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Société canadienne
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CMHC

Canada Mortgage
and Housing Corporation

A REPORT ON CLIENTS LIVING IN NON-
PROFIT AND COOPERATIVE HOUSING
IN CANADA, 1977

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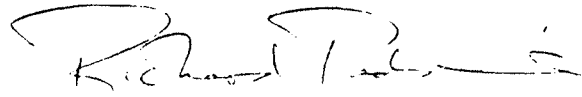
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September 29, 1978

FOREWORD

This report on the tenants of non-profit and cooperative housing built under the National Housing Act in the last five years represents the first attempt to discover nationally the composition of the client group that third sector housing is serving. It describes the tenants and assesses the implications of their composition for program issues such as equity. The report is one of a series which will deal with housing programs in Canada according to whether they attain their objectives, how public subsidies are used to help house Canadians and whether fundamental problems exist with such programs.

The non-profit and cooperative report leans heavily upon a national survey of project managers and tenants carried out by CMHC in the summer of 1977. The details of that survey, together with the main results, are contained in the Statistical Handbook accompanying this report. With few exceptions, the response rate to the survey was well beyond our expectations. Our sincerest thanks are therefore extended to the staff of CMHC and managers and tenants of non-profit and cooperative housing projects throughout Canada who made the report possible.



Richard Peddie,
Assistant Director,
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EXECUTIVE SUMMARY

Purpose and Factual Base of Report

- This report describes the clientele living in non-profit and cooperative housing built in Canada under the National Housing Act between 1973 and 1977, and analyzes a number of program issues relating to those clients.
- The data are from a national survey carried out by CMHC in the summer of 1977. Managers and tenants in 408 of the 618 projects built between 1973 and 1977, were surveyed. Project managers completed 227 questionnaires (55.6 p.c.). The survey covered 8,671 of the 13,201 tenants living in the 618 projects in 1977. Of these 4,254 responded.

The Target Clientele

- There are three main target groups: families of low and moderate income, senior citizens and special groups. Data on all three types are reported in the statistical handbook but only families and senior citizens in self-contained accommodation are discussed here.
- Senior citizen households constituted 76.7 per cent of the total sample. Households headed by senior citizens occupied over 70 p.c. of non-profit units, but only 30 p.c. of cooperative units.
- In non-profit projects only 10.8 per cent of non-senior households consisted of more than two persons, whereas in cooperative projects 21.9 per cent consisted of three persons, and 37 per cent of four persons or more.

Rent and Incomes

- In non-profit projects, 53.1 per cent of non-senior and 63.9 per cent of senior households received annual incomes under \$5,000. Only 6.6 per cent of non-senior households, and 29.9 per cent of seniors, in cooperatives, were in this income band. In non-profit projects, 9.4 per cent of non-senior households earned above \$15,000 annually, while the figure for cooperative projects was 34.7 per cent.
- A higher percentage (87.8 per cent) of non-profit tenants than of the whole Canadian renting population (47.2 per cent) earned less than \$10,000 per annum.
- In cooperative projects, there tended to be a smaller percentage of seniors below \$10,000 per annum, more in the \$10,000 - 20,000 range, and about the same above \$20,000 as in the general population. 89.7 per cent of senior citizens in cooperatives were in the range below \$10,000, but only 29.9 per cent were below \$5,000 as opposed to 52.2 per cent in the general renting population.
- Rather large proportions of residents paid less than 20 per cent or more than 30 per cent of their incomes in rent. People paying less than 20 per cent are expected to pay rent surcharges, and people whose rents would otherwise be above 30 per cent should receive assistance

either through Section 44(1).(b) rent supplements, or through subsidy from the proceeds of rent surcharges.

Of those answering the questions on rent and income, 46.4 per cent of residents of non-profit projects paid over 30 per cent of their incomes in rent. In cooperative projects 22.3 per cent paid over 30 per cent.

16.2 per cent of people in non-profit projects, and 31.6 per cent in cooperatives, paid less than 20 per cent of income in rent. Of those paying economic rent, 19.4 per cent in non-profit projects and 29.3 per cent in cooperatives paid under 20 per cent of income in rent. Of those paying rent surcharges in cooperatives, 48.7 per cent paid less than 20 per cent of income in rent.

- As was to be expected in a program where rents are based on the cost of the dwelling unit, rather than geared to tenant income, higher-income residents paid lower proportions of income for rent than did lower-income residents. Virtually all households paying more than 30 per cent of income in rent had an annual income of less than \$15,000. With few exceptions, households with an annual income of \$15,000 or more spent under 20 per cent of income on rent.

- A surprising number of people in rent-supplement units were found to be paying over 30 per cent of gross income in rent. In non-profit projects, 39.3 per cent of senior-citizen households, and 42.2 per cent of non-senior households were paying over 30 per cent of income. In cooperatives, 55 per cent of seniors in rent supplement units paid over 30 per cent.

- The incidence of rent-supplement households paying more than 30 per cent of income for rent varies among provinces. In the whole sample for Canada, of 1,744 households benefiting from rent supplements, 475 were paying more than 30 per cent of gross income. Of these, 346 were in projects located in British Columbia, 90 were in Ontario, 37 in Manitoba and one each in Alberta and Nova Scotia. In Ontario, British Columbia and Manitoba, the three provinces with a sample of any size, these constitute between 20 and 40 per cent of the total sample. The problem therefore appears to be serious in those cases.

In British Columbia the problem occurred in a large number of projects (21 projects with between 5 and 36 households paying over 30 per cent of income). In Ontario and Manitoba, the problem was concentrated in a total of five projects.

Rent-to-income ratios in rent-supplement units should not have exceeded 25 per cent, according to the scales being applied under the federal-provincial master agreements. The figures given above probably understate the problem since income figures used were gross 1976 incomes not reduced by the adjustments specified in the rent-to-income scales.

