ASSESSMENT REPORT

FEDERAL CO-OPERATIVE HOUSING PROGRAMS

Program Evaluation Division
Canada Mortgage and Housing Corporation

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Ce rapport est aussi disponible en français auprès de la Division de l'évaluation de programme.

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FEDERAL CO-OPERATIVE HOUSING PROGRAMS

1. INTRODUCTION

A. Background

The Federal government's specific involvement in financing continuing co-operative housing formally began in 1973 with the advent of a Co-operative Housing Program under Section 61 of the National Housing Act[1]. Although the federal government, through Canada Mortgage and Housing Corporation, funded a number of earlier pilot projects, it was not until June 1973 that a program was formally established for the specific purpose of financially assisting co-operative housing in Canada.

The Section 61 Co-operative Housing Program involved the provision of 100 per cent preferred financing directly by CMHC and 10 per cent capital contributions to co-operative housing groups. This financing was made available using the terms and conditions of Section 27 (Non-Profit housing) to construct, acquire or improve a housing project with the intention of providing housing to households who would occupy the housing as non-owners. The loan was at a preferred interest rate (initially 8 per cent) with an extended amortization period of up to 50 years. In addition, Rent Supplement for low income tenants was provided through Section 82 (1) (b) of the National Housing Act and was cost-shared 50/50 with the respective provincial governments.

Amendments to the NHA in 1978 resulted in the introduction of a new Non-Profit and Co-operative Housing Program under Section 95. Under this modified Co-operative Housing Program, primary responsibility for the origination of the mortgage loan shifted to Approved Lenders with the mortgages

1 Changes to the numbering of all NHA section were effected on December 12, 1988 by proclamation of the Revised Statutes of Canada, 1985. All references to the NHA in this report use the new section numbers. Old sections of the NHA and their corresponding new section numbers are:

Old NHA Section	New NHA Section	Subject
15	26	Limited Dividend
15.1	27	Pre 1979 Non-profit
34.18	61	Pre 1979 Co-op
36	74	CROP
37.1	76	Start-Up (PDF)
40	79	Pre-1979 F/P Bldg Co-op
44	82	Rent Supplement
56.1	95	Post-1978 Co-op
58	97	Direct Loans

written at existing market rates of interest and amortized over 35 years. Available financing remained at 100 per cent of eligible costs. CMHC's annual subsidy consisted of an amount which would bridge the gap between economic rent (rent which would have to be charged to break-even) and the low-end of market rent plus an RGI component. This was accomplished through the provision of a subsidy on the mortgage interest rate. The maximum subsidy would reduce the effective mortgage interest rate to 2 per cent. Instead of Section 82(1)(b) Rent Supplement, low income tenants in Section 95 Co-operative Housing Projects receive rent-geared-to-income assistance through the ongoing 95 mortgage-financing assistance. A minimum 15 per cent of units are required to be provided on a rent-to-income basis.

The new Federal Co-operative Housing program, introduced in 1986, relies on an innovative mortgage financing instrument called the Index-Linked Mortgage (ILM). Private lenders receive a guaranteed real rate of return after inflation. As such, annual interest payments fluctuate annually depending on changes in the general economy-wide price level. Given the nature of this mortgage instrument (which includes a "planned tilt factor"), mortgage payments tend to rise over the amortization period. Since initial rents for the housing co-operative are set <u>at</u> market levels, federal financial assistance, which initially bridges the gap between economic and market rents, is expected to be lower than under previous versions of the program. Additional assistance to low income households takes the form of federally cost-shared Rent Supplement.

The purpose of this Assessment Report is to propose a strategy for an evaluation study of federal co-operative housing programs which would include the Section 61 program (1973-1978), the Section 95 program (1979-1985) and the ILM Co-operative Housing Program (1986-). To this end, the Assessment Report develops an understanding of the history of co-operative housing in Canada; it reviews the relevant literature and evaluations; it determines the specific evaluation issues which could be considered in the evaluation study; and it develops, analyzes, and recommends an appropriate evaluation approach.

B. <u>Reasons for the Evaluation</u>

There are several reasons for conducting an evaluation of co-operative housing programs at this time:

First, as a condition in approving the new Federal Co-operative Housing program in 1986, Cabinet directed that a full evaluation of the program, including the validity of index-linked mortgages, be carried out and submitted to Cabinet before additional funding beyond the first five years is allocated.

Second, because the new Federal Co-operative Housing program is experimental in its use of an innovative financing technique (the index-linked mortgage), a comparative evaluation of this program in conjunction with previous versions of co-operative housing programs would provide a useful basis for future policy discussions and consultations. The inclusion of earlier programs will allow the evaluation to determine the long term costs and benefits accruing over the life of co-operative projects.

Third, it is the policy of the Office of the Comptroller General (OCG) and adopted by the Corporation that programs be evaluated on a periodic basis, usually over a five year planning horizon. Given that the last evaluation of the Section 95 Non-Profit and Co-operative Housing Program was completed in 1983, this version of the co-operative housing program is due for evaluation. The pre-1978 Section 61 co-operative housing program has never been the subject of a separate formal and comprehensive evaluation although it was included in the Social Housing Review prepared in 1984.

CMHC's 1989 Evaluation Work Plan includes the evaluation of co-operative housing programs (for completion in 1990) to be conducted in accordance with the principles established by Treasury Board. The Evaluation Study is expected to commence in September 1989.

C. Scope of the Evaluation

The evaluation of co-operative housing programs will be restricted to the three unilateral federal programs which have been in existence since 1973 to financially assist in the developmentof co-operative housing. Earlier co-operative housing projects which were funded by the federal government as pilot projects will not be specifically reviewed. The relatively small number of co-operatives jointly funded under the post-1985 Non-Profit Housing program will be included in the evaluation for comparative purposes but will not be explicitly evaluated until a future date.

A number of issues common to all three versions of co-operative housing programs will be developed and assessed as part of the evaluation process. However given that Sections 61 and 95 co-operative housing programs are no longer active, much of the evaluation's emphasis would be on the management of the existing stock for these two programs. Conversely, the new Federal Co-operative Housing program has been active for a relatively short period of time, with the first projects committed in late 1986. The evaluation will therefore look closely at specific program design and delivery details associated with the new program. Program delivery will not be addressed as an issue for the two earlier programs. As integral components of the Federal Co-operative Housing Program, the evaluation will also examine other federal programs used in conjunction with the Co-operative Program. These will include Proposal Development Funding, Rent Supplement and CROP funding for community resource groups.

2. THE EVOLUTION OF FEDERAL INVOLVEMENT IN CO-OPERATIVE HOUSING

A. Pre-1973 Involvement

The origin of the co-operative housing movement in Canada can be traced back to 1932 when the Nova Scotia government passed the provincial Housing Act enabling it to fund housing. The first co-operative housing group was launched in Cape Breton in 1937 and was named the Arnold Housing Co-op. This co-operative group was organized through the Extension Department of St. Francis Xavier University. One year later, in 1938, this building co-operative began construction on the first co-operative houses, after necessary amendments were made to the Provincial Housing Act to allow credit to be made available to Co-operatives.

The first building co-operative constructed 11 housing units and, between 1938 and 1953 when the federal government joined the Nova Scotia government to cost-share building co-operatives, 406 housing units were constructed by 35 co-operatives in Nova Scotia. Most of these building co-operatives were concentrated in Cape Breton.

Within several years of its emergence in Nova Scotia, the co-operative housing movement began spreading to other provinces. Building co-operatives were organized in Quebec (1941), in Newfoundland (1944) and in Ontario (1946). Most of these co-operative groups were sponsored by government agencies or by churches.

The National Housing Act permitted direct loans to be made to building co-operatives starting in 1944, but insured loans were only available in 1953. In that year, CMHC jointly undertook with the Nova Scotia Housing Commission to fund the construction of co-operative housing under Section 79 of the National Housing Act. This section permits the Corporation to participate in a joint undertaking with any province, the acquisition and development of land for housing purposes; or, the acquisition, improvement and conversion of existing buildings for housing purposes.

The Section 79 Co-operative Housing Program involved the provision of Section 79 funds to the provinces who, in turn, provided co-operative companies with loans to assist in the construction of housing for their members. When the housing units were completed, they were sold to the members for the cost of construction with the province holding each mortgage. Funds under this program were available in Nova Scotia (1953), P.E.I. (1960), New Brunswick (1970) and Saskatchewan (1975), provinces who had signed cost-sharing agreements with the federal government. This program later became known as AHOP/COOP with the introduction of the federal AHOP Program in 1973, although the two programs were never really related. The last loans under federal cost-sharing arrangements were made in 1978.

In the early years of the co-operative housing movement and leading up to the mid-1960's, virtually all co-operatives were "building" co-operatives. These building co-operatives were a group of people who formed a co-operative for the purpose of jointly constructing their own homes (frequently using "sweat equity"). After their homes were built, each household would take possession, although the co-operative would typically continue to repay a common mortgage. As such, building co-operatives were essentially a type of homeownership venture which is quite distinct from the nature of the more recent "continuing" co-operative. The building co-operative movement had, over the years, sought access to low interest funds provided under Section 26 for low-rental housing. The position of the federal government however, was that building co-operatives were not eligible since they were not rentals. CMHC's view at that time was that social housing assistance programs should not enable asset accumulation by program recipients.

The 1960's saw the development and growth of the "continuing" co-operative movement. 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 was completed with financial support by CMHC, the Co-operative Credit Society and the City of Winnipeg. Occupants in Willow Park were originally required to make a downpayment ranging from $556 for a one-bedroom unit to $889 for a four-bedroom townhouse. Monthly rent payments, which included all basic shelter costs, ranged from $91 to $137. Within several years of the completion of the Willow Park demonstration project, construction began on a number of other continuing co-operatives in Ontario and British Columbia.

With the continuing co-operative movement beginning to grow, the Co-operative Union of Canada (CUC), the Canadian Labour Congress (CLC) and the Canadian Union of Students (CUS) jointly founded in 1968 the Co-operative Housing Foundation of Canada (CHF) with the financial assistance of CMHC. The Co-operative Housing Foundation's mandate has since been "to promote the development of continuing housing co-operatives and to provide organizational, technical and administrative services to emerging and, eventually, existing housing co-operatives." Within its first year of existence, the CHF submitted a brief to the Hellyer Task Force on Housing and Urban Development, pressing for legislation for the financing of continuing co-operatives.

Amendments to the National Housing Act in June 1969 widened the definition of eligible borrowers to include co-operatives under the Section 26 Limited Dividend provision of the Act.

However given the inherent inconsistency of requiring low-income tenant households to put up the minimum five per cent downpayment under the Section 26 provision and the ongoing CMHC position that co-operatives were not in fact rental housing, the Corporation did not use this section of the Act to assist co-operative housing.

In 1970, the federal government introduced a $200 Million low-cost housing fund which was meant to finance innovative ways of providing affordable housing. Under the Section 97 direct homeownership loan provision of the NHA, CMHC financing was extended to 11 pilot co-operative projects at below-market rates of interest. These loans were provided to co-operatives at the prevailing Section 26 interest rate and low income tenants still had to put up the necessary 5 per cent equity. In exchange for the preferential lending terms, the co-operative had to agree through its operating agreement to administer a "subsidy/surcharge" arrangement in which rent surcharges from higher income households would be used to offset rent subsidies for lower income tenants. This arrangement was expected to result in:

- a reduction in the need for additional subsidies;
- an income mix; and,
- an avoidance of the use of "kick-out" provisions in the operating agreements whereby higher income tenants would be asked to leave if their incomes exceed some threshold.

B. Introduction of the First Federal Co-operative Housing Program

By 1973, a major reconsideration of federal social housing policy culminated in a package of amendments to the National Housing Act. Central to these changes was the wider public acceptance of the notion that there ought to be a variety of choices of housing types and tenures with wider income ranges in assisted housing. Income-mixing was seen as being not only socially desirable but that it would also require fewer subsidies to operate projects. Public housing and Limited Dividend housing would no longer be the cornerstones of federal social housing policy. Instead, the emphasis was to shift to municipal and voluntary non-profits, and housing co-operatives.

A new federal Co-operative Housing Program was therefore implemented under Section 61 of the National Housing Act in 1973. With the introduction of this program, continuing co-operatives now had access to 100 per cent financing for the first time. An additional package of subsidies for co-operative housing as part of this program included:

- 10 per cent of the capital cost would be directly subsidized by a capital contribution from CMHC (earned over the life of the mortgage);

- a preferred mortgage loan provided directly by CMHC at the Section 26 interest rate (8 per cent) representing 100 per cent financing over 50 years (ie. on the remaining 90 per cent of the capital cost not covered by the capital contribution);

- "Start-up" grants up to $10,000 would be provided to local co-operative groups wishing to develop a proposal for a co-operative housing project; and,

- operating grants under the Community Resource Organization Program (CROP) were made available to resource groups providing organizational and technical assistance to co-operative groups.

At the same time that legislation was passed in 1973 enabling the Corporation to fund continuing co-operatives, Section 82(1)(b) of the NHA was promulgated to provide additional rent subsidies to low income co-operative households. This Rent Supplement Program, for specific use in non-profit and co-operative housing projects, would be cost-shared with provincial governments willing to participate. However, the Rent Supplement Program was not implemented at that time. Section 82(1)(b) program funding was subsequently announced on 4 March 1975 for provinces for which federal/provincial master agreements had been signed.

A feature of the pre-1973 experimental co-operatives funded by the federal government and retained under the Section 61 Co-operative Housing Program was the use of a surcharge/subsidy mechanism. In the aggregate, each co-operative was required to operate on a non-profit (break-even) basis. However, the operating agreement required that higher income households pay a rent surcharge which would be offset by lower rents being charged to low income households in the co-operative. A subsequent evaluation of the program found that the surcharge/subsidy mechanism was only infrequently used, partly because non-RGI rents were already near market levels in the early years of these projects.

A minor modification made to the Section 61 Co-operative Housing Program in 1975 was the introduction of the Interest Reduction Grant (IRG) by amendment of the NHA in December 1975. Until December 31, 1975, all co-operative housing loans were written at 8 per cent notwithstanding that CMHC's borrowing rate was higher than 8 per cent. The purpose of introducing IRG's was to explicitly identify the amount of the loan which was being subsidized by CMHC through the lower interest rate.

The introduction of the Section 61 Co-operative Housing Program was a major impetus for the rapid development of the co-operative housing movement in Canada. While before this program in the early 1970's there were only a small number of continuing co-operatives in Canada, by 1977 the federal government had funded 240 co-operatives containing about 10,000 units which were in various stages of development

C. The Section 95 Amendments

A major rethinking of the federal government's social housing strategies resulted in a package of amendments to the NHA in 1978. The federal subsidies provided under previous programs (including Section 61 Co-operative Housing) were viewed as too shallow and insufficient to meet the needs of the lowest income groups without the voluntary contribution of additional "stacked" subsidies by the provinces. The 1978 amendments were designed to streamline social housing assistance into a single financial subsidy mechanism, capable of meeting the needs of both low and moderate income households, and available to both public and private sponsors, provinces, private non-profit organizations, and co-operatives.

Other specific problems which were perceived to exist within the Section 61 Co-operative Housing program included:

- subsidies which did not permit the production of units affordable to lower income households;
- some projects had been too large for their proponents and, in some cases, there was a perceived risk of default and management problems; and
- the program required large amounts of direct capital funding at a time when federal government cash requirements were growing rapidly.

The NHA amendments, announced in May 1978 and taking effect in January 1979, placed most of the federal government's social housing emphasis on the new Section 95 Non-Profit and Co-operative Housing Programs. Within the Section 95 Co-operative Housing component, the basic program rationale remained the same as before: to serve the needs of households unable to afford decent housing accommodation, while encouraging a mix of family-income levels to live in these co-operative housing projects. The active encouragement of a mix of household incomes to live in federally sponsored social housing projects was justified on the grounds that "social tensions" due to concentrations of low income households would be avoided and neighbourhood resistence would be reduced.

Under the Section 95 Co-operative Housing Program, mortgage loans for 100 per cent of capital costs were to be obtained from Approved Lenders and insured by CMHC. The Corporation remained lender of last resort. This feature of the new program replaced the direct mortgage loans provided under the Section 61 Co-operative Housing program and was expected to reduce the federal government's cash requirements. By leveraging private funds, it was believed that a larger social housing effort could be mounted with a given level of limited cash requirements.

Another factor which contributed to the design of the Section 95 Co-operative Housing Programs, as referenced in the Cabinet Document which proposed it, was the generally poor state of the economy and housing market at the time. In 1978, the economy had begun to deteriorate with housing starts on the decline. At the same time, programs which were meant to stimulate the production of both rental (ARP) and ownership (AHOP) housing were being phased out, partly as a result of an increasing number of acquisitions. In addition, specific emphasis was placed on using the non-profit and co-operative housing allocations to acquire units from the large inventory of unoccupied AHOP and ARP projects therefore assisting with rental market adjustments.

The unilateral federal subsidy was intended to bridge the difference between each project's annual costs and revenues given rents which would be set at the lower end of market for moderate income households and geared to income for low income households. The maximum operating subsidy which could be provided was set at that amount which would reduce the effective mortgage interest rate to 2 per cent from the market rate which was contracted from private lenders, amortized over 35 years. This funding mechanism in effect combined the two primary subsidies available under the Section 61 program: the Interest Reduction Grant (reducing the interest rate to 8 per cent) and the 10 per cent capital contribution.

Other features of the Section 95 Co-operative Housing Program were somewhat analagous to its predecessor. A component of the federal contribution was to be used to further subsidize the rents of lower income households in the co-operative, broadly similar to the rent surcharge/subsidy mechanism used for Section 61. Other programs, both provincial and federal, could also be "stacked" with or used in support of the Section 95 program including Section 82(1)(b) Rent Supplement, Section 76 Start-Up, and Section 74(g) CROP. In addition, a minimum 15 per cent of households in the co-operative were required to be RGI.

Assistance provided under the Section 95 Co-operative Housing Program was initially intended to provide a basic level of federal financial support upon which the provinces could stack additional assistance. However, the federal government agreed in June 1978 to further cost-share any remaining operating losses after equal provincial contributions on the interest rate differential. This meant that if the province matched the initial federal contribution, the federal government would match any additional provincial contributions, providing the project is not generating surpluses.

Annual unit commitments under the Section 95 Co-operative Housing Program progressively rose from 1,883 in 1979 and peaked at 6,578 in 1982 and 6,164 in 1983. However, by 1984, a number of concerns related to the program became evident. First, a design feature of the co-operative housing program in which subsidies covered the spread between current market interest rates and a 2 per cent effective rate of interest implied that program costs were "open-ended". As interest rates rose to unprecedented levels in the early 1980's, so too did Section 95 levels of subsidies. In addition, this problem was exacerbated by the long-term nature of the funding mechanism whereby step-out of federal assistance gradually occurred over a period of time which covered many years.

