

Federal Rental Housing Assistance Programs in
Canada and the United States: A Comparative Study

Report to CMHC

Louise Clarke

Michèle Harding

Patricia Streich

March 1, 1978

TABLE OF CONTENTS

	Page
1. Introduction	1
2. Historical Review	2
a. Canada	2
b. The United States	6
c. Comparative Summary	11
3. Program Analysis	13
Introduction	13
3.1 Program Descriptions	14
a. The Canadian Programs	14
b. The United States Programs	20
3.2 Scope and Levels of Activity in Federal Rental Programs	28
a. The Canadian Programs	28
B. The U.S. Programs	37
3.3 Program Comparisons	40
Public Housing Programs	40
Non-profit and Co-operative Housing Programs	41
Assisted Private Rental Programs	42
Rent Supplement Programs	43
General Overview	44

4. Issues and Concerns in Rental Programs	46
Introduction	46
a. Issues and Concerns in Canadian Rental Programs	47
b. Issues and Concerns in U.S. Rental Programs	52
c. Summary of Key Concerns in Canadian and U.S. Rental Programs	58
5. Conclusions: Major Concerns for Further Study	62
Appendix I: Factsheets on Canadian Rental Programs	65
Appendix II: Factsheets on the U.S. Rental Programs	86
Bibliography	105

1. INTRODUCTION

Purpose of the Report

The purpose of this report is to summarize the essential aspects of Canadian and U.S. federal rental housing assistance programs to serve as a basis for Canada-U.S. co-operation in an examination of this area of housing policy.

Outline of the Report

The report has three main sections. First, there is a brief history of the development of rental housing programs in each country and a summary of the major similarities in present approaches. The second section presents a detailed analysis of the programs and their levels of activity. The third section discusses the major issues and concerns about these programs in each country and identifies common problem areas. The report concludes with a brief discussion of common concerns that could provide some basis for further study.

The Fifties

The stated goals of the 1949 Housing Act were the elimination of instability in the construction industry, reduction in housing costs, elimination of sub-standard buildings and improvement of the housing environment and amenities. In the fifties, the basic way of accomplishing these goals was liberalization of mortgage terms for special assistance programs.

The Sixties

The 1961 Housing Act emphasized the goal of meeting the housing needs of the nation's special groups through direct and indirect subsidies. Passage of the first direct loan program in 1959 (Section 202 for housing the elderly) presaged this thrust. The 1961 Act authorized or gave weight to the following programs:

- * a program to assist in production of housing for moderate income families through (i) a below market interest rate on insured loans, 100 per cent loan-to-value ratio for non-profit and limited dividend sponsors and (ii) 90 per cent mortgages and profit and tax incentives for profit-motivated sponsors (Sections 221 (d) (3) and (4)).
- * the first operating subsidy in public housing. Units occupied by elderly persons were eligible for up to a \$120 per unit annual federal subsidy.

These public housing subsidies were extended in 1964 to households displaced by urban renewal, and further in 1968, to large, low-income families.

Alternatives to public housing began to emerge. Rent supplements were introduced for federally-insured projects through Section 101 in 1965. Provisions for leasing private housing to serve public housing tenants were made with Section 23 in 1965. In 1967, the turnkey production technique was introduced.

The Department of Housing and Urban Development (HUD) was established in 1965 to administer these programs. Previously, these functions had been carried out by the Housing and Home Finance Agency.

Intense social ferment and racial disturbances in the late sixties resulted in the formation of two major Presidential Commissions to study urban problems. Both emphasized the need to increase the supply of decent housing for lower-income families, which became the central thrust of the Housing and Urban Development Act of 1968. The principle of subsidizing interest rates, previously used only in Section 221(d) (3) non-profit, was extended to Section 236 housing for non-profits and co-operatives (rates as low as 1 per cent). Combination of a subsidized interest rate with an insured loan was facilitated by the partitioning of the Federal National Mortgage Association (FNMA) into two organizations in 1968 and development of the "tandem plan". FNMA became a private lending institution; interest rate subsidies and portfolio management were taken over by the new, federally-owned Government National Mortgage Association (GNMA).

In 1969, an amendment sponsored by Senator Brooke restricting tenants' rent to 25 per cent of their gross adjusted family incomes triggered a fiscal crisis in public housing. Rental revenues were the main source for meeting operating costs. These costs had increased at a far higher rate than incomes, with

the result that tenants were forced to pay more and more of their income on shelter. The Brooke Amendment, and subsequent ones in 1970 and 1971, halted this and led to growing operating deficits.

1973 to Present

Growing concerns about the efficiency and equity of all programs led to an executive decision on January 5, 1973 to halt further commitments.

After an extensive HUD evaluation, attempts to improve assisted housing were introduced in the Housing and Community Development Act of 1974.

- * Section 8 rental assistance marked a substantive change in HUD policy. For the first time, households and not units per se were to be subsidized. There was to be far greater emphasis on use of the existing stock, except in those areas where the HUD regional office determined that this stock was not adequate and invitations for new construction would be made. New construction and Section 8 applications were to be reviewed by HUD concurrently to ensure that the new housing built would serve at least some low-income households.
- * A statutory mechanism, "the fair share allocation", for the distribution of housing assistance funds was instituted. This uses criteria such as population characteristics, poverty levels, housing conditions and vacancies. Municipalities were to be encouraged to develop Local Housing Assistance Plans (LHAP) outlining the above conditions and to review specific applications for assistance for consistency with this plan. These LHAP's formed a part of the Community Development Block Grant program.

- * Section 202, direct loans for housing the elderly, was revived. It is noteworthy that the direct loan program rather than the mortgage insurance program for the elderly (Section 231) was chosen as the primary vehicle to stimulate production. Applications under this program are now always assessed in conjunction with Section 8 fund availability.

Since 1975, there have been no new major thrusts in rental housing assistance. Attention has focused on implementation of Section 8, public housing and FHA-insured² projects.

In 1976 for example, HUD allocated an additional \$50 million for annual contribution contracts to pay for the amortization costs of bonds issued by PHA's³ for the acquisition of troubled projects. Provisions of the Housing and Community Development Act of 1977 include:

- * full re-activation of the conventional public housing program
- * additional contract authority of \$1,160 billion for modernization of public housing
- * \$685 million in additional operating subsidies for public housing
- * some changes in Section 236 tax and utilities subsidies
- * more emphasis on rehabilitation and the setting of housing assistance goals, particularly for lower-income households in housing assistance plans

2. Federal Housing Authority

3. Public Housing Agency

- * no elevator projects to be approved for families under Section 8, "unless there is no practical alternative"
- * public housing agencies are authorized to manage Section 8 projects, if they and the owner agree.

C. COMPARATIVE SUMMARY

Development of Housing Policy in Canada and the U.S.

Both Canada and the U.S. have had federal rental housing programs since the thirties and forties. These evolved through the fifties and sixties with a well-defined emphasis on assisting rental housing for lower income households while, at the same time, boosting housing production.

Furthermore, both countries have seen major program reforms in the early seventies. Canada began its major overhaul with the Hellyer Task Force in the late sixties, followed by a series of federal government task forces leading to the re-write of the NHA in 1973. In the U.S., the 1973 Moratorium was the prelude to a full scale evaluation of housing policies as reported in the Housing in the Seventies Report, and the 1974 Housing and Community Development Act.

Major Similarities in Present Approaches

Canada and the U.S. both combine two facets in their rental programs. First there is the concern with providing housing assistance to lower-income households and secondly, there is the parallel concern with the overall supply of

rental housing. The first resulted in various low-income or social housing programs, while the second has given rise to an emphasis on production and incentive programs.

Provision of assisted rental housing to meet social objectives has involved the use of capital subsidies and preferential financing terms such as low interest rate mortgages with high loan/value ratios. Operating subsidies have generally been limited to public housing in Canada, whereas the U.S. has introduced broader rental assistance payments that can be used in privately owned housing. The U.S. Section 8 subsidies may be portable when an eligible family moves; Canadian subsidies are still tied to dwelling units.

Besides the programs geared specifically to low-income needs, both Canada and the U.S. have incentive programs to encourage private entrepreneurs to build and operate rental housing. In both cases they rely heavily on tax subsidies to encourage participation. The approach of insuring loans from private lenders as opposed to direct government financing is used in both countries.

Thus the approaches to both social and market rental housing in the two countries have many similarities. Two significant differences should, however, be emphasized. First, there is greater use in the U.S. of insured lending rather than direct lending in the social housing programs. Secondly, a well-defined shift has emerged in U.S. approaches to using the existing housing stock and rehabilitation rather than relying exclusively on new construction. Canadian social housing programs, on the other hand, have all been directly financed by the government to date, and although there has been some rehabilitation, the main thrust has been towards new construction.

3. PROGRAM ANALYSIS

Introduction

There is a multiplicity of legislative provisions for federal assistance to rental housing in Canada and the U.S.. While the provisions are not always directly comparable, for the purposes of simplifying this analysis, four broad types of programs have been identified. These four types and the specific programs involved are listed in Table I.

TABLE I

<u>Program Types</u>	<u>Canada</u>	<u>United States</u>
1. Public Housing	. Sections 40 and 43	. Conventional . Section 23 (leased)
2. Non-Profit and Co-operative	. Section 15.1 (non-profit) . Section 34.18 (co-operative)	. Section 221 (d) (3) . Section 236 . Section 202
3. Assisted Private Rental	. Section 15 (limited-dividend) . Section 14.1 ARP	. Section 221 (d) (4) . Section 236 . Section 231
4. Rent Supplements	. Section 44(1) (a) and (b)	. Section 101 . Section 8

In order to avoid lengthy program descriptions in the text, detailed program-by-program factsheets form appendices to the report. The major features of the programs in Canada and the U.S. are summarized in Tables II and III respectively. These should be read in conjunction with the following program descriptions.

3.1 PROGRAM DESCRIPTION

A. CANADIAN PROGRAMS

* Public Housing Programs

The federal government provides funds for public housing under two different mechanisms. The original (Section 40) program provides 75 per cent of the capital federally, the balance being financed provincially. The operating losses of the projects are shared on the same 75:25 ratio. The alternative terms (Sections 43 and 44) provide for a 50 per cent federal contribution toward operating subsidies and 90 per cent federal loans. Under both methods, loans are made for extended amortization (up to 50 years) and the interest rates are set according to the rate at which CMHC borrows the money from the federal treasury plus a margin for loan administration. In practice, there is little difference between the housing provided under these different terms.

The clientele served is also basically the same under both programs, and the rents charged are assessed similarly as a function of income. The federal guideline is for a sliding scale from 16.7 per cent to 25 per cent of adjusted gross family income. Adjustments include deductions of part of the earnings of a working spouse. Rents are reduced by \$2. for each dependent child. Most of the provinces which administer and manage public housing originally adopted the federal scale but provincial variations are increasing.

The provincial agencies are also responsible for determining eligibility and allocating the units to tenants. Many use some form of point rating system that takes account of the current housing conditions and costs faced by applicants. Units are generally allocated to those in greatest need of assistance,

TABLE II - SUMMARY - CANADIAN FEDERAL FAMILY RENTAL ASSISTANCE PROGRAM

		SECTION 40	SECTION 43	SECTION 44 (1)(A)	SECTION 44 (1)(B)
PROGRAM ELEMENTS		FEDERAL-PROVINCIAL PARTNERSHIP	PUBLIC HOUSING	RENT SUPPLEMENT	RENT SUPPLEMENT
STATUS PURPOSE		. ACTIVE . direct capital and operating costs contributions to provide affordable housing for lower income households.	. ACTIVE . Direct mortgage loans for capital costs to provide affordable housing for low income households.	. ACTIVE . To assist low income tenants to acquire suitable housing.	. ACTIVE . To assist low income tenants to acquire suitable housing.
Eligibility	. Sponsor	. Provincial governments and public housing agencies.	. Provincial or municipal governments and public housing agencies.	. Province, municipality or public housing agency operating a public housing project.	. Non-profit/cooperative housing organization, designated by province, operating a "public housing" project.
	. Occupant	. Lower income household in need.	. Lower income household in need.	. Any qualified lower income household.	. Any qualified lower income household.
Assistance	. Basic	. Federal government contribution of 75% of capital costs; 25% is borne by province who may require municipality to participate in their share.	. 90% low interest, long-term mortgage loan for capital costs;	. 50% federal contribution towards operating costs (rent subsidy) for project life. The province provides the other 50%.	. 50% federal contribution towards operating costs for agreed period up to a maximum of 50 years.
	. Other	. Annual operating deficits borne on a 75 federal - 25 provincial (or Provincial-Municipal) basis.	. Federal government assumes 50% of annual operating losses.	. None	. None
RELATED FEDERAL PROGRAMS		. None	. Section 42: 90% low interest mortgage loan for capital cost of acquiring and servicing land for public housing. Term is 50 years if land is leased, and 25 years in all other circumstances.	. Section 43. Public housing. . Private rental projects (block leasing of 25% of units)	. Co-operative Housing Assistance - Section 34.18. . Non-Profit Housing Assistance - Section 15.1. . Entrepreneurial Low Rental-Housing - Section 15.