- Households with incomes more than five times economic rent are supposed to be paying rent surcharges. Almost no non-profit projects reported applying rent surcharges, although over 25 per cent of their households paying economic rent had rent-to-income ratios under 20 per cent. Most cooperative projects reported applying rent surcharges. Despite this, over 35 per cent of the non-seniors in cooperatives paying break-even rent had rent-to-income ratios under 20 per cent.

Part of the failure to pay surcharges could perhaps be explained by the fact that the program requires incomes to be reported only every 30 months, and that surcharges can be applied only to raise rents to market level and not beyond.

Equity

- Comparisons of income distributions of break-even renters and renters receiving rent supplements show that there is considerable overlap in private non-profit projects, especially for senior citizens. This results from the fact that not enough dwelling units for all those in need of assisted housing are certified for Section 44.(1).(b). rent supplement.

Another issue is whether designated housing projects choose those in greatest need. Despite requirements of federal-provincial master agreements, non-profit projects, in choosing tenants for rent-supplement units from their own waiting lists, do not use the provincial point-rating system.

Program Control

- The weaknesses and inconsistencies in administration of these programs result largely from emphasizing production, and not putting resources into developing workable procedures for recording information that would enable the programs to be monitored and evaluated.

Recommendations

- To avoid the equity problem identified above policies should be developed to gear rents to incomes for all project residents, and provisions should be made for retaining some incentive for people to work towards improving their economic situation without having to leave the projects, for example by not allowing the rent to exceed market rent, or some other stated maximum.
- To improve program control, reliable procedures for recording information in retrievable form from local CMHC offices, provinces and project managements must be developed as a matter of CMHC national policy.
- Procedures should be instituted for checking available information at regular intervals for major program guideline violations. When such violations are discovered, provisions must be made for local office staff to correct them.

CHAPTER ONE

INTRODUCTION

This report is a discussion of some of the findings of a survey of non-profit and cooperative housing projects and the people living in them. The survey was planned and undertaken in 1977, and was directed at the projects completed and occupied since July 1, 1973 under Sections 15.1 and 34.18 of the National Housing Act. It should be emphasized that the only findings discussed in this report are those which seemed to indicate some particularly important problems or program issues. For a full report on the survey, its method and its findings, the reader should go to the statistical handbook presented as a separate document.

In order to give the discussion a context, the reader will be introduced to the situation at the time of the 1973 amendments to the National Housing Act by means of a brief account of the history of socially-assisted housing in Canada. This account will take up most of the rest of this chapter. In Chapter Two, an outline of the present programs and their goals and objectives will prepare the way for the discussion in Chapter Three of some of the main findings of the survey and the problems and program issues arising from them.

The lineal ancestors of the projects financed since July 1973 under Sections 15.1 and 34.18 of the National Housing Act are the limited dividend housing projects built under what is now Section 15 of the Act. If student

housing is excluded, almost three-quarters of the housing built for low-income people between 1946 and 1964 was full-recovery limited dividend housing, most of it sponsored by private entrepreneurs, but part of it sponsored by non-profit groups. Until 1964 the National Housing Act did not treat the non-profit sector separately from entrepreneurial limited dividend housing. From the beginning the tendency was for entrepreneurs to erect limited dividend housing for families, and for non-profit sponsors to direct their main effort towards housing the elderly. After 1964 there was a sharp increase in non-profit housing activity, especially in the provision of hostel beds, until increasing competition from subsidized public housing, as well as rising housing costs, reduced somewhat the rate of growth in the non-profit housing stock.

Before 1964, approximately one-quarter of non-student low-income housing was provided in the form of public housing. Since 1946, there have been considerable changes in social attitudes towards public housing, the types of people to be served and their income levels.

By the late 1960's, there was wider acceptance in society at large of the idea that there ought to be a variety of choices available to people who qualified for socially-assisted housing. The times were also ripe for acceptance of public financial support for projects for residents with a considerable range of income and background. Community-based groups and continuing cooperatives came to be seen as suitable

agents in helping to make available a greater choice for residents of socially-assisted housing. Contributing to this acceptance were the availability of money, the generally expansive mood of the late sixties and early seventies, and the growing advocacy of the idea of "self-help"-independence, as far as possible, of government. It also seemed desirable to have a considerable mix of income levels among residents, both for social reasons, and because less subsidy would be required to enable projects to reduce rents to low-income residents. However, this did mean that there would be residents of these subsidized projects who could easily find adequate accommodation in the private housing market. The National Housing Act was thus amended in 1973 so as to permit the payment of substantial subsidies to projects sponsored by non-profit corporations and continuing cooperatives. The amendments were also intended to make it easier for continuing cooperatives to have ready access to CMHC financing.

In the event, the provision for capital grants in Sections 15.1 and 34.18 appears to have been very attractive. By 1972 and 1973 a decline in production had been occurring in non-profit housing, especially in terms of self-contained units, but thereafter a strong recovery took place. From mid-1973 to end 1977 loans were approved for over 34,000 non-profit and cooperative dwelling units. Of these almost 13,200 were complete and occupied at the time of the survey in mid-1977. The rapid growth in CMHC loan commitments, along with other factors, led to a requirement that these programs be evaluated, the first priority being to learn

something about who benefitted from these expenditures. It was this priority which led to the survey, the results of which are the basis of this report. In the survey, an attempt was made to cover the universe of projects existing and occupied since July 1, 1973. The survey included projects providing special care, but the present report deals only with self-contained dwelling units and their residents.

CHAPTER TWO

OUTLINE OF THE PROGRAMS

In order to facilitate discussion of the survey results and the issues arising from them, it is important to know something of the goals and objectives of the programs under which the projects were built. It is also important to know how the programs are supposed to be operating, as a yardstick against which to measure what is found out about their actual operation. Chapter Two sets out briefly the goals and objectives of the programs, and how they are supposed to operate, as a preliminary to the discussion of survey results and program issues in Chapter Three.