The mid-1980's also saw a gradual reconsideration of the concept of income-mixing and the view that limited social housing resources should be directed to moderate income households not requiring assistance began to be openly questioned. In January 1985, the new federal government issued a Consultation Paper on Housing which initiated the process of restructuring Canadian social housing programs. The results of this consultation were released later that year by the Minister Responsible for CMHC, entitled "A National Direction for Housing Solutions". The two major thrusts of this new federal social housing policy involved the targetting of <u>all</u> social housing funds to households in core housing need and the transfer of program delivery to the provinces. The existing Section 95 Non-Profit and Co-operative Housing Programs were terminated in 1985, however, a provision was made so that co-operative housing could be delivered by the Provinces under the new Post-1985 Non-Profit Housing Program.

D. The ILM Co-operative Housing Program

At the same time, the federal government also announced the introduction of a revised co-operative housing program which was being developed in conjunction with the Co-operative Housing Foundation. Unilateral federal funding and delivery of the new program was retained partly because of some provinces' reluctance to financially assist co-operative housing. The new Federal Co-operative Housing Program was formally introduced in 1986 as a five year experimental program to promote security of tenure for households unable to afford homeownership. As such, this program became part of the federal government's market housing planning element.

A central feature of the new program was its use of an innovative mortgage instrument called an Index-Linked Mortgage (ILM). The ILM is a loan in which the interest rate is stated in terms of a fixed real rate of return which is combined with a variable rate which is adjusted periodically in accordance with actual changes in inflation. This ILM mortgage was to be obtained in the private mortgage market first through the CHF and then through CMHC's Program Funding Centre which was started up in June 1987. The ILM mortgage was insured under the National Housing Act for 100 per cent of the project's capital costs. Responsibility for the procurement of ILM financing was transferred back to the CHF in 1988.

The design of the ILM mortgage instrument implies that monthly payments of principal and interest will, in general, rise over time with inflation. This feature, arrived at in consultation with the CHF, was intended to improve the initial viability of co-operative housing projects, thereby reducing initial subsidy requirements. However, the availability of unilateral federal assistance is retained under the new program to bridge the gap between economic and market rents for those projects which require it. It was initially planned that this federal assistance would take the form of an interest-free loan to be repayed starting in the 16th year from the interest adjustment date. However, it became evident during the program design phase that Treasury Board would not accept a fifteen year interest-free loan as a non-grant. It was finally accepted that federal assistance would take the form of an annual bridging subsidy to be reduced beginning in the sixteenth year.

The ILM Co-operative Housing Program provided for the establishment of a Stabilization Fund to financially assist co-operatives experiencing viability problems which are at risk of mortgage loan default. This provision, which involves an initial one-time payment to the fund by each co-operative, was established as a result of CMHC concerns about graduated payment mortgage schemes which have in the past experienced high default rates (eg, ARP and AHOP).

Other features of the ILM Co-operative Housing Program remained similar to past programs. A minimum 15 per cent of units in each co-operative must be provided to low income households under the Rent Supplement Program and a maximum 30 per cent of the units in each province could be made available for Rent Supplement. In June 1988, this maximum was increased to 50 per cent of co-operative units by province, subject to provincial agreement.

Instead of using direct federal contributions to provide additional assistance to low income households as required under the 95 program or the use of a surcharge/subsidy mechanism as seen with the 61 program, the ILM Co-operative Housing Program requires that each co-operative establish a

Security of Tenure Fund to temporarily assist non-income-tested occupants who experience a decline in income. In addition, Proposal Development Funding (previously known as "Start-Up") is still available in the form of an interest-free loan of up to $75,000 per project. An increased maximum of $500,000 has been proposed (pending Order-in-Council approval).

3. PROGRAM PROFILES

A. Section 61 Co-operative Housing Program

i) Program Objectives

The stated objectives of the Section 61 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;
- to encourage the integration of families and individuals of varying incomes.

ii) Program Description

In June 1973, the National Housing Act was amended to provide financial assistance to continuing Non-Profit Co-operative Associations for the development of appropriate and economical housing accommodation for families and individuals of low and moderate income. This financial assistance, under Section 61 of the NHA, was provided to co-operative associations using the terms and conditions of Section 27 (Non-Profit) to construct, acquire or improve a housing project with the intention of providing housing to persons, the majority of whom are members of the association, who will occupy the housing as non-owners.

Under Section 61, assistance was provided by making available loans up to 100 per cent of project costs and to provide capital contributions to eligible borrowers equal to 10 per cent of project costs. In addition, the loan was at a preferred interest rate with an extended amortization period of up to 50 years or up to the remaining useful life of the property, whichever is less. The Section 61 loan was secured by a first mortgage on the housing project and contained a covenant whereby if the co-operative association's articles of incorporation are changed or altered without CMHC's consent, then the whole of the mortgage would become due and payable at the option of the Corporation.

Four different lending arrangements existed under the Section 61 Co-operative Housing Program:

- loans with five-year roll-over terms at the Section 26 preferred interest rate;

- loans with five-year roll-over terms at the "maximum" (market) interest and with interest reduction grants to cover the difference between the maximum and Section 26 rates;

- loans with fixed 50 year terms and mortgages written at the Section 26 preferred interest rate;

- loans with fixed 50 year terms written at the "maximum" (market) interest rate and with interest reduction grants.

Only sixteen of the projects committed received mortgage loans which were written for a five-year term. The remainder had a 50-year long term mortgage. All co-operative housing projects committed from 1973 to 1975 received mortgage loans written at the Section 26 interest rate of 8 per cent. Subsequent loans also received this same <u>effective</u> interest rate, but Section 95 Interest Reduction Grants were used to explicitly identify the interest rate subsidy and the mortgage document was thereafter written at the market rate of interest.

As part of the Section 61 Co-operative Housing Program, CMHC was also permitted pursuant to Section 27 (2) of the NHA to make a 10 per cent capital contribution to a co-operative association. This contribution could be made under the following conditions:

- The contribution is based on agreed upon project costs;

- All other federal grants (such as federal sales tax rebate, RRAP, etc.) were to be deducted from agreed-upon project costs prior to the calculation of the contribution. Exceptions to this applied to federal grants received from the Department of Veterans Affairs and DIAND.

- The capital contribution was earned in equal monthly installments over the mortgage repayment period and was effected by a reduction in the amount of the monthly mortgage payment.

- The capital contribution could only be used in place of Section 34 (Land Lease) and not in conjunction.

- The continued earning of the federal contribution was subject to the Co-operative operating under the terms and conditions of the Operating Agreement.

Although enacted as part of the 1973 NHA amendments, the Section 82(1)(b) Rent Supplement Program was not activated and funded until 1975. Rent Supplement was administered under master agreements signed by a province or territory and by CMHC. The costs were shared equally by the two parties, while administration has been carried out by the province or territory.

In general, the maximum number of units which could be certified as rent supplement in any designated project could not exceed 25 per cent of the total. However, projects with 80 units or less could certify up to 20 Rent Supplement units. A higher proportion of Rent Supplement units could also be certified for projects in a low-income neighborhood, senior citizens projects or with scattered family units. There were also some inter-provincial variations in this established 25 per cent maximum. For example, the agreement with B.C. permitted the 25 per cent limit to be exceeded even for family projects of more than 80 units.

As part of the Operating Agreements signed between the Corporation and each housing co-operative, one of two mechanisms was required to reduce or eliminate assistance to higher income earners. The co-operative could opt to include a lease termination ("kick-out") provision in the Agreement whereby households whose incomes exceeded some specified level (typically five times the occupancy charge) would be asked to leave. Alternatively, the majority of Section 61 Co-operative Housing Projects included a "subsidy/surcharge" provision in their Operating Agreements. This required the co-operative to add a surcharge to the occupancy costs for higher income tenants which was to offset (subsidize) correspondingly lower occupancy costs for lower income households. The co-operative association was given some latitude in how to distribute the surcharge revenues among the other residents. They could either apply this revenue across the board to reduce occupancy charges of all other units, or, use it to improve the rent-to-income ratio of the occupants in the lowest income ranges.

The maximum surcharge represented the average per unit difference between the actual preferred interest rate and the Section 97 interest rate for the same amortization period. In effect, the full surcharge involved the recapture of the subsidized interest rate differential portion of the CMHC mortgage loan.

The surcharge was applied using the following graduated scale:

- o incomes ranging from 4.0 to 4.5 times the annual CMHC-approved economic occupancy charge pay no surcharge but also receive no subsidy;

- o incomes ranging from 4.5 to 4.75 times the annual economic occupancy charge pay the full occupancy charge plus 1/3 of the full surcharge;

- incomes ranging from 4.75 to 5.0 times the annual economic occupancy charge pay an extra 2/3 of the full surcharge; and,

- incomes exceeding 5.0 times the annual economic occupancy charge pay the full surcharge

iii) Program Delivery

Funds under the Section 61 Co-operative Housing Program were made available to Co-operative Associations wishing to establish a continuing housing co-operative. As a lead-in program for proposal initiation, project development and execution, associations would apply to CMHC for funding under the Section 76 Start-Up Program. Initially grants of up to $10,000 were made available to develop such proposals. In addition, Section 74(g) CROP financial assistance was made available for organizational and developmental support to resource groups who assisted the individual co-operative associations in developing and carrying out their proposals.

An Operating Agreement was signed with each co-operative association whose proposal was accepted and carried out. The Operating Agreement specified the obligations of the housing co-operative with respect to the first year's occupancy charges, income definitions and various types of prohibitions (against encumbrances, sale, etc.).

Although not a requirement under the program, some provinces also provided various forms of assistance to each Co-operative Housing Project such as capital grants, rent reduction grants or provincial sales tax rebates.

iv) Operating Agreement

Compared to the ones later developed for the Section 95 (pre-1986) and ILM co-operative housing programs, the Section 61 Co-operative Housing Program Operating Agreement is relatively primitive. It was generally modeled after the Agreements used for the Limited Dividend Program and simply outlined:

- Rental scale: sets out the first year occupancy charge and surcharge, the income scale for which the surcharge applied and the income definition to be used.

- Occupancy of housing units: requires that income testing be regularly carried out for all occupants;

- Prohibition against encumbrances and lending: the project cannot be further encumbered nor can the project make loans without the approval of the Corporation.

- Books and Accounts: stipulates requirements of the borrower in maintaining their records and sets out the Corporation's rights in inspecting those records;
- Payment: prompt mortgage payments are required;
- Default: any breach of the Agreement including a failure to maintain the 'low-rental character' of the project constitutes a default and CMHC can call the loan or increase the interest rate;
- Organization and management: the borrower must efficiently manage the project, maintain the project in a satisfactory state of repair and must allow representatives of the Corporation to inspect the project.
- Sale of the project: the project cannot be sold or otherwise disposed of during the term of the Operating Agreement without the consent of the Corporation.
- Discrimination: occupants cannot be discriminated against on the basis of race, colour, religion, sex, marital status or national origin.
- Retention of documents: all relevant documentation must be retained for 7 years.
- Term of Agreement: the agreement is in force as long as the loan is not fully paid off.

B. Section 95 Co-operative Housing Program

i) Program Objectives

The objectives of the Section 95 Co-operative Housing Program were:

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

ii) Program Description

The mandate for the Section 95 Co-operative Housing Program instituted in 1979 is found in Section 95 of the National Housing Act. This section authorizes CMHC to make contributions to eligible borrowers to offset the repayment charges on loans for non-profit and co-operative housing projects. The amount of the federal contribution is set by an interest rate reduction with the minimum rate of interest established by regulation at 2 per cent. Eligible borrowers included non-profit corporations and co-operative associations as defined under Section 27(2) of the NHA or a band council or other Indian group as defined by the Indian Act. The Section 95 Co-operative Housing Program replaced the previous Section 61 Co-operative Housing Program.

As a major departure from the previous Co-operative Housing Program, the Section 95 program required that co-operative associations obtain a first mortgage loan from private lenders. The mortgage could be originated by a Section 9 Approved Lender, Section 98 Direct Loan to Indians on Reserve or a loan from conventional sources. CMHC reserved the role of acting only as lender of last resort and only if capital funds were available under Section 26. Co-operatives were eligible for up to 100 per cent loans from Approved Lenders for both new and existing (in conjunction with RRAP) projects. However, for the conversion of a non-residential building into a co-operative, loans were limited to 90 per cent until 1983. These first mortgage loans were contracted at the market rate of interest with a maximum amortization period of 35 years or the useful life of the project, whichever is less.

Federal assistance, which took the form of financial contributions, were paid over the actual amortization period of the mortgage loan up to a maximum of 35 years. This federal assistance was partly designed to bridge the difference between economic rent (that rent which would have to be charged to break-even) and the lower end of market rent. The amount of assistance was based on the accepted capital cost of the shelter component of the project which was within the Maximum Unit Price (MUP). It was therefore not necessarily tied specifically to the full loan amount.

The Lower End of Market Rent (LEM) was established at initial occupancy by CMHC in the following manner:

- market rents of properties most comparable to the project are identified in a surrounding survey area sufficiently broad to ensure a cross-section of comparable projects;

- market rents are defined as the actual rents in place and not the amount that could be collected if rent controls were not in place;

- units included in the survey must be unsubsidized rental units (although ARP's could be included);
- the market rents of the comparable properties were adjusted to take account of any relevant differences from the 95 project in characteristics, amenities, etc.;
- the lower end of the narrow range of adjusted market rents which results is the LEMR.

Federal assistance was applied to the mortgage loan in the form of an interest rate write-down such that lower end of market rents could be achieved on a break-even basis for all non-income tested occupants and RGI rents would be available to lower income occupants. The maximum level of federal assistance was set at that amount which would reduce the effective interest rate of that portion of the mortgage loan within MUP to 2 per cent. This subsidy pool was used to further reduce the rents charged to lower income occupants according to the federal rent-to-income scale. Any occupant for whom the lower end of market rent represented more than 25 per cent of income was considered eligible for rent-geared-to-income assistance from the project's subsidy pool. A minimum 15 per cent of the occupants in each co-operative had to meet this criterion. Apart from this requirement, no income limits were applied to Section 95 Co-operative Housing projects.

The maximum level of federal assistance was generally paid to each Section 95 housing co-operative and was made directly to the co-operative to coincide with regular mortgage repayments. Any overpayments of assistance were to be refunded to CMHC on an annual basis, after allowing for an annual Subsidy Surplus Reserve account to be accumulated to a maximum $500 per unit. This Subsidy Surplus Reserve was to be used to ensure that reduced rent for low income households would continue to be available in the future.

The amount of federal assistance was established for the first three years of the co-operative housing project's operation. During that period, any changes to the occupancy charges for individual units were based only on changes in operating costs. In subsequent years, mortgage payments increase by 5 per cent per year until the full contracted mortgage payment is reached. This separation between mortgage costs and other operating expenses was intended to provide an incentive to the co-operative to keep cost increases low since any surplus assistance resulting from savings in operating costs was retained by the co-operative.

In return for Section 95 assistance, the co-operative association was required to enter into an Operating Agreement with the Corporation. The Operating Agreement outlined the rights and responsibilities of the two parties including the financial arrangements and occupancy requirements outlined in this section. In addition, other restrictions were included such as prohibitions against sale, encumbrances and discrimination.

As with the Section 61 Co-operative Housing Program, assistance under the Section 95 Co-operative Housing Program could be supported by Section 76 Start-up, Section 74(g) CROP, Section 51 RRAP, and under certain conditions Section 82 Rent Supplement F/P Cost Sharing Program. Section 82provides for additional operating subsidies cost-shared equally by the federal and provincial governments in projects where the provincial contribution equals the Section 95 assistance and the province chooses to cost-share additional losses.

iii) <u>Program Delivery</u>

Delivery of the Section 95 Co-operative Housing program began with an annual allocation of housing units to each province, and then to each branch office. The allocation was based on an established needs formula at the national and local levels.

The co-operative associations would submit an application for assistance and could also apply for Section 76 Start-Up funding. Each association was required to provide a "best-buy" analysis to ensure the highest quality shelter at minimum cost and the most appropriate type of housing to meet the needs of the intended occupants.

The costs of co-operative housing were controlled through Maximum Unit Prices (MUPs) which are established by CMHC for each market area. The MUPs are a schedule of prices which set the per unit cost limit for the construction of modest accommodation, for each type of housing and bedroom count.

Individual co-operative associations were responsible for the development of the housing project. This included the preparation of final plans and specifications and the selection of a competitive procurement technique. Once an acceptable final application, usually with firm fixed prices, was submitted to CMHC, an Undertaking-to-Insure was issued, and an Operating Agreement was signed which detailed the terms and conditions for ongoing Section 95 assistance.

iv) Operating Agreement

Operating Agreements under the Section 95 Co-operative Housing Program were more detailed than those of the Section 61 Program. The terms of the 95 Agreements were:

- Contributions to reduce costs and rentals: an explanation of the determination of federal assistance is provided and eligibility for the establishment of a Subsidy Surplus Fund is outlined.

- Occupancy: occupancy requirements are prescribed including the minimum 51 per cent co-operative membership requirement and minimum 15 per cent RGI quota. The determination of occupancy charges is also set out for both RGI (according to the specified scale) and non-RGI occupants (CMHC specifies LEMR).

- Sale: Project sale is prohibited in the same way as with the 61 Operating Agreement and a further clause specifically rules out sale of individual units which "would only be approved in exceptional circumstances".

- Project management: the co-operative must ensure efficient management and maintain the project in a satisfactory state of repair. CMHC retains the right to inspect the project.

- Commercial and non-residential facilities: federal assistance cannot be applied to such project areas and no profit is to be generated from this part of the project.

- Prohibition against encumbrances and lending: no encumbrances are to be placed on the project nor is any loan to be provided to anyone.

- Changes in the Articles of Incorporation: no such changes can be made if they alter the co-operative's non-profit status without prior approval.

- Books, accounts, audit and annual reporting: specific methods of reporting and audits are set out in the section.

- Loan repayment: Full mortgage payments must be made promptly; failure to do so constitutes a breach of the Agreement.

- Replacement reserve: Specific funding requirements for replacement reserves are set out in the Operating Agreement and a list of eligible expenditures is provided.

- Discrimination: the co-operative cannot discriminate against an application for occupancy on the basis of race, national origin, colour, religion, age, sex, marital status, pardoned conviction or children.

- Default: upon breach of the Agreement, the Corporation can discontinue assistance and demand repayment of the Subsidy Surplus Fund.

- Residential rehabilitation assistance: breach of the agreement can also result in the full repayment of unforgiven RRAP assistance if applicable.

- Prepayment and renewal of loans: CMHC is to be immediately advised of any loan prepayment or renewal.

