charge 30 per cent of income.

If you can assist more than the Base Number of Households or charge less than 30 per cent of income without going over the Guaranteed Rental Assistance amount, CMHC will still cover the full cost. Otherwise, your co-op will have to make up the difference from your own funds. These could be internal subsidies or money left over in your subsidy-surplus reserve when your operating agreement ended.

If you are charging 30 per cent of income and not assisting more than the Base Number of Assisted Households and you see during the year that CMHC is paying you less than you are spending, get in touch with us. We can ask CMHC to increase your monthly payment. You do not have to wait until the end of the year.

8. What reporting do we have to do under the Rental Assistance Program?

Your co-op will use an online tool to set the housing charge payable by each assisted household and calculate the household's rental assistance need. Both numbers will go into the Agency's information system. No later than four months after your fiscal year ends, your auditor will file your Annual Information Return (AIR). When we review your AIR and your audited financial statements, we will compare the rental-assistance income reported to the total of the amounts that came into our information system when you set each household's assisted charge. We will ask the co op to explain or correct any difference.

9. Can we keep unused rental assistance in a subsidy-surplus reserve?

No. As noted above, if your co-op receives more rental assistance during the year than you allocate to assisted households, you will owe the unused assistance to CMHC.

10. Tell us more about how we set the amount of the assisted housing charge.

There are important differences in this area between the S95 Program and the Rental Assistance Program.

What counts as income

- The Rental Assistance Program has more detailed rules about what counts as income and what doesn't. These rules are set out in CMHC's Reference Guide to the program.

Verifying incomes

- The co-op has to use a CMHC form to obtain information on the composition and income of each assisted household. Under the S95 Program, co-ops created and used their own form.
- Assisted households have to declare their income and household composition once a year. This isn't new, but under the Rental Assistance Program, they have to report changes during the year. If a household's income changes by more than \$25 per month, the co-op has to reset the assisted housing charge. Under the S95 Program, the co-op could, but did not have to, ask households to report changes between annual reviews.
- The Reference Guide sets out rules for proof of income. Under the S95 Program, co-ops decided themselves what proof was needed.
- In addition to providing proof of their current income, assisted households have to give the co-op a copy of the latest Notice of Assessment from the Canada Revenue Agency for each tax filer in the household. This was not required under the S95 Program, although some co-ops adopted the practice.

Services provided

- The co-op has to reduce the amount an assisted household pays if the unit is not fully serviced. This was voluntary under the S95 Program. Some co-ops stretched the money from CMHC further by not giving utility allowances.
- A unit is fully serviced if the co-op provides and pays for heat and hot water. Under the S95 Program, a unit was fully serviced if it had heat, water, hot water and appliances paid for by the co-op.
- If the co-op provides and pays for other services, such as light and power, cable or Satellite TV, Internet service or a parking spot that is not attached to the unit, it has to add an amount to the rent-geared-to-income charge. This was true under the S95 Program too.
- In the S95 Program, the co-op decided how much to add to or deduct from the assisted charge for extra or missing services. Under the Rental Assistance Program, CMHC will set utility allowances, but the co-op will decide what to charge for extra services, based on its cost. Note that the co-op does not have to add a charge for water. Nor can it deduct an amount for water, if that service is not provided.

Minimum housing charge

Under the S95 Program, the lowest amount a co-op could charge before utility allowances or charges was \$32. Many co-ops set higher minimums. Under the FCHI-2 Agreement, the minimum is 25 per cent of the full regular housing charge for the unit. The co-op can't set a higher minimum.

Overhousing

Under the S95 Program, it was up to the co-op to decide what size of unit an assisted household could have. To keep things fair, some co-ops asked assisted households to pay for any extra bedrooms. The Reference Guide now includes occupancy standards. You can vary these, as long as you allow no more than one bedroom per household member. A household with more bedrooms is "overhoused." An overhoused assisted household has to be offered a unit of appropriate size when one becomes available. If your co-op has no unit of the right size, you can offer the household the first available unit closest in size to the more suitable unit. If the household doesn't want to move, you will have to increase the assisted housing charge by the difference between the regular housing charge for the two units. If there is no unit in the co-op closer in size to the standard than the unit the household is already in, no overhousing charge applies.

11. Our S95 co-op also has rent supplements from CMHC? What happens to those?

Your rent-supplement agreement ends when your S95 operating agreement ends. Assistance under the Rental Assistance Program will replace the rent supplements you get now.

Although the new program is quite similar to the Rent Supplement Program, some of the rules are different. You will find the new rules above and in the Reference Guide.

The other main difference is these new flexibilities:

- You can use the money from CMHC to assist more than the guaranteed number of units, if you can make it stretch further.
- You can charge less than 30 per cent of income (but not less than 25 per cent), again, if you can stretch the money from CMHC this far.

12. What is an Action Plan?

Under the Rental Assistance Program, your co-op has to complete an action plan within twelve months of signing the agreement with CMHC. The action plan will set out what you want to work on in some or all of four key areas—governance, financial viability, property management and social inclusion. Every year, the co-op will report its progress and every three years it will file an updated action plan. The plans are set by the co-op itself for its own benefit. They don't need CMHC or Agency approval. The co-op has to make a meaningful effort to achieve the plan, but it won't lose its rental assistance if it doesn't succeed.

13. How long does the Rental Assistance Program run?

If you follow the rules set out in the agreement, your co-op can stay in the program until it expires. The current expiry date is March 31, 2028.

14. Where can we get more information?

You can find more information on the Rental Assistance Program in CMHC's FCHI-2 Reference Guide. The Guide is not part of your legal agreement with CMHC. It is expected to change from time to time, so we suggest that you refer to the online version. If you download or print the guide, you may find out later that you haven't consulted the latest version.

For more information please contact us at agency.coop.