2.1 GOALS AND OBJECTIVES

"Under Section 15.1 and 34.18, the Corporation may make loans up to 100% of the lending value and may also make contributions of 10% of the capital costs, plus interest reduction grants to reduce the repayable loan. These loans and grants are made to eligible non-profit organizations (i.e. corporations and cooperatives) which are providing rental accommodation for families and individuals of low and moderate incomes."¹

According to the Guidelines and Procedures Manual, the programs have a number of other objectives:

¹Central Mortgage and Housing Corporation, "Guidelines and Procedures Manual," (unpublished) 7.2.1.1., (December 30, 1977).

- encouragement of good project management and maintenance, with emphasis on member participation in the case of non-profit cooperatives;
- upgrading of housing without displacing low and moderate-income people already living there;
- assisting non-profit housing organizations in improving the residential environment for low and moderate-income people; and
- encouraging the integration of families and individuals of varying incomes in the non-profit projects.¹

The Manual also sets out certain priorities on a national basis.²

Top priority is given to: (i) projects for families of the lowest income possible under the program; (ii) clients and areas with the greatest need; (iii) new construction over existing construction; and (iv) non-profit groups with demonstrated capabilities in production and management of community-based housing. Projects for senior citizens of low and moderate incomes have second priority. Special purpose projects, such as group homes or housing for the handicapped, have third priority.

It is apparent that these objectives and priorities contain some conflicts and unresolved questions, which have to be decided in some way when officials are faced with a specific situation. For example, the income-mix

¹Ibid., 7.2.1.2/1.

²Ibid., 7.2.1.3/1.

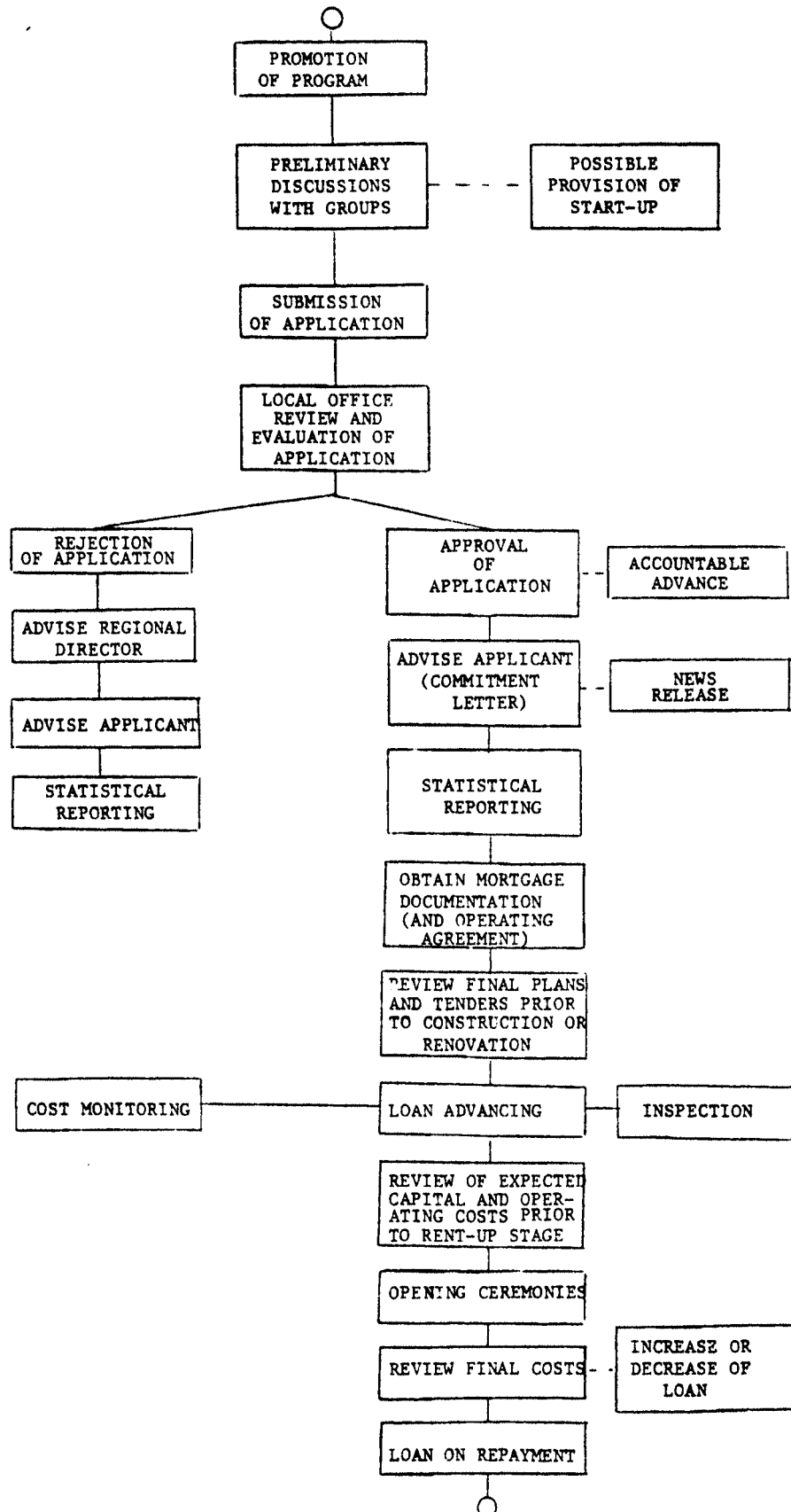
objective is in conflict with the main goal of providing rental accommodation for persons of low and moderate incomes. Presumably the problem can be resolved by regarding social diversity in a housing project as being of benefit to low-income parents and their children. Similarly, upgrading housing without displacing low and moderate-income people could conflict with the preference for new construction, and would tend to favour present tenants over other low and moderate-income people who could be in equal or greater need.