SECTION 15.1 NON-PROFIT HOUSING ASSISTANCE	SECTION 34.18 CO-OPERATIVE HOUSING ASSISTANCE	SECTION 15 ENTREPRENEUR LOW RENTAL HOUSING	SECTION 14.1 ASSISTED RENTAL PROGRAM
<ul style="list-style-type: none"> . ACTIVE . Direct capital cost loan assistance to non-profit groups to increase the supply of low-rental housing. 	<ul style="list-style-type: none"> . ACTIVE . Direct capital cost loans for development of co-operative family (or special group) projects. 	<ul style="list-style-type: none"> . NOT ACTIVE . Direct loan to encourage private entrepreneurs to provide low-rental housing. 	<ul style="list-style-type: none"> . ACTIVE . Direct or insured mortgage and subsidization of economic rent to bring charges down to marketable levels.
<ul style="list-style-type: none"> . Any community or provincial/municipal non-profit housing agency. 	<ul style="list-style-type: none"> . Any co-operative housing organization. 	<ul style="list-style-type: none"> . Any entrepreneur wishing to build low rental housing. 	<ul style="list-style-type: none"> . Any private entrepreneur building rental housing.
<ul style="list-style-type: none"> . Any moderate to low income household. 	<ul style="list-style-type: none"> . Any household which is a member of the co-operative. 	<ul style="list-style-type: none"> . No restrictions on households. 	<ul style="list-style-type: none"> . No restrictions.
<ul style="list-style-type: none"> . Community or municipal non-profit organization - 100% CMHC lending value of project; provincial 	<ul style="list-style-type: none"> . 100% mortgage loan based on CMHC lending value of project. 	<ul style="list-style-type: none"> . 95% mortgage on CMHC leading value of project. 	<ul style="list-style-type: none"> . CMHC DIRECT: 90% 1st mortgage loan at low interest rate amortized up to a maximum of 35 years with a 5 year rollover.
<ul style="list-style-type: none"> . Low interest rates, up to 50 years terms. 	<ul style="list-style-type: none"> . up to 50 year term 	<ul style="list-style-type: none"> . up to 50 year term. 	<ul style="list-style-type: none"> . PRIVATELY FUNDED: 90% 1st mortgage from approved lender insured by CMHC, at market interest rate; minimum term 5 years.
<ul style="list-style-type: none"> . Community groups only: . \$10,000 start-up funding. . 10% forgiveness on Repayable loan or ground rent subsidy through land lease arrangement; . Interest reducing grant. 	<ul style="list-style-type: none"> . \$10,000 start-up funding. . 10% forgiveness on repayable loan or ground rent subsidy through land lease arrangement. . Interest reducing grant. 	<ul style="list-style-type: none"> . None 	<ul style="list-style-type: none"> . CMHC 2nd Mortgage. . Max. of \$1,200 per unit per annum, decreased by one-tenth of original amount annually. . 10-15 year Interest free loan. . up to 10% guaranteed return on investment. . Access to Capital Cost Allowance provision of Income Tax Act.
<ul style="list-style-type: none"> . Section 44(1)(B) Rent Supplement . Community Resource Organization Programme. . Residential Rehabilitation Assistance Programme, if project is 10A Neighbourhood Improvement Programme area. 	<ul style="list-style-type: none"> . Section 44(1)(B) Rent Supplement. . Section 34.9 Contributions or ban towards payment of 1st mortgage or project's municipal taxes. . Community Resource Organization Programme. . If non-profit cooperative, then also eligible for all forms of 	<ul style="list-style-type: none"> . Replaced by Assisted Rental Programme. 	<ul style="list-style-type: none"> . Capital Cost Allowance under Income Tax Act.

namely the working poor, social assistance (welfare) families and pensioners. Some efforts have been made to diversify the income profiles by making rents more attractive to higher income clients. For instance, with a ceiling at local market rents rather than 25 per cent of income, some "higher" income families may stay in public housing. To date, however, few have.

*** Non-Profit and Co-operative Programs**

Non-profit and co-operative housing sponsors are eligible for the same assistance. The federal agency provides 100 per cent of the capital funds required, a 10 per cent capital grant and an interest write-down to a prescribed rate (currently 8 per cent). Loans are long term, up to 50 years.

Since introduction of these terms, there has been some diversification in the type of sponsors participating. Traditionally, projects were sponsored by church and service groups, serving mainly the elderly. In the last few years there has been more activity by local community groups and municipalities. Federal funds are also available for group organization (start-up grants) and for the establishment of resource groups under the Community Resource Organization Program to provide needed services to individual sponsor groups. Recently, provincial governments have expressed interest in establishing non-profit corporations and some municipalities have already done so.

Many clients served through these programs have moderate incomes because the federal assistance provided is insufficient to bring rents within reach of the lowest income families. In order to make some units available to low

income clients, rent supplements may also be applied through Section 44 (l) (b) subject to provincial participation. These will be outlined below in the rent supplement discussion.

*** Assisted Private Rental Programs**

Canada's first low rental housing program was the limited dividend program introduced in 1938. Originally this was funded by a joint federal/private loan, but this was changed to a direct federal loan in 1954. Although Section 15 legislation still exists, there is currently no activity as entrepreneurs are using the ARP provisions.

Section 15 provided 95 per cent federal loans at preferential interest rates over 50 years. Up to the late sixties, the program generated considerable low to moderate rental housing. As interest rates rose, however, it became difficult in most market areas to produce competitive rentals.

In 1975, the federal government introduced a new assisted private rental program to stimulate rental housing production.

The current Assisted Rental Program arrangements provide a federal interest-free loan of up to \$1,200 per unit in the first year which decreases by one-tenth each subsequent year. The interest-free period is up to 15 years. The Capital Cost Allowances of the Income Tax Act provide substantial additional assistance in making this program attractive, although the costs are not direct program items.

Participants in ARP have tended to be the same type of sponsors as those in the L. D. program. The program appeals to small investors such as doctors or lawyers looking for tax shelters. Much of the funding is channelled through Multi-Unit Residential Buildings (MURB's).

ARP is designed to produce modest cost housing and to reduce supply shortages. There are no restrictions as to clientele and it appears that the program serves middle income households.

Since the intent of the limited dividend program was to provide low rent units, ~~L. D.~~ developers were bound by rental agreements with CMHC that required approval of all rent increases. ARP is viewed as a program to stimulate production and rent levels are free to adjust to market levels.

*** Rent Supplement Programs**

Rent supplements are available on a variety of units in Canada through the Section 44 provisions. Section 44 (1) (a) provides rent subsidies for the public housing built under Section 43 (discussed above) and on privately owned, block-leased units. Section 44 (1) (b) provides the same subsidies to non-profits, co-ops and some limited dividend sponsors.

These rent supplements are all tied to specific units as negotiated through provincial housing agencies. The selection of eligible clients is handled directly by the provincial agencies for Section 44 (1) (a) and mostly by the sponsors for Section 44 (1) (b). The same general guidelines apply to eligibility as for public housing and the rents are based on the same rent-to-income scale.

When supplements were made available to non-profit sponsors, a federal guideline was established that only a portion of the units in a project would be eligible for assistance. Subsequent changes have made all units in senior citizen projects eligible for supplement, but only 25% of units in family projects. Some exceptions are made for family projects such as small projects or scattered houses, low income in-situ tenants in acquisition schemes, or those projects located in low income areas. As a result of these exceptions, the number of rent supplements in family non-profits, especially in the case of municipal projects, has increased.

(For more detail on any of these programs the reader is referred to Appendix I).

B. THE UNITED STATES PROGRAMS

*** Public Housing Programs**

Two basic mechanisms have been used to create public housing stock. Under the conventional program, local public housing agencies either planned and built projects themselves, or acquired ready-built projects from developers (turnkey approach). Section 23 allowed PHA's to lease units in private projects. This approach was ended in 1973 and replaced by Section 8 rent supplements.

The target clientele of public housing is low-income households. Eligibility criteria are determined locally and program administration is the responsibility of the public housing agencies established by local governments. There has been some difficulty in delivery of the program where local governments

TABLE III - SUMMARY U.S. FEDERAL FAMILY RENTAL ASSISTANCE PROGRAMS

PROGRAM ELEMENTS		SECTION 202	SECTION 231	SECTION 236
Eligibility	STATUS	<ul style="list-style-type: none"> ACTIVE Direct loans to provide housing and related facilities for the elderly or handicapped. 	<ul style="list-style-type: none"> ACTIVE Mortgage insurance to facilitate financing of rental housing for the elderly or handicapped. 	<ul style="list-style-type: none"> INACTIVE Mortgage insurance, interest reduction and operations subs to reduce rents for lower-income households.
	• Sponsor	<ul style="list-style-type: none"> private non-profits 	<ul style="list-style-type: none"> investors, builders, developers, public bodies and non-profits 	<ul style="list-style-type: none"> non-profit, limited-dividend or co-op organizations, or private builders who sell to above
	• Occupant	<ul style="list-style-type: none"> households of one or more, the head of which is at least 62 years old or is handicapped 	<ul style="list-style-type: none"> persons at least 62 years old or handicapped 	<ul style="list-style-type: none"> families falling within (turn-key) locally established income limits (not exceeding 35% of upper limit).
Assistance	• Basic	<ul style="list-style-type: none"> long-term (up to 40 yrs) loans at current interest rate paid by Federal government 	<ul style="list-style-type: none"> loans for up to 40 years, 100% of estimated replacement cost for non-profit mortgagors and 90% for profit mortgagors. 	<ul style="list-style-type: none"> interest rate subsidy from mark down to 1% loans for 100% of value for up to 40 years
	• Other			<ul style="list-style-type: none"> tax and utility subsidies "deep subsidies" for eligible low income households tax shelters for profit mortgagors
RELATED PROGRAMS		<ul style="list-style-type: none"> Section 8 subsidies for occupants Section 106 (B) - interest free loans for up to 80% of pre-construction costs. 	<ul style="list-style-type: none"> Section 8 	<ul style="list-style-type: none"> rent supplement assistance, formerly under Section 01. commitments

SECTION 221 (D)(3) and (4)	PUBLIC HOUSING	SECTION 23	SECTION 101	SECTION 8
<ul style="list-style-type: none"> . ACTIVE . Mortgage insurance to finance rental or co-op, multifamily housing for low and moderate-income households. 	<ul style="list-style-type: none"> . ACTIVE . Aid to local public housing agencies to provide decent shelter for low-income residents at rents they can afford. 	<ul style="list-style-type: none"> . INACTIVE . Federal payments to assist lower-income families afford decent housing in the private market. 		
<ul style="list-style-type: none"> . (D)(3) for public agencies, non-profits, limited-dividends, co-ops or builders who sell to these . (D)(4) for profit mortgagors 	<ul style="list-style-type: none"> . local housing agencies established by local governments in accord with State law 		<ul style="list-style-type: none"> . Sec. 101 for sponsors with insured mortgages under Sections 221 (d)(3), 231, 236 and 202 . Sec. 8 for private owners, profit-motivated, non-profits, co-ops, public housing agencies or state housing finance agencies. 	
<ul style="list-style-type: none"> . no income restrictions except for those receiving supplements 	<ul style="list-style-type: none"> . families who fall within locally-established income limits 		<ul style="list-style-type: none"> . Sec. 101 for low-income households eligible for public housing . Sec. 8 for households with incomes of up to 80% of area medium income 	
<ul style="list-style-type: none"> . loans for up to 40 years, 100% of replacement cost for (D)(3) sponsors and 90% for (D)(4) sponsors 	<ul style="list-style-type: none"> . annual contributions contracts to cover <ul style="list-style-type: none"> i) the amortization costs to finance the development or purchase (turnkey) of projects ii) the leasing costs of decent, private housing (Sec. 23) iii) the increased capital amount to modernize public housing projects 		<ul style="list-style-type: none"> . Sec. 101 payments for a maximum term of 40 years to make up the difference between 25% of household's adjusted income and the fair market rent determined by HUD 	
<ul style="list-style-type: none"> . formerly (D)(3) sponsors could apply for interest rate subsidy down to 3% . 10% profit risk allowance in (D)(4), also tax shelters 	<ul style="list-style-type: none"> . operating subsidies to help pay grants-in-lieu and utilities in projects owned by LHA's 		<ul style="list-style-type: none"> . Section 8 payments to private owners of new projects and to public housing agencies for existing housing to make up the difference between what the household can afford (no more than 25% of adjusted income and fair market rent for an adequate housing unit) 	
<ul style="list-style-type: none"> . formerly Section 101 supplements were used most extensively with (D)(3) market rate program . Section 8 	<ul style="list-style-type: none"> . Section 23 contracts superseded by Section 8 		<ul style="list-style-type: none"> . Section 101 was used primarily with Section 236 and Section 221 (D)(3) market interest rate projects. These contracts have been superseded by Section 8 control or Section 236 "deep subsidies" 	

have been reluctant to establish such bodies or act on their plans. Several states and a few local governments have their own public housing programs, for construction, acquisition and improvements. Capital financing is always provided through the sale of local, tax-exempt bonds guaranteed by the federal government. This guarantee is in the form of an annual contributions contract (ACC) between HUD and the PHA by which HUD repays the debt on the bond issue. Currently, the ACC's are being utilized in three ways. First, is the conventional development or acquisition of new construction projects. Second is the modernization program for making improvements (not repairs) to the original design and construction of existing projects. In this instance, HUD merely increases the amount of the ACC to cover the costs of the bonds issued to finance improvements. Third, HUD will give PHA's contracts for "troubled projects" taken over by PHA's.