C. Federal Co-operative Housing Program (ILM)

i) Program Objectives

When the Minister Responsible for CMHC announced that a new Federal Co-operative Housing Program would be introduced ("A National Direction for Housing Solutions"), the program objective was explicitly stated as: "to provide assistance for co-operative housing to promote security of tenure for households unable to access homeownership". This change in objectives was also reflected in the transfer of the Co-operative Housing Program from the Social Housing Planning Element to the Market Housing Planning Element.

The CMHC Guidelines and Procedures Manual for the ILM Co-operative Housing Program echo this overall objective and elaborate by outlining three sub-objectives:

a) Households obtain security of tenure in two ways:

- first, through collective ownership on democratic principles, by which the resident members govern the affairs of the co-operative; and,

- second, through control of their housing costs, which do not include a provision for profit, and with the potential to minimize costs through member participation.

b) In addition to serving moderate income households, a proportion of the units are to be made available to lower income households under the Federal/Provincial Rent Supplement Program. To this extent, the Co-operative Housing Program shares the Rent Supplement Program's objective:

"to assist households in need in obtaining rental units which are adequate in both quality and size, by subsidizing the rents in eligible residential projects."

c) The program is experimental in its use of an innovative financing approach: the Index-Linked Mortgage. A sub-objective is therefore:

"to encourage lenders to provide capital financing on an index-linked basis to result in lower subsidy costs per unit to the government than would have been realized under the 1979-1985 Co-operative Housing Program."

ii) Program Description

The Federal Co-operative Housing Program was introduced in 1986 in consultation with the CHF. A central feature of this program which is meant to reduce government subsidy requirements is the financing mechanism used: the Index-Linked Mortgage (ILM). Each co-operative association privately finances the project with an ILM. Unlike the Section 95 Program, CMHC did not retain the role of lender of last resort under the ILM Co-operative Housing Program.

An index-linked mortgage is a mortgage in which the lender is compensated for the effects of inflation on his investment by adjustments to the yield throughout the term of the loan. The fixed real rate of return is combined with an inflation adjustment which varies over the term with the actual level of inflation. In non-index-linked mortgages (particularly EPM's), an allowance for inflation at inception and potential future inflation is built into the interest rate as a risk premium charged by the lender in addition to the desired real rate of return after inflation. The after-inflation rate of return is ensured with ILM's by combining with the desired fixed real interest rate, an additional variable interest rate which is indexed according to a stipulated indicator of inflation, in this case the national all-item Consumer Price Index (CPI). The combined interest rate is updated annually for the change in the CPI over the twelve-month period ended six months earlier. The mortgage payments are adjusted accordingly on an annual basis less a rate of 2 per cent, "the planned tilt."

Given these built-in provisions to protect the investor against the effects of inflation, it is not necessary to make periodic renewals in which the rates are adjusted to reflect changes in inflation experience and expectation. The ILM term is therefore approximately equal to the repayment period. With the elimination of the need for periodic roll-overs, wide spreads in payment obligations and federal assistance requirements are expected to be largely avoided.

The "planned tilt" ensures some improvement in affordability over time yet some acceleration of repayment. The initial principal and interest payments are higher than would be normally necessary without the tilt to amortize fully indexed mortgages so that the annual increase in payments will be 2 per cent less than the inflation rate. Similarly, payments which occur near the end of the term tend to be lower than they would under fully indexed mortgage payments.

While the term is nominally set at 35 years, the repayment is planned to occur in 30 years. This required the use of a projected long-term inflation rate. There may be some variation in the date repayment is completed if the average inflation experienced varies from the initially projected long-term average rate. There would not be a significant time difference under any reasonable variation between the projected and actual inflation rates.

Because the initial monthly payments are less than the actual interest accruing, the mortgage balance increases during the first years of the mortgage term. Typically the mortgage balance will peak between the 12th and 15th year of the term at something approaching 120 per cent of the initial loan amount. To comply with the National Housing Loan Regulations, the index-linked mortgage document limits the amount of the accumulated balance, including the deferred interest, thus requiring pay-down, to three times the original principal amount. Generally, such a limit would not be exceeded unless inflation were double the expected rate for more than 10 years. Nevertheless, should this limit be exceeded, CMHC may, for loan insurance purposes, authorize the lender not to insist on the pay-down, provided that the co-operative is not in default for other reasons.

Where a project's first year economic housing charges exceed rent levels for private units of comparable age, size and quality in the same market area, federal assistance is available to ensure the initial economic feasibility. This assistance is calculated on a project-by-project basis to reduce economic rents to market rent levels in year 1. This assistance will be provided for the full repayment period in the ILM and is indexed for inflation less 2 per cent each year until the 16th year.

Starting in the 16th year, the federal assistance is to be reduced by up to 5 per cent of the regular occupancy charges of the 15th year, and it is subsequently indexed annually at the inflation rate less 2 per cent. This has the effect of increasing the break-even occupancy charges. If, subsequent to a reduction in the federal grant, the regular occupancy charges exceed 85 per cent of the market rents as determined by CMHC, the reduction will be limited so that the occupancy charges represent 85 per cent of the market rents.

Given the innovative nature of ILM's within the Canadian economy and contingent liability against the MIF, a number of steps have been taken to enhance protection against mortgage default:

- Because principal and interest payments are adjusted in relation to the national CPI, and not all housing markets may match this performance, it is possible that projects in markets where rent increases lag behind the national trend could run into difficulty. The Co-operative Housing Stabilization Fund has been established to address this potential threat as well as other threats to a project's ongoing financial viability. Every co-op which obtains financing through the ILM program is required to pay an upfront, non-refundable fee to the Fund in an amount equal to a stipulated percentage of the capital cost of the project, excluding mortgage insurance, stabilization fund and sector support fees. The fee is included in the project cost on which the federal assistance is calculated and is set at 3 per cent.

- In order to ensure that each project is properly maintained over time and to protect both the mortgage security and the project's competitive position in its market, co-operative projects financed under the program must establish and fund Replacement Reserves. They are initially set at a minimum level equal to 0.65 per cent of eligible capital costs and are adjusted each year by the same indexing factor applied to the mortgage payments (CPI less 2 per cent). The Replacement Reserve must be set up as a separate account.

- Where a project is experiencing financial difficulty, there are a number of other provisions whereby a default may be prevented. These include extension of the planned amortization period and the provision of additional rent supplement allocations.

In each co-operative, at least 15 per cent of the units must be occupied by households receiving Rent Supplements and paying a rent-geared-to-income rent. Rent Supplement is available to a maximum 50 per cent of the housing co-operative units in each project. CMHC determines the number of rent supplement units in each project when it commits the project. The level will depend on the income and local housing conditions, on preferences of the sponsoring group and on the availability of rent supplements. In no case can more than 50 per cent of the units in one co-op be rent supplement.

Co-operatives financed under the ILM program are required, if possible, to adapt 5 per cent of their units so that they may be occupied by physically disabled persons. Projects wishing to depart either way from this 5 per cent guideline must document the need or lack of need for such units to the satisfaction of the Corporation. The additional cost for adapting these units can be included as eligible capital costs up to 12 per cent above the regular MUP.

For each project, CMHC requires that an annual operating cost contribution by projects be made to permit the establishment of a Security of Tenure Fund. In the first year of the program, contributions were set at $40.00 per unit per year and are indexed each year by the rate of inflation. The Fund must generally be used to assist households who are not benefitting from a rent supplement. The intent of the Security of Tenure Fund is to assist households who experience an affordability problem as a result of a decrease in income after occupancy. The amount of assistance provided cannot result in the household paying less than it would have paid on the Rent Supplement RGI Scale, or a lower percentage of income than they paid on their original occupancy of the project.

iii) Program Delivery

Each year CMHC distributes the Co-operative Budget Units (CBU) by province in compliance with a predetermined formula which takes into consideration the client group targeted. The federal assistance budget is then allocated based on the breakdown of the CBU, as well as on past experience with the assistance requirements of past housing projects, and on economic characteristics, especially the capital costs, the operating costs and the market rents for the housing projects envisaged. Five per cent of the units are allocated on a discretionary basis, in consultation with the CHF, based on delivery capability.

The selection process for projects begins, for each activity year, with a proposal call issued by CMHC. The call provides information on the allocations available and sometimes provides advice concerning the preferred breakdown by market and by sub-market, as well as on the typical size and the type of projects envisaged and the preferred locations in each case. The call also stipulates a deadline for the presentation of proposals.

The proposals together with all the documents required which are received prior to the deadline are reviewed by CMHC in light of the established proposal selection criteria. Proposals are assessed in accordance with their ability to meet the following criteria:

- Eligibility criteria: the proposal must satisfy basic program eligibility and delivery requirements;
- Variable performance criteria: includes group capability, consistency with program objectives and CMHC requirements,

impediments to commitment and marketing;

- Cost-effectiveness: in terms of federal assistance required; and

- Project viability.

If the proposal is chosen to receive an allocation, the group is approved and receives preliminary Proposal Development Funding of up to $30,000 to allow it to develop its proposal. Provisions exist in cases where the number of acceptable proposals can exceed or be less than the allocation. For example, the awarding of PDF up to $10,000 to preliminary proposals can occur in areas where there are not enough good proposals to justify the $30,000 maximum.

The groups selected to develop their proposals must prepare a feasibility report and present it within the deadline set by CMHC. In cases where the feasibility report shows that the proposal meets the selection criteria, the group may be granted a conditional allocation and PDF financing up to a cumulative maximum of $75,000 for the preparation of its project in phase 2.

At the conclusion of the development activities of the proposal, the project's sponsors must submit a final complete application file. CMHC reviews the final application file to determine whether it meets the program's criteria; and if the budget allows, CMHC announces the commitment of the project. The commitment includes a mortgage insurance commitment and, if necessary, a commitment of federal assistance.

iv) <u>Operating Agreements</u>

Operating Agreements under the ILM Co-operative Housing Program are more detailed than those of the Section 61 Program. The terms of the ILM Agreements are:

- Contribution to reduce occupancy costs: an explanation of the determination of and amount of federal assistance is provided.

- Membership: the minimum 85 per cent membership for occupants of the project is specified and all members must be occupants within a reasonable period after rent-up.

- Occupancy charges: first year Regular Occupancy Charges are provided and future adjustments are to be approved by CMHC.

- Treatment of surpluses: surpluses attributable to management efficiency arising from the self-help nature of the co-operative are to be used first to reduce occupancy charges for members and then for the benefit of all occupants.

- Rent Supplement Program: a minimum 15 per cent of the units must be used for Rent Supplement clients and such additional charges as membership fees and Sector Support levies must not represent a barrier to entry.

- Replacement reserve fund: Specific funding requirements for replacement reserves are set out in the Operating Agreement and a list of eligible expenditures is provided.

- Security of Tenure Fund: required payments to, and uses of the Fund are stipulated.

- Non-residential portion: this space must be leased at market rental rates and no deficit must accrue to the residential portion. Surpluses must be placed in a reserve to offset possible future losses on the non-residential portion.

- Prohibition against encumbrances and lending: no encumbrances are to be placed on the project nor is any loan to be provided to anyone.

- Project management: the co-operative must ensure efficient management and maintain the project in a satisfactory state of repair. CMHC retains the right to inspect the project.

- Loan repayment: Full mortgage payments must be made promptly; failure to do so constitutes a breach of the Agreement. Further, no prepayment or term changes are permitted without CMHC's approval.

- Annual reporting and audit: specific methods of reporting and audits are set out in the section.

- Discrimination: the co-operative cannot discriminate against an application for occupancy on the basis of race, national origin, colour, religion, age, sex, marital status, pardoned conviction or children.

- Stabilization Fund: the co-operative must enroll in and comply with all requirements of the Co-op Stabilization Fund.

- Sale: Project sale is prohibited in the Operating Agreement. Notwithstanding this prohibition, a number of further clauses are included in order to give CMHC the first right of purchase.

- Changes in the incorporation documents: no such changes can be made if they alter the co-operative's eligibility under the program without prior approval.

- Remedies of CMHC: upon breach of the Agreement, the Corporation can discontinue assistance, purchase the co-operative or enforce compliance with the Agreement.

FEDERAL CO-OPERATIVE HOUSING PROGRAMS
PROFILE SUMMARY CHART

	Section 61 (1973-1978)	Section 95 (1979-1985)	Index-Linked Mortgage (1986-)
FINANCING:			
Mortgage Type:	100% EPM	100% EPM; usually NHA insured	100% ILM; NHA-insured with Stabilization Fund
Mortgage Origination:	CMHC direct	Private lenders; CMHC as lender of last resort	Private lenders
Amortization Period:	50 years	35 years	30 years planned; 35 years maximum
Term:	5 or 50 years	Market-determined	30 years planned; 35 years maximum
Interest Rate:	8 %	Market-determined	Market-determined; fixed real rate plus inflation
BASIC FEDERAL ASSISTANCE:	10% capital contribution earned over mortgage repayment period; Interest Reduction Grant to provide 8% interest.	Annual contributions to write-down mortgage interest rate to 2% over first 3 years; gradual step-out after 3rd year.	Annually indexed contributions if necessary to bridge gap between economic and market rent in year 1; assistance reduced after 15th year.
INITIAL OCCUPANCY CHARGE:	Net economic rent after assistance.	Low end of market rent	Market rent
ADDITIONAL TARGETED ASSISTANCE:	Subsidy/surcharge system where lower income occupants pay reduced occupancy charges; Rent Supp. also available to a max. 25% of units.	Existing subsidy pool after LEM used to reduce occupancy charges for lower income occupants; Rent Supp. available only if prov matches 95	Security of Tenure Fund for temporary assistance. Rent Supplement available for up to 50% of units by province.
INCOME LIMITS FOR TARGETED ASSISTANCE:	Upper limit, Stats Can 2nd quintile of family income.	Minimum 15% of units must be eligible for subsidy based on established rent-to-income scale.	Minimum 15% of units must be eligible for Rent Supp.
COST CONTROLS:	Benchmark costs	MUPs	MUPs

4. PROGRAM ACTIVITY

The following table presents preliminary data on the total numbers of projects and units committed under the three co-operative housing programs.

ACTIVITY UNDER FEDERAL CO-OPERATIVE HOUSING PROGRAMS

Year[1]	Section 61[2]		Section 95		95 ILM	
	Serial Commitments	Units	Serial Commitments	Units	Serial Commitments	Units
1973	11	145	1	55		
1974			2	139		
1975	49	742	2	241		
1976	67	850	3	140		
1977	42	1125	1	65		
1978	83	1651	15	15		
1979	34	1702	113	852		
1980	13	653	242	3670		
1981	1	50	355	4921		
1982			580	8667		
1983			319	7434		
1984			332	5946		
1985			241	6137		
1986			109	3453	80	2941
1987			18	706	120	3610
1988			1	19	107	3029
TOTAL:	**300**	**6918**	**2334**	**42460**	**307**	**9580**

NOTES:

[1] To determine year of projects, the agreement effective date and the commitment budget year were used for sections 61 and 95. The agreement effective date was used since it is more complete than approval or commitment date. However, commitment year was used for ILM data.

[2] There are 31 projects (1470 units) originally constructed under the 27 Non-profit housing program which were subsequently transferred to the 61 co-operative housing program. These are included in the table.

5. EVALUATION ISSUES

Based on a review of the evolution of co-operative housing in Canada, numerous evaluation issues emerge. Since co-op housing has been provided through three programs since 1973, some of the issues are unique to particular program designs which are no longer in effect. For the Section 61 and 95 programs, primary issues of concern are those affecting project management and operations of the portfolio of housing stock developed. The ways in which these projects operate are prescribed in agreements with government and concerns about the effects of the programs are still relevant. However, delivery issues in the former programs are less relevant than the current delivery of co-operative housing.

The evaluation will focus on five categories of issues, namely:

- program rationale
- program objectives achievement
- program impacts and effects
- program design and delivery
- program alternatives

A. Program Rationale

1. To what extent are moderate income households unable to access homeownership in Canada?

The ILM Co-operative Housing Program was initiated under the auspices of a new set of public policy objectives which relate to the federal government's market housing programs. As an objective of the program, the current Co-operative Housing Program is expected to serve moderate income households who are unable to afford homeownership as compared to moderate income households who are able to afford homeownership but are simply choosing an alternative form of housing tenure. Various regionally-sensitive measures of affordability will be reviewed.

2. To what extent is there a security of tenure problem among moderate income households unable to afford homeownership?

This issue relates to whether the current objective of the ILM Co-operative Housing Program continues to have relevance. Whether security of tenure problems exist among moderate income rental households is an important question in assessing the program's rationale. Security of tenure may be viewed from various perspectives such as the legal occupancy rights, ability to afford shelter, and control of housing management policies. For example, the extent to which moderate income households in the rental market experience dislocation as a result of increases in rents and/or temporary declines in income will be examined.

3. What is the target market for co-operative housing? Is there a strong demand for co-operative housing in Canada?

Some authors have argued that there is a wide potential base of support for co-operative housing, others have suggested that co-op housing generally serves people attracted to the co-operative lifestyle. Based on experience, some co-ops involve a broad range of household types, while others serve particular groups such as seniors or women. Knowledge about co-op housing affects the extent to which co-op housing is seen to be a housing option among the general population, however, a general knowledge of co-op housing may not necessarily be a valid indicator of demand.

4. Is there consistency between the co-operative program designs and objectives?

This issue will examine the extent to which specific design features of the three federal co-operative housing programs are logically linked to their corresponding objectives. Examples of the kinds of design features to be assessed include the existence (or lack of) ingoing occupant income limits, mechanisms used to target additional subsidy assistance to low income occupants and the types of cost controls imposed by CMHC to ensure that the housing produced is of a modest nature. Conflicting objectives inherent in program design may impede the ability of co-op housing to reach intended target groups. For example, setting initial housing charges at market rents may reduce housing affordability for the target audience.

5. What is the rationale for housing support by government for moderate income households?

While the rationale for government support for low-income families and individuals is long-standing in federal housing policy, policies vis-à-vis assistance for moderate income Canadians have varied over the years. Federal housing policies have provided for a variety of housing assistance programs designed to assist moderate income households such as through homeownership assistance measures, market-assisted private rental programs, co-operative housing programs and rehabilitation assistance to upgrade existing dwellings. The rationale for housing support measures for moderate income households requires consideration in the current market and economic context.

6. What is the rationale for government support for moderate income households through co-operative housing programs?

Housing co-operatives provide accommodation for both low and moderate income households. The extent of government assistance for moderate income households in the federal co-operative housing programs has varied under the three programs. To the extent that the ILM-co-op program represents a housing policy vehicle to assist moderate income families, consideration of the relative advantages of a co-operative approach (rather than other mechanisms) to deliver assistance to these families is warranted, with respect to non-profit orientation and benefits provided.