2.2 OUTLINE OF HOW THE PROGRAMS WORK

An incorporated group or organization wishing to sponsor a project makes an application to a local Central Mortgage and Housing office. Chart 2.1 illustrates the whole process, from promotion of the program, to the point where the project is occupied and the loan is on repayment. It is a highly decentralized program, as can be seen from the fact that the local office of CMHC can evaluate an application, approve it and see it through to completion, although the local office cannot reject an application without going through the regional director.

Non-profit corporation or continuing cooperative housing projects can be developed in various ways, with the background and experience of the sponsor being important factors in how the development occurs and what level of difficulty is encountered. In principle, continuing cooperative housing projects receive capital grants under NHA Section 34.18, while other types of non-profit organizations obtain grants

SUMMARY OF MAJOR ACTIVITIES OF CMIC LOCAL OFFICES IN
ADMINISTERING PROGRAMS UNDER NIA SECTIONS 15.1 AND
34.18, CANADA, 1977



under Section 15.1. In practice, even some cooperative projects may initially be assisted under Section 15.1. For example, certain projects in Ottawa and Toronto which were initiated by the municipal non-profit housing corporation and later transferred to cooperative associations.

Assistance may also be made available under a number of other programs during the application, construction and occupancy stages of a project. In particular, Start-Up, CROP,¹ Land Lease, RRAP,² and rent supplements under Section 44.(1).(b) can be stacked upon the basic assistance under Sections 15.1 and 34.18 (Chart 2.2). Although it is not intended to discuss in detail most of the programs interfacing with those under Section 15.1 and 34.18, the Section 44.(1).(b) program is of sufficient importance to be considered in detail in this report.

2.3 RENT SUPPLEMENT UNDER SECTION 44.(1).(b)

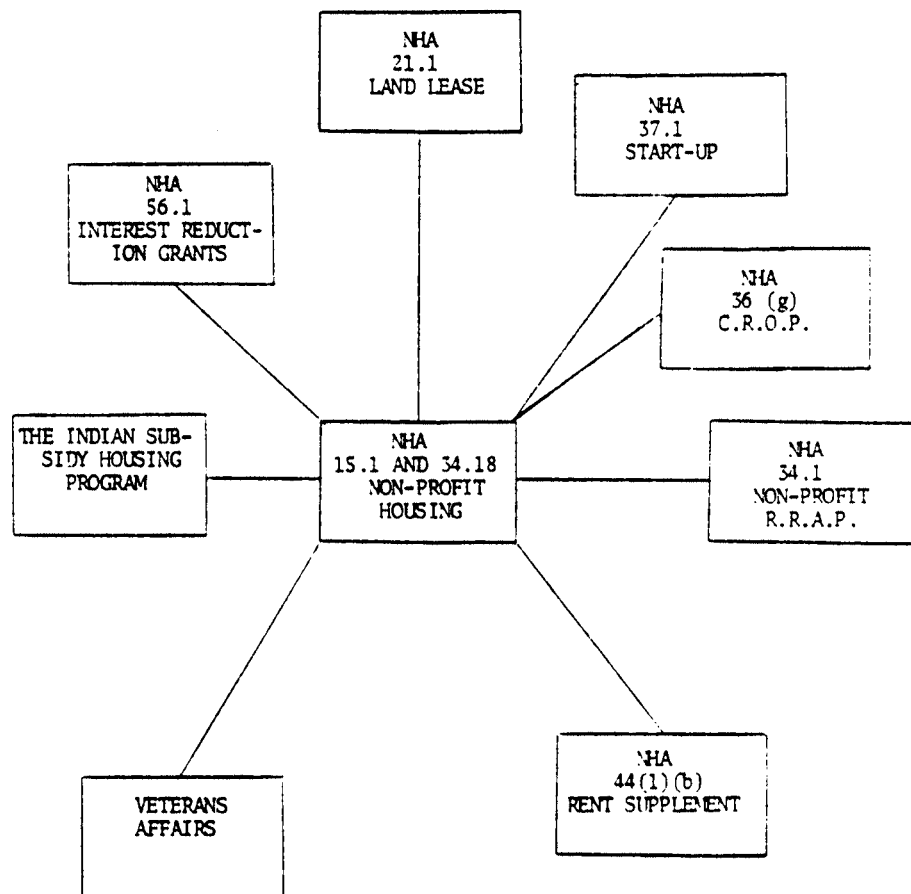
The original concept of rent supplement was to subsidize the rent of a certain number of privately owned dwelling units, so that people who could not find accommodation in the private market, and who were eligible for public housing, could be housed in private

¹Community Resource Organization Program.

²Residential Rehabilitation Assistance Program.

CHART 2.2

MAIN FEDERAL PROGRAMS ADDING ASSISTANCE TO THAT DIRECTLY AVAILABLE FOR HOUSING PROJECTS UNDER NHA SECTIONS 15.1 AND 34.18, CANADA, 1977



Source: Central Mortgage and Housing Corporation, "Guidelines and Procedures Manual," (unpublished, 1977), 7.2.1.5/2.

accommodation. This type of subsidy assistance is provided for in Section 44.(1).(a) of the National Housing Act. At the time that the National Housing Act was being amended in 1973 to provide financing, including capital grants and subsidies, for non-profit corporations and cooperatives under Section 15, 15.1 and 34.18, Section 44.(1).(b) was introduced to permit rent supplements for units in non-profit and cooperative housing projects. This would ensure that some proportion of the units would be affordable by low-income persons in need.¹

The program is administered under master agreements signed by a province (or territory) and by Central Mortgage and Housing Corporation.² The costs are shared equally by the province and CMHC and the administration is carried out by the former. There are provisions in the agreement for the province to ensure that designated projects apply consistent and fair procedures in selecting tenants for units certified for rent supplement, and to verify annually the incomes and family composition of tenants of rent-supplement units. Usually, the maximum number of units certified as rent-supplement in any designated project will not exceed 25 per cent of the total. Exceptions may occur in cases

¹In the master agreements with the provinces, assistance under Section 44.(1).(b) is extended to units in limited dividend projects financed under Section 15 of the Act.

