

RENTAL ASSISTANCE PROGRAM

Overview of CMHC's Rental Assistance Program for ILM Co-operatives in Ontario

Background

In Canada, non-profit housing co-operatives were developed under programs from different levels of government. If your funding came from the federal government between 1986 and 1991, your co-op comes under the Federal Co-operative Housing Program. This program is commonly known as the ILM or Index-Linked Mortgage program because your co-op's mortgage payment changes annually.

Your co-op signed an operating agreement with the Canada Mortgage and Housing Corporation (CMHC) to take part in the program. By signing up, your co-op

- got mortgage insurance for 100 per cent of the initial costs of the housing
- receives annual federal assistance for the term of the ILM mortgage
- has access to rent subsidies for a certain number of units

When you signed your operating 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 condition

To receive rent-geared-to-income subsidies, your co-op also signed a rent supplement agreement. (In 2017, ILM co-ops in Ontario signed new CMHC rent supplement agreements.)

Housing Low-Income Members Now

In September 2020, CMHC's new Rental Assistance Program made rent-geared-to-income subsidies available for co-ops with expiring federally administered programs. This program has been extended to ILM co-ops that are no longer receiving rent supplements and those that have paid off their mortgage, still have a rent supplement agreement and want to assist more households. The Rental Assistance Program is formally known as the Federal Community Housing Initiative, Phase 2, or FCHI-2.

Getting Started with the Rental Assistance Program

The Rental Assistance Program is a different program. This means

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

1. Joining the Rental Assistance Program

You begin by completing an enrolment form for the Rental Assistance Program. The Annex to the Enrolment Form is very important. On the Annex, you will fill in the gross household incomes of

- the households you are currently assisting, and
- the households on your internal waiting list for assistance

2. When does CMHC offer FCHI-2 to ILM co-ops?

When CMHC offers your co-op the new program depends on

- when your rent supplement agreement expires, and

- when you will have repaid your ILM mortgage, and your federal assistance ends

Make sure you know these dates for your co-op (the Agency can help you).

Two groups of co-ops will have just one opportunity to enrol in the new Rental Assistance Program:

- ILM co-ops where the rent supplement agreement has already expired
- Co-ops who repay their ILM mortgage at the same time as the expiry date for their rent supplement agreement

Six months before the expiry date, CMHC will offer these co-ops one opportunity to enrol.

Another group of co-ops will receive two opportunities to enrol. For these co-ops, the expiry date for their rent supplement agreement is different from the date when their ILM mortgage will be repaid and their federal assistance ended. If your dates are different, CMHC will offer your co-op the new Rental Assistance Agreement twice:

- When you've repaid your mortgage and your federal assistance ends, and
- Six months before your rent supplement agreement expires

If you choose to sign the new agreement before your rent supplement agreement expires, you will have two programs, with different rules, to administer. Initially, the Rental Assistance Agreement may cover any eligible units that are not currently receiving a rent supplement. When your rent supplement agreement expires, CMHC revises your agreement to include the units that were getting a rent supplement. You will not need to sign an additional agreement. You can also choose to wait until your rent supplement agreement expires before signing up for the new rental assistance program.

If you think CMHC will offer you the new agreement twice, contact [Franca Sorace, Manager, Rental Assistance Program](#) at the Agency to make sure there's no mistake.

What your Board of Directors Needs to Know

1. 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, or longer if it is extended. The current expiry date is 31 March 2028.

2. How many units can we subsidize?

CMHC will use the information in the Annex to set the maximum number of units that it agrees to assist. These are your Base Units.

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

Possibly, if the needs of your membership change. If your co-op found that demand for assistance was much greater than the assistance you receive, your co-op would need to ask for an increase to avoid cashflow problems. To request an increase in your monthly payment, please send your request to CMHC at <mailto:FCHI2-IFLC2@cmhc-schl.gc.ca>.