7. Why does co-operative housing require government support?

Many individual and community benefits have been identified as being provided by co-operative housing. If co-operative housing provides benefits to moderate income households unable to afford homeownership, then the potential for such housing to be provided through the marketplace may exist. However, co-operative housing does not share the preferential tax treatment of private rental (e.g. Capital Cost Allowance) or of private homeownership (capital gains exemption). Individual co-operative members do not benefit from equity gains in co-operative housing projects, although they may recover their equity input on leaving a co-op. As with other forms of non-profit housing, surpluses earned by co-operatives are not subject to income tax. The extent to which government assistance for co-operative housing serves to equalize the comparative tax position of co-operative housing with the tax position of private rental and ownership will be considered. The fact that there are substantive provincial variations in supporting co-operative housing may also represent an important consideration for federal support.

8. What is the rationale for using co-operative housing to deliver Rent Supplement Units?

All three co-operative housing programs have had the dual purpose of delivering social housing units targeted to low and moderate income households. Specifically, the Section 82(1)(b) Rent Supplement Program has been stacked with co-operative housing programs since 1975 (although the enabling legislation had been passed in 1973). Most recently, each project under the ILM Co-operative Housing Program must provide a minimum 15 per cent of its units to core need households under Rent Supplement. Since 1988, up to 50 per cent of all co-operative units by province can be used for this purpose. Possible reasons for stacking these two programs include: the viability guaranteed to co-op projects; the quality of life offered to low income households; and guarantees for the ongoing availability of Rent Supplement units it provides in the event private landlords are not interested.

9. Does the co-operative housing sector serve an innovative role in generating new approaches which benefit the whole third sector?

It has been suggested that a further rationale supporting the federal government's support of co-operative housing involves the benefits which accrue to the whole 'third sector'. This issue will identify and assess the role of the co-operative sector in generating innovative ideas and new approaches in the provision of not-for-profit housing. Innovative areas to be examined include the mixed income and self-help approach of co-ops, use of the ILM mechanism and use of resource groups as delivery agents.

B. <u>Program Objectives Achievement</u>

10. Do the programs serve the target audiences of low and moderate income households in the short and long term?

All three federal co-operative housing programs have guidelines and/or requirements in place to target low and moderate income households. As a common objective across all three programs, this issue will examine whether the objective is achieved both in the short run (ILM) and in the longer run (61 and 95).

Several indicators of 'low income' levels are available such as the Statistics Canada low income cut-offs and the core need income thresholds (CNIT's). Concerning the definition of 'moderate income', in Section 61, the second quintile limit of the family income distribution has been used as an upper income limit for entry to co-op housing. The ILM program is geared toward households unable to afford homeownership which requires some measure of ownership affordability. Since ownership affordability indicators are quite sensitive to assumptions about equity, house value and interest rates, a variety of sources will be used to establish benchmarks. In all programs, the comparison of co-op member income profiles with the general population will provide a useful reference point.

11. Are the units provided under all three programs affordable for the client group?

In meeting its overall objective of serving the needs of low and moderate income households, co-operative housing should provide units which are affordable, suitable and adequate. Housing is usually said to be affordable if the household is paying less than 30 per cent of its gross income on shelter.

Concerns have been raised about the ability of the current ILM co-op program to provide affordable housing to the full spectrum of low and moderate income households. Specifically, there may be a gap between the rent-geared-to-income clients and the higher moderate income occupants who are able to afford market rents leading to a polarisation of income groups.

12. Are the units provided suitable?

Similarly, suitability can be defined in a number of ways. Essentially, it refers to whether the unit is overcrowded. Under the core need criterion, a unit is said to be suitable if it is of sufficient size for a particular household based on the National Occupancy Standard.
An additional aspect of suitability of co-op housing relates to the attractiveness of the co-op lifestyle and particularly of the required input of member time and contributions to management and operation of housing. The willingness and/or ability of consumers in different living situations and lifestages to participate fully in co-op living may affect the perceived suitability of the co-op housing option.

13. Are the units provided adequate?

Housing adequacy relates to the physical condition of the unit and project and its provision of basic facilities such as heat and running water. An assessment of the adequacy of the portfolio of co-operative housing will involve a review of the physical condition of the stock. Condition ratings will be compared with similar ratings on other types of stock using existing data (eg. need for repair in Census, HIFE and National Housing Study inspections data).

14. Are the units provided modest?

The housing provided under the three federal co-operative housing programs is intended to be modest in nature. This has been implemented under the 95 and ILM programs through the use of Maximum Unit Prices (MUPs) which specify a maximum per unit cost for which federal assistance can be provided. The schedule of MUPs takes into account local construction and land costs. MUPs may be used as one indicator of 'modest' housing along with other benchmarks such as average unit sizes, costs and amenities provided.

15. To what extent is the ILM program providing security of tenure?

The overall objective of the ILM Co-operative Housing Program is to provide security of tenure for moderate income households unable to afford homeownership. A broad approach to security of tenure will be adopted including consideration of financial, legal and control variables. One aspect is the extent to which occupants of ILM Co-operative Housing projects are financially unable to afford homeownership given their financial circumstances and with changing need, housing market conditions in their areas and their attitudes about homeownership. As well, the experience of co-op housing with member turnover and policies toward members leaving the co-op may be considered. To the extent such data is available for the private rental stock, turnover rates may also be considered as a measure of security of tenure.

16. Have the programs encouraged the integration of families and individuals of varying incomes?

Since 1973, the policy of encouraging income-mixing within social housing projects has existed for non-profit and co-operative housing programs. This occurred for a number of reasons including the view that past public housing had increased social tensions by creating low income 'ghettos'. For the two earlier co-operative housing programs this income-mixing objective was quite explicit, while for the ILM Co-operative Housing Program the objective is more implicit but is still evident given the program's design. The extent of income mixing may be considered at several levels such as within specific co-op projects and in relation to community income profiles.

C. Program Impacts and Effects

17. What have been the costs to the federal government of the 61, 95 and ILM programs and how do per unit costs compare across these programs? Has the use of ILM's significantly reduced federal subsidy requirements? Has the use of CFRP reduced federal subsidy requirements for Sec. 95 Co-operative projects?

The Index-Linked Mortgage was specifically introduced in order to reduce federal subsidy requirements. This was expected to occur in two ways. First, by redistributing the cash flow requirements relating to project financing away from the early years, overall viability should be improved as economic rents are more likely to be in line with market rents. Second, the virtual removal of all inflation risk to the lender is expected to lower the overall mortgage interest rate since the inflation risk premium component of the interest rate should be eliminated. Alternatively, resulting stabilization fund and mortgage insurance fees may act to increase per unit cost requirements under the ILM program. Unit costs will be examined across different types of projects, including post-1985 Non-Profit Co-ops delivered by some provincial governments, controlling for unit type and numbers of bedrooms.

The Competitive Financing and Renewal Process was introduced in 1986 in order to reduce federal subsidy requirements for pre-1986 Section 95 co-operative projects. Under this process, co-operatives whose mortgage terms expire must competitively refinance through CFRP in order to realize the lowest possible market interest rate.

18. Does supply assistance for co-operative housing result in increased competition for the private housing market?

To the extent that co-operative housing serves the same clientele as private rental housing, the provision of supply assistance for new housing co-ops may increase competition to private rental housing. In the long run, this is likely to represent a high level of displacement given the way housing markets function. On the other hand, co-operatives may provide an alternative form of housing which fulfills the demand for a service not generally supplied by the private market.

19. Do co-operative members provide benefits unique to co-operative projects such as incentives to keep operating costs down and inputs of volunteer management skills/labour?

A characteristic of co-operative housing which has been suggested by some as a way co-operatives can keep costs low is in its "self help" nature. Benefits could be manifested in several ways including lower government subsidy costs, lower occupancy charges, providing physical improvement to common facilities and generally improving the quality of life for residents. Operating costs in the co-op sector will be compared with costs in comparable non-profit and private projects to the extent possible with existing data from these other sectors.

20. What is the extent of social integration between RGI and non-RGI member groups?

Co-operatives have been involved in the creation of socially and income mix housing since 1973 as intended from the program designs. The extent of social interaction and participation of both RGI and non-RGI members in co-op activities is an indicator of participation and integration within the co-op of different members.

21. To what extent do low income members derive benefits from participation in co-operatives in terms of improved self-reliance, reduced government dependency and personal skills development?

It has been argued that the benefits of income mixing are further enhanced in co-operative housing because of the opportunities provided to low income households to actively participate in the management of the project. This issue would examine the extent to which low-income households take advantage of such opportunities, and assess the benefits which result if in fact improved self-reliance and personal skill development takes place.

22. Have co-operatives assisted families towards individual homeownership and are they more effective than private rental housing/homeownership assistance grants, etc. To what extent is co-operative housing viewed as permanent?

Co-operative living is available to everyone who is willing to participate in the processes of project management to some extent, yet CHF studies suggest that the majority of people choose co-operatives for affordable housing not for the control of their housing environment. (Toronto was an exception in that the desire to be involved in project management was equally important as affordability). Recently, CHF papers have indicated the benefit of co-operatives as 'starter homes'. While benefitting from reasonable housing costs, families are able to save for a downpayment and move out to buy their own home. Other studies, however, have suggested that turnover rates are very low in co-operative housing and that co-op members are making a lifestyle choice for the medium or long-term.

23. Have the co-op programs been delivered in all areas and markets across Canada? Are there any significant differences between co-operatives in major metropolitan centers and smaller centers/rural areas with respect to longer-run viability.

Long run viability of each co-operative housing project is dependent to a large extent on location. Co-operatives situated in tight rental housing markets and in larger cities are generally expected to remain more viable given a strong degree of substitutability between rental and co-operative housing. The barriers to delivery of co-op programs in smaller centers may be considered from past experience.

24. To what extent have housing co-operatives fostered community development activities within the project and between the project and the surrounding community?

The co-operative sector stresses the importance of creating communities within co-operative projects through fostering self-reliance, developing abilities to solve local problems and creating their own solutions. Co-operatives may also become a focus in a neighborhood for local events and stimulating community associations at a broader level. Notions of community are difficult to assess and measure. However, there are some indicators which could provide insights such as the extent to which housing co-operatives have developed ancillary services such as day care, education activities, health, transportation services etc. Also, the participation of co-operatives in the surrounding community would be assessed.

D. Program Design and Delivery

25. Are there sufficient reserve funds to provide major replacements of physical plant in the future?

As with other forms of assisted not-for-profit housing, co-operatives are required to fund replacement reserves in order to generate the future capital required for major capital replacements to deteriorated physical aspects of the projects. Under the ILM program, an annual contribution of 0.65 per cent of the capital value of the project is used as a general guideline for the funding of replacement reserves. Specific practices under each program will be reviewed together with estimates of current physical condition in order to assess the adequacy of current replacement reserves. The current physical condition of the ILM stock, however, may be of only limited use in determining the adequacy of ILM replacement reserves.

26. To what extent did the designs for internal subsidization within co-operatives increase the ability of the programs to serve occupants at below market rents over time?

Specific provisions of the Operated Agreements under the Sections 61 and 95 co-operative housing programs set out the mechanisms for internal subsidization of low-income occupants not served by Rent Supplement. The Section 61 program used a subsidy/surcharge system whereas the 95 program used a CMHC funded subsidy pool. The Section 95 program further allowed for the establishment and funding of a subsidy surplus account by each co-operative to ensure that low income subsidies would continue to be available in the future.

27. What mechanisms have been developed to select clients for co-operative projects? How many households are on co-operative housing waiting lists? What mechanisms have been developed to implement the selection and referral of RGI occupants from local pha waiting lists and what are the implications of this?

This issue will examine the procedures used by housing co-operatives to recruit and select both RGI and non-RGI occupants. Under the ILM co-operative housing program, a minimum 15 per cent of the units in each project are reserved for Rent Supplement occupants and one-half of these RGI occupants must be offered to the provincial/local housing authority for waiting list referrals. The other half can be selected by the housing co-operative. The attitudes and experience of housing co-ops in filling RGI units will be examined.

28. Is the ILM Federal Co-operative Housing Program being efficiently and effectively delivered by CMHC and co-op housing resource groups?

The FCHP is generally delivered by CMHC through about 60 co-operative housing resource groups who act as consultants by providing their expertise and guidance to the housing co-ops who wish to establish a project. In general, these resource groups provide assistance in the development of proposals, development of the co-op organization, financial management of the project and property management in the first six months of occupancy. This issue will review the role of resource groups in facilitating program delivery, examine the efficiency of CMHC delivery, including the proposal selection process, and examine what factors contribute to groups' successful role in the delivery process. Significant constraints and problems in current delivery practices will be identified.

29. Has the stock of Sections 61 and 95 co-operative housing been adequately managed by the co-operatives?

Good project management can have a number of benefits such as lower cost to the government in funding and administering the portfolio. Several different aspects of management performance will be evaluated which acknowledge the co-operative approach to project management. The types of co-op management which will be examined include financial, policies on consultation/ participation by co-op members, project maintenance, repair and improvement and management planning. As part of this issue, differences in management practices across different co-ops will be assessed, as well as differences between co-op and rental housing.

30. To what extent has the Security of Tenure Fund been used to assist co-operative households experiencing financial difficulties? Are co-operative contributions to the Fund sufficient to meet the needs of such households?

One mechanism whereby the ILM co-operative housing program is expected to provide security of tenure is through the establishment of a Security of Tenure Fund for each co-operative. Required annual contributions are set by CMHC each year and are currently $46 per unit per year. Disbursements out of this fund are to be used for non-RGI occupants who experience a decline in income after entering the project in order to cover some portion of the occupancy charge on a temporary basis.

31. To what extent have disbursements been made from the Stabilization Fund and what were the circumstances for such assistance? Are contributions to the co-operative Stabilization Fund sufficient to protect the MIF within a reasonable range of projected market conditions?

Given the higher likelihood of future viability difficulties which is inherent in any mortgage repayment scheme involving increasing nominal payments (such as the ILM), a Co-operative Stabilization Fund was established as part of the ILM program. Co-operatives are required to make a one-time payment of 3 per cent of capital costs to the Fund, which is to be used for short-term cash flow difficulties in which potential for mortgage default exists.

32. What interest rates have been obtained under the ILM program? Are they measurably lower than rates which would have been achieved under traditional (EPM) financing approaches?

By virtually eliminating inflation risk to the lender, the Index-Linked mortgage is expected to yield a lower interest charge to borrowers. The existence of an "inflation risk premium" built into long-term fixed rate mortgage instruments is demonstrated by the upward slope of the yield curve in which longer term assets tend to yield higher returns than shorter term assets most of the time. The existence of this empirical regularity implies that removal of this inflation risk should result in removal of the risk premium in a competitive market since the ILM is contracted at a real rate of interest. Factors other then the inflation risk premium may also account for differences between the effective yields (eg. term and debt retirement profile).

33. Does the design of the ILM mortgage instrument provide a reasonable balance between minimizing default risk and minimizing the need for federal subsidies?

Because mortgage payments on the ILM are indexed to inflation, payments tend to rise over the amortization period of the loan. This indexing feature is expected to reduce federal subsidy requirements by attempting to equalize the cash flow time path of economic rents with that of market rents. Concern with past default rates on the Graduated Payment Mortgage experiments of the late 1970's in which market rents were not keeping pace with increasing economic rents, however, resulted in tempering the pace of increase in the ILM mortgage payments. A planned 2 per cent tilt factor was therefore built into the design of the new mortgage instrument to reduce the risk of default. The Co-operative Stabilization Fund was also established to temporarily assist any project experiencing financial difficulties and to therefore minimize the risk of default. As part of this issue, an examination of existing ILM projects in financial difficulty will be undertaken to assess the contribution of the mortgage repayment scheme, recognizing that many other factors may also play a role. In addition, project-related factors which reduce subsidy requirements will be identified.

34. How effective has Proposal Development Funding (PDF) been in supporting the achievement of co-op program objectives?

Section 76 Proposal Development Funding (PDF), initially known as Start Up, is provided to co-operatives developing proposals under the co-operative housing programs. The maximum PDF loan is currently $75,000 per project and the actual amount is determined by CMHC taking into consideration the size and complexity of the proposed project (an increased maximum of $500,000 has been proposed). Successful proposals which eventually result in selection for a commitment under the co-operative housing program must repay the interest free PDF loan upon disbursement of the first mortgage loan advance, which is subsequently capitalized into the first mortgage loan. If a proposal is not accepted within three years, the PDF loan is forgiven. This issue will involve a determination of the role of PDF in supporting successful projects and assess PDF amounts which are forgiven.

35. Are the current restrictions and allowances for co-ops' sector support contributions appropriate? What benefits do co-op projects receive?

Under the ILM program, co-operatives may contribute a voluntary amount of up to 1 per cent of the project's eligible capital costs to the CHF or other association of housing co-operatives. Although this amount can be capitalized into the ILM mortgage loan, it is not eligible as a cost upon which federal contributions are determined. Further, confirmation must be obtained that a majority of the total future occupant households have approved the contribution. These contributions may have a number of benefits for co-operatives including the development of sector infrastructure and training/development for members.

E. Program Alternatives

Based on the evaluation evidence gathered, this issue examines the applicability and effectiveness of alternatives to the current programs as well as the desirability of changes in design and delivery features. Program alternatives could range in scope from changes in design features (eg. changes to the ILM tilt factor) to alternative program measures to provide security of tenure such as homeownership downpayment assistance for moderate income households.

Analyses of the various issues outlined above may lead to suggestions for program improvements to achieve improved efficiency and effectiveness. It must be recognized that the evaluation provides suggestions for changes which will be considered in a subsequent process of consultation with interested parties. In effect, the evaluation provides information on the performance of the current programs as well as suggestions for change as input to subsequent policy consultations. Changes to the programs, if any, would be generated through these policy consultations.

6. PROPOSED EVALUATION APPROACH

In the previous section, specific issues were identified which could be addressed in an evaluation study of co-operative housing programs. This section of the Assessment Report discusses a proposed approach for the evaluation, and considers the types of data required to address the issues and the methods available to collect the required data.

Development of the evaluation options for the co-operative housing programs benefits from the recent CMHC experience in evaluating other programs such as public housing, rural and native housing and federal rental housing programs. As well, the prior experience in studies of co-operative housing as revealed in the literature review (Annex C) suggested approaches to improve the evaluation design and respond to some of the limitations of previous approaches.

To provide timely input to program and policy debate concerning the co-operative programs, the evaluation is targeted to be completed within a one year time frame. The time constraint necessarily precludes certain evaluation methods such as any before and after studies of clients moving into co-operative housing projects and requires creative approaches towards improving the reliability and validity of evaluation results.