²Master agreements have been signed with the Northwest Territories and all provinces except Prince Edward Island and Saskatchewan.

in which the project has 80 units or less (where up to 20 units may be certified), where the project is in a low-income neighbourhood, is a senior citizen project or consists of scattered family units. There is room for considerable variation in the way these agreements can be applied in different provinces. In addition, it should be noted that the agreements are not the same for all provinces. The agreement with British Columbia permits the 25 per cent limit to be exceeded even for family projects of more than 80 units.

CHAPTER THREE

ISSUES AND IMPLICATIONS ARISING FROM ANALYSIS OF THE SURVEY RESULTS¹

The issues arising from the analysis are grouped under four main headings: (1) the target clientele; (2) rents and incomes; (3) equity; and (4) control of programs by Central Mortgage and Housing Corporation. Those topics are, of course, highly inter-related. A number of them could be treated under more than one heading, and will in fact appear in more than one item of discussion.

3.1 TARGET GROUPS

There are three main target groups, namely families of low and moderate income, senior citizens and special groups. In this report only the first two are dealt with, but data on special groups are contained in the statistical handbook. In this section the first two target groups are discussed in terms of the type of project they live in, their income levels, and how they are selected in relation to need.

Type of Project

The total number of projects and units occupied in July 1977 is shown according to the type of project as well as type of client (Table 3.2).

¹An analysis of the rate of response to the survey is contained in Table 3.1. See also the statistical handbook for the survey. It should be pointed out here that most of the sample of cooperatives comes from British Columbia, where a good response was had to the survey. Little is known about the situation in Ontario, where projects representing only a third of the cooperative units cooperated on the survey.

TABLE 3.1
UNIVERSE AND RESPONSE RATE FOR NON-PROFIT AND COOPERATIVE SURVEY¹

Type of Project	Universe		Surveyed		Returns ²		
	No. of Projects	No. of Units	No. of Projects	No. of Units	No. of Projects	No. of Units	Per Cent of Units
Non-Profit	569	10068	371	6500	193	3562	54.8
Cooperative	49	3133	37	2171	34	692	31.9
Special Care	316	11453	316	11453	221	8094	70.7
Total	934	24654	724	20124	448	12348	61.4

¹The majority of the unsurveyed projects are accounted for by four native non-profit groups in Ontario, Manitoba and British Columbia. Two-thirds of the unsurveyed units are contained in fourteen large projects in New Brunswick, Ontario and British Columbia. The remainder of the unsurveyed units are in smaller projects scattered throughout Canada.

²For projects and units actually surveyed.

TABLE 3.2

NON-PROFIT AND COOPERATIVE HOUSING PROJECTS APPROVED UNDER NHA
SECTIONS 15.1 AND 34.18 AND OCCUPIED JULY 1973 TO JULY 1977
IN CANADA

Client Type	Non-Profit Corporations		Non-Profit Continuing Cooperatives	
	No. of Projects	No. of Units	No. of Projects	No. of Units
Family	396	2,623	31	2,473
Senior Citizen	167	7,154	15	568
Mixed	6	291	3	92
Total	569	10,068	49	3,133

SOURCE: CMHC file entitled "NHA Stock-In-Place", and telexes from CMHC local offices, CMHC, 1977.

Senior citizen housing clearly predominates in terms of units, especially if the non-profit corporations are taken separately. It is also noticeable that cooperatives concentrate on providing housing for families. The part played by cooperatives in providing family housing becomes all the more impressive when it is realized that, according to the survey, in non-profit corporation projects only 10.8 per cent of non-senior citizen households consisted of more than two persons, whereas in cooperative projects 58.9 per cent of non-senior citizen households consisted of more than two persons (Table 3.3).¹

¹The statistics from the survey are presented in two client categories. The first is "senior citizen" household. This is defined as any household whose head is 65 years of age or older and/or has some age-related form of pension income. Any household not meeting this condition was classified as a "non-senior citizen" household, since there are many households, with heads less than 65 years, which would not strictly be considered families.

TABLE 3.3

COMPARISON OF FAMILY SIZE FOR NON-SENIOR CITIZEN AND SENIOR CITIZEN HOUSEHOLDS
LIVING IN PRIVATE NON-PROFIT AND COOPERATIVE HOUSING PROJECTS, NIA SECTIONS 15.1 AND 34.18, CANADA, 1977

Family Size	Private Non-Profit Projects						Cooperative Projects					
	Non-Senior Citizen Households			Senior Citizen Households			Non-Senior Citizen Households			Senior Citizen Households		
	All Tenants	Tenants on Rent Supplement		All Tenants	Tenants on Rent Supplement		All Tenants	Tenants on Rent Supplement		All Tenants	Tenants on Rent Supplement	
	No.	p.c.	No.	p.c.	No.	p.c.	No.	p.c.	No.	p.c.	No.	p.c.
1 person	694	73.1	336	84.1	1,563	78.3	820	82.7	95	18.6	21	13.3
2 people	153	16.1	50	12.5	428	21.4	171	17.2	115	22.5	29	18.4
3 people	52	5.5	7	1.8	3	0.2	1	0.1	112	21.9	42	26.6
4 + people	51	5.3	6	1.6	1	0.1	-	-	189	37.0	66	41.8
Total	950	100.0	399	100.0	1,995	100.0	992	100.0	511	100.0	158	100.0
									112	100.0	43	100.0

SOURCE: Survey by the Program Evaluation Unit, Corporate Planning Division, Central Mortgage and Housing Corporation, Ottawa, 1977.