The Brooke amendments specified that tenants should pay no more than 25 per cent of their incomes for rents in public housing. To cover increasing operating deficits, additional subsidy allocations were voted to bring the original \$120 per unit subsidy to current levels of approximately \$500 per year. The actual amount of subsidy provided is based on performance funding criteria introduced about two years ago. These tied subsidies to the efficiency of PHA operation including consideration of such items as the type and age of stock, tenant incomes, operating cost levels and so on in a PHA's portfolio of units. In addition, to avoid subsidising PHA's which set low ceiling rents, PHA'S must collect at least 20 per cent of tenant incomes in rent from all projects within their areas.

*** Non-Profit and Co-operative Housing Programs**

Non-profit and co-operative housing have been provided under Sections 236 and 221 (d) (3), both of which are now inactive.

These programs were mortgage insurance programs with interest subsidies. Section 236 provided interest subsidies down to 1 per cent from market rates, while 221 (d) (3) provided subsidies down to 3 per cent interest rates. Both provided for 100% loans for up to 40 years.

HUD provides special assistance to non-profits for housing the elderly and the handicapped through Section 202. This provides 100 per cent loans for up to 40 years for non-profit sponsors or 90 per cent loans for limited-profit mortgagors. Currently, the interest rate is the federal borrowing rate plus a margin for loan administration. Section 8 rent supplements are now available for the residents of these projects. The Section 202 program is still active.

Sections 236 and 221 (d) (3) were intended to provide rental housing for low and moderate income households. In Section 236, the income ceiling was set at 135 per cent of the local public housing limit. Rent supplements under Section 101 were available in 236 and 221 (d) (3) projects. As an option, deep subsidies, called "rental housing assistance" were made available to cover costs above 25 per cent of tenant income. These were the first non-public housing projects to receive direct subsidies and rent supplements. Currently, Section 8 supplements are available in addition to deep subsidies or Section 101 supplements for up to 40 per cent of units in a project (or up to 100 per cent with special waiver).

Even with these subsidies, many projects have experienced financial difficulties. Defaulting projects returning to HUD may now be turned over to local PHA's as discussed above. In 1979, direct operating subsidies have been set aside for troubled projects.

*** Assisted Private Rental Programs**

Private developers were encouraged to produce rental housing through Section 236 by building under turnkey for transfer to non-profit or limited dividend companies and under Section 221 (d) (4). The financial terms under 236 were basically the same as for non-profit sponsors (interest subsidies down to 1 per cent) while Section 221 (d) (4) entrepreneurs had to make a 10 per cent equity contribution. In Section 221 (d) (4), there was a 10 per cent profit allowance. Both programs achieved high production rates largely because of the considerable tax subsidies available.

HUD provides insured loans for housing the elderly and handicapped through Section 231. The loan terms are the same as in the Section 202 program, and Section 8 rent supplements are available. This program is available but largely inactive.

With these programs there have been many cases of financial difficulties resulting in the turn-over of projects. The troubled projects financing, both for turnover to PHA's and for operating subsidies, will also be available to these projects.

* **Rent Supplement Programs**

Rent supplements were first provided under Section 101. They were applicable mainly to units in Section 236 and Section 221 (d) (3) below-market projects, but also to those in Sections 231, 202 and 221 (d) (3) market rate projects. There were several restrictions on the Section 101 program; for example, projects had to be approved as part of a "workable program" for community improvement and approved by local governments. Non-profit sponsors had to receive certification of eligibility from the FHA prior to the submission of a formal application. Furthermore, the owner had to obtain HUD approval before implementing rent increases.

Client eligibility was the same as that established for public housing projects and assistance was withdrawn when household incomes exceeded the upper limit. The amount of supplement was the difference between 25 per cent of adjusted household income and the fair market rent as determined by HUD.

Section 8 represents the most comprehensive reform of rent supplement legislation in North America. It provides for rent supplements in all types of housing and attempts to promote an income mix in existing housing and newly constructed projects. Private owners, non-profits and co-ops, public housing agencies or state finance agencies are eligible for Section 8 assistance. The number of units under contract in an area depends on both the need identified in the LHAP and federal resources available under the fair share allocation. Income guidelines were established on a nation-wide basis, but using area medians to take into account variations in local incomes. Household incomes cannot exceed 80 per cent of area median and at least 30 per cent of households

assisted in a project must have incomes of 50 per cent or less of the area median. Rents must fall within limits of "fair market rents" as established by HUD for each county and Metropolitan area. Preference was to be given to projects in which 20 per cent or fewer of the units are assisted (except for special purpose elderly and handicapped projects).

Delivery of the program varies for new and existing projects. The local housing agency is responsible for administration of the existing housing contracts. They must certify eligible households from among those either responding to advertisements or on public housing waiting lists. Also, they review the individual leases, inspect units bi-annually and re-certify incomes annually.

HUD area offices are responsible for most of the program delivery and administration of new construction components, but some state housing finance agencies are also given fund allocations. There have been some major changes in delivery because of difficulties in obtaining private financing for projects. It was originally intended that FHA insured programs would serve as the primary mechanism for production of new Section 8 units. The lending terms have not proved attractive in some regions. Where FHA programs are used, direct HUD administration of Section 8 has placed considerable burdens on staff. As an alternative, in some areas PHA's are establishing non-profit finance agencies authorized to issue tax-exempt bonds. This mechanism is attractive to investors because their interest from bonds is tax-exempt, and appeals to developers because there is less administrative paperwork with bonds compared with insured mortgages.

Sponsors of projects are selected from those responding to advertisements placed by HUD. Whichever mechanism is used, the Section 8 contract is pledged as security. This has meant that most sponsors request that 100 per cent of units receive assistance.

3.2 SCOPE AND LEVELS OF ACTIVITY IN FEDERAL RENTAL PROGRAMS

Before discussing the similarities of these programs in Canada and the U.S., the relative scope of activity under the legislative provisions is outlined. The different financing and budgetary arrangements used in each country present some difficulties in providing directly comparable figures. However, for each jurisdiction it is possible to indicate the magnitude of federal commitment to the programs.

A. Canadian Programs

Provision of rental units under the Canadian programs up to the end of 1977 has totalled over 450,000 units. The bulk of these units are in public housing (approximately 172,000 units) and assisted private rental (103,900 limited dividend units and about 100,000 ARP privately-financed units). Non-profit and co-op programs have produced about 47,000 units, plus some 52,000 hostel beds. Rent supplements through Section 44 (1) (b) are currently applied to about 19,000 units of these non-profit and co-op units. In addition, about 13,000 units are supplemented through Section 44 (1) (a) (See Table IV).

Table IV

**Total Units of Federally-Assisted
Rental Housing in Canada, 1977**

Public Housing Programs²

Section 40	32,231
Section 43	<u>139,798</u>

Sub-Total 172,029

Non-Profit and Cooperative Programs¹

Section 15.1 (non-Profit)	41,261
Section 34.18 (Co-op)	<u>6,159</u>

Sub-Total 47,420

Assisted Private Rental Programs²

Section 15 (Limited-Dividend)	103,924
Section 14.1 (ARP)	
Direct CMHC	396
Insured	<u>104,735</u>

Sub-Total 209,055

Rent Supplement Programs

Section 44(1) (a)	13,000 ³
Section 44(1) (b)	<u>10,000³</u>

Sub-Total 23,000

1. In addition, 52,331 hostel beds have been provided with Section 15.1 loans.

2. Figures refer to units eligible for rent supplements.

Source: Figures are derived from 1977 CHS. Except under rent supplement programs, numbers of units refer to committed units obtained from Social Housing Division, CMHC.

In Canada over the last five years, an average of 40 per cent of all new housing has been produced with some form of federal NHA support. This figure includes both the direct lending activity and the NHA insured mortgages.

In 1975, 61.3 per cent of the capital budget for housing was spent in the federal rental housing programs discussed above. The major item was Section 43 public housing. Limited dividend and non-profit housing received the next largest capital assistance.

In 1976, the capital budget for housing was reduced by about 16 per cent but the proportion spent in rental housing programs rose to 79.9 per cent. Section 43 public housing and non-profit rental programs were the dominant programs followed by ARP. No new units of limited dividend housing were approved but minor capital expenditures were made on existing units.

In 1977, the capital budget for housing was reduced by a further 15.2 per cent and the proportion spent on rental housing programs stayed approximately the same. In this year, ARP was the single largest capital item absorbing 43.0 per cent of all rental commitments. It took the form of interest-free second mortgage loans attached to private first mortgages. Non-profits and section 43 public housing were next in importance, followed by co-ops and Section 40 public housing.

Fig 1

TABLE V FEDERAL CAPITAL COMMITMENTS ON N.H.A. PROGRAM¹
Canada, 1975-1977

YEAR		1975		1976		1977	
CAPITAL EXPENDITURE		\$	%	\$	%	\$	%
PROGRAM		Million	Total	Million		Million	
Sect. 40	Fed./Prov. Public Housing	64.6	8.1	52.9	6.0	45.6	6.1
43	Public Housing	296.2	37.1	350.4	39.9	153.4	20.6
15.1	Non-Profit	159.0	19.9	288.0	32.8	157.4	21.1
34.18	Co-operative	44.1	5.5	40.3	4.6	62.8	8.4
15	Entrepreneur	235.2	29.4	9.2	1.1	5.6	0.8
14.1	Assisted Rental	2.		0.7	0.1	0.5	0.1
	Direct						
	Private	2.		136.7	15.6	320.3	43.0
1. Program Total		799.1	100%	878.2	100%	745.6	100%
2. Total N.H.A. Housing Programs		1,303.1		1,099.2		932.1	
3. Rental Commitments as Percentage of Total NHA Housing Program			61.3%		79.9%		80.0%

Source: Corporate Planning Division, CMHC.

1. The figures in this table are from CMHC's capital budget which does not include any capital subsidies. Figures include commitments for both family and senior citizen units.
2. In 1975 the ARP subsidy was in the form of capital grants amounting to \$46.9 million for the private program. Then, in 1976 assistance was converted to interest-free loans and, thus, are included here.

Although there has been no substantial change in the over-all level of capital commitments to Canadian rental housing programs, there have been major changes in the disposition of funds among the programs. This is illustrated in Table V and Figure 1.

Another way of assessing the activity under these programs is by the numbers of units approved. Approvals are the most readily available data and directly correspond to the capital budget dollars discussed above. (Table VI and Figure 2).

Rental housing programs comprised 72 per cent of all federally assisted units approved in 1975. The largest single program was ARP (not capially financed) accounting for 41.4 per cent of units approved. Public housing (Section 43) was the second largest program with 24.4 per cent. Non-profits and co-ops combined accounted for about 12.2 per cent of units approved.

In 1976, the number of federally-assisted units increased by 5 per cent. However, rental approvals declined by 7 per cent. The numbers of ARP units rose by 5.3 per cent filling the gap left by the Section 15-Limited Dividend Program. Production at non-profit and public housing units increased somewhat.

In 1977 there was a substantial increase in the volume of units approved, largely attributable to high demand for the ARP funds. In this year 75,034 units were approved, an increase of 53 per cent over the previous year. The overwhelming program in terms of numbers of units was ARP with 79.9 per cent

Fig 2

TABLE VI PROGRAM PERFORMANCE: FEDERAL RENTAL PROGRAM¹
HOUSING APPROVALS, 1975-1977, Canada

YEAR		1975		1976		1977	
PROGRAM		Units	%	Units	%	Units	%
Sect. 40	Fed./Prov. Public Housing	1,490	2.8	2,259	4.6	2,063	2.7
43	Public Housing	12,814	24.4	13,338	27.3	5,484	7.3
15.1	Non-Profit	4,948	9.4	8,662	17.7	5,659	7.5
34.18	Co-operative	1,487	2.8	1,561	3.2	1,703	2.3
15	Entrepreneur	10,075	19.2	2	Nil	Nil	Nil
14.1	Assisted Rental	Nil	Nil	239	0.5	139	0.2
	Direct						
	Private	21,792	41.4	22,863	46.7	59,986	79.9
1. Total Rental Approvals		52,606	100%	48,924	100%	75,034	100%
2. Total Federally Assisted Housing Approvals ²		72,958		76,622		109,637	
3. Rental Approvals as a Percentage of Total Federally Assisted Housing Approvals			72.1%		63.9%		68.4%

Source: Corporate Planning Division, CMHC

1. These figures include both family and senior citizen units.

2. Not including Section 44(1)(a) units.

of all approvals for rental housing programs. Other programs were minor in comparison.

Over these years then, a major portion of the federal capital budget has been spent on rental housing programs. However, production levels under the social housing programs, especially public housing and non-profits declined significantly in the last year.

These capital figures show only part of the federal housing picture in Canada. A large portion of the federally assisted rental housing provided over the last three decades also received annual subsidies. The major operating subsidies go to public housing. With over 170,000 public housing units in Canada, the federal operating subsidies currently amount to around \$200 million. In addition there are subsidies via the rent supplement arrangements. Rent supplements for units under Section 44 (1) (a) for Limited Dividend and private rental leased units amount to roughly \$10 million federally a year; rent supplements for non-profit and co-op units under Section 44 (1) (b) are estimated to amount to about \$10 million at present.

There are other capital subsidies under the non-profit and co-op programs which currently cost about \$30 million annually. ARP capital subsidies, in the form of grants to developers of privately financed units, amounted to \$46.9 million in 1975. In 1976 this federal assistance was changed to interest-free second mortgages which are treated as a capital item at the time of mortgage commitment.