A. Considerations

The following considerations have guided the development of the proposed evaluation approach:

- Stakeholders in the Evaluation

  Co-operative housing affects more than the government agencies which operate the programs and the members of housing co-operatives. Making an evaluation study as useful as possible for all of those affected requires that the perspectives of the major stakeholders be considered. Key stakeholders include:

  - the co-operative sector
  - governments
  - private sector

- Reliability and Validity

  The results of the evaluation study will be used in discussions about program changes, and be subject to discussion. It is important to ensure that the study produces reliable and valid information. Certain techniques are available such as:

- using more than one method of investigating issues or compiling information to check consistency of findings;
- gathering information from more than one study population to assess program effects
- including different stakeholder groups
- when no consensus exists about the definition of key concepts (such as income mix or security of tenure for example), including more than one definition of the variables;
- recognizing various scales of analysis for particular issues may permit valid conclusions to be drawn at some levels but not others (in particular a distinction between a project-level and a program-level analysis should be clearly specified).

o <u>Time Dimensions</u>

The evaluation is concerned with both short and longer-term dimensions of housing co-operatives developed since 1973. While it may be possible to compare results from the current evaluation with findings from previous studies, the evaluation is essentially a cross-sectional, one-point-in-time study which attempts to assess the extent to which the programs have continued to meet their objectives.

B. Major Components of the Evaluation

Appendix 'B', the Analysis Plan, summarizes the evaluation issues and the methods of compiling the required data. Overall, four main types of data collection activities are required to address the evaluation issues; five subsidiary types of data collection methods are identified to address specific issues or requirements.

The four main data collection components of the evaluation are:

- Survey of co-operative occupants
- Survey of co-operative project managers
- Community case studies of co-operative and other housing projects.
- Survey of co-operative housing resource groups.

The subsidiary data collection activities involve:

- Secondary data from Statistics Canada and CMHC sources (e.g. Census, HIFE, AVS, RMSS).
- Co-op project data (unit type/size, costs, subsidies) from program administration files at CMHC
- General population sample survey
- Simulations under alternative assumptions of subsidy requirements and default potential.
- Other specialized issues (e.g. legal and tax topics) via position papers and literature review.

Co-op Occupant Survey

A survey of co-op member/residents is an essential component of the evaluation to determine if the programs achieved their objectives with regard to target clients and provision of affordable, adequate, suitable housing with security of tenure and income mix. The occupant survey is also useful in considering some of the impacts and effects of the co-op housing programs.

Two major design issues for the occupant survey relate to sample design and response rates. Previous experience suggests that mail surveys of co-op housing projects achieve modest but acceptable response rates. The response rate is particularly critical for investigating income mix at a project-specific level. To adequately address the income mix issue at a project level suggests the need for 100 per cent sampling of occupants within a sample of co-op projects with aggressive non-response follow-up to ensure minimal non-response bias.

A preliminary sample design would therefore involve drawing a sample of co-op projects and attempting to survey all occupants of each project. In order to obtain an estimated margin of error of ±5 per cent for occupants within each program by province stratum, and at the same time generate a sufficient number of projects, an estimated 9,000 occupants will be sampled. A sample size of this magnitude is necessary to address the issue of intra-project income mixing given that the final number of respondents will be lower than 9,000 (due to non-response).

Project Managers Survey

In the past, surveys of project managers have been quite successful in terms of response rates and information obtained. For the co-op evaluation, co-op member representatives may be included in smaller projects which do not employ full-time or paid managers.

The project managers survey will be used to investigate a broad range of issues. For example, target markets can be investigated through methods of recruiting new members; information on waiting lists, turnover, and selection practices are indicators of demand for co-op housing. Challenges in maintaining the housing stock and in controlling operating costs will also be a key component of this survey. All co-ops (approximately 1,300) will be included in this survey.

Survey of Co-operative Housing Resource Groups

A survey of resource groups would be carried out to gather the informed views of local groups which facilitate proposal development (including the use of Proposal Development Funding) and on-going project management through the provision of technical support. There are approximately 60 co-operative housing resource groups, all of whom would be included in such a survey. This task would be carried out in-house.

Community Case Studies

Several of the evaluation issues relate to the relative position of co-op housing vis-a-vis public and non-profit housing, and in the context of rental housing markets generally. In addition, the notion of income mix may be difficult to assess in specific co-ops which are either very small or include dispersed units. The social and community benefits of co-op housing projects are more amenable to study in particular community settings than to survey research approaches.

The case studies could also address the issue of changing profiles of co-op membership in relation to changing neighborhood composition over time. A series of 6 to 10 case studies in municipalities of varying sizes across Canada would be desirable possibly taking the form of one-day workshop sessions.

Other Methods

Most of the other methods of data collection address specific evaluation issues and are self-explanatory except for the proposed general population survey to investigate co-op housing demand.

Much of the evaluation deals with the current users or suppliers of co-op housing, while the issues include concerns about the target market and potential demand for co-op housing in Canada. To extend the assessment of demand beyond waiting list studies, it is proposed that a special target market survey be undertaken to investigate the knowledge and interest in co-op housing among households living in private rental housing. A small sample survey attaching a few supplementary questions to an existing survey instrument would be most efficient.

Additional 'position papers' examining certain specific issues such as legal/tax aspects of co-operative housing would be prepared. Two or three position papers would be commissioned to outside experts in order to more clearly define the legal and tax positions of co-operative housing vis-à-vis other tenure forms. These reports would assist in the review of the rationale for federal co-operative housing programs.

Finally, given a preliminary analysis of existing administrative data within CMHC, work is required for the coding of administrative data. Required coding work includes preparation of survey field work (eg. cleaning/editing addresses) and possible recoding of existing physical inspections data on the AGRSH system.

C. An additional option: physical inspection survey of the co-operative housing stock.

The clear advantage of such a survey by CMHC inspections staff is that the current physical state of the portfolio could be assessed in an objective and consistent fashion. It is proposed that a small national sample of approximately 500 housing co-ops under the three programs be physically inspected by CMHC inspectors. This will provide national-level data only. In recommending such an option, however, it should be noted that the cost of the evaluation study would be increased.

APPENDIX 'A'

EVOLUTION OF FEDERAL INVOLVEMENT IN CO-OPERATIVE HOUSING

EVOLUTION OF FEDERAL INVOLVEMENT IN CO-OPERATIVE HOUSING

1934 The first 'continuing' co-operative formed for students at the University of Toronto.

1938 The first 'building' co-operative housing group in Canada is incorporated and begins construction on 11 co-operative houses in Cape Breton.

1941 The first building co-operative in the Province of Quebec is formed.

1944 The Curtis Committee recommends that a federal co-operative housing program be established.

The National Housing Act makes limited provision for loans to co-operatives.

The first building co-operative in Newfoundland is formed.

1946 The first building co-operative in Ontario is formed.

1949 The federal government declines a request by the Co-operative Union of Canada that co-operatives become eligible for preferred Limited Dividend loans.

1953 CMHC begins joint financing with the Province of Nova Scotia of building co-operatives under Section 79 of the NHA.

1954 The NHA is amended to permit the insurance of mortgage loans to co-operatives by Approved Lenders.

1960 A co-operative housing program is organized in Prince Edward Island and jointly funded by CMHC under Section 79.

The Co-operative Housing Association of Manitoba (CHAM) is formed.

1964 Section 26 of the NHA is amended to specifically permit preferred loans to non-profit corporations for low rental housing.

1965 The Co-operative Housing Association of Manitoba completes Canada's first continuing housing co-operative for families (Willow Park) in Winnipeg with financial support from CMHC, the Co-operative Credit Society and the City of Winnipeg.

1966 The federal government begins financing student co-operatives as part of its student housing program.

1968 The Co-operative Union of Canada, the Canadian Labour Congress and the Canadian Union of Students jointly found the Co-operative Housing Foundation (CHF) with financial support by CMHC.

1969 Construction of several continuing co-operatives begins in British Columbia and Ontario based on the Willow Park model.

Although not subsequently used for that purpose, amendments to the NHA in June specifically permit preferred Limited Dividend loans to be made to co-operatives.

1970 The Province of New Brunswick enacts enabling legislation and enters into an F/P agreement similar to Nova Scotia's with respect to the funding of co-operative housing.

The introduction by the federal government of a $200 million low-cost housing program, under which CMHC provided a limited number of direct loans to continuing co-operatives through the Section 97 homeownership provision.

1973 The NHA is amended in June, introducing the first national continuing co-operative program under Section 61.

1974 The Section 79 builder co-operative program is modified to reflect assistance now being provided under the AHOP program. It is renamed the AHOP/CO-OP program and new agreements are signed with Nova Scotia, New Brunswick and P.E.I.

1975 The Province of Saskatchewan signs an agreement with the federal government to jointly fund builder coops under the AHOP/CO-OP program.

The federal government announces in March that funding would now be available for low income co-operative households in Section 61 projects under the Section 82(1)(b) Rent Supplement Program.

1976 As of 1 January, Interest Reduction Grants were introduced for the provision of financial assistance under Section 61 rather than the previous low-interest loans.

1978 A new Non-Profit and Co-operative Housing Program under Section 95 is announced in May and replaces the previous 61 Co-operative Housing Program in July. Private lenders assume primary responsibility for the provision of loans.

The last new commitments under the AHOP/CO-OP Program are made in 1978.

1985 The federal government shifts most delivery responsibility of its social housing programs to the Provinces and targets all social housing program funds to core need households. The Section 95 Co-operative Housing Program is terminated.

1986 In consultation with the CHF, the federal government introduces a new Co-operative Housing Program which includes the use of Index-Linked Mortgages. Cabinet directs that this will be a five year experimental program.

APPENDIX 'B'

ANALYSIS PLAN

CO-OPERATIVE HOUSING PROGRAMS
ANALYSIS PLAN

ISSUE	METHOD OF ANALYSIS	INDICATORS/MEASURES	DATA SOURCES
A. PROGRAM RATIONALE			
1. Affordability of home-ownership	Statistical analysis of existing data sources to determine the extent moderate income households are unable to afford homeonwership.	.households unable to afford carrying costs and /or downpayments of owner-occupied dwellings by market area at specified interest rates, L/V ratios and GDS ratios.	.Statistics Canada data (Census, HIFE) .House price measures (NHA, MLS, etc) .literature review
2. Security of tenure	Review of actual experience in co-ops compared with private rental. Comparison of occupant and manager perceptions. Analysis of the affordability factor as it affects security of tenure (continued financial ability) versus proprietary rights to occupy. Review of legal rights of co-op members versus other tenures. Analyze the perceptions and experiences of tenants in the private market.	.co-op resident perceptions of security of tenure in co-ops v. other housing .incidence of co-op members leaving co-ops due to financial hardship, decline in incomes etc. .legal rights of co-op residents re notice to leave, use of dwelling, upkeep etc. as compared to rental .general perceptions of whether security of tenure is a problem (general population)	.Occupants survey .Project managers survey .Background paper (legal aspects) .Literature review .General population Survey

3. Target market & demand	Review the intended market for co-op housing and the extent of potential demand among renter households unable to afford homeownership. Assess past experience of project development and absorption rates of co-op units compared with private rental and non-profit projects. Assess knowledge and attitudes toward co-op housing in general population.	.propensities to home-ownership by income levels, trends 1970-1989 .numbers of private rental households unable to afford home-ownership .general knowledge of co-op housing .general acceptability/preference for co-ops .absorption rates, turnover & waiting lists in co-ops, private rental & non-profits .moving intentions of co-op residents (esp. to buy a home)	.General population survey .Project manager survey (waiting lists, turnover) .Occupant survey .CMHC vacancy data
4. Consistency	Review of literature, and studies of past co-op programs. Analysis of occupant survey and program data to determine whether inconsistencies exist.	.perceptions of ability of programs to meet stated housing objectives .impediments/inconsistencies .inconsistencies between housing program objectives and co-op objectives	.Literature review .Occupant Survey .Program Data
5. Rationale for moderate income support	Review of past government assistance for private rental and homeownership programs for moderate income households through housing programs and tax benefit provisions. Assess the objectives and goals of such provisions and the distribution of benefits provided.	.volume and depth of assistance provided .activity under government housing provisions (# units, households assisted income profiles served).	.Literature review .Program files

6. Rationale for co-op housing support for moderate-income households	Assess the extent of assistance for moderate income households. Comparative analysis of the costs and benefits of co-op assistance for moderate income households in co-ops versus other types of housing assistance such as assisted rental and assisted homeownership.	.volume and depth of assistance in co-op versus other programs .benefits of co-op housing to moderate income households .tax subsidy savings in co-op versus other housing programs	.Cost and benefit data on co-ops from evaluation .Cost data on other programs from previous studies/ evaluations .Literature review
7. Use of Government Support	Review pecuniary costs and benefits of typical co-op projects and compare with alternative tenures. Determine extent to which barriers exist for co-ops relative to other tenures. Determine whether moderate income co-op members would be willing or able to pay for unsubsidized co-op housing.	.types and relative importance of various tax applications .comparison between co-op, rental and homeowner projects. .co-op members' willingness/ability-to-pay for co-op housing.	.CMHC program files .literature review .Background paper .Occupant survey

8.	Rent supplement delivery	Analysis of issues identified in previous studies with regard to use of co-ops to deliver rent supplement.	.acceptability of RS to co-op sector and co-ops .how RS units in co-ops filled .acceptability of coops to RS clients .various attitudes to using coops to meet RS needs	.Occupant Survey .Literature review .Project Manager Survey
9.	Innovative role	Identification of key innovations associated with co-op housing in Canada and the extent to which these have affected other sectors.	.describe key innovations in project design, delivery, finance, operation .source of innovation .adaptability of innovation to other sectors esp. non-profit, public.	.Resource groups .Project Manager

B. OBJECTIVES ACHIEVEMENT

10.	Target incomes	Assess target coverage of clients served in co-op housing against established criteria for defining low and moderate-income households.	.proportion of non-RGI households in ILM projects who cannot afford homeownership by market .proportion of co-op households below established thresholds for low and moderate income.	.Socio-demograph. data (Statscan) .Occupant survey .house price measures
11.	Affordability	Analyze shelter cost/income ratios in co-op housing. Compare co-op occupancy charges against equivalent market rents. Assess the extent of affordability gap for lower/moderate income households.	.S/I ratios of occupants against 30% criterion .Previous housing costs of coop occupants .Occupancy charges v. market rents	.Occupant survey .RMSS

12. Suitability	Determine shelter occupancy standards in co-op housing based on standard measures. Assess the ability of co-op housing to adjust unit occupancy to changing house-hold needs based on household changes and life-cycle factors.	.unit size/household size indicators .mobility within coops to match units to household requirements .facilities for occupant profiles e.g. seniors, children etc. .attitudes to co-op living and member inputs required	.Occupant survey .Project managers
13. Adequacy	Survey occupant and project manager per-ceptions of the adequacy of dwellings and projects in terms of physical quality and facilities. Review CMHC field perceptions of conditions of co-op projects. Comparison of ratings against other types of housing stock.	.ratings by occupants .ratings by managers .CMHC inspectors	.Occupant survey .Project managers .Program files .Stock ratings on other types of housing
14. Modest	Analyze unit size and cost data of co-ops and other types of housing. Review occupant and manager perceptions of co-op housing. Estimate the extent to which co-ops are constructed within MUPs. Examine amenities provided under co-op housing.	.unit size/cost data .consistency with MUP's .ratings by occupants & managers .comparison of occupancy charges with market rents.	.CMHC Program data .Occupant survey .Project managers .RMSS
15. Security of tenure	Determine co-op project turnover rates and experience of occupants in trends of affordability in co-op projects. Review any evidence of 'evictions' from co-op housing. Assess member perceptions on security of tenure relative to previous accommodation. Compare perceptions of co-op occupants against private market perceptions.	.occupant perceptions of sense of ownership .actual length of occupancy & turnover compared to private rental .changes in affordability over time .ability of co-op to meet changing needs .history of 'evictions' if any .occupant perceptions of security of tenure	.General population survey .Project managers .Occupants survey

16. Income mix	Analyse income profiles of co-op housing projects. Determine indices of income dispersion and concentration. Compare income profiles of co-ops with general income profiles of target groups. Compare mix of socioeconomic characteristics in co-ops against statistical sub-areas.	.project income profiles .degrees of income dispersion/concentration .perceptions and attitudes toward incomes and social mix by occupants & manager .perceived benefits/disadvantages	.Occupant survey .Statcan data .Manager survey
C. **<u>IMPACTS AND EFFECTS</u>**			
17. Program costs	Estimate unit and subsidy costs under the co-op programs by types of projects. Compare costs across program types and with other programs including Post-1985 Non-Profit Program Co-ops.	.unit costs and subsidies controlling for unit type.	.CMHC program data
18. Competition with private market	Examine the extent to which the same clientele are served by private rental and co-op housing. Determine whether co-op occupants can afford private rental units. Estimate the geographic relationship between co-op delivery volumes and vacancy rates. Determine whether co-op occupants view their housing to be substitutable for private rental housing.	.income profiles of general renter population and co-op occupants .incidence of non-RGI co-op occupants above CNIT. .unit volumes of co-ops delivered by year by market .vacancy rates by year by market .occupant perceptions of degree of preference of coops housing over private rental housing	.Occupant survey .Program data .Historical housing market data on vacancy rates .Statscan data

19. Benefits of 'self-help'	Determine the extent to which co-ops realize the potential for member contributions to reduce operating costs. Estimate the value of volunteer contributions of time for co-op operation and management, and identify types of expertise provided. Determine where cost savings are directed.	.estimated value of member contributions time, skills etc.. volunteered to coop .types of expertise provided by members .estimated impact on project operating costs .perceptions of scope for increasing member contributions and of trends over time (i.e. does it increase/decrease) .perceived differences between coops and other types of housing	.Occupants survey .Project managers survey .Existing data on operating costs in other types of housing
20. RGI/non-RGI integration	Determine the extent of social interaction between RGI and non-RGI occupants in co-ops. Examine extent of integration of age groups, family and non-family members.	.perceived social integration of RGI/non-RGI coop members by occupants & managers .participation of RGI and Non-RGI members in coop meetings, committees, affairs .informal socialization of RGI/non-RGI members	.Occupants survey .Project managers survey .Case studies
21. Personal development of low income occupants	Assess the perceptions of low co-op occupants of the effects of co-op living on their personal skills and self reliance. Examine the extent to which co-op members have undertaken skills development, training or education courses since joining the co-op. Determine if co-op members have increased or changed their labour force participation since joining the coop.	.participation in education, training, labour force since joining the co-op .participation of members in community affairs, association, services.	.Occupants survey .Project managers .case studies