One reason advanced for the predominance of senior citizens in non-profit housing is that it is administratively easier to deal with senior citizens, and the groups representing them. This goes back long before the NHA amendments setting up present programs. The co-operatives, unlike the non-profit corporations, are providing housing for their own members, most of whom will be families, and thus can be expected to be highly motivated to provide family housing. In effect, these programs respond to demand, since they depend on sponsor groups coming to Central Mortgage and Housing Corporation for loans to build projects which they will run and operate. If most groups want to sponsor housing for senior citizens, that is what is likely to be built, unless the Corporation takes a strong stand against it.

Waiting List

Project managers were asked whether they maintained waiting lists for their projects, and whether these waiting lists were updated by contacting applicants regularly.

Among non-profit projects, a very high percentage, over 90 per cent, reported maintaining their own waiting lists, and two-thirds of these reported updating their lists by contacting applicants regularly. Over three-quarters of the non-profit projects chose rent-supplement tenants from their own waiting list. About three-quarters reported not using the provincial point-rating system in choosing tenants for rent-supplement units from their own lists. The point-rating system was used

most often in senior citizen projects, rarely in family projects. Point-rating was reported most common in British Columbia.

In the case of cooperative projects, except in British Columbia, practically all projects maintain their own waiting lists, but of these who answered the question on updating of lists, about half did so regularly by contacting applicants, and about half did not.

On the questions as to how residents of rent-supplement units are chosen, the senior citizen cooperative projects chose from both their own and provincial lists. The practice in non-senior citizen cooperative projects varied greatly. Over one-quarter chose entirely from their own lists, a third from both their own and provincial lists, and a third did not answer the question.

The most striking result here is that non-profit projects tend to choose tenants for rent-supplement units from their own waiting lists, and not to use the provincial point-rating system in doing so. While it is to be expected that sponsor groups will have a particular clientele in mind for their break-even rent units, especially community-based non-profit groups and cooperatives, it is disturbing to find that most sponsor groups are not using the provincial point-rating system for occupants of rent supplement units, which after all are designated under federal-provincial master agreements administered by the provinces, and receive both federal and provincial subsidies. The program issue here

is not whether or not people occupying units certified for rent supplement are in need, since their incomes and assets are checked carefully (at least in Ontario), but rather that it is not clear how one set of needy people are chosen, and another set of needy people are not.

Income Levels

From the survey it was found that non-profit projects tended to house a clientele with low to low-moderate incomes, whereas cooperative projects tended to have a clientele with incomes ranging from low-moderate to moderately high¹. In non-profit projects, 53.1 per cent of non-senior households, and 63.9 per cent of senior citizen households received annual incomes under \$5,000. By comparison only 6.6 per cent of non-senior citizens, and 29.9 per cent of seniors, in cooperative projects received less than \$5,000 per annum (Table 3.4). In non-profit projects, 9.4 per cent of non-senior citizen households earned above \$15,000 annually, while in cooperative projects 34.7 per cent of non-senior households did so.

If the incomes shown in Table 3.4 are compared with a distribution of incomes of renters in the Canadian population as a whole, it can be seen that greater percentages of non-senior and senior citizen house-

¹Income ranges are defined as follows:

Low	0 - 4,999 per annum
Low-moderate	5,000 - 9,999 per annum
Moderate	10,000 - 14,999 per annum
Moderately high	15,000 - 19,999 per annum
High	20,000+ per annum

COMPARISON OF 1976 INCOME DISTRIBUTION FOR NON-SENIOR CITIZEN AND SENIOR CITIZEN
HOUSEHOLDS LIVING IN PRIVATE NON-PROFIT AND COOPERATIVE HOUSING