Overall, the budgetary subsidy levels associated with the rental programs in Canada are costing around \$261 million in 1977, the bulk being for the stock of public housing.

B. The United States Programs

Most activity in U.S. programs is financed indirectly through insured loans and bond issues. HUD's budget provides the subsidies and assistance. HUD budgets make provision for two phases, the production and management phases. HUD is authorized by Congress to provide a specific number of units (unit reservations) at a maximum annual subsidy (contract authority). The cumulative subsidies over the life of these contracts is the total budget authority. Levels of activity in any fiscal year are given by the use of unit reservations and contract authority. In the management phase, program outlays are made each year for eligible units. These outlays represent the dollars disbursed by the Treasury during the fiscal year to liquidate the contract authority. In the budgetting process, appropriations are set aside each year to serve this purpose. Spending for HUD programs is thus given by the program outlays. These outlays cover all existing units plus any additional unit reserved that became eligible in that year.

Table VII summarizes program activity and outlays on rental programs accumulated to 1976, actual fiscal 1977 and estimated fiscal 1978. Footnotes to this table explain the terminology in more detail.

In 1977, approximately 45 per cent of HUD's spending (outlays) were attributable to rental housing assistance programs (including public housing operating subsidies). These outlays equalled \$2.8 billion out of total outlays of \$6.1 billion. Estimates for 1978 are for \$3.6 billion in outlays on rental programs. These figures include only direct subsidies. Not included are outlays for Section 202 direct loans which totalled \$3.9 million in 1977 and are estimated to reach \$335. million in fiscal '78.

In 1977, 2.4 million units were covered by these outlays. As in Canada, the major spending item was public housing. Outlays for public housing are made in two forms. Contributions for amortization payments amount to over a billion dollars, while operating subsidies are in excess of half a million dollars. In FY 1978, provisions were made for direct loans to build or acquire public housing up to \$12. million. The modernization program for existing public housing is financed through the bond mechanism with federal contributions contracts to retire the debt. In 1977, \$347 million were provided for these contributions.

Rental housing assistance for Section 236 projects is the second major item. With over half a million units eligible, 23 per cent of all subsidised units, HUD spent \$585 million in 1977. Rent supplements make up the balance of the budget. Section 8 supplements were applied to nearly half a million units in 1977, with an anticipated increase to 655,000 units in 1978. These supplements account for about 19 per cent of rental units assisted by HUD programs at a cost of \$367.2 million in 1977. The outlays are expected to increase to \$876. million in 1978. The former Section 101 supplements are still paid out for 179,908 units at a cost of \$251.2 million in 1977. Section 101 provides about 8 per cent of the subsidised units.

TABLE VII
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
ASSISTED HOUSING PROGRAMS

UNIT RESERVATIONS AND USE OF CONTRACT AUTHORITY — UNITS ELIGIBLE FOR PAYMENT AND PROGRAM OUTLAYS
(Dollars in Millions)

SUBSIDY PROGRAM:	UNIT RESERVATIONS AND USE OF CONTRACT AUTHORITY						UNITS ELIGIBLE FOR PAYMENT AND PROGRAM OUTLAYS					
	CUMULATIVE 9/30/76	ACTUAL FY 1977	ESTIMATED FY 1978	CUMULATIVE 9/30/76	ACTUAL FY 1977	ESTIMATED FY 1978	CUMULATIVE 9/30/76	ACTUAL FY 1977	ESTIMATED FY 1978	CUMULATIVE 9/30/76	ACTUAL FY 1977	ESTIMATED FY 1978
	UNITS	CA	UNITS	CA	UNITS	CA	UNITS	OUTLAYS	UNITS	OUTLAYS	UNITS	OUTLAYS
Section 8	582,701	\$1,485.8	330,977	\$1,047.1	313,870	\$1,003.0	273,266	\$75.0	459,568	\$367.2	655,000	\$876.0
Public Housing	1,270,000	1,293.4	57,436	145.0	66,370	251.8	1,172,000	7,916.0	1,174,000	1,073.9	1,164,000	1,130.0
Operating Subsidies for Public Housing	NA	2,168.9	NA	595.6	NA	685.0	NA	1,842.6	NA	522.3	NA	685.0
Section 236	569,885	664.8	-1,173 a/	\$ 0.6	4,200	18.7	447,126	1,572.3	543,360	585.0	545,000	601.0
Rent Supplement (Section 101)	206,068	292.4	-7,005 a/	11.0	...	30.6	174,339	823.8	179,908	251.2	179,000	281.8
LOAN PROGRAM b/												
Section 202 Revised .	(29,587)	746.4	(24,791)	849.6	(23,600)	750.0	(...)	428.6	(...)	3.9	(1,500)	335.0

a/ Represents cancellations of previous commitments (reservations). Many of these were converted to assistance under the Section 8 program.

b/ Units reserved under the Section 202 Housing for the Elderly or Handicapped loan program are also required to receive subsidy assistance under the Section 8 program. To avoid double counting, the 202 units are included as a non-add item. Outlays represent net construction loans made less repayments on outstanding loans.

ASSISTED HOUSING PROGRAMS — UNIT RESERVATIONS, USE OF CONTRACT AUTHORITY, UNITS ELIGIBLE AND OUTLAYS

PRODUCTION PHASE — Unit Reservations and Use of Contract Authority:

Unit Reservation activity and use of contract authority represent the contractual agreement by the Federal government to provide some specific level of subsidy assistance on units which are either planned for construction, rehabilitation, or on existing dwelling units which meet minimum federal housing code requirements.

For the assisted housing programs included on the table, the production phase includes: (1) Identification of the number of dwelling units either planned for construction, rehabilitation, or existing housing planned for subsidy (unit reservation); (2) Determination of the maximum annual subsidy to be provided for each unit (contract authority); and (3) Determination of maximum number of years for which the unit in question will be eligible or maximum subsidy run out (budget authority). The calculation is determined as follows:

	UNIT RESERVATION (Dwelling Unit)	MAXIMUM ANNUAL SUBSIDY (Contract Authority)	YEARS OF CONTRACT (Term)	MAXIMUM SUBSIDY RUN-OUT (Budget Authority)
Units Committed for assistance	1	\$2,200	x 15 years	= \$33,000

MANAGEMENT PHASE — Units Eligible for Payment and Program Outlays:

Following completion of construction or rehabilitation of the dwelling units reserved for subsidy or the identification of the existing dwelling units available for participation in the particular housing subsidy program the unit is classified as "eligible for payment". Units within this category represent both units occupied by eligible households and units which are expected to achieve occupancy within a short period.

At this particular stage, an appropriation is required to liquidate a portion of the maximum subsidy run-out (budget authority) commitment entered into during the production phase. This liquidation of the subsidy run-out occurs for the programs on the table (excluding the Public Housing Operating Subsidy Program) under the "Housing Payments" account (See pp. H-9-11, 1979 Press Book). The appropriation to liquidate represents the estimated amount of cash which might be expected to be paid out against the maximum subsidy run-out in a particular year. Based upon the example above, the liquidation occurs as follows:

MAXIMUM SUBSIDY RUN-OUT	APPROPRIATION TO LIQUIDATE	MAXIMUM SUBSIDY RUN-OUT (End of Year)
\$33,000	-\$2,200	\$30,800

Outlays represent that portion of the appropriation to liquidate (\$2,200) which are actually disbursed by the U.S. Treasury during a particular year.

Source: Office of Budget, H.U.D., Washington, D.C.

Section 8 and formerly Section 101 supplements are available to rental units financed through Sections 221(d) and 231 insured programs. The numbers of units and costs of subsidies are included in Table VI. Activity under these provisions up to 1977 was as follows: 134,845 units under Section 221(d) (3) Market Rate, 172,935 units under Section 221(d) (3) Below Market Rate, 297,375 units under Section 221(d) (4), and 54,606 units under Section 231.

In summary, the rental assistance programs in the U.S. covered about 2.4 million units in 1977 at a cost of \$2.8 billion, half of HUD's total budget. About half of these are public housing projects, about 23 per cent Section 236 units and the balance rent supplements.

3.3 PROGRAM COMPARISONS

* Public Housing Programs

Public housing has by far the highest profile of federal rental housing programs in both Canada and the U.S. The purposes of public housing are similar in both countries, that is to provide adequate or decent housing to low income households at affordable rents. In both, the program is channelled through agencies other than CMHC and HUD. In Canada, public housing is built and managed by provincial and local agencies whereas the U.S. federal program is delivered through local public housing agencies. One difference is that in the U.S., some state and local governments have established and funded their own public housing programs. This has not been the case in Canada.

The target clientele for public housing is generally stated as low and moderate income households, including the elderly. However, both countries have allowed considerable flexibility in determining the income levels of eligible clients. No legislative guidelines for eligibility were provided in either federal program.

The financing of the program in Canada is different from that in the U.S. In Canada, there is direct financing and subsidies cover both amortization costs and operating deficits. The U.S. approach is to use municipal bonds with HUD making annual contributions to cover bond repayment. Gradually, however, the U.S. has increased its subsidization of operating costs, but there are no formal cost-sharing regulations such as exist in Canada.

The U.S. approach to modernization expenses is to rely on bond financing and increase the federal annual contributions to repay the bonds. Canada has no federal program to provide for modernization expenses; these are included in annual operating deficits and written off in one year.

Since the Canadian program has always allowed for cost-sharing of operating losses, clients have been charged a proportion of income rather than a rental based on costs. Clients in both countries now usually pay no more than 25 per cent of adjusted income for shelter.

*** Non-Profit and Co-operative Housing Programs**

Both Canada and the U.S. operate programs for provision of housing by non-profit and co-operative sponsors. Whereas the U.S. has separate legislative provisions for non-profit sponsorship for the elderly and the handicapped, Canadian legislation subsumes this activity in the general terms of its programs.

The major difference in the financing of these programs is that Canada provides the bulk of the capital financing for these sponsors directly, whereas most of the U.S. assistance has been in the form of insured mortgages. Both countries provide for 100 per cent financing over a long term, but the U.S. program allowed for deeper interest rate subsidies compared with Canada's programs (a low of 1 per cent compared with 8 per cent).

These programs have been aimed at a low to moderate income group. In the seventies, the need for additional assistance to enable sponsors to reach lower households has led to the provision of rent supplements in both countries.

Income limits for entry are somewhat flexible in both cases. The U.S. limit was established at 135 per cent of the local public housing limit, while in Canada, it is no more than four times the economic rent. Recently in Canada, a provision has been made that incomes may be higher so long as higher income clients are charged a rent surcharge above economic rent. The surplus revenues are intended to subsidize eligible tenants within the project.

*** Assisted Private Rental Programs**

Both Canada and the U.S. have long-standing programs to encourage private entrepreneurs to build and operate rental housing. These rely on tax shelter benefits more than direct subsidies to attract private entrepreneurs. In addition to the substantial tax benefits, investors are allowed a modest rate of return on equity, generally up to 10 per cent.

Both countries utilize private mortgage funds in these programs. Whereas CMHC provides interest-free second mortgage loans on ARP units, no capital subsidies are available in comparable U.S. programs.

Initial rent levels are set, in both cases, by agreements between the regulatory agency and entrepreneurs. In the U.S., HUD approval is required for rent increases. This requirement was applied in Canada's Limited Dividend program. In ARP, rent levels are determined by the market after the first year. CMHC, however, assesses local market rents and operating costs annually. The clients served by these programs tend to have moderate incomes unless additional rent supplements are made available. ARP is viewed as a housing production program rather than as social housing.

*** Rent Supplement Programs**

During the seventies, both Canada and the U.S. have been moving towards widely available rent supplements. American legislation, with its Section 8 provisions, has gone further than the Canadian in this regard.

U.S. legislation has authorized rent supplements since the mid-sixties. These subsidies were available to HUD insured non-profit, co-operative and limited dividend housing projects. The rent supplement was the difference between the fair market rent and 25 per cent of the client's income. This program was suspended in 1973 and existing contracts could be transferred to Section 8 during an interim period.

In Canada, federal and provincial governments agree to cost-share supplements for lower-income clients in non-profit, co-operative and limited dividend projects, or in specific private buildings. These clients pay the same rents as they would pay in public housing and the supplement makes up the difference between their contribution and the cost of their units.

Thus, Section 101 and Section 44 supplements are similar in that they are both tied to the unit and pay the difference between fair market rents and 25 per cent of tenant income.

Section 8 provisions have been made available on all types of rental units, with the specific intention of enabling lower-income clients to find suitable housing on the private market. The eligibility limits have been specified as has the client contribution to rent. Canada has no similar provisions.

*** General Overview**

The major similarities are an emphasis on new production, primarily by the private sector and the emergence of rent supplements. On the other hand, the U.S. programs have emphasized insured lending while direct lending is predominant in Canada.

With the emergence of Section 8, most capital subsidy mechanisms have been withdrawn for the time being from the U.S. programs, whereas Canada still has a variety of such subsidies available.

Both federal agencies have to deal with the difficulties of designing and implementing programs that involve other levels of government. They must constantly seek to adapt programs to meet the changing needs and concerns of all levels.

4. ISSUES AND CONCERNS IN RENTAL PROGRAMS

Introduction

Current rental programs in Canada and the U.S. evolved from responses to concerns about provisions of preceeding programs over the last four decades.

Issues can be identified at two levels. First, there are issues associated with basic approaches to rental programs or policy and, secondly, there are issues arising from operation of program instruments or administration.