You could also find yourselves with less rental assistance than you need

- if you assist more households than the Base Units
- if you charge less than 30 per cent of income

In these circumstances, to cover the cost of this extra assistance, you must either create an internal subsidy from operations or use money left over in your security of tenure fund.

4. Can we ask for more subsidized units later?

You may ask CMHC for an increase in the number of Base Units at any time, but approval is not guaranteed. It will depend on

- whether your co-op has followed the program rules, and
- whether CMHC has the funds in its budget to subsidize more units

5. Year-End Reporting about Rental Assistance

The Agency has created an Online Calculator to help you determine the assisted charges following your annual income review and after any changes that occur during the year. You will also use the Online Calculator for your annual rental assistance reconciliation. You must submit it within two months of your fiscal year end.

Your auditor will compare your rental assistance reconciliation with your audited financial statements. The assisted housing charges and the rental assistance reported in both places should be the same. If they are different, the auditor must explain the differences.

The Agency will finalize your rental assistance claim once the annual information return has been filed and validated. Then we will compare the assistance you spent and the amount CMHC paid you. If you spent more on the Base Units than you received, CMHC will make up the difference. If you spent less than you received on the Base Units, CMHC will deduct the excess amount from future payments.

6. Action Plan

An Action Plan is a requirement of the Rental Assistance Program. Your co-op must complete a three-year Action Plan within twelve months of signing the agreement with CMHC. The Action Plan sets goals that will strengthen your co-op and help it to maintain its long-term operating performance in any or all of four key areas:

- Governance
- Financial viability
- Asset management
- Social inclusion.

A fifth area (sustainability) is optional. Using the Agency's online Self Assessment questionnaire can help your co-op decide on its goals and transfer them to the Action Plan.

Your co-op develops the plan for its own benefit, using your best judgement. While we review your plan, the Agency does not approve it.

Each year, your co-op must

- make a real effort to achieve the plan you developed, and
- report to the Agency on your progress. At this time you may also revise your plan.

Every three years, your co-op will file a new Action Plan.

7. Can we keep unused rental assistance in our security of tenure fund?

No. If your co-op receives more rental assistance during the year than you allocate to the Base Units, you will owe the unused assistance to CMHC.

8. Do we need a new subsidy by-law or policy?

Yes. CMHC's [Reference Guide](#) for the program requires the Board of Directors to set a rental assistance policy.

You may want to include the following in your by-law or policy:

- The process members must follow to receive rental assistance
- The process your co-op should follow when you want to assist more units than the base number
- Rules about overhousing
- Procedures for assisting more than the Base Units

9. Are there any other changes we should know about?

- The new program will not cover any damages to assisted units.
- You will no longer receive the \$4.50 administration fee.
- The new program does not cover vacancy loss.

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

Most households currently receiving a rent supplement will be eligible for rental assistance. Some households may not get assistance because of changes to the

rules on included income and calculating housing charges for social assistance recipients. (See the section called How much will assisted households pay?)

Your co-op may also be able to offer rental assistance to households that were not previously getting a rent supplement. (See the section called When will CMHC offer the new agreement to ILM co-ops?)

A household is eligible for rental assistance if

- the co-op's full housing charge is more than 30 per cent of the household's total monthly income
- all occupants are legally entitled to live in Canada
- it does not receive any other rent subsidy
- the co-op is the primary residence for all occupants, unless shared-custody arrangements are in place

If one or more one occupants is at least 18 years old or has withdrawn from parental control, the household can still qualify for rental assistance if its housing charge would be more than 30 per cent of total household income.

Where can we get more information?

Two attachments have additional information:

- The first outlines information for members on how their housing charge might change.
- The second identifies changes to program administration that will be important to managers.

You can find more detailed information on the Rental Assistance Program on the Agency's [website](#), including CMHC's [Reference Guide](#). This guide is not part of your legal agreement with CMHC. We know that it changes from time to time. So, please refer to the online version. If you rely on a downloaded or printed copy, you may find out later that you have based your work on out-of-date information.



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You can also contact [Franca Sorace, Manager, Rental Assistance Program](#) at the Agency for advice.