22. Assistance toward homeownership	Determine the extent to which co-op occupants move out to purchase a home Assess the ability of co-op occupants to accumulate personal savings for downpayments. Examine the attitudes and homebuying intentions of co-op members. Examine the variations in the ability of co-ops to serve as a starter home in different market situations.	.length of occupancy in co-ops .perceived ability to save for downpayment .moving intentions of members .perceptions of co-ops as starter homes .are coop members saving toward a downpayment or for other items .occupant perceptions of coops as sense of ownership	.Turnover data in co-op projects from project managers survey .Occupant survey
23. Geographic differences in delivery/viability	Review distribution of co-op projects by community size from program activity data. Assess barriers to acceptance of co-op development for different types of communities. Examine trends in projects in financial difficulty by geographic characteristics and market condition.	barriers to acceptance of co-ops in general population and across areas .co-op sector perceptions of suitability of co-op in different geographic areas .actual distribution of co-ops by type, size, location and trends .projects in financial difficulty/vacancies	.CMHC program data .RMSS .Project managers

24. Stimulation of community development activities	Determine the existence of community services developed within co-op housing projects for use of members (e.g. day care, food co-ops etc.). Examine the participation of co-ops and individual members in local activities for residents outside the co-op, and the use of co-op facilities by community organizations external to the housing co-op.	.incidence of facilities developed within coops of members .use of coop facilities by community associations, members of public etc. .involvement of coop and members in community affairs, events, associations .attitudes toward community involvement by coop members .contribution to community betterment, via case studies, neighbourhood stabilization, diversification .Participation of co-ops in inter-co-op federations.	.Occupant survey .Project managers .Community case studies
D. **DESIGN AND DELIVERY**			
25. Sufficiency of replacement reserves	Determine levels of reserve funds and the use of the funds for replacements to-date. Assess the extent to which delayed maintenance and replacement expenses may be occurring as a short term strategy to contain increases in operating costs.	.physical condition ratings .amounts of funds available in replacement reserves .actual use of reserve funds to-date .assessment by managers and CMHC staff of the adequacy of reserves for future needs .strategies adopted by coops vis a vis regular maintenance v. longer term repair .perceived needs for additional capital for project improvement and potential sources	.Project managers survey .Occupant survey .CMHC admin. data

26. Increasing internal subsidization over time	Analyse trends in occupancy charges over time. Compare occupancy charges against market rents controlling for project age. Determine whether co-op projects experience an increase in RGI units over time.	.actual and estimated occupancy charges in co-ops over time .opinions re future trends in coop occupancy charges .relationship between occupancy charge and project age .changes in proportion of RGI units over time	.Project manager .RMSS .Program data-CMHC .Occupant survey
27. Selection of occupants	Determine policies and practices of co-ops for recruiting new members and selecting applicants to fill vacancies. Identify procedures for selection and referral of RGI occupants. Examine whether there are differences between RGI clients referred by pha or selected by co-op.	.actual policies and practices for coop recruitment of new members .policy for filling vacancies (e.g. first-come-first-served) .procedures for referral of RGI clients and co-op attitude on procedure .criteria for determining acceptability to coop	.Project managers .Occupant survey
28. ILM program delivery-resource groups	Review past and current delivery methods and associated costs. Gather views of co-op resource groups on own and CMHC performance in program delivery. Identify problems, constraints and delays in the delivery process. Examine factors which	.views of project managers .views of resource groups .views of CMHC field staff .program delivery procedures	.Project managers .CMHC field staff .CMHC program data .Co-op resource groups

	contribute to resource groups' successful role in delivery process.		
29. Adequacy of co-op management	Review co-op housing management practices and assess implications for project costs, viability and physical condition. Compare co-op resident satisfaction of management against private rental housing.	.occupant perceptions of the quality of management in their co-ops; perception of control input .sources of dissatisfaction with management .problems encountered by managers .CMHC staff perceptions of quality of management .prior experience and training of managers	.CMHC field staff .Project managers .Occupant survey .Survey of general population
30. Use and sufficiency of Security of Tenure Fund	Determine the amounts contributed to security of tenure funds and the incidence of use of the funds. Identify the amounts, duration and circumstances in which the funds have been used. Analyse opinions regarding the expected use of the fund and likely adequacy. Assess any impacts of the existence of the funds in reducing co-op member turnover.	.dollar amounts contributed to fund .incidence of use of funds and conditions .opinions on use and sufficiency of fund .opinions on impact of fund on turnover in co-ops	.Project managers survey .Program data .Occupant survey
31. Use and sufficiency of Co-op Stabilization Fund	Identify the amounts disbursed from the Stabilization Fund and the circumstances. Review opinions regarding the adequacy of of the Fund. Examine the impact of the Fund on project viability.	.amounts disbursed from fund and conditions .opinions on adequacy of fund .number of projects in financial difficulty and reasons .results of model simulations	.Project managers .Program data .CMHC program data .Cash flow model simulations
32. ILM interest rates	Determine interest rates on ILM mortgages. Compare ILM rates against market rates on other instruments.	.actual interest rates under ILM and other programs .market mortgage rates under alternative terms	.CMHC program data .EPM market interest rates

33. ILM balance between subsidy requirement and default potential	Intertemporal cash-flow simulations under alternative assumptions. Determine the number of projects in financial difficulty and determine contributing factors.	.estimated subsidy requirements .projected risk factors .reasons for projects in financial difficulty	.Program data .Project Managers .Cash-flow model simulations
34. Role of PDF funding	Analyse amounts provided under PDF. Analyze PDF amounts forgiven due to uncommitted projects. Review opinions of co-op secotr on appropriateness of the funds and experience of CMHC field offices.	.amounts provided under PDF/amounts forgiven .opinions of coops sector and CMHC field on PDF funding and selection .views on the role and importance of PDF for successful project development.	.Survey of co-ops resource groups .CMHC admin files .Project managers
35. Sector support contributions	Review experience with ILM program provision of sector support. Determine amounts of contributions by individual co-ops. Assess co-op sector opinions about adequacy of the funds. Determine benefits received by co-op projects.	.amounts contributed by coops for sector support .co-op sector opinions .co-op perceptions on the purposes and value of sector support	.Project managers .CMHC field .Co-op resource groups

APPENDIX 'C'

REVIEW OF THE LITERATURE ON FEDERAL COOPERATIVE HOUSING PROGRAMS

REVIEW OF THE LITERATURE ON FEDERAL COOPERATIVE HOUSING PROGRAMS

The purpose of the literature review is to summarize the main conclusions from studies of the federal co-operative housing programs in Canada, to identify pertinent issues that could be examined in the evaluation of the program and review the types of indicators used to measure program benefits.

A considerable body of literature exists in co-op housing as indicated by two recent bibliographies:

Co-operative Housing in Canada: A Comprehensive Bibliography by J.D. Hulchanski, U.B.C. Planning Papers, Dec. 1986.

A Bibliography on Co-operative Housing in Canada, by Joan Selby, CHF, Research Paper #4, Jan. 1989.

These bibliographies include numerous studies of individual housing co-ops as well as government-sponsored studies and reports sponsored by the Co-operative Housing Foundation (CHF). This literature review focuses on formal evaluation studies and program reviews and does not attempt to deal with reports on individual co-op projects. The material is organized into two main sections, namely, general reviews and studies, and evaluation studies.

Since the evaluation is concerned with the current co-op housing program and the former Sections 61 and 95 programs, literature from the early seventies to-date has relevance for the study. Since the program characteristics have changed somewhat since 1973, it is useful to consider the study findings pertinent to four main time periods: pre-1973, 1973 to 1978, 1979 to 1985 and post-1986.

The literature review, considers the following types of questions:

- whether evaluations have been conducted of co-op housing programs
- what types of evaluation designs were used
- what types of measures were developed
- the reliability and validity of these measures
- what types of statistical analysis were used
- if there is a consensus among findings
- if differences among findings are attributable to differences in sampling procedures, designs, or interpretations of findings
- what issues were not addressed or investigated

1. PRE-1973 PERIOD

A. GENERAL REVIEWS OF CO-OP HOUSING

In the 1960's, papers by advocates of co-op housing discussed the roles and benefits of housing co-ops within a comprehensive policy to meet Canadian housing needs. Co-op housing was viewed as complementary to the public and private housing sectors. The Co-operative Union of Canada Brief on Housing (1968) pointed to the international experience in which co-ops have an important role in national housing policies especially for low-income people.

Role of Coop Housing

Laidlaw (1968) advocated a long term ideal of a 65:20:15 split among private/public/co-op housing, noting that this might take another generation to achieve. Co-op housing was not presented as the answer for a majority in need, but as one part of the housing solution. Laidlaw suggested six possible applications for co-op housing, namely, for middle income families falling between public housing and home-ownership, immigrants, students, seniors, northern and native communities, and for multiple housing in large urban areas.

In comparison with public and private rental housing, the CUC Brief suggested that co-ops were preferable because of low maintenance costs, more sociability of occupants, more permanence and stability of occupants and low crime rates.

Nature and Benefits of Co-op Housing

The CUC Brief discussed the nature of co-op housing as a distinctive tenure form. In co-ops, people who occupy the housing own and control it (they are their own landlords). A housing co-op is a rental project the members of which are more than tenants and something less than landlords.

Some of the benefits of co-ops identified by the CUC (1968) and Laidlaw (1966 and 1968) are:

- sense of ownership
- control of decision
- creating a community with common interests, reducing isolation and alienation
- residential mobility easier than for home-owners
- flexibility to move within projects as housing needs change with family size
- potential to develop other services in projects for residents and reduce dependency on public services

NHA Policy for Co-op Housing

Articles cited above note that the NHA had no special provision for co-op housing. While this had not been a serious obstacle to co-op housing development, the NHA had not promoted this sector. Authors noted that the presence of provincial interest in co-ops had made the difference between no co-ops and some co-ops, notably in Nova Scotia, Newfoundland, PEI, Saskatchewan and later Manitoba. It was estimated that between 12-15,000 co-op units had been produced and that the record was good in terms of the quality of housing produced and its cost. Interestingly, there was about the same volume of public housing in Canada as co-ops in the late sixties.

The general assessment of the NHA was that it served higher income people through home-owner mortgages with a token public housing program for the lowest income groups.

Issues in the Co-op Housing Sector

Several important issues were identified as impeding co-op housing development including:

- lack of financing especially short-term and interim loans
- lack of access to suitable sites, acquisition required public support
- the equity or ownership of shares among co-op members
- lack of organization in the sector to deliver housing
- immaturity of development of housing co-ops within the co-op sector

Housing in the Co-op Sector

Housing co-ops had been slow to develop within the co-op movement in Canada. Lambert (1968) noted key goals and values of co-operatives which should be integrated within a housing thrust:

- o the importance of education functions as a binding responsibility of co-ops to improve the lot of members;
- o a requirement for federation within the housing co-op sector to support continuing expansion and development of housing co-ops;
- o the need for integration of housing co-ops with other types of co-operatives rather than isolation of the housing co-op sector.

The paper reflects sector concerns that the growth of housing co-ops as a formal housing program could focus more on housing production than pursuit of co-operative goals. The need to protect the integrity of housing co-ops (individually and collectively) has been an enduring concern throughout the evolution of programs for co-operative housing.

Government Approaches to Co-op Housing

In 1970, as part of an examination of policy and program alternatives, CMHC prepared a policy paper to examine past experience and potential roles of non-profit and co-operatives in federal housing policy (CMHC, 1970). The paper identifies the rationale for federal policy in these sectors as:

- o to promote self-help among low-income people to meet their own housing needs
- o to provide an alternative to the conventional market in terms of cost and tenure choice.

The third sector was viewed as a response to some of the problems of public housing such as high costs, tenant dissatisfaction and stigma/community resistance. The benefits of co-ops would include greater choice, lower costs, tenant involvement and control of management, and less stigma and community resistance. For example, the Report states that the cost for a single family co-op home was half the cost for a public housing row house, and two-thirds the cost of a direct loan for a home-owner. Furthermore, operating subsidies would be low compared with public housing.

For co-op housing development, it was recommended that the following components be developed:

- a sponsoring organization with skills and expertise in project development
- fostering the management expertise to run housing projects
- government assistance to make land available at reasonable cost
- provision of unit subsidies similar to public housing to reduce monthly costs and assist co-ops to reach lower income groups
- revision of conditional approval requiring 80 per cent of occupants to be signed up before mortgage approval.

Jordon (1973) conducted a values study of administrative attitides towards continuing co-ops. His thesis argued that the values of bureaucratic policy-makers accounted for the difference in policy at the time toward continuing co-ops and building co-ops, and for the slow emergence of programs for continuing co-ops. Jordon's work contributed to the 1973 Low Income Housing Task Force Report and to CMHC's policy development for co-op housing programs.

B. EVALUATION STUDIES AND REPORTS

Low-Income Housing Task Force Report, Michael Dennis (1972)

Established to provide background for revisions to the NHA, the Task Force reviewed a broad range of NHA programs including co-op housing and the problems of implementing projects under existing provisions. The Report drew evidence from CMHC program and administration files, correspondence and submissions form the co-op sector. No specific data was compiled on co-op housing or the social or economic benefits or costs of the programs. It did not address program effectiveness or impacts.

The Task Force recommended separate co-op legislation for loans at preferred rates to co-ops to be owned and operated by residents; projects should serve a broad range of incomes with unit subsidies if necessary; and, government should provide grants to develop the organizational and delivery structure for co-ops.

The co-op proposal was part of the general emphasis on the non-profit sector as the thrust of supply-side policies recommended. The Report suggested that 15-20,000 units a year could be produced by co-ops, service groups and self-help groups.

Co-operative Housing in Nova Scotia 1938-1973, Rev. Roach, (1974)

The study reviews the performance of co-op housing in Nova Scotia from 1938-1973 during which period over 5,500 units of housing had been built. The purpose of the study was to assess how well the program worked and what aspects were faltering.

Some 198 families in Sackville and Sydney were surveyed using a 16 page, 52-item questionnaire. The majority of families were first time home-owners (85-90 per cent); nearly 100 per cent expressed a preference for owning over renting and for single family dwellings. Respondents expressed a negative response to the notion of multiple unit co-ops, and were strongly in favor of individual (rather than group) mortgages. The Study concluded that the co-op housing program sells itself, and that co-op housing 'is still making a major impact on providing housing for low to moderate income families in Nova Scotia' (p.4).

The Report compared the co-op housing with public housing in Nova Scotia, suggesting that co-ops were much less expensive, more successful in the number of units produced than family public housing from 1967-73, and entailed limited term subsidies for 5-7 years compared with long term subsidies.

Co-op housing was also seen as providing for a more stable population where people had pride of ownership and would move only if they changed jobs. At the same time, the income group served in public housing was much lower (averaging about $4,500 compared with a median in co-ops of about $8-10,000).

The heavy reliance on the do-it-yourself concept was found to be successful even for white collar workers (for example, 64 per cent in Sackville were white collar). The concept also worked in larger urban centers and in small rural centers (which seems to conflict with the comments of Laidlaw about the inappropriateness of building co-ops in metro centers).

Co-op members surveyed emphasized the importance of improved education for program participants especially on the financial aspects of housing. Asked about their satisfaction with co-op housing people expressed some reservations; some felt there was not enough information, especially on the financial aspects, delays in processing documents, red tape and frustrations of the building process placing a strain on families. To reach lower down the income scale, a progressive subsidy would be required. In 1974, NSHC and CMHC launched the AHOP/Co-op program with loans up to $22,000 and yearly assistance up to $880. This new program was expected to increase production.

This study addressed a number of issues. First, the suitability of a building co-op approach for housing in urban areas had been questioned, and some people argued that it had limited appeal outside the manual labor population. The Report emphasized that the program worked in small urban centers and for white collar workers. Secondly, participants in the program emphasized the need for improved education up-front especially about financial issues. Thirdly, asked about satisfaction with the program, two-thirds said they would recommend it with care to friends. The question is what would be a reasonable satisfaction rating for such a program, given that any program intervention has inherent frustrations and problems.

CONCLUSIONS: PRE-1973 PERIOD

Many of the issues raised in the pre-1973 period were addressed in the 1973 revisions to the NHA which created a separate co-op housing program (Section 61) and provided for project start-up and CROP grants for developing the organizational structure.

At the same time, there is little evidence of a strong sense of commitment to the principles of co-operative housing as outlined in the papers reviewed. From a government perspective, it appears that co-op housing was an alternative to conventional programs, and one which appeared to offer housing at lower public expenditures than public housing in particular.

2. 1973 to 1978 PERIOD

A. GENERAL REVIEWS AND STUDIES

Following the 1973 NHA Amendments, attention was focussed for several years on implementing the new programs. By the mid-seventies, however, organizations began to assess the impacts and effectiveness of the 'new' housing programs. This section includes examples of such reviews, a study by the Canadian Council on Social Development published in 1977 and a housing policy report for British Columbia produced in 1975. In 1977, CMHC undertook an evaluation of the non-profit and co-operative housing programs which focussed on a survey of the clients served by the programs.

A Comprehensive Social Housing Policy for British Columbia, Runge et. al. (1975)

The Study commissioned jointly by the BC Attorney General and Minister of Housing sought to document trends in housing and rental markets, consider alternatives and recommend suitable housing and rental policies. Special studies of operating costs in rental properties and a housing survey were undertaken as well as use of Census data.

Reviewing the co-op housing experience in B.C. the Report notes B.C. had possibly the most successful co-op program in Canada at the time. Additional provincial assistance had increased income penetration from the $13-14,000 level under the federal program to $9-10,000. Rent supplements on 25 per cent of the units enabled co-ops to house the lowest income group on a rent geared-to-income basis. Co-ops also used internal subsidies to reduce the effective income range to as much as $7,000 income. The Report includes examples from specific projects with incomes ranging from $7,000 to $20,000.

Co-ops were delivered in three ways: through the United Housing Foundation, via Dunhill (a provincial development corporation) and by proposal call. Co-op housing was a major priority for the provincial government, and the Minister announced a goal of 1,500 co-op units in 1974 as well as granting UHF $160,000 (two-thirds of its budget) to assist delivery. The Report notes that the presence of an active co-op development sector through UHF was the main reason why co-op housing had become such an important element in B.C.'s social housing program. The major issues identified were lack of development capital and bottlenecks in obtaining municipal approvals and permits. The Report saw potential for increasing co-op production and developing a co-operative rehabilitation program by revising CMHC rehabilitation standards.

<u>A Review of Canadian Social Housing Policy</u>, CCSD (1977)

The CCSD, an independent, non-profit research organization, undertook a review of government social housing policies and programs to assess the extent to which the 1973 NHA Amendments had improved the housing situation. The Report concluded that the solution of Canada's housing problems had become even more elusive since 1973, and criticized governments for disproportionate assistance for more affluent Canadians through home-ownership assistance measures.