Four Major Issues in Approaches to Rental Programs

***Subsidy Mechanisms:** The issue is the cost-effectiveness of mechanisms to make housing affordable to lower-income clients. In particular, the use of direct operating subsidies, as opposed to capital subsidies, or tax incentives is a major concern. This affects project and program viability and has major cost implications for the government.

***Mode of Financing:** The issue is the use of direct government capital financing as opposed to the insuring of private mortgage funds or bond financing. Whatever approach is used, program activity levels are dependent on fund availability.

***Housing Market Considerations:** The issue of relating or using rental programs as economic or market levers affects options about the mix of new construction and use of existing stock in these programs. Specifically, it relates to decisions about cost limits and targeting of programs. Variations in local market conditions present real difficulties for federal programs.

***Equity of Program Benefits:** The issue is how to provide program benefits that are equitable for the clients served and at the same time fair to all those needing assistance. Questions of equal opportunity, consumer choice, pricing policies, and income or social mix arise from decisions about benefit structures.

Three Main Issues in the Operation of Rental Housing Programs

***Program Delivery and Administration:** There are a myriad of issues related to program delivery and administration. Of paramount concern is the direct cost to federal agencies of the bureaucracy needed to deliver and administer complex programs. The staff, expertise and time required to implement some rental programs make them more inefficient vehicles than others.

***Management of Rental Projects:** The issues revolve around client satisfaction with and involvement in management of their housing. Questions are raised about the quality of management services currently available. This affects project maintenance, problems of vandalism and the quality of life in these projects.

***Federal Leverage and Control:** The jurisdictional problems associated with programs that require involvement of other levels of government have led to concerns about federal leverage and control. Some programs combine a minimum of federal leverage and control with large federal fiscal obligations.

All these issues of approach and operation of rental housing programs are inter-related. For example, questions about subsidy mechanisms and modes of financing are directly related to the issues of administration and delivery of programs. The equity of program benefits relates back to subsidy mechanisms. Jurisdictional questions relate to delivery and the role of the federal government in capital and subsidy financing. Of necessity, the following discussion of Canadian and U.S. program issues seeks some simplification in order to articulate key concerns.

A. ISSUES AND CONCERNS IN CANADIAN RENTAL PROGRAMS

Concerns about Canadian federal rental housing programs have been raised in all the areas of approach and operation identified above. Currently, the federal government is proposing fundamental changes in subsidy mechanisms and modes of financing that would have far-reaching implications for the direction of federal involvement. In this discussion, however, the focus is on the program in effect at the beginning of 1978.

Public Housing Programs

The key issues in Canadian public housing programs are:

- *high and escalating subsidies related to operating costs.
- *limited supply of units based on capital budget limitations which creates inequities in the treatment of the target group.
- *complexities in delivery and program administration related to overlapping jurisdictions, and limiting federal leverage in achieving goals.
- *high maintenance and management costs and concerns about future modernization costs of older projects coupled with pressures for more tenant participation.
- *concerns about current cost-sharing arrangements that have brought pressures from junior governments to increase federal contributions.
- *low production levels of family public housing in some areas because of local government and public opposition.

Since the federal government is not directly involved in either the delivery or management of public housing, these being the responsibilities of other governments, the principal concerns at the federal level centre on costs and leverage to achieve federal goals.

While there is no doubt that federal public housing has produced affordable housing for low-income clients, the subsidy costs are high. Initial costs to deliver and build such housing are high, and recently there has been growing concern with operating costs, especially in maintenance and up-grading of older projects. Federal concern with rising costs are reflected at provincial and municipal levels because of cost-sharing formulae. The feeling in many quarters that there is enough public housing in its traditional form of newly constructed, high-rise, high density developments. In part the shift toward rent supplements reflects this sentiment. The existing portfolio of public housing, however, still manifests many of the issues identified above.

Meanwhile, the federal government is supporting efforts to improve project management and increase tenant involvement. Provincial agencies are developing alternatives to the federal rent scale, generally in the direction of reducing operating deficits. These, however, tend to introduce inequities between regions in the federal program.

In the near future, the central issues seem to be methods of changing subsidy formulae to reduce costs, and ways of meeting the growing needs to up-grade older projects. With declining production of such housing, Canada will clearly have to look for alternatives to meeting housing supply needs.

Non-profit and Co-operative Programs

The main concern with these programs relate to their potential to deliver housing at reasonable cost. The key problems are:

- *the expense in staff time to the federal agency in assisting in-experienced sponsors through development and construction phases. In general, there is insufficient trained staff in local offices to offer adequate guidance. Federal grants to assist individual groups and foster community resource groups have not produced the desired capability in the sector.

- *the program requirement that project construction or acquisition costs produce rents competitive with market levels, coupled with difficulties of accurate cost estimating have led to cost-overruns and concerns about the viability of these programs. CMHC has recently introduced changes in the methods by which sponsors may develop projects.

- *project management, especially financial management, has caused some concern about possible failures. To-date, this has been less serious a problem in non-profits than in the limited-dividend program.

These programs were changed in 1973 to provide more federal capital assistance, but it appears that rising costs have outstripped the subsidies available and rents are often not competitive. The issue currently facing the federal agency

is how to change capital subsidies to produce a viable program. Consideration is being given to deepening interest-rate subsidies provided. The response by CMHC to difficulties in program delivery has been to encourage the involvement of provincial and municipal governments in project development and administration. Participation of municipal non-profits has been limited to a few major centres, the most notable being Toronto. On the whole, municipalities have been cautious about direct involvement in a program, which to them, includes many of the same hazards as public housing. An alternative would be more federal support for the local community resource groups. Otherwise, federal options in stimulating delivery through these programs seem to be very limited.

Assisted Private Rental Programs

The Assisted Rental Program (ARP) and the former Limited Dividend program have been very successful in generating rental housing in Canada. Some of experience with the Limited Dividend program was applied in developing ARP with the result that some problems have been avoided.

Concerns about ARP centre on the following:

- *given the success of the program in attracting private investment funds, there is concern about ways to regulate the demand for federal subsidy dollars. This concern is most pertinent in markets where vacancy rates are rising. Response to this problem to-date has been to progressively reduce the per unit federal subsidies provided.

- *the program seems to work best in suburban areas of large metropolitan areas. There is concern about how the program might be modified to make it more adaptable to different market situations.

- *whereas the costs of the program to CMHC are relatively low, there are large tax subsidies through the Capital Cost Allowance (CCA) which makes the program operational. When all these costs are considered, this program may prove more expensive than the deep subsidy programs.

*at present the program serves a middle income clientele. Questions can be raised as to how this housing could be targeted to meet social housing needs.

*as with the Limited Dividend program, there is concern about the down-stream financial viability of ARP projects. As the subsidy and CCA benefits decline over time, the incentives for project sponsors to remain effectively involved in the program diminish.

Among the Canadian programs, ARP presents the least administrative and delivery problems for the government. Also, by concentrating federal assistance in the interest-free second mortgages, the government was able to maximize its financial leverage on available capital. However, the appeal of the program is related to the minimum government control and regulation. Were CMHC to introduce tighter controls over the clients to be served or re-institute review of rent levels, some disincentives would result.

* **Rent Supplement Programs**

The extension of rent supplement benefits to housing financed through programs other than public housing was a response to the issue of providing more assisted units and broadening the client mix. Rent supplement programs, however, raise some additional concerns. The main issues relate to the program delivery and administration, especially in light of jurisdictional difficulties.

*the number of units available through rent supplements depends on the delivery of non-profit and co-op projects or the interest of private developers. These constrain program activity levels.

*the supply of units available from private sponsors tends to be uncertain; some developers may not renew contracts. In these cases, it is difficult to ensure security of tenure for clients. Since the supplements are attached to specific units, clients must depend on other subsidized units being available.

*most of the supplements have been applied to recently constructed or substantially rehabilitated units rather than existing housing stock, and as a result, subsidy costs tend to be high.

*since rent supplements are cost-shared with other governments, the implementation of the programs is subject to formal agreements among participating agencies. This aspect of the program has retarded the use of supplements, and there is concern that agreements might not be renewed.

*concerns about the control of who benefits from rent supplements arise because client approval and selection is beyond federal control. Sponsors generally control client selection. Benefits may not be targeted to those in greatest need.

*The program guidelines which limit the proportion of units eligible for supplements in any project can produce inequities where the supply of supplemented units is limited. The intent of producing income/socially mixed projects may not be working in practice.

The major issue with the present use of rent supplements is the administrative process of certifying specific units and ensuring that client benefits conform to program guidelines. The direct administration of the program is outside the control of the federal agency. The need for participation of other governments also affects the effectiveness of the program.

B. ISSUES AND CONCERNS IN U.S. RENTAL PROGRAMS

The U.S. federal agency responded to many concerns about existing housing programs in the major 1973 evaluation. Currently, concerns are beginning to be articulated about the program changes introduced at that time. Before discussing the issues arising from current activity, there is a brief review of the issues raised in 1973, many of which were similar to those raised with respect to Canadian programs.

Issues Raised in 1973 Evaluation: A Brief Review

As noted in the historical review, concerns about program efficiency and effectiveness led to the 1973 moratorium and a major evaluation of HUD programs. At that time, all of the issues about approach and operation of rental programs identified in the introduction to this section were raised, as well as many other specific program problems. Chief concerns were about public housing, Sections 221, 236 and rent supplements.

Many serious problems were identified with public housing programs. Public housing was seen to be inequitable, costly, poorly managed and beyond federal control. Since program delivery depended on local public housing agencies, HUD faced the problem of dealing with many small local housing agencies, or in some cases, the failure of local governments to respond at all. Public housing had become concentrated in urban renewal areas and inner city ghettos. There were almost no projects in suburbs where there could be racial and economic integration. Furthermore, local housing agencies were taking the most desirable tenants from waiting lists rather than serving people in greatest need.

The financing mechanisms had required ever increasing payments by HUD toward operating deficits, yet there were no incentives for the LHA's to ensure efficient management. Project management problems were critical, with massive tenant turnover rates, high vacancies, vandalism, and so on. Maintenance was so poor that some projects were slated for demolition. In part the problem related back to the use of fixed unit cost limits which had not been increased

from 1949 to 1965. The turnkey approach, which had initially produced more units at lower cost than conventional public housing, became more expensive as HUD increased its involvement, e.g. minimum construction standards were imposed. Leased public housing suffered from landlords charging inflated rents to LHA's, charging excessive utility bills to tenants and leasing substandard units. All the approaches tried seemed to induce spiralling costs that were not only out of proportion to the benefits being provided, but also out of federal control.

Other programs were not noticeably better. The non-profit program faced high costs, high failures, poor management, lack of technical expertise and seemed to be missing the low-income target group. Unit costs in non-profit projects were found to be as much as two and a half times those of comparable market units. As a result, tenants with rising incomes moved out because there were cheaper units available on the private market. Of greatest concern was the high failure rate related to poor sites, shoddy construction, artificially low cost estimates to quality for funding, and escalating rents that resulted in high vacancies.

Although the private rental assistance programs were very effective in producing new stock, there were concerns about the level of tax subsidies used and the fact that needy households were not being served. There is limited data on management efficiencies, but some concern about project failures has been expressed.

The rent supplement program under Section 101 was found to be the most inefficient program of all. It was estimated that about 52 cents of every dollar spent did nothing to improve the recipient's well-being. The local control

of rent supplement produced many of the same problems as public housing such as the more affluent applicants being selected, and the dependency on local approval for rent supplement contracts. Administratively, the program was difficult to control, especially on questions of standards and market rent levels.

All the rental programs seemed to raise questions of equity of benefits and the levels of benefits being provided with the money spent. Equally serious were the delivery problems with much of program administration outside of HUD's control.

In response to these concerns, the Housing and Urban Development Act of 1974 made sweeping changes in HUD policies, notably the introduction of Section 8. Subsequently, in 1977, the Housing and Community Development Act revitalized public housing, provided modernization assistance and increased operating subsidies.

Concerns with Current Rental Programs

Section 8 was a dramatic response to the concerns noted above. It is not, however, without its problems. The main concerns are:

***take-up problems:** the response on new construction, especially for families, and for rehabilitated housing has been below expectations. Also there is difficulty in some areas in implementing priorities for rehabilitation.

***delivery problems:** in making provision for direct HUD delivery of new housing or for existing where local response is not forthcoming, heavy demands have been placed on area office staff. Staffing levels have not kept pace with program delivery demands. Where no PHA or LHAP exist, there are few options to direct HUD delivery of Section 8. There is also limited federal leverage in these situations.

***income mix problems:** the original attempt to encourage more integrated housing does not appear to be succeeding. In existing housing, administered by the LHA's, about 80% of clients have very low incomes compared with HUD's 20% guideline. New construction projects are applying for 100 per cent supplementation, apparently because of reluctance of lenders and developers to risk mixed projects.

***fair market rent maximums:** a major concern for the future viability of new projects with Section 8 contracts is that no adequate mechanism has been provided to increase fair market rents to reflect rising operating costs. In existing housing, these rents are adjusted each year to metropolitan area averages. However, initial base rent may have been set too low in some areas. There is also concern about the fair market rent becoming the minimum rent thereby distorting the market.