Income Group (\$)	Private Non-Profit				Cooperatives			
	Non-Senior Citizen Households		Senior Citizen Households		Non-Senior Citizen Households		Senior Citizen Households	
	Number	Per Cent	Number	Per Cent	Number	Per Cent	Number	Per Cent
NEWFOUNDLAND								
Less than 5,000	1	100.0	1	11.1	-	-	-	-
5,000 - 9,999	-	-	6	66.7	-	-	-	-
10,000 - 14,999	-	-	2	22.2	-	-	-	-
15,000 - 19,999	-	-	-	-	-	-	-	-
20,000 +	-	-	-	-	-	-	-	-
TOTAL	1	100.0	9	100.0	-	-	-	-
NOVA SCOTIA								
Less than 5,000	-	-	-	-	-	-	-	-
5,000 - 9,999	1	33.3	-	-	-	-	-	-
10,000 - 14,999	-	-	-	-	-	-	-	-
15,000 - 19,999	2	66.7	-	-	-	-	-	-
20,000 +	-	-	-	-	-	-	-	-
TOTAL	3	100.0	-	-	-	-	-	-
NEW BRUNSWICK								
Less than 5,000	15	48.4	63	68.5	-	-	-	-
5,000 - 9,999	14	45.1	24	26.1	-	-	-	-
10,000 - 14,999	2	6.5	5	5.4	-	-	-	-
15,000 - 19,999	-	-	-	-	-	-	-	-
20,000 +	-	-	-	-	-	-	-	-
TOTAL	31	100.0	92	100.0	-	-	-	-
QUEBEC								
Less than 5,000	8	9.1	26	41.9	2	10.0	1	100.0
5,000 - 9,999	23	26.1	24	38.7	5	25.0	-	-
10,000 - 14,999	25	28.4	4	6.5	6	30.0	-	-
15,000 - 19,999	19	21.6	7	11.3	4	20.0	-	-
20,000 +	13	14.8	1	1.6	3	15.0	-	-
TOTAL	88	100.0	62	100.0	20	100.0	1	100.0
ONTARIO								
Less than 5,000	64	32.2	177	50.1	8	8.5	2	40.0
5,000 - 9,999	69	34.7	122	34.7	16	17.0	3	60.0
10,000 - 14,999	39	19.6	35	10.0	39	41.5	-	-
15,000 - 19,999	16	8.0	10	2.8	22	23.4	-	-
20,000 +	11	5.5	9	2.4	9	9.6	-	-
TOTAL	199	100.0	353	100.0	94	100.0	5	100.0
MANITOBA								
Less than 5,000	37	66.0	124	67.5	8	44.5	17	41.5
5,000 - 9,999	16	28.6	46	25.0	8	44.5	23	56.1
10,000 - 14,999	1	1.8	9	4.9	1	5.5	1	2.4
15,000 - 19,999	1	1.8	3	1.6	-	-	-	-
20,000 +	1	1.8	2	1.0	1	5.5	-	-
TOTAL	56	100.0	184	100.0	18	100.0	41	100.0
SASKATCHEWAN								
Less than 5,000	3	75.0	5	83.3	-	-	-	-
5,000 - 9,999	1	25.0	1	16.7	-	-	-	-
10,000 - 14,999	-	-	-	-	-	-	-	-
15,000 - 19,999	-	-	-	-	-	-	-	-
20,000 +	-	-	-	-	-	-	-	-
TOTAL	4	100.0	6	100.0	-	-	-	-
ALBERTA								
Less than 5,000	27	64.2	93	73.8	-	-	-	-
5,000 - 9,999	11	26.2	25	19.8	-	-	-	-
10,000 - 14,999	2	4.8	7	5.6	-	-	-	-
15,000 - 19,999	2	4.8	-	-	-	-	-	-
20,000 +	-	-	1	0.8	-	-	-	-
TOTAL	42	100.0	126	100.0	-	-	-	-
BRITISH COLUMBIA								
Less than 5,000	267	71.9	555	69.3	14	4.0	12	20.0
5,000 - 9,999	80	21.5	205	25.5	79	22.5	38	63.3
10,000 - 14,999	15	4.0	20	2.5	129	36.3	6	10.0
15,000 - 19,999	5	1.3	5	0.6	76	21.7	2	3.3
20,000 +	5	1.3	17	2.1	53	15.0	2	3.4
TOTAL	372	100.0	802	100.0	351	100.0	60	100.0
CANADA								
Less than 5,000	422	53.1	1,044	63.9	32	6.6	32	29.9
5,000 - 9,999	215	27.0	453	27.7	108	22.4	64	59.3
10,000 - 14,999	34	10.5	82	5.0	175	36.2	7	6.5
15,000 - 19,999	45	5.6	25	1.5	102	21.1	2	1.9
20,000 +	30	3.8	30	1.9	66	13.6	2	1.9
TOTAL	796	100.0	1,634	100.0	483	100.0	107	100.0

holds in non-profit projects are to be found in the lower income ranges (Table 3.5). Lower income tenants are less well represented in cooperative projects, as might be expected given the nature of the program. Non-seniors in cooperative projects are more representative of the moderate and moderately high income ranges of tenants in Canada, with the percentages earning above \$20,000 being almost the same in cooperative projects and in the general renting population. Cooperative projects therefore cannot be considered low-income.

TABLE 3.5

PERCENTAGE DISTRIBUTION BY RANGE OF ANNUAL INCOME
OF NON-SENIOR AND SENIOR CITIZEN HOUSEHOLDS LIVING
IN RENTED ACCOMMODATION, CANADA, 1976

Type of Household	Annual Income (\$)					
	0 - 4,999	5,000 - 9,999	10,000 - 14,999	15,000 - 19,999	20,000+	Total
Non-Senior Citizen	15.4	25.6	27.4	17.5	14.0	100.0
Senior Citizen	52.2	29.6	9.7	3.8	4.9	100.0

SOURCE: Household Income, Facilities and Equipment (HIFE), CMHC 1976.

It should be noted that the difference in incomes between cooperative and non-profit projects reflects among other things a difference in family characteristics. The accommodation in cooperatives is intended mostly for families with children, and therefore the units for non-seniors will be larger and more expensive than the accommodation for non-seniors in non-profit projects, which tend to house singles and couples in smaller units. The difference in incomes is thus likely to be partly a reflection of the need for more income to pay for larger units. Reference to Tables 3.6 and 3.7 tends to bear this out. There is a tendency for incomes to be higher in cooperative than in non-profit projects, but the difference is less marked for households of more than two persons.

3.2 RENTS AND INCOMES

This section is concerned with how accommodation in non-profit and cooperative housing projects is priced, and how rents and accommodation charges relate to the incomes of residents.

Rents

Under the Sections 15.1 and 34.18 programs as they existed in 1977, housing projects had to meet all capital charges and operating costs. The rent or occupancy charge for an individual dwelling unit is based not on the income and need of the occupant but on the cost of that unit. The mortgage amount to be paid off has been reduced by a 10 per cent Central Mortgage and Housing Corporation capital grant, and the rate of interest reduced on the mortgage loan. In some provinces, such as Ontario, the amount of the mortgage to be paid off is

TABLE 3.6

GROSS 1976 HOUSEHOLD INCOME BY FAMILY SIZE FOR NON-SENIOR CITIZEN
AND SENIOR CITIZEN HOUSEHOLDS IN PRIVATE NON-PROFIT CORPORATION
HOUSING PROJECTS UNDER NHA SECTION 15.1. CANADA