The Study focussed on the delivery and policy processes for co-op housing rather than evaluating its effectiveness. Identifying inconsistencies between the program rationale and the ways that the program operated, the Review was more in the nature of a process evaluation. The Report suggested ways to improve operation and delivery of the program. No new data on co-op members was developed, and the analysis relied on case examples.

Some of the key issues identified were as follows:

* insufficient government encouragement for the third sector and more stringent requirements for social housing groups than for private entrepreneurs;

* lack of developmental capital especially front-end and interim financing;

* provision of equivalent assistance to subsidies provided to private rental developers through the Assisted Rental Program and tax provisions;

* problems in securing mortgage approvals from CMHC, appraisal procedures, mortgage advances, managing contract bids etc. were examples of delivery frustrations of individual co-ops;

* difficulties in securing municipal co-operation and approvals such as permits, zoning etc. slowing down the pace of co-op development;

* how rent supplement units were to be applied and the selection of recipients from public housing waiting lists;

* uncertainty about how the subsidy surcharge system was being applied in practice;

* tendency for polarization in projects between very low-income people receiving supplements and those able to pay the full cost of their shelter.

The Report deals in some detail with the weaknesses of CMHC delivery of the program but did not assess the capacity of the third sector to develop and operate the housing. The Report implied that improved administrative procedures for delivery could increase the output and effectiveness of the Section 61 co-op program.

"Co-op Housing - An Answer?" Alex Laidlaw (1977)

As well as restating the aims of housing co-ops, Laidlaw identifies some of the distinctive features of Canadian co-ops since 1973 and the main impacts.

The aims of housing co-ops were defined as:

- good quality housing owned collectively by residents
- people paying what they can afford
- participation by members in co-op affairs
- creating a good living environment

The characteristics of co-ops since 1973 were that they produced continuity (while occupants changed, the ownership remained with the co-op), they were non-profit with no equity increase for members, and they were mixed income. The co-op program had the effect of avoiding low-income concentrations. Although growth of co-op housing had been modest, there was scope for innovation and new concepts of organization and delivery were being put into action.

In discussing the benefits of co-ops, Laidlaw suggested that 'the fairest way to judge the benefits of a housing co-op is not by comparison with home-ownership but with rental housing.' Co-ops were described as 'small self-reliant, closely-knit communities where people have some sense of belonging, a feeling of independence and of responsibility among neighbors... and in some sense a village within the city.'

B. EVALUATION REPORTS

A Report on Clients Living in Non-Profit and Co-operative Housing in Canada 1977, CMHC (1977)

Four years after the introduction of co-op legislation, CMHC conducted an evaluation of Sections 27 and 61. The main purpose of the evaluation was to find out who was living in co-op (and non-profit) housing and to determine who was benefitting from the program expenditures.

The evaluation study involved a national survey of occupants in projects completed since 1973 and a survey of project managers. Compiling the universe, designing the sample and obtaining a reliable response rate proved very difficult. The completed response rate from co-op projects was 32 per cent and nearly two-thirds of completed responses were from co-op units in B.C. The survey data did not adequately represent co-ops in Ontario or Quebec.

Some of the key findings were:

* Passage of special co-op legislation in 1973 did not generate a substantial volume of co-op housing in the first four years. There were 3,133 co-op units compared with 10,000 non-profit units and over 11,000 units for special care;

* The co-op housing produced was found to be attractive and there had been no problems with vacancies. To this extent the program could be judged successful;

* Co-op housing was serving mainly families, although about 30 per cent of the units surveyed were headed by a senior citizen occupant;

* Co-op housing was clearly not a low-income program. Survey data suggested that the co-op income profiles were similar to the general family renter population;

* Data on monthly shelter payments suggested a polarization existed between those paying quite low monthly charges in relation to their incomes (32 per cent paid less than 20 per cent of income for housing) and those paying in excess of 30 per cent. For seniors in co-op housing, more than half paid over 30 per cent. The data suggested that the surcharge system was not being applied in at least a third of the projects surveyed.

* Rent supplements were available for lower income clients but the rental scale guidelines were not being applied consistently.

The findings suggested that the co-op program was not being implemented as intended in the legislation or administrative guidelines. Furthermore, government seemed to have little information or control over the operating procedures after initial project occupancy.

The evaluation recommended some steps to improve program monitoring and delivery but was cautious about imposing increasing restrictions on private sponsors which might discourage further development of third sector housing.

3. 1979 - 1985 PERIOD

In 1978 the federal government introduced the new Section 95 non-profit housing program to finance public and private non-profits and co-ops. Numerous studies and evaluations of co-op housing were conducted in this period including reviews of co-op projects by the co-op sector itself and the major Section 95 Evaluation and the Social Housing Review by CMHC.

A. GENERAL REVIEWS AND STUDIES

In 1982, Morisset surveyed members of seven Quebec projects, and CHF commissioned surveys of co-ops in Toronto, Ottawa, Peel/Halton and Montreal. Morisset's study of 7 new co-ops built in 1979-81 under Section 95 was very positive about the projects examined. For example, the program had produced good housing projects at very reasonable cost with a mix of income (attributed to the combination of federal and provincial assistance). The co-ops had 43 per cent of occupants paying rents-geared-to-income, the average payments for the rest being $252 per month. With regard to delivery, the Report notes that members played key roles in development, as did external resources, and retired people had been important in initiating co-ops. Recruiting members seemed to be easy and projects had waiting lists. Different styles of management worked in different projects, some being more democratic and some more authoritative. Some areas for improvement had to do with publicizing co-op housing as social housing (it appeared that co-ops were well-known for their co-operative properties but not well-known as social housing); land/site acquisition was difficult with many delays and dissent within groups about site selection. Morisset suggests that co-ops might begin with a core group and recruit more members later in the development process to avoid frustration. The study found that lower income people appeared to be less active in co-op affairs, though other members do not seem to resent this. The mixing of social classes, a central feature of the program, requires further study.

In 1982 CHF commissioned a series of member surveys to assess 'the extent to which co-op housing (was) meeting its goal of housing primarily low to moderate income households while still providing a good social mix'. The surveys included both old (Section 61) and new (Section 95) co-op projects; 146 individual co-ops participated in the surveys out of a total of 181 projects identified. Household response rates varied from 70 per cent in Toronto and Montreal to 81 per cent in Peel-Halton. The high response rates and participation in the surveys suggest that the data compiled is reliable for co-ops in these four locations. The surveys used a drop-off and pick-up method at each co-op unit.

Survey data included occupant characteristics (household type, sizes, education, occupation, previous tenure, income, sources of income), unit characteristics (size, types, housing charges), resident assessments of co-op living (satisfaction, reasons for moving to co-ops, participation in co-ops, quality of life, probability of moving and reasons), and ratings of specific features (physical condition of unit and building, maintenance and management, space, convenience to work places and the co-op as a whole). The survey did not include how the co-op was developed and whether current occupants participated in the development.

The survey findings were very positive, for example:

- co-ops were found to be meeting the objectives of income and social mix; co-ops housed a diverse group but were predominantly working families with children (both one and two-parent); the membership was mixed on education with equal proportions of people with post-secondary education and those who had not completed high school; 70-80 per cent were employed.

- incomes were low to moderate compared with general income profiles in the communities; about 80 per cent had incomes below that required to buy a house.

- people reported choosing the co-op for affordability reasons. (Toronto was the exception where people mentioned choosing the co-op for control of their housing as frequently as for affordability).

The surveys appear to have been well-designed and executed, and some of the indicators used may be useful in future evaluations.

Pomeroy's 1983 paper examining the adaptability of innovative mortgage designs for co-op housing also included a review of co-op membership based on 1981 CMHC data, a B.C. study by FACTS and data on individual co-ops. He concluded that co-ops were providing family-oriented housing mostly for working families (about 75 per cent were employed). The paper notes that the 1981 CMHC data are heavily biased to Quebec co-ops which comprised 56 per cent of the responses and cautions about generalizing on these data since Quebec co-ops are not typical of all co-ops in Canada.

The financial viability of mortgage instruments is a function of the ability of a member to absorb higher charges for operating cost increases and mortgage payments. The relationship between income growth potential and project operating costs is critical. Project managers have forecast operating cost increases of about 10 per cent per annum. This may not be typical because the survey included a large number of conversion co-ops involving older buildings with higher maintenance costs. However, given that most co-op members are employed, and in the absence of large numbers of low-income members, co-ops seem to have the financial capacity to absorb rising occupancy charges from operating cost increases and withdrawal of mortgage assistance.

In The Evolution of Co-operative Housing Policy and Organization, Jordon (1983) discusses the impacts of the federal co-op programs. He describes the 1973 program as a social innovation which produced a new tenure form and a new organizational structure. Jordon identifies several issues leading to the 1978 co-op program revisions including the uneven development of non-profits and co-ops across Canada, duplicative and cumbersome administrative processes for delivering third sector housing, low production in other programs and fiscal constraint. The Section 95 program for co-ops had the effect of increasing co-op production from an initial allocation of 2,500 units in 1981 (which was subsequently doubled) to 6,100 co-op units in 1982. Jordon argues that co-op housing has moved from a marginal program to an essential element in Canadian social housing policy. Some unresolved issues include:

- confusion about the tenure form
- housing co-ops not integrated within co-op movement
- tension between housing and co-op goals. Some co-ops are basically affordable multi-unit housing with democratic management control while other are fully committed to co-op principles and operation.

At a more macro-scale some analysts have considered the issue of who benefits from direct government programs as compared with indirect (tax) measures and regulatory provisions. Fallis (1982) notes that, while there are indirect effects, the main beneficiaries of direct programs are the people who participate (that is the occupants of co-op projects) whereas the costs are spread through the tax paying public. Internally, the programs are usually quite progressive in that assistance is graduated to income. However, only a small proportion of those eligible are able to gain access to the housing assistance creating a 'tremendous inequity.'

A CHF discussion paper on the fair distribution of housing (1983) responds to some of the arguments in Fallis's analysis. The CHF paper argues that direct expenditure programs tend to be progressive, selective as to who benefits and do not affect relative rents, prices or taxes. On the other hand, indirect measures tend to be regressive, universal and generate a variety of relative price, rent and tax effects as well as generating huge benefits. To the extent that co-op housing concentrates the benefits on those in need, government assistance would appear to be efficient and effective. These papers raise the question of the appropriate level of analysis for assessing the co-op program.

Consultation Paper on Housing, (1985)

In January 1985, the Minister responsible for CMHC issued the Consultation Paper on Housing to solicit views of Canadians on housing issues and approaches as preparation for housing policy revisions. The Paper indicated that the central issue was what is the most appropriate tool for government intervention (since the rationale for intervention on behalf of the needy was taken as given). In Canada, social housing programs have used a direct subsidy approach through other governments, non-profits and co-ops. The existing programs have sought to encourage a mix of income groups in subsidized projects which may generate valuable social benefits as may the involvement of community and voluntary organizations. However, the Paper notes, the approach has been criticized as poorly targeted and costly as a means of assisting those most in need. A number of questions were posed such as: does the avoidance of concentration of low-income households justify the costs associated with mixed-income projects?

The Federal Consultation Paper on Housing initiated a broadly-based consultation process and many organizations prepared written responses. Private sector responses included submissions from the Canadian Home Builders' Association (CHBA) and the Canadian Real Estate Association (CREA); a co-op sector response was submitted from CHF; social planning group responses were submitted by the National Anti-poverty Organization (NAPO) and the Social Planning Council of Metropolitan Toronto for example.

The CHBA submission (March 1985) provided a general overview of the Association's concerns and raised over fifty specific points for consideration. With respect to co-operative housing, the CHBA submission raised concerns about rent levels being below market rents for similar private accommodation (a legacy of the 'low end of market rent' provision of the program). The brief argued that below market rent levels conferred publicly-funded subsidies on those who do not need assistance, and suggested that consideration be given to increasing rents for non-profit and co-op housing units. The CHBA supported improved targetting of assisted housing to low-income households in need. The CHBA submission also considered the affordability of home-ownership and suggested that there had been some improvement in accessibility to home-ownership; generalized home-ownership assistance programs were not recommended, although the brief suggested that there may be a case to assist those on the margin of affordability. There is a sense from the brief that government assistance to the third sector had created conditions of unfair competition with the private sector.

The CREA submission Building on Fundamentals: Redesigning Canada's Housing Policies (February 1985) suggested the need for improved targetting of social housing programs. It suggested that 'occupants of non-profit and co-operative housing units that have incomes above reasonable standards of need should either pay full market rents or purchase the units at market prices.' (p.iv) The brief argued that the 'objective of avoiding 'ghettos' has been realized but in a manner that defies basic rules of equity' (p.33) because many occupants have middle and upper incomes while low-income households in need remain unassisted. The proposal did not suggest terminating the income mix provisions but rather changing the payment schedules so that assistance be targeted to those in need and other occupants pay full market rent.

In its response to the Consultation Paper, CHF (1985) argued strongly for continued support for co-op housing as a major vehicle for attacking the problems of supply, affordability, conservation and community preservation. As well, co-ops can meet the housing needs of women, native peoples and special needs groups such as the disabled. CHF questioned the assumption that all non-profit and co-op housing is 'social housing'. It argued for a distinction between rent-geared-to-income (RGI) units which are social housing and the non-RGI units which are market housing. For co-ops, the non-RGI subsidies could be viewed as supply subsidies that increase the stock similar to subsidies and tax incentives to private developers (such as ARP and CRSP). Differentiating between the social and market aspects of the co-op program would address criticisms that the program is poorly targeted and costly. CHF was critical of CMHC's Section 95 Evaluation for failing to make this distinction. CHF notes that 'CMHC's social housing programs could never be justified simply by the social goal of creating income-mixed communities.'

Also responding to the Consultation paper, the National Anti-Poverty Organization (NAPO, 1985) argued strongly for increased targeting within social housing including the co-op sector to ensure that more of the benefits are channelled to those in greatest need. For example, NAPO's Brief suggested a minimum 50 per cent RGI requirement and a needs-based selection of RGI members. The Brief also raised the issue of extra charges on entry to co-op housing which could limit accessibility for lower-income households and suggests that government regulate such charges to ensure accessibility of the poor to co-ops.

The Social Planning Council of Metropolitan Toronto response Strategies for Implementing a New Housing Agenda for Metropolitan Toronto (March 1985) strongly endorsed' the continued provision of non-profit housing as the major program vehicle for meeting the need for housing assistance in Metro Toronto and as part of a program to meet the need for moderately-priced rental housing in Metro Toronto.' (p.1) Among revisions proposed were proposals for increasing the proportion of RGI units in non-profit and co-op projects, revising methods of determining low end of market rents to ensure units are affordable to moderate income households, and separating the various types of subsidies applied (that is, the supply subsidies from the rent-geared-to income subsidies). The proposals were presented in the period when the non-profit and co-operative programs accounted for about three-quarters of all rental units built in Metro Toronto in the five year period from 1979 to 1983. Consequently, these programs were viewed as the only avenue for creating accommodation for moderate income as well as low income households. In this situation, the Council strongly endorsed the objective of income mixing though recommending measures to reduce polarization between the lower-income and higher income groups served in the programs, a continuum of incomes should be served. With respect to co-ops the Council noted that the key difference rests in the commitment of co-ops to creating resident-controlled and managed projects. In general, non-profit producers should not be placed in competition with private rental housing producers.

In essentials, these responses to the Federal Consultation Paper demonstrated a degree of consensus about the continued need for government assistance to meet housing needs and the need to improve the effectiveness of the programs. The differences lie more in the extent to which increased targetting is recommended and the treatment of rent levels for those occupants with moderate incomes above acceptable need thresholds.

B. EVALUATION REPORTS

Evaluation Study of Non-Profit and Co-operative Housing in Ontario, Woods-Gordon (1981)

The Study conducted in 1979 essentially deals with the old (Section 61 co-op and 27 non-profit) programs, although a few 95 projects are included for comparison. The purpose of the study was to determine if these programs were achieving their goals of providing modest housing to low and moderate income families and to encourage income integration.

The Consultants conducted a survey of tenants (Housing Satisfaction Survey), a survey of project managers and key informant interviews. The completed tenant survey included 1,932 responses, of which 269 were from co-op residents. The response rate from co-ops was 13 per cent (compared with 30 per cent overall); co-ops in the Ottawa area did not participate in the survey. Questions could be raised about the reliability of the co-op data based on the small response. The study established a private sector working group with HUDAC and UDI in an effort to obtain comparative private rental data for cost analysis. Insufficient data was obtained for comparison.

For the most part the analysis does not show separate information for co-op housing. Concerning income, the co-op income profiles are higher than in municipal non-profits and private non-profits. The median income for co-ops was approximately $14,000 compared with $10,000 for municipals. The Report does not address income integration issues.

There is no discussion in the Report about co-ops or issues in the delivery of the programs. In general, this study has limited usefulness as an assessment of co-op housing.

Roozen (1983) sought to identify why biased target participation was occuring in the co-op housing program in Edmonton. Biased target participation was defined as a situation where the program is working to the predominant advantage of a subgroup of the designated target population. Two possible explanations were considered. First, that the access strategy involved structural and organizational arrangements which created barriers to full participation, and secondly, that low-income household choice factors lead to use of other social housing programs because co-ops do not reflect the needs and preferences of low-income people and co-ops are not an attractive form of tenure. The method used involved an interviewer assisted questionnaire survey of 178 low-income households in Edmonton who were eligible for the program but not participating. The questionnaire was designed to test knowledge of the co-op program, respondents' experiences with selection procedures of Edmonton co-ops and their needs and preferences. The study found that the majority surveyed had never heard of co-ops and the rest did not know enough about co-ops to make a choice. Those who had heard of co-ops did not like the idea or thought there was a downpayment. However, their expressed needs would, Roozen concludes, match co-ops if they knew about it. The study concluded that the major problem with the co-op program was with marketing. The problem with the study methodology was that so few respondents had knowledge and experience of co-ops that it was not possible to assess the barriers to co-op program participation.

Johnston (1984) used CMHC data and information from a small sample of 95 units in Vancouer to evaluate the impacts and effectiveness of the co-op program. The study found that considerable external benefits are required to justify the program on efficiency criteria. The program was found to be vertically and horizontally inequitable, and Johnston concludes that it was ineffective in achieving social housing policy objectives.

Johnston suggests that the primary direct benefit of the program to the co-op member is the elimination of short-run fluctuations in the price of housing services. Since the housing is not traded on the market, it is not affected by demand/supply conditions. With repect to costs, he notes that the opportunity cost of members' time for management is not usually taken into account. Regarding income mix, Johnston characterizes this program objective as 'an excellent example of an unmeasurable generality' (p.118),. No income limits for entry or continued occupancy are defined and there is no indication of a desired income distribution. He suggests operationalizing income mix based on the intent of the policy which may be (i) to avoid undue concentrations of low or high income groups and/or (ii) to reflect the local income distribution or the experience in the market.