On the other hand, Section 8 is potentially much more equitable than previous rent supplements for two main reasons. First, the eligibility criteria are objectively related to area median incomes avoiding the problems of criteria set by PHA's, and secondly, households can transfer their supplement when they move providing they remain eligible. Alternatively, a household can stay in the same unit after its income rises above the limit for subsidy by paying market rent.

Efforts to involve local governments in Section 8 include provision of capital grants to municipalities for Local Housing Assistance Plans (LHAP) which specify housing goals. Nevertheless, HUD has authority to act where local response is inadequate. Judging from pressures on HUD area offices, their involvement has been substantial. A proposal to transfer delivery of Section 8 new units to the PHA's is now under discussion. As one researcher noted, over six years, a 521 per cent increase in subsidized housing production was achieved with only an 8.5 per cent increase in HUD staff.

Section 8 has also attempted to create some incentives for cost control. For example, households are encouraged to shop carefully, and receive a cash bonus for finding an acceptable unit at below established fair market rents. In addition, by making assistance available to households rather than to units there may be some efficiency. Ultimately, the cost of this approach compared with conventional public housing will depend on the rate of increase in fair market rents.

In 1977, the public housing and Section 202 programs were reactivated to stimulate rental housing production. Approval of FHA mortgages for new construction now depends on successful submission of Section 8 applications. The emphasis is on rehabilitation and use of existing stock based on an assessment by the HUD area office. In this way, there is an attempt to tie demand subsidies to specific supply situations.

With the moves towards more careful planning of local housing needs related to market conditions, HUD is addressing the problems of implementing federal programs across diverse situations. By providing for direct HUD initiative, there is an attempt to deal with the lack of local response and jurisdictional issues. Further, there is a clear recognition of the need to monitor and evaluate these responses and deal with problems before they assume massive proportions.

C. SUMMARY OF KEY CONCERNS IN CANADIAN AND U.S. RENTAL PROGRAMS

From the foregoing, many common concerns have been raised about rental housing programs in Canada and the U.S. Although in some cases, issues are framed somewhat differently, they often reflect similar, basic problems.

Public Housing Programs

In Canada, the key concerns are:

- *level of subsidy and the implications for cost sharing and rent scales.
- *on-going management and maintenance of the existing portfolio.

In the U.S., the key concerns are:

- *determination of adequate levels of and appropriate subsidy mechanisms to achieve cost effective assistance
- *treatment and financing of downstream modernization problems

These issues are very similar. U.S. experience with subsidies for amortization expenses and the increasing application of operating subsidies compared with the Canadian approach of cost-sharing would provide a useful comparison of appropriate subsidy mechanisms. The options for dealing with modernization requirements also merit attention in the two situations. Here, the pros and cons of special funding programs, how these are planned and controlled, and the type of expenses to be financed should be examined. In connection with rising operating costs generally, there is concern that little incentive is created for tenants to keep down costs when rents are simply a function of income.

Non-Profit and Co-operative Programs

In Canada the key concerns are:

- *what are the appropriate subsidy mechanisms required to create a viable program
- *how can the federal agency help to develop effective delivery vehicles.

In the U.S. the main issue is the financial viability of both the program and the sponsors.

The U.S. programs have provided some experience with deep interest rate subsidies that could be usefully evaluated in view of proposed changes in the Canadian approach. In particular, attention should be focussed on program efficiencies using low interest rates. The techniques for dealing with troubled projects could also be considered.

The delivery questions centre on the development of effective methods of funding for stimulating these sponsors. Both countries have had considerable experience with special organizational funding.

Assisted Private Rental Programs

Both Canada and the U.S. share two main concerns in these programs:

- *the efficiency of tax subsidies
- *financial viability of projects

The tax subsidies involved in these programs are considerable and questions are being raised about regulating the clientele to be served. The U.S. experience with the use of Section 8 contracts in private developments might provide

a useful indication of the response to such initiatives. On the question of financial viability, both countries are experiencing growing rates of default particularly in newer projects.

Attention could be focussed on the options in dealing with potential failures, such as the types of financial assistance and controls that could be implemented.

Rent Supplement Programs

Canada's main concern about rent supplements is the trade-off between delivery and administration locally while providing some federal leverage. HUD is already examining other options in delivery of new Section 8 supplements. The practical questions relate to the effectiveness of local agencies and the relative costs involved. Canadian experience with its local housing agencies has been quite promising and could provide a useful comparison.

The Section 8 program also raises questions about the use of federal guidelines on income levels, income mix and fair market rents that could be valuable to Canada in any future rent supplement programs. Further, cost comparisons between Section 8 supplements to clients as opposed to tying subsidies to specific units would be valuable.

General Issues

In addition to these program issues, there are general concerns. Jurisdictional problems and the involvement of local municipalities in housing are of major importance in both countries. Some comparative work on past experience with various approaches to municipal involvement could be fruitful for planning future activities.

Methods of financing rental programs are in a state of flux in both countries at present. The U.S. seems to be moving away from insured lending whereas Canada is proposing to replace direct capital financing with insured lending. Since each country has had experience with these alternatives, it would be useful to examine the implications of the two approaches.

5. **CONCLUSIONS: Major Concerns for Further Study**

The order of priorities of issues in these rental programs will ultimately be determined by the federal agencies responsible. Here, seven areas are proposed that would be relevant to the interests of both countries, based on the analysis in this report.

**Review of the implications of direct capital financing,
insured lending using private funds, and bond financing.**

These approaches should be examined based on program experience. Particular attention should be paid to the cost to government of alternative financial mechanisms such as first mortgage versus second mortgage funding, use of tax incentives, bond financing and so on.

**Evaluation of the efficiency of capital and operating
subsidies in serving low and moderate income households**

Experience with the use of amortization subsidies, deep capital subsidies and performance funding should be studied. The downstream implications of these alternatives on maintenance and clients served are particularly worthy of analysis.

**Evaluation of the options for dealing with recapitalization
of older public housing projects**

Past methods of providing for major repairs and modernization of older projects should be reviewed. Examination of the option of providing reserve funds

for such purposes would be useful in light of experience with this approach in the non-profit sector. The federal role in planning and controlling modernization programs such as the present U.S. approach would be a key concern.

Review of common problems with financial viability on
non-profit and assisted rental projects to determine the
factors affecting failures and options for dealing with
troubled projects

Considerable work has already been done in the U.S. on these problems and financing mechanisms have been introduced to deal with troubled projects. Canada has also had some experience with similar problems and may anticipate more in the future. This study would look at both methods of preventing, as far as possible, future problems and ways of dealing with existing difficulties.

Review of the methods used for delivery and control of rent
supplement programs and, in particular, the use of federal
guidelines on incomes, rents, etc.

The task of delivering rent supplement programs, given shared jurisdictions in both countries, merits in-depth analysis. There are clearly some trade-offs in terms of costs to the federal agency in direct participation where local initiative is lacking. This study would also focus on methods for increasing local involvement in housing programs. Canada has had some success with efforts to encourage such participation.

Analysis of the techniques used to stimulate delivery for
non-profit programs and consideration of alternative approaches

Both countries have experienced difficulties in achieving high production from non-profit sponsors. Analysis would focus on improving funding mechanisms and delivery expertise in the non-profit sector. Canada's experience with community resource groups and municipal activity would be useful. The options for development of expertise would be examined.

Review of the management problems in public housing and non-profit
projects with special emphasis on the potential role of tenant participation

Management difficulties in public and non-profit housing projects have been clearly identified. There are two aspects to the problems. First, there is a lack of competent management skills in social housing generally and secondly, there has been an insensitivity to the special problems of managing publicly owned or sponsored housing projects. This study would examine both aspects of the problems and review some of the alternatives and experiments with tenant participation. Various types of planned programs for improving management would be examined.

These concerns relate to the existing federal rental assistance programs delivered by HUD and CMHC. This comparative study has dealt exclusively with assistance through these federal agencies. In both countries, however, rental housing assistance is also provided through income transfers, specifically welfare programs, that figure largely in meeting housing needs. While beyond the scope of this study, the inter-relationship of federal housing agency programs with other social policy areas is of current concern and merits further analysis.

APPENDIX I

CANADIAN PROGRAM FACTSHEETS

PUBLIC HOUSING ASSISTANCE: FEDERAL- PROVINCIAL
PARTNERSHIP

PURPOSE	To provide appropriate, well-managed and economical housing for families and individuals unable to obtain such accommodation at affordable prices in the private market. Assistance towards acquisition and development of land; construction of housing projects/accommodation for rent (or sale); acquisition, improvement and conversion of existing dwellings for housing purposes.
LEGISLATIVE AUTHORITY	National Housing Act, Section 40
HISTORY	Starting date: 1946 Status: Active
ELIGIBILITY	
sponsor	Provincial government or provincial housing agencies
client	Family status: All moderate-to-low income households in need. Resident requirement: usually a minimum of one year residence within municipal jurisdiction, but may vary from municipality to municipality. Client subsidy: Sponsor supplies 100% of difference between tenant contribution and actual rent. Tenant contribution varies up to a maximum of 25 to 30% of adjusted gross family income. No dollar maximum on actual rent.

- determine amount of subsidy
- . Approval of federal Minister
- . Order in Council to give federal Minister authority to sign the agreement with the province
- . Corporation responsible for design and construction
- . Contract awarded by the Corporation with provincial approval
- . Day to day management is provided by the local housing authority

RELATED
PROGRAM

NHA Section 41 and 42
(Land acquisition and Servicing)

PUBLIC HOUSING ASSISTANCE: SECTION 43

PURPOSE To provide appropriate, well-managed and economical housing for households unable to obtain such accommodation at affordable prices in the private market. Assistance towards construction or acquisition of public housing.

LEGISLATIVE National Housing Act, Section 43
AUTHORITY

HISTORY Starting date: 1964
Status: Active

ELIGIBILITY

sponsor Provincial or municipal governments or housing agencies only

client Family Status: All moderate to low income households in need

Resident Requirement: Minimum one year residence in municipal jurisdiction.

Client Subsidy: Sponsor provides 100% of difference between tenant contribution and actual rent. Tenant contribution varies up to a maximum of 25 to 30% of adjusted gross family income. No dollar maximum on actual rent.

other Units must meet established standards for residential buildings.

ASSISTANCE

type & maximum Up to 90% of capital cost of project based on CMHC lending value, secured by first mortgage loan, or debenture in case of provincial housing agency.

interest rate Current government lending rate

term Amortization: not exceeding life of project up to 50 years
Mortgage term: up to 50 years.

program subsidy Federal government assumes 50% of annual operating losses for life of project.

cost sharing (see above)

source of funds Federal: CMHC
Provincial treasury or agency revenue.

DELIVERY Province, Municipality or housing agency

ADMINISTRATION Federal: CMHC
Province

PRINCIPAL . Construction must meet required standards. CMHC approves
REGULATIONS plans and specifications

. Building contracts to be awarded by public tender or by public modified tendering or by proposal calls. Justification must be given if contract awarded to anyone but the lowest qualified bidder. (Except in proposal call situations)

- . There must be formal indication of need and demand.
- . A scale (federal or provincial) of rent-geared-to-income must be used.

RELATED
PROGRAM

Section 42: 90% mortgage loan for capital costs of acquiring and servicing land for public housing purposes. Secured by first mortgage; Term-50 years if land is to be leased; and 25 years in all other circumstances at current government interest rate

Section 44 (1) (a) rent supplement programme.

NON-PROFIT HOUSING ASSISTANCE

PURPOSE	To assist non-profit housing groups to develop low-rental housing projects and to increase the supply of housing stock for low income families, the elderly and special groups such as the handicapped. Assistance towards constructing, acquiring and improving housing for moderate-to-low income households.
LEGISLATIVE AUTHORITY	National Housing Act, Section 15.1
HISTORY	Starting date: June 1973 Status: Active
ELIGIBILITY	
sponsor	Community non-profit corporation or co-operative association, and non-profit corporations owned exclusively by a provincial or municipal government or agency.
client	Any moderate-to-low income household. Client subsidy: Client may receive internal subsidy, derived from rent surcharges on wealthier members, if project achieves break-even status.

ASSISTANCE

type & maximum Mortgage loan up to 100% of CMHC lending value of project
 Community and municipal non-profit corporations - 100% of
 lending value of project
 Provincial corporations - 95% of lending value of the project.

interest rate Current government lending rate

term Amortization & loan: up to 50 years or life of project, which-
 ever is the lesser

program Subsidy Start-up Funds up to \$10,000.
 Maximum 10% federal contribution of repayable loan minus
 other grants and subsidies, or a ground rent subsidy through a
 land lease arrangement in which CMHC owns the land.

Interest reducing grant to reduce effective interest rate to
 preferred level; presently 8%.

source of funds CMHC

cost sharing N/A

DELIVERY Sponsor

ADMINISTRATION CMHC

PRINCIPAL
REGULATIONS

Corporation's charter must be approved by CMHC, and cannot be changed without Corporation's approval.

Corporation must sign an agreement with CMHC which establishes maximum ingoing incomes.

New construction must meet required standards; Existing buildings must meet Minimum Property Standards for residential buildings.

RELATED
PROGRAM

May apply for rental subsidies under Section 44.1(b)

Assistance under the Residential Rehabilitation Assistance Programme for rehabilitation and conversion proposes, if project is within a Neighbourhood Improvement Programme area.