Attachment: The New Rental Assistance Program— Important Changes for Members

Your co-op has joined CMHC's new Rental Assistance Program so that it can continue providing subsidies to members. The new program has changed in important ways that you need to know about. Your geared-to-income housing charge may change under the new rules.

Minimum housing charge

Under the ILM Rent Supplement Program, the lowest amount a co-op could charge for a unit was \$32. Many co-ops set higher minimums.

Under the Rental Assistance Program, the minimum charge for a unit is 25 per cent of the adjusted full occupancy charge for the unit (based on the size of the unit).

For examples of how to set the minimum housing charge, see CMHC's [Reference Guide](#) to the program on the Agency's website.

What happens if we have a change in our household income or the number of unit occupants during the year?

Assisted households must promptly report any changes during the year in either household income or occupancy to your co-op office.

If a household's **income changes by more than \$25 per month**, CMHC requires your co-op to recalculate the assisted housing charge. In contrast, under the Rent Supplement Program, the housing charge changes only if an income change means that the **recalculated housing charge would rise or fall by more than \$25 per month**.

If a change is not reported, the co-op is expected to make a retroactive change to the rental assistance calculation as of the date the change took place.

Are there rules about overhousing?

The Rental Assistance Program has rules about overhousing. Your board of directors should draft a new policy or by-law that reflects those rules.

Overhousing means that an assisted household has more bedrooms than permitted.

Here are the basics:

- The co-op must offer an overhoused household a unit of appropriate size when one becomes available. If the co-op has no unit of the right size, the household should be offered the unit closest in size to appropriate one.
- If the overhoused household doesn't want to move to the smaller unit, the co-op will increase their assisted housing charge after six months. The increase is equal to the difference between the full occupancy charge for the two units.
- If the co-op has no unit closer to the right size, no overhousing charge applies.
- The co-op's new policy or by-law may make exceptions to the requirement to move when overhoused.

For more information about overhousing, see CMHC's [Reference Guide](#) to the program.

Social Assistance

For households that receive social assistance, the way your co-op calculates the assisted charge may change. The difference could be significant for co-ops in Ontario that use the Social Assistance Rent Scales. These scales do not apply in the Rental Assistance Program.

- **Adjusted maximum shelter component**

Social-assistance recipients pay the maximum shelter component, based on their family size. The maximum shelter component is adjusted by the following deductions

- any allowances for electricity, garbage and recycling, and water and sewer, if the member receives their own bill and pays for any of these themselves
- the premium for contents insurance

- the cost of a land line, if required for building entry
- for Ontario co-ops, the cost of laundry if paid by the member
- other co-op charges, such as parking or cable, when the member pays directly for the service.

If the members have other sources of income, such as a part-time job, they will pay the higher of the adjusted maximum shelter component or a fixed percentage of the total income.

■ **Primary or secondary occupants (in Ontario only)**

The Rental Assistance Program does not have primary or secondary occupants. All housing charges are calculated using the same percentage. This is a change from the Rent Supplement Program and could mean a significant adjustment in a household's geared-to-income housing charge.

■ **The earned income deduction no longer applies (in Ontario only)**

The Rent Supplement Program allows a deduction of \$75 or \$150 from earned income before the co-op calculates your housing charge. The Rental Assistance Program does not include this deduction from earned income.

Attachment: The New Rental Assistance Program— Important Changes for Administrators

By joining the new Rental Assistance Program, your co-op can continue to provide subsidies to low-income members. This is an essential part of good member service. The new program has a few new program rules and requires some work to get the program running smoothly in your co-op.

How will our co-op verify household income?

Annually, your co-op will need to use CMHC's form to collect information on the composition and income of each assisted household. The [Request for Rental Assistance – Declaration](#), is available on the Agency's website.

Along with the form, households need to provide the proof of income required for the program. You can find these details in CMHC's [Reference Guide](#).