On methodological issues, Johnston notes that non-experimental, after-only methods generally used in program evaluation studies are only useful to describe program effects if there is an understanding of what the situation would have been without the program. Addition of controls may increase internal validity somewhat, but more rigourous methods are required to answer certain evaluation questions.

<u>Section 95 Non-Profit and Co-operative Housing Program Evaluation,</u> CMHC, (1983)

The purpose of the 95 evaluation study was to assess the achievements of the non-profit and co-operative housing programs. The study dealt with a very broad range of issues including the continued need for the program, impacts and effects and costs. A national survey produced a profile of occupants, consumer satisfaction and costs of the programs for seniors, families and special needs groups, and a survey of project managers sampled from projects occupied in June 1981 (400 projects with 9,131 units). The Report notes that by March 1983 the number of occupied units had increased to 46,000 and that the evaluation sample may not reflect the larger program universe in all respects.

While most of the debate about the evaluation has focused on the three major negative conclusions, many of the findings were quite positive. For example, the evaluation found that the program had:

- produced modest, appropriate housing
- provided affordable housing for the majority of occupants (although a third were paying over 30 per cent of income for shelter)
- had reached a low to moderate income group
- encouraged use of private mortgage capital
- achieved a degree of income mixing
- contributed to the stock of rental housing
- positive social benefits in consumer satisfaction, quality of life and improved housing quality
- served priority household types
- fostered the growth of non-market development corporations
- provided progressive subsidies

The major issues raised by the evaluation were:

o the programs were ineffectively targeted to the needy (i.e. small number of the most needy households were served);

o the programs appeared non cost-effective for creating rent-geared-to-income housing and more costly than other public and private market programs;

o the programs had minimum impact on the outstanding volume of housing need

Specifically, regarding co-operative housing, the evaluation concluded that co-ops were not as cost-effective as non-profit or private market programs.

There was considerable debate about the 95 Evaluation. Responses from the City of Vancouver and CHF are outlined below.

<u>City of Vancouver (1984)</u>

Comparing the results of the 95 evaluation with the City of Vancouver study <u>Who Lives in Non-Market Housing</u> (1983), several important differences of interpretation are noted:

- The Vancouver Study suggested that 95 was able to house low and moderate income people and that the CMHC evaluation was overly harsh in its criticisms of the program in this regard.

- CMHC cost comparisons were criticized as being flawed because they may not compare the costs for similar clients, at the same rent/income payments for similar units and types of housing.

- The Vancouver study, based on a survey of 98 per cent or 670 households in co-ops and public non-profits indicated that over 80 per cent of these households could not afford the average rental unit in Vancouver at 30 per cent of their income. These data suggested that 95 is housing needy households.

- The study pointed out that the affordability of 95 units improves over time because the charges are not inflating with project capital values. The comparison of co-op and CRSP units would only be valid if the costs of additional rent supplement subsidies were included to reach a similar client group.

The Vancouver Study agreed that 95 can have limited impact on the volume of core housing need but this is a function of the program budget allocations. The success of 95 in housing low-income people depends on the criterion used to define 'needy' and the amount of subsidy available. Further, the objectives of 95 include many internal conflicts which inhibit maximum impact on low-income need (e.g. income mixing). The Vancouver Study concluded that 95 was a useful program and that it should be continued with minor adjustments.

CHF Research Memo #5: Is the Co-op Program Cost-Effective (1984) and RD #9 (1984)

CHF took issue with the 95 evaluation's analysis of cost-effectiveness and argued that co-ops are more cost-effective than private programs such as CRSP and at least as cost-effective as non-profits.

The calculations of cost-effectiveness in the 95 Report was based on dividing total subsidies by the number of RGI units. A priori, then, the 95 RGI units were more costly per unit than public housing because the non-RGI units are excluded.

- Operating costs in co-ops were 13-56 per cent lower than in non-profits according to the 95 Report. The CHF paper suggested that this demonstrates that incentives for efficient management in co-ops are effective. The lower cost increases are passed through to occupants in lower charges which improves affordability.

- Co-ops are providing 42 per cent of their units for RGI occupants far exceeding the 15 per cent suggested guidelines. The 95 evaluation showed that co-ops are providing 13-14 per cent more RGI units than non-profits which suggested that co-ops are more effective than non-profits in meeting the needs of low-income renters.

- Compared with market programs, co-ops and non-profits produce lower rent units than CRSP; this makes the subsidy costs for RGI much lower for government. Market programs are less efficient rent supplement vehicles.

- 80-90 per cent of co-op households have incomes below the average Canadian household income which suggests that they are reaching the target group required.

- Co-ops have also been a major contributor to the supply of new rental housing; co-ops and non-profits have accounted for more than 50 per cent of new rental housing in some metro areas in the last few years.

The confusion in the federal program objectives could be clarified, it is suggested, by separating the social versus market aspects of the co-op program. Co-op housing has served a variety of housing goals under the federal program, some social and others having to do with the supply of housing. It is argued that the central fallacy of the 95 Evaluation was in the perspective of the entire program as a social intervention program, without acknowledging the dual nature of the program objectives.

CHF Background Papers in 1983

In the context of the Section 95 Evaluation, CHF commissioned a number of background papers during 1983 dealing with particular issues pertinent to co-op housing.

In a Brief to the Royal Commission on the Economic Union and Development Prospects for Canada, (October, 1983), co-op housing is described as a creative partnership between government and the co-op sector. Co-op programs have created new types of communities with positive sense of community control and giving individual members opportunities to cope with their socio-economic situation and are seen as a flexible instrument to provide long-term affordable housing. That government expenditures for housing are not well targeted to the problem lies with the program not with the co-op sector.

In response to a comparison of co-ops with CRSP, a CHF paper (April, 1983) describes the comparison as inappropriate because the products of the programs are different especially in rent levels. CRSP projects have higher rents which also make them inefficient as rent supplement units. Co-ops are seen as a more appropriate vehicle for social housing.

Commenting on the HUDAC Study (Co-op Housing: Benefit or Burden?), CHF (July 1983) takes issue with the calculations of subsidy costs for non-income tested occupants of co-ops. HUDAC estimated the cost at $389,463 per unit over 35 years. CHF estimates the cost for market units at $54.00 per month or $6,877 over 35 years. The CHF paper also points out the benefits that non-RGI members provide to co-op housing in exchange for the small subsidy including creating integrated rather then segregated housing, an incentive to keep costs down, and volunteer input to management and skills development.

In a presentation to the President of CMHC in December 1983, A CHF paper emphasized the three important goals of co-op housing which should be maintained, namely:

- creating resident-controlled communities managed on a co-operative basis;
- provision of quality non-profit stock affordable to moderate income households;
- provision of assistance for low-income households.

The paper points out that the co-op program is not equally effective in all regions of Canada or all housing markets. Reflecting concerns in previous submissions, CHF argues for separation of the social and market components of the subsidy to co-ops and suggested increasing the minimum RGI component to 25 per cent of co-op units.

Examining the impact of entrepreneurial sponsors on housing co-ops (October 1983), a CHF sponsored study interviewed 60 people (co-op members, sponsors and CMHC staff) dealing with 14 co-op projects. The study identified problems with developer sponsored co-ops such as:

- large proportion of past projects have required mortgage increases
- more serious vacancy problems than other co-ops
- provide only minimum 15 per cent RGI
- have minimum pre-occupancy member involvement
- slow transfer of control to member occupants
- unclear responsibility and input to member education

The paper raises the issue of concern about the method of co-op development in evaluating the success of co-op housing projects to assess if there are any significant differences.

Social Housing Review, CMHC (1984)

The Social Housing Review was to assess the performance of the social housing programs (including public housing, rent supplement, non-profit and co-operative housing and rural and native), as a group and individually in achieving the social housing objective. The Review considered three major issues:

- the rationale for the programs using indicators of affordability (R/I ratios), adequacy (physical dwelling condition data), suitability (crowding) and client satisfaction;
- impacts and effects on social policy priorities, on recipients, on the stock of rental housing and rental markets, and on other government housing and housing related programs. The Review considered horizontal and vertical equity, degree of assistance to those most in need, and priority to special needs groups. The social impacts on clients used indicators such as client perceptions of housing, neighbourhood, social interaction and turnover rates.
- cost-effectiveness of the individual programs was compared including both capital and subsidy costs per unit as well as administrative costs. Two measures of unit output were used: cost/unit and cost/RGI unit.

The main data source for the Review was a national survey of social housing occupants, non-profit and co-op project managers and landlords in rent supplement projects. Project data from CMHC files and Statistics Canada data were also used.

The occupant survey used a drop-off and mail-back method and achieved a 40 per cent response rate. The project managers/landlords survey yielded an 80 per cent response rate. Completed questionnaires from over 3,000 occupants in the old non-profit/co-op projects and 3,400 occupants in the new (Section 95) projects were obtained.

A study Advisory Committee including representation from CHF, municipal and private non-profit corporations and CAHRO provided input to the Review.

The Report does not provide separate breakdowns of the non-profit and co-op response rates. The analysis compared public housing, the old programs and the new 95 program, and rent supplements. No disaggregation of co-ops is included. Significant differences were found among the types of programs noted (e.g. on client characteristics). Chi-squared tests of significance were conducted.

Rent supplement programs followed by public housing were found to be most effective in assisting those with insufficient income to obtain adequate housing. However, while the non-profit/co-op 95 program was found least effective, the Report notes that these programs are likely to generate greater social benefits than rent supplements or public housing. The Review suggests that the performance of social housing programs must be considered in terms of trade-offs of cost-effectiveness and social benefits. The findings of the Review were consistent with the findings of the Section 95 Evaluation as to the costs of providing assisted units through this program.

Data show that the average income of Section 27/61 occupants in relation to all renters had not decreased over time. The Section 95 program may be more successful because of its different design. However, the Review was not able to assess the extent to which the potential will be realized.

The non-profit/co-op programs achieve higher levels of occupant satisfaction and participation than other social housing programs The Review notes that a definitive study of the social effects on residents of social housing was beyond the scope of the Review. The study used subjective (occupant perception) indicators of social well-being and impacts rather than objective measures of actual improvements in physical or emotional health, family functioning, social interaction. The indicators used were: client satisfaction with their housing and environment, client assessments of the effects on quality of life, and extent of social interaction. These indicators suggested high levels of user satisfaction and positive social effects. Residents in 95 projects were less dissatisfied than residents in older projects. RGI tenants were more likely to report that their quality of life had improved than market rent tenants. However, most respondents indicated no effect on quality of life factors such as health, marriage and family relationships. Conclusive evidence on the effects on personal growth, skills, and social development is not available. Certainly, the opportunities for participation are greater in non-profit/co-op housing than in other programs such as public housing.

As a general conclusion, the Report notes that 'evidence on the social benefits derived through resident participation is inconclusive'. The social benefits of income mix could not be assessed.

The difficulty of defining and operationally measuring social benefits is addressed in a CHF paper (Nov. 1983). Examples of criteria and indicators which may be useful include the following:

<u>Social Integration</u>

- contribute to maintaining family housing in inner city
- providing affordable housing in suburban areas
- income and household type mixing
- integration of special needs persons
- access for low-income people in middle-high income areas

Social Control & Support
- reduce demand for social services
- contribute to community associations
- use of space by community at large

Ownership
- give sense of ownership
- acceptable in small-rural communities
- starter-home for upwardly mobile
- participation keeps costs down
- security of tenure

Reduce Landlord-Tenant Conflicts
- form of cost-free rent control
- no refinancing costs on resale
- people understand rent increase relates to operating costs

Reduce Bureaucracy
- co-ops administer programs
- operate at personal level (function of size)
- no placement and centralized waiting lists to maintain

Sector Support
- the stabilization fund assists co-ops with problems
- visibility of costs, public information

Visibility
- easy to evaluate to find out if the sector is performing as intended

Self Improvement
- co-op sector operates extensive courses in member and management education

A Survey of Co-operative Housing Residents in Quebec in 1987
Champagne (1988)

The study developed a socio-economic profile of co-operative housing occupants in Quebec and assessed the extent to which the program objectives were achieved based on completed questionnaires from 928 Quebec co-op residents. The study did not examine issues such as co-op member input to project management, the social benefits of co-ops, residents' satisfaction, the processes of co-op development or assess the success of social mixing/integration other than at a statistical level.

While coop housing in Quebec served a broad, socio-economic profile, the study found that the clientele was predominantly lower-income. The median income was $15,000 in 1987, and only 20% of residents had incomes of $19,000 or more. Analysis by type of project (that is, for new construction, conversion and purchase/renovation projects) suggested that purchase/renovation projects were particularly successful in achieving affordable units for lower-income members. Nearly 60% of the units in the Province were in purchase/renovation projects. Some of the key characteristics were as follows:

- about a third of the residents were couples with children and a quarter were single parents with children affirming the family orientation of co-op housing in Quebec. Compared with the Quebec population, co-op households tended to be somewhat younger, about a third having household heads under age 35.
- co-op housing served mainly working families (56% were employed at the time of the survey mainly in office, retail or service sector). Only 20% reported welfare incomes.
- the co-op housing had been quite successful in achieving affordable housing, some 67% of co-op members were spending less than 25% of their incomes on housing. Less than 20% of co-op households spent more than 30% of the incomes for shelter. The most disadvantaged group in terms of affordability was single parents and more than two-thirds of them were spending over 25% of their income for shelter. About 43% of those surveyed reported receiving rental subsidy assistance, mainly from the federal subsidy (only 6% received the Province's Logirente). The study suggested that the co-op sector in Quebec had achieved a higher penetration of the lower-income housing need than would have been expected by the program guidelines.

4. POST-1986 PERIOD

A. GENERAL REVIEWS OF CO-OP HOUSING

In 1986 the federal government introduced the ILM Co-operative Housing Program. In a presentation for the CAHRO Annual Meeting in 1987, Goldblatt (1987) discusses the development of the new co-op program as a political process of negotiation between the Federal Government and CMHC and the co-op sector represented by CHF. He suggests several achievements of the 1986 program including the continued existence of a viable federal financing program for co-ops, recognition of co-ops as a distinct tenure form and with federal delivery provision for a uniform program across Canada. He also outlines some likely impacts and issues in the new program:

- The change from low end of market to market rent may exacerbate affordability problems for moderate-income households and may inhibit the viability of rehabilitation projects in markets with effective rent controls;
- Elimination of the three-year grace period in previous projects may lead to increases in housing payments in year 2 which could have an affordability impact;
- Dollar-based budgeting (rather than unit-base approaches) could create downward pressure on maximum unit prices as a way to reduce supply subsidy per unit and produce more units;
- Less flexibility for co-ops in RGI allocations but co-ops may be able to allocate all RGI units to very low-income households;
- Targeting RGI to the 'most needy' using core need income cut-offs may disqualify some households such as the working poor who were previously accommodated;
- Provincial guidelines for rent supplements may prohibit co-ops from serving low-income, non-family households (especially individuals) who have housing needs;
- Half of RGI units must be allocated to referrals from local public housing waiting lists which reduces flexibility for co-ops to build a community of co-op members;
- The co-op program is now the only remaining federal program using a mixed-income approach which raises concerns about future pressures to increase targeting to the 'most needy';

o ILM's were designed to lower financing costs for housing but additional costs have been added (e.g. insurance and stabiliztion) which account for about 20 per cent of the supply subsidy costs. This could reduce the effectiveness and impact of the ILM vehicle on housing costs.

ILM Financing Mechanism

In a detailed review of mortgage-backed securities undertaken for CHF, Bossons (1985) concludes that ILM's could increase the cost-effectiveness of co-op housing. The paper discusses the potential impacts on theoretical grounds and suggests that lower real financing costs could reduce housing costs. CMHC Surveys of private pension fund managers indicates interest in these instruments if they are fully insured and offer a 4-5 per cent real return. Analysis suggests a potential for a 70 per cent reduction in the cost of the construction subsidy component as compared with the former Section 95 program. The costs of income-tested subsidies would also likely be reduced. Bossons concludes that the efficiency gain would have the unintended effect of reducing the redistributive component of the program.

Housing Co-ops in a Community Context

Papers by Lord (1988) and Selby and Wilson (1988) argue that housing co-operatives successfully integrate solutions to housing problems (such as affordability) and other community needs and problems. By 1988 they estimate that there were 51,700 co-op units in 1,350 projects across Canada comprising 1.6 per cent of the rental housing stock. However, the impact of co-op housing may be greater than the size of the stock would imply because of the multi-faceted nature of the housing. Co-op housing, they suggest, offers many benefits to individuals and communities including:

- affordable housing for low and moderate income groups
- serving special needs by integrating these groups into mainstream housing - create residential communities that counteract isolation, apathy, social instability
- foster personal growth and development through self-help, self sufficiency, increased self-esteem and reduced dependency (e.g. helping people end cycle of welfare dependency and move into work and training)
- community benefits as co-op members assist in projects such such as food banks, day care etc.
- role in neighbourhood revitalization and stabilization

Co-ops can promote social and economic integration at the project and neighbourhood level while stabilizing residential communities through increased security of tenure.

Future Issues for Co-op Housing

Lord and Selby and Wilson discuss some of the issues likely to affect the co-op housing sector in coming years:

- self-management can become burdensome and unequally distributed and vulnerable to loss of expertise when membership turns over;

- a tendency for under-maintenance could put pressures on inadequate reserve funds downstream;

- security of non-profit co-op from conversions to other tenure arrangements needs to be enhanced to preserve the permanent stock of non-profit housing;

- inability of co-op sector to raise development capital for new projects has created dependency on government start-up funds;

- insufficient resources to fund sector support services to individual member co-ops;

- lack of a permanent commitment to co-op housing (e.g. the 1986 program has a 5-year life) creates uncertainty about the future.

The co-op sector has proposed and adopted a number of measures to address these key issues and strengthen the co-op housing sector. The papers quote from recent public opinion polls which show increased public awareness and public acceptance of co-op housing.

Income and Social Mix Issue

Selby and Wilson note that there are no reliable figures on the average proportions of assisted households in co-ops. An estimated 35-42 per cent of assisted households include welfare families, the working poor and moderate income families receiving shallow subsidies. It is not clear what proportion of those assisted are included in the category of 'moderate income' families.

While there is no rigorous research to define an appropriate income mix level, the authors suggest that 30 to 50 per cent would be optimal depending on the income profile of the community and the affordability of the co-op's full monthly charges. Since co-ops have no income ceilings, some of the more affluent members stay in co-ops because of a commitment to the housing and co-op living. However, people usually move out when they can afford to buy a home of their own. No statistical information is available on rates of mobility and turnover in co-op housing to allow comparisons with other forms of housing.

APPENDIX 'D'

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