CO-OPERATIVE HOUSING ASSISTANCE

PURPOSE	To encourage and assist co-operative housing as an alternative kind of tenure, and encourage action and self-help by groups of people who are prepared to assume responsibility for the organization of a co-operative housing project. Assistance towards construction, acquisition or improvement of housing project/dwellings for rent to members.
LEGISLATIVE AUTHORITY	National Housing Act, Section 34.18
HISTORY	Starting date: June 1973 Status: Active
ELIGIBILITY	
sponsor	Incorporated cooperative or non-profit cooperative
client	Family status: Any household which is a member of the co-operative corporation/group Residency requirements: None Client subsidy: Client may receive internal subsidies (derived from rent surcharges on wealthier members) if corporation achieves break-even status.

ASSISTANCE	<u>CONTINUING CO-OP</u>
type & maximum	100% mortgage loan based on CMHC lending value of project,
interest rate	Current government lending rate
term	Amortization: Up to 50 years
program subsidy	Start-up funds up to \$10,000 10% federal contribution of repayable loan minus other grants and subsidies, or Land Lease in lieu of 10% federal contribution. Interest reducing grant to reduce effective interest rate to preferred level; presently 8%.
source of funds	CMHC
cost sharing	N/A
DELIVERY	Sponsor
ADMINISTRATION	CMHC
PRINCIPAL	Must be a continuing co-operative
REGULATIONS	Co-operative charter must be approved by CMHC, and cannot be amended without Corporation approval.

Co-operative association must sign agreement with CMHC which establishes maximum ingoing incomes

New construction must meet required standards.

Existing units must meet Minimum Property Standards for residential buildings.

RELATED

May apply for rental subsidies under Section 44.1(b).

PROGRAMS

Under Sect. 34.9, CMHC may make annual contributions or a Loan towards payment of 1st mortgage or project's municipal taxes.

If also a non-profit corporation, then eligible for all assistance under related legislation.

ASSISTED RENTAL PROGRAM

PURPOSE	<p>To stimulate the production of moderately priced rental housing.</p> <p>To encourage Approval Lenders to provide funds for reasonably priced rental housing.</p>	
LEGISLATIVE AUTHORITY	National Housing Act, Section 14.1	
HISTORY	<p>Starting date: 1975</p> <p>Status: Active</p>	
ELIGIBILITY		
sponsor	Private entrepreneur	
client	No client restrictions	
other	New, moderately priced rental housing; minimum 8 units; unit sizes within CMHC established maximums.	
ASSISTANCE	<u>CMHC DIRECT</u>	<u>PRIVATELY FUNDED</u>
type & maximum	90% first mortgage loan	90% first mortgage loan
interest rate	Current government interest rate	Current rate as set by lender and approved by CMHC

term	Amortization: minimum 25 years, Amortization: as determined maximum 35 years. by lender	
	Term: minimum 5 years	Term: minimum 5 years
program subsidy	Second mortgage assistance provided by CMHC; Up to a maximum of \$1,200 per unit per annum, decreased by 1/10 of original amount annually. Assistance takes the form of an interest free loan for 10 years, to a maximum of 15 years. Up to 10% guaranteed return on investment Can claim Capital Cost Depreciation Allowance under MURB's.	
source of funds	CMHC	Mortgage loan: Approved Lender Subsidy: CMHC
cost sharing	N/A	N/A
DELIVERY	Sponsor	Sponsor
ADMINISTRATION	CMHC	1st mortgage: approved lender Subsidy: CMHC
PRINCIPAL REGULATIONS	Entrepreneur/builder must enter agreement with CMHC providing for: <ul style="list-style-type: none"> . Rental rates and operating expenses for the first year, thereafter set by the market . Annual submission of audited financial statement to CMHC . Amount of assistance (Difference between: debt charges on insured loan based on CMHC lending value; Return on equity at agreed rate, contingency and vacancy loss allowance <u>and</u> market rentals as agreed to by CMHC, up 	

to established maximum assistance.

- . Amount of return on equity
- . Minimum number of 8 units
- . No sale without Corporation approval.
- . In case of sale, assistance loan becomes due automatically, but may be transferred to new owner. If CMHC is satisfied that sale is at market value, mortgage may be discharged even if proceeds are insufficient to repay assistance in full.

RELATED
PROGRAMS

None

RENT SUPPLEMENT PROGRAM

PURPOSE To assist lower income tenants to acquire appropriate housing.

LEGISLATIVE National Housing Act, Section 44 (1)(a) and (b)

AUTHORITY

HISTORY Starting date:

Status: Active

ELIGIBILITY

SECTION 44(1)(a)

SECTION 44(1)(b)

sponsor

Province, municipality or
public housing agency
leases units from
private entrepreneurs.

Non-profit or co-operative
corporation/association, as
designated by the province,
operating a public housing
project.

client

Any low income household qualifying under guidelines estab-
lished by federal/provincial agreement and municipality.
Subsidy based on agreed rent geared to income scale.

other

Dwelling must meet required standards; units must be rented
to low income households, in need, at agreed rate.

ASSISTANCE

type & maximum

If provincial sponsor, rent-to-income
scale used: 50% federal contri-
bution towards lesser of project
operating losses, or what the
losses would have been had the
federal scale been adopted.

same terms

interest rate N/A

term Useful life of project as determined by CMHC, not to exceed 50 years.

program subsidy N/A

source of funds Federal: CMHC
Provincial and/or municipal treasury

cost sharing 50% federal; maximum 50% provincial; province may require municipal participation.

DELIVERY Province

ADMINISTRATION Federal: CMHC
Province and/or municipality at client level.

PRINCIPAL REGULATIONS Number of subsidized units in a residential development or an individual building to be leased under the programme should generally not exceed 25% of total number of units.
Primarily a family (as distinct from individuals and couples) programme, therefore units should contain two or more bedrooms.
Province must sign appropriate federal/provincial agreement

- . Tenants must be referred from provincial public housing waiting list
- . Tenants may be chosen from non-profit or co-op's own waiting list according to their own criteria
- . Province must enter agreement with applicant corporation

for specific number of units
at specific rental rates.

- . Agreed rental rate must not
exceed market rents for unit
type in area.
- . Projected subsidy not to exceed
that of similar new public
housing accommodation in area.
- . Applicant corporation enters
into lease with tenant and
invoices province for difference
between tenant contribution
and actual rent.

RELATED
PROGRAMS

Public Housing Assistance
-Sections 40 & 43.

Co-operative Housing Assistance
Section 34.18

Non-profit Housing Assistance
Section 15.1

Entrepreneur Low Rental Housing;
Section 15.

LOW-RENTAL HOUSING ASSISTANCE / SECTION 15:(LIMITED DIVIDEND)

PURPOSE	To encourage private entrepreneurs to provide low rental housing for families and individuals of limited means. Assistance towards construction, purchase and/or improvement of low rental housing projects can also be used for acquisition of existing buildings and land for conversion to a low rental project.
LEGISLATIVE AUTHORITY	National Housing Act, Section 15 (Formerly Section 13, Limited Dividend)
HISTORY	Starting date: 1938 Status: Not Active
ELIGIBILITY	
sponsor	Any organization, corporation or individual wishing to undertake a low rental project.
client	Families and individuals of limited means
other	Buildings must meet established standards for type of construction.
ASSISTANCE	
type & maximum	95% first mortgage loan of CMHC lending value of the project
interest rate	Current government interest rate

term	Amortization: Term: Maximum 50 year, or life of project as low-rental housing.
program subsidy	N/A
source of funds	CMHC
cost sharing	N/A
DELIVERY	Private sponsor
ADMINISTRATION	Federal: CMHC Sponsor at client level
PRINCIPAL	Sponsor must enter into a contract with CMHC
REGULATIONS	Rentals charged must be those that the Corporation deems fair and reasonable having regard for the probable family income of lessees. Sale or other disposition of project, or any part, must have prior consent of the Corporation. Annual submission of audited financial statement to CMHC Rent increases must have prior approval of CMHC Rate of return on investment as per agreement by with CMHC
RELATED PROGRAM	Replaced by Assisted Rental Programme.

APPENDIX II

U.S. PROGRAM FACTSHEETS

PUBLIC HOUSING: CONVENTIONAL AND LEASED

PURPOSE	<p>Conventional -To aid local Public Housing Agencies (PHA's) to provide decent shelter for low-income residents at rents they can afford through provision of technical and professional assistance in planning, development and management of projects, and two types of financial assistance -- preliminary loans for planning and annual contributions to pay amortization costs.</p> <p>Leased - To permit PHA's to house low-income households by paying annual contributions to make up the difference between the amount paid to private owners, plus PHA's operating expenses and what low-income tenants can afford.</p>
LEGISLATIVE AUTHORITY	<p>Conventional - Housing Act (1937), (P.L.75-412); Title II, Housing and Community Development Act (1974), (P.L.93-383).</p> <p>Leased - Section 23, Housing Act (1937), as added by Section 103(a), Housing and Community Development Act (1965), (P.L.89-117).</p>
ELIGIBILITY	
sponsors	<p>Conventional - Public housing agencies established by local governments in accord with state law.</p>

Leased - PHA's or agencies authorized to perform similar functions.

occupants

Low-income households, as defined locally, including the elderly and handicapped, who pay no more than 25 per cent of adjusted income.

ASSISTANCE

Conventional - 1. Interest-free loans for all necessary planning.
2. Annual contributions contracts to cover the full cost of retiring the 40-year loan procured through municipal sale of federally-guaranteed, tax-exempt bonds.

Leased - Annual contributions contracts to cover the full leasing costs plus a PHA administration fee, less the rental revenue. The contribution could not exceed the amount that would be paid by the PHA to house a comparable client group in a new construction project, but it could be adjusted for higher than anticipated tax or utility costs.

ADMINISTRATION

HUD and local public housing agencies.

PRINCIPAL

Conventional - A municipally-approved application from the

REGULATIONS

PHA and a signed agreement with local government to the effect that it will provide all necessary services in return for a grant-in-lieu of taxes amounting to about 10 per cent of revenues.
PHA, with co-operation of Housing Assistance Administration, sells tax-exempt housing bonds on the private market, uses

proceeds to pay off HUD construction loans (up to 90 per cent of cost) and any temporary notes. Security on the bonds is the unconditional annual contribution.

Same process can be used with turnkey option -- PHA contracts with developer to provide completed project.

Households do not pay more than 25 per cent of adjusted income.

RELATED
PROGRAMS

1. Operating subsidies - Federal grants to maintain reserves and pay operating deficits, implemented April 1975.
2. Modernization program - Amendment of the Annual contributions contract to reflect increased development cost of the project as a result of capital improvements to improve health and safety conditions, extend useful life of the property, increase its value, or make it more suitable for its intended use.
3. All leased housing contracts replaced by Section 8 contracts.

RENT SUPPLEMENTS (101)

PURPOSE	To make rental accommodation available to certain disadvantaged low-income households through payment of on-going subsidies to the landlord.
LEGISLATIVE AUTHORITY	Section 101, Housing and Urban Development Act (1965), (P.L.89-117).
ELIGIBILITY	
sponsor	Private non-profit, limited dividend and co-operative corporations, or public agencies carrying mortgages insured under Sections 221 (d)(3) market rate, 231, 202 or 236.
occupant	Households must have adjusted incomes within local public housing limits and have one of the following characteristics: elderly, handicapped, displaced by urban renewal, victims of natural disaster, occupy sub-standard housing or headed by a person serving on active military duty. May continue to occupy the unit after income exceeds the eligibility limit by paying market rent.
ASSISTANCE	Eligible households pay the greater of 25 per cent of adjusted income or 30 per cent of economic rent. HUD makes monthly payments to the owner to cover the difference between

rental revenue paid by assisted households and the total market rent due, but not to exceed 70 per cent of market rent.

Assistance is terminated when adjusted household income reaches the upper public housing limit. Incomes are certified annually. Term - Maximum contract is 40 years.

ADMINISTRATION HUD Area or Insuring Offices.

PRINCIPAL Projects must be part of an approved "workable program" for
REGULATIONS community improvement or be approved by local government officials.

Non-profit sponsors must receive certification of eligibility from FHA prior to submission of a formal application.

Owner must obtain HUD approval before implementing rent increases.

RELATED Non-profit sponsors of rent supplement projects were eligible
PROGRAMS to apply for Appalachian Housing Assistance grants to help defray planning and development costs.

INSURED LOANS FOR HOUSING THE ELDERLY AND
HANDICAPPED

PURPOSE	To assure a supply of rental housing suitable for the elderly or handicapped through the insuring of mortgages to build or rehabilitate projects of 8 or more units.
LEGISLATIVE AUTHORITY	Section 231, Housing Act (1934), (P.L.73-479) added by Section 201, Housing Act (1959), (P.L.86-372).
ELIGIBILITY	
sponsors	Public agencies and private non-profit or for-profit corporations.
occupants	Not less than 50 per cent of the units in the project must be occupied by either elderly or handicapped families or individuals. There are no income limits except for those who qualify for Section 8 subsidies.
other	Units must be designed for the elderly or handicapped and be within HUD cost limits and there must be at least 8 of them.
ASSISTANCE	Insured loans for 100 per cent of replacement cost for non-profit and public mortgagors and 90 per cent for profit motivated mortgagors. An allowance of up to 10 per cent of total costs may be included in replacement cost for the latter. Term - lesser of 40 years or 3/4 of remaining economic life of project. Interest rate - current rate as determined by the Secretary of HUD.