If an assisted household does not supply the required proof of income or return their signed declaration form, they may lose their assistance. They have a maximum of four months to provide their information. (Your co-op may set a different schedule in a policy.) If a household does not provide the information in time, your co-op is required to withdraw assistance back to the beginning of the fiscal year.

The Agency's Online Rental Assistance Calculator

Once you have all the annual declaration forms on hand, you will use the Agency's Online Calculator to enter information and calculate the assisted charge for each household. The Agency even has a form you can use as a notice to your members.

The Online Calculator is also used to submit your co-op's annual rental assistance claims. The claim is due within two months of your fiscal year end.

Your auditor will compare your rental assistance claim with your audited financial statements. The assisted housing charges and the rental assistance reported in both places should be the same. If they are different, the auditor must explain the differences.

The Agency will finalize your rental assistance claim once the annual information return has been filed and validated. Then we will compare the assistance you spent with the amount CMHC sent you. If you spent more on the Base Units than you received, CMHC will make up the difference. If you spent less on the Base Units than you received, CMHC will recover the repayable amount from future monthly deposits.

You'll need to use the Agency's Online Calculator when a change in household income, unit occupants or market rent requires a new housing-charge calculation. Any change to a housing-charge calculation alters the rental assistance your co-op needs. Keeping this information current means that the annual reconciliation will be smooth and easy.

Flexibility for Your Co-op

CMHC will use the information provided by your co-op to set the maximum number of units that it is committed to assist. These are the **Base Units**.

Each year, CMHC will pay the full cost of assisting the Base Units. CMHC will cover your whole cost as long as

- you follow the program rules,
- assist no more than the Base Units, and
- charge 30 per cent of income

CMHC will provide assistance based on 30 per cent of a household's gross monthly income. This could be a significant change for households who have had their housing charge calculated at 25 per cent.

But co-ops have some flexibility:

- They cannot charge more than 30 per cent but may decide to charge less.
- They can assist more than the Base Units.

However, if your co-op exercises this flexibility, you may not receive enough money from CMHC to meet your members' needs. The difference would have to be bridged by cash remaining in your security of tenure fund or available from accumulated surpluses.

Do we need a new subsidy by-law or policy?

Yes. CMHC's *Reference Guide* requires the Board of Directors to set a policy or by-law. You may want to include the following in your by-law or policy:

- The process members must follow to receive rental assistance
- The process the co-op should follow when considering assisting more units than the base number
- Procedures for assisting more than the Base Units

Occupancy Standards

The Rental Assistance Program uses the National Occupancy Standards to decide on the number of people who can live in the unit. The general rule is that there must be at least one person per bedroom and no more than two people per bedroom.

What are the exceptions to minimum occupancy standards?

- Two adults living as spouses may have separate bedrooms if one has a medical condition.
- An extra bedroom may be allowed if a person in the household has a disability that makes it necessary. This may be part of the co-op's duty to accommodate under human-rights legislation.
- With proof of a legal joint custody agreement or a court order, an extra bedroom is allowed for children who do not live full time in the unit.
- Without a legal custody agreement or court order, an extra bedroom is allowed if the parent must host the child overnight to exercise their visitation rights.
- With medical documentation of pregnancy, an extra bedroom may be requested.
- If a household has proof that it is preparing to foster or adopt a child, an extra bedroom is allowed.

Overhousing Policy

The co-op must have a policy that includes the rules and procedures for overhousing. A household that has more bedrooms than allowed is considered overhoused. Here are the basics set out by CMHC:

- The Rental Assistance Program requires your co-op to offer an overhoused household 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 unit closest in size to the appropriate one.
- **Overhousing charge**
 - If the household doesn't want to move to the smaller unit, after six months you will have to increase the assisted housing charge. The increase is equal to the difference between the full occupancy charge for the two units.
 - If your co-op has no unit closer to the right size, no overhousing charge applies.
 - Note that if a household member has a medical condition that would make moving to a smaller unit very difficult, the household can remain in their unit. A doctor's note is needed.

For more information please contact us at agency.coop.