Income	NON SENIOR CITIZEN HOUSEHOLDS									
	FAMILY SIZE									
	1 Person	2 People	3 People	4 People	5 or More People	Total				
	#	#	#	#	#	#	%	#	%	%
Less than 5,000	353	22	7	4	-	386	52.1			
5,000 - 9,999	103	66	17	13	4	203	27.4			
10,000 - 14,999	32	19	15	7	8	81	10.9			
15,000 - 19,999	11	17	9	5	-	42	5.7			
20,000 +	10	10	1	4	4	29	3.9			
Total	509	134	49	33	16	741	100.0			
SENIOR CITIZEN HOUSEHOLDS										
	#	#	#	#	#	#	%	#	%	%
Less than 5,000	947	85	1	-	-	1033	63.9			
5,000 - 9,999	219	230	-	-	-	449	27.8			
10,000 - 14,999	34	47	-	1	-	82	5.1			
15,000 - 19,999	8	14	2	-	-	24	1.5			
20,000 +	21	8	-	-	-	29	1.8			
Total	1229	384	3	1	-	1617	100.0			
TOTAL										
	#	#	#	#	#	#	%	#	%	%
Less than 5,000	1300	107	8	4	-	1419	60.2			
5,000 - 9,999	322	296	17	13	4	652	27.7			
10,000 - 14,999	66	66	15	8	8	163	6.9			
15,000 - 19,999	19	31	11	5	-	66	2.8			
20,000 +	31	18	1	4	4	58	2.5			
Total	1738	518	52	34	16	2358	100.0			

SOURCE: Survey by the Program Evaluation Unit, Corporate Planning Division, Central Mortgage and Housing Corporation, Ottawa, 1977.

TABLE 3.7
GROSS 1976 HOUSEHOLD INCOME BY FAMILY SIZE FOR NON-SENIOR CITIZEN
AND SENIOR CITIZEN HOUSEHOLDS IN COOPERATIVE HOUSING PROJECTS
UNDER NIA SECTION 34.18

NON-SENIOR CITIZEN HOUSEHOLDS												
Income	FAMILY SIZE											
	1 Person		2 Persons		3 Persons		4 Persons		5 Persons		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$		
Less than 5,000	14	15.9	5	4.7	6	5.8	3	2.8	2	2.8	30	6.3
5,000 - 9,999	24	27.3	21	19.6	29	27.9	25	23.4	9	12.5	108	22.6
10,000 - 14,999	24	27.3	40	37.4	36	34.6	48	44.9	26	36.1	174	36.4
15,000 - 19,999	18	20.5	25	23.4	20	19.2	21	19.6	17	23.6	101	21.1
20,000 +	8	9.1	16	15.0	13	12.5	10	9.3	18	25.0	65	13.6
Total	88	100.0	107	100.0	104	100.0	107	100.0	72	100.0	478	100.0
SENIOR CITIZEN HOUSEHOLDS												
Income	1 Person		2 Persons		3 Persons		4 Persons		5 Persons		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$		
	Less than 5,000	28	49.1	4	8.5	-	-	-	-	-	-	32
5,000 - 9,999	28	49.1	35	74.5	-	-	1	50.0	-	-	64	59.8
10,000 - 14,999	1	1.8	4	8.5	1	100	1	50.0	-	-	7	6.5
15,000 - 19,999	-	-	2	4.3	-	-	-	-	-	-	2	1.9
20,000 +	-	-	2	4.3	-	-	-	-	-	-	2	1.9
Total	57	100.0	47	100.0	1	100.0	2	100.0	-	-	107	100.0
TOTAL												
Income	1 Person		2 Persons		3 Persons		4 Persons		5 Persons		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$		
	Less than 5,000	42	29.0	9	5.8	6	5.7	3	2.8	2	2.8	62
5,000 - 9,999	52	35.9	56	36.4	29	27.6	26	23.9	9	12.5	172	29.4
10,000 - 14,999	25	17.2	44	28.6	37	35.2	49	45.0	26	36.1	181	30.9
15,000 - 19,999	18	12.4	27	17.5	20	19.0	21	19.3	17	23.6	103	17.6
20,000 +	8	5.5	18	11.7	13	12.4	10	9.2	18	25.0	67	11.5
Total	145	100.0	154	100.0	105	100.0	109	100.0	72	100.0	585	100.0

SOURCE: Survey by the Program Evaluation Unit, Corporate Planning Division, Central Mortgage and Housing Corporation, Ottawa 1977.

further reduced by a provincial grant. The resulting reduced mortgage amount, put on a monthly basis and divided among the units of a project, constitutes part of the costs which must be charged for each unit. In addition, heating, maintenance, salaries and other operating costs must be met in full for each unit.

This implies that two forces are at work on rents (or occupancy charges). As time passes, and real estate values and rents in the economy as a whole rise, groups will benefit from the fact that the facilities are owned and not rented. That is, capital costs are fixed, and this will help to keep down rents and attract tenants. However, as wages and fuel costs rise, as seems inevitable, operating costs will tend to rise, placing an upward pressure on the rents which must be charged. If the projects have been built with an eye to low capital cost, rather than low maintenance, repair and heating costs, the latter influence on rents will be more important. If the net effect is for the break-even rents to rise to the full market level, projects will have to attract occupants who may have sufficient incomes to afford adequate accommodation on the private rental market. They may also rely on people eligible to occupy units designated for rent supplement, as governments, under the system operating in 1977, would make up the difference between what these tenants are expected to pay, and the break-even rent which the project must charge.

Rent-to-Income Ratios

Rather than discuss the absolute levels of rent here, it is proposed to discuss the relationship between rents and the incomes of occupants of dwelling units. A rent-to-income ratio is a useful indicator of the burden imposed on a household by what must be paid for the accommodation and it facilitates comparisons between households with similar demographic characteristics.

It is useful to notice that the absolute level of incomes is important, when rent-to-income ratios are being discussed. That is, if two households pay the same percentage of different incomes, the household with the higher income will have more left over after paying for shelter than the other.¹ If the two households are otherwise exactly the same, the household with the higher income will be better able to look after its non-shelter needs.

Although households with higher incomes could pay a greater proportion of their income for rent, and still have more left over for other things, the survey results indicated that higher-income residents of non-profit and cooperative projects paid smaller proportions of their