ADMINISTRATION	Local HUD Area or Insuring Office through FHA approved lender.
PRINCIPAL	Meeting with HUD to determine preliminary feasibility, site
REGULATIONS	appraisal and market analysis, formal application through a FHA approved lender to local office. Mortgage insurance premium collected in advance at a rate of 1/2 of 1 per cent of mortgage amount. Service fee charged by lender not to exceed 2 per cent of mortgage amount. Cost limits may be exceeded by as much as 50 per cent in high cost areas with permission of Secretary.
RELATED	1. Section 202 can be used for the construction loan in con-
PROGRAMS	junction with Section 321 insurance of the permanent financing, but only by non-profit sponsors. 2. Section 101 rent supplements were previously available to lower income occupants but they have been replaced with Section 8 contracts.

DIRECT ASSISTANCE FOR HOUSING THE ELDERLY AND
HANDICAPPED

PURPOSE	To provide housing and related facilities for the elderly or handicapped through direct, long-term loans for new construction or rehabilitation.
LEGISLATIVE AUTHORITY	Section 202, Housing Act (1959), as amended by (P.L.86-372).
ELIGIBILITY	
sponsors	Distinction between applicants and borrowers. Whether the same or different entities, they must be non-profit corporations or consumer co-operatives set up to promote the welfare of the elderly or handicapped.
occupants	Families, the head or spouse of which is at least 62 years old or is handicapped, or individuals with the same qualifications.
other	All projects must meet the requirements of the Section 8 program and they must provide an assured range of necessary services for the occupants such as health, continuing education, transportation, referral, homemaking, welfare, recreational, etc. Cost limits of Section 231 no longer apply.

ASSISTANCE	<p>Previously, loan was 100 per cent of development costs for non-profit mortgagors and 90 per cent for limited-profit mortgagors. Now, it is lesser of a) the funds reserved, b) the maximum loan amount if insured under Section 231 or c) total development costs of the project.</p> <p>Term - Previously, 3 per cent generally and never higher than 3 3/4 per cent. Now, based on average borrowing rate on comparable federal obligations plus administrative costs of 1 per cent during construction and 1/2 of 1 per cent thereafter.</p> <p>Term - Previously 50 years, but now the lesser of 40 years or 3/4 of remaining economic life of project.</p>
ADMINISTRATION	Local HUD Area or Insuring Office.
PRINCIPAL	Applicant responds to HUD invitation for fund reservation;
REGULATIONS	<p>assessed on past experience and capacity, evidence of sufficient working capital to cover loan for itself or borrower and demonstrated ability to develop and manage projects. After Section 202 funds are reserve, applicant must submit for Section 8 contract which will set the final number and type of units.</p>
RELATED	1. Section 106 (b) interest free loans for up to 80 per cent of
PROGRAMS	<p>eligible pre-construction costs.</p> <p>2. Section 8 rental assistance contracts.</p>

SECTION 8 RENTAL ASSISTANCE

PURPOSE	To help lower-income families afford decent housing in the private market and to promote economically mixed housing through existing, newly constructed or substantially rehabilitated housing.
LEGISLATIVE AUTHORITY	Section 8, Housing Act (1937), (P.L.73-479), as added by Housing and Community Development Act (1974), (P.L.93-383).
ELIGIBILITY	
sponsor	Any private owner, profit motivated, non-profit or co-operative, authorized public housing agencies, or state finance agencies.
occupant	Household income cannot exceed 80 per cent of area median income and at least 30 per cent of the households assisted in a project must have incomes of 50 per cent or less of the area median, subject to adjustment by the Secretary. Single people who are elderly, handicapped, displaced or the remaining member of an eligible family may receive assistance.
other	Projects must meet certain standards of safety and sanitation. Rents must fall within limits of "fair market rents" as established at least annually and monitored by HUD for each county and metropolitan area and by existing or new/rehabilitated structures. Preference given to projects in which 20 per cent or fewer of the units are assisted, except for those specifically designed for the elderly or handicapped or those with 40 units or fewer.

ASSISTANCE

HUD gives eligible sponsor a Housing Assistance Payments contract which can be pledged as security for construction or mortgage loans. The contract amount is the difference between the established contract rent and rentals paid by assisted households, and this difference is paid montly. Tenants must contribute not less than 15 per cent or more than 25 per cent of their adjusted income. Incomes certified annually for families and every two years for elderly and handicapped.

Contract rent equals the gross rent plus an allowance for any tenant-paid utilities and public housing agency administration costs where the pha administers the contract. Contract rent may exceed fair market rent by up to 10 per cent in special circumstances as determined by the HUD field office or by up to 20 per cent where the HUD Assistant Secretary for Housing Production and Mortgage Credit deems it necessary to implement a local housing assistance plan. In all cases, contract rents must be determined to be reasonable in relation to the quality, location, amenities and management services for the units. There are also "automatic annual adjustment factor" increases, special additional adjustments for operating costs not included in the regulated rate and vacancy allowances which can be included in the contract rent.

Term - For existing housing, the contract is concurrent with the lease (not less than one year nor more than three), but may be extended up to five years if the household remains eligible and in occupancy under the original terms.

With new or rehabilitated units the maximum term is generally

20 years or 40 years where the project is owned by or financed by a loan or loan guarantee from a state or local agency.

The specific term is based on expenditure reasonably required, rate of amortization and contract rent.

ADMINISTRATION	HUD Area office and local public housing agency for existing units.
PRINCIPAL	Existing housing - 1. Local PHA establishes a Local Housing
REGULATIONS	Assistance Plan (LHAP) and submits an application to local government for comment and to HUD with the LHAP or demonstrated evidence that the proposed program is responsible to the local stock and income needs.
	2. HUD's Economic and Market Analysis Division prepares a recommended program mix and a tentative allocation is made.
	3. PHA issues eligible households with "certificate of family participation" and advises them of appropriate unit size and fair market rentals.
	4. When family locates a suitable unit, PHA informs owner of necessary standards, inspects the unit and reviews the lease.
	5. If acceptable, owner and family sign lease, owner and PHA execute a payments contract, and PHA and HUD execute contract. If owner fails to meet lease obligations or maintain standards, PHA may terminate payments.

New or rehabilitated housing - If preliminary and final proposals submitted to HUD are in compliance with LHAP or local needs and are otherwise acceptable, an agreement is executed which, in part, provides that a HAP Contract will be signed upon satisfactory completion of the project. With federal mortgage insurance programs combined with a Section 8 application, funds for that program are reserved until the latter is approved. HUD must approve the loan terms if the HAP Contract is to be pledged as security for the loan.

RELATED
PROGRAMS

Often used in conjunction with Section 202, loans for housing the elderly, and Section 221 (d).

DIRECT ASSISTANCE FOR NON-PROFITS,LIMITED-DIVIDENDS AND CO-OPS

PURPOSE	To provide mortgage insurance and interest reduction and operating subsidies for housing for lower-income households.
LEGISLATIVE AUTHORITY	Section 236, Housing Act (1934), (P.L.73-479) as added by Section 201, Housing and Community Development Act (1968), (P.L.90-448).
ELIGIBILITY	
sponsors	Non-profit organizations, limited-dividend corporations or co-operative housing corporations assessed on the basis of their character, intergrity, motivation, related housing experience, demonstrated interest in this type of housing, capability in on-going managment, financial ability, etc.
occupants	Families, elderly or handicapped individuals with priority to those displaced by government action or natural disaster, and only up to 10 per cent of units for individuals not elderly or handicapped. Income limits set locally for each project and generally did not exceed 135 per cent of public housing limit. Low-income households were eligible for rent supplement and higher income households paid market rent.
other	Projects must have at least 5 units, involve either new construction or substantial rehabilitation and basic rent must

be less than 25 per cent of maximum income limit. . May include other uses, but must be predominately residential. Unit cost limits by building type, but up to 75 per cent higher in high cost areas.

ASSISTANCE

Insurable amount is 100 per cent of replacement value for non-profit sponsors and 90 per cent for limited-dividend sponsors.

Interest rate - An interest rate subsidy payment is made monthly by HUD to the lender to bring the effective interest rate down as low as 1 per cent. Payments may extend for the full term of the mortgage and represent the difference between amortization of the capital at the FHA ceiling plus insurance premium (1/2 of 1%) and amortization at the 1 per cent rate.

Term - Lesser of 40 years or three-quarters of economic life of project.

Operating subsidy - Tenants pay basic rent (amortization at 1%, operating costs and 6% return on equity for limited-dividends sponsors) or 25 per cent of adjusted income, whichever is greater. Sponsors are paid the difference between market rent (assuming amortization at FHA rate) and what low-income households can afford to pay to a minimum of 30 per cent of basic rent.

ADMINISTRATION

Local HUD Area or Insuring Offices, through FHA approved lender.

PRINCIPAL
REGULATIONS

Projects assessed on the basis of "acceptable risk", not economic soundness. Limited-dividend sponsors eligible for significant tax shelters. Financing of project did not require local approval, but rent supplement did.

RELATED
PROGRAMS

Section 106(b) interest free loans for development costs (80%) for n.p. sponsors.
Section 101 rent supplements.

MORTGAGE INSURANCE FOR MULTIFAMILY HOUSING FOR
LOW- AND MODERATE-INCOME HOUSEHOLDS

PURPOSE	To help finance construction or substantial rehabilitation through mortgage insurance of multifamily (5 or more units) rental or co-operative housing for households with low or moderate incomes or displaced families.
LEGISLATIVE AUTHORITY	Sections 221 (d) (3) and (4), Housing Act (1934), (P.L.73-479) as added by Housing Act (1954), (P.L.83-560).
ELIGIBILITY	
sponsors	(d)(3) - Public agencies, non-profit, limited-dividend or co-operatives; private builders who sell completed projects to any of the above. (d)(4) - Profit-motivated developers and builders.
occupants	All families are eligible, subject only to normal tenant selection, but in (d)(3) projects, preference must be given to those displaced by urban redevelopment. Income limits apply to only those households eligible for Section 8 subsidies and those previously receiving rent supplements.

ASSISTANCE	Maximum insurable loan is 100 per cent for non-profit sponsors in most cases and 90 per cent of replacement value for limited-dividend and for-profit sponsors Interest rate - FHA ceiling interest rate. Until 1973, non-profit sponsors were eligible for an interest rate subsidy down to 3 per cent. Term - Lesser of 40 years or 3/4 of remaining economic life of project.
ADMINISTRATION	Hud Area or Insuring Offices, through FHA approved lender.
PRINCIPAL	(d)(4) sponsors receive 10 per cent profit and risk allowance
REGULATIONS	as well as certain tax shelters such as accelerated depreciation.
RELATED	1. All 221 projects now qualify for Section 8 rental assistance.
PROGRAMS	Previously Section 101 rent supplements were used extensively with the (d)(3) market rate program and Section 23 leasing was tried for a short time in (d)(4) projects.

REFERENCES: CANADA

Annual Reports of the Central Mortgage and Housing Corporation,

Ottawa: 1973 - 1976.

Canadian Council on Social Development, A Review of Canadian Social Housing Policy, Ottawa, January 1977

Central Mortgage and Housing Corporation, Assisted Rental Programme; Opportunities for Canada's Lenders and Builders in the Production of Moderately Priced Rental Housing, Ottawa: 1977.

CMHC, Canadian Housing Statistics - 1976, Ottawa: 1977

CMHC and the National Housing Act, Ottawa: CMHC 1977

CMHC, Evaluation of the Federal Housing Action Programme; Summary
Programme Evaluation Unit, Ottawa: 1977

CMHC, Housing in Canada, Ottawa: 1977

CMHC, Housing in Canada 1946-1970: A Supplement to the 25th Annual Report of Central Mortgage and Housing Corporation, Ottawa: 1970

Dennis, Michael, and Susan Fish, Programmes in Search of A Policy: Low Income Housing in Canada, Hakkert: Toronto, 1972

Ministry of State for Urban Affairs, Human Settlements in Canada, Ottawa:
May, 1976

National Housing Act, R.S., c.N-10 as amended by 1973-74, c.18, 1974-75-76,
cc. 38,82.

REFERENCES: UNITED STATES

1. Downs, Anthony. Federal Housing Subsidies: How are they working?
2. Fuerst, J.S. Public Housing in Europe and America. Croom Helm, London, 1974.
3. Hartman, Chester W. Housing and Social Policy. Prentice - Hall, Engleure Cliffs, N.J. 1975.
4. HUD. Annual Reports - 1970, 1971, 1973, 1974 and 1975.
Housing in the Seventies.
Programs of HUD, March 1977.
Summary of the Housing and Community Development Act of 1977.
5. Macey, John. Publicly Provided and Assisted Housing in the U.S.A.: A Report on HUD's Housing Management Policies and Programs. The Urban Institute, Working Paper No. 209-14, Washington D.C., May 1972.
6. Mandelker, Daniel R. and Roger Montgomery. Housing in America: Problems and Perspectives. Bobbs - Merrill Co. Inc., Indiannapolis, 1973.
7. Welfeld, Irving H. America's Housing Problem: An Approach to Its Solution. American Enterprise Institute for Public Policy Research, Washington D.C., 1973.

8. Wendt, Paul Frances. Housing Policy - The Search for Solutions in UK, Sweden, West Germany and U.S. Since World War II. University of California Press, Berkeley and Los Angeles, 1962.
9. Wolman, Harold, Housing and Housing Policy in the U.S. and U.K. Lexington Books, D.C. Heath and Co., Lexington Mass., 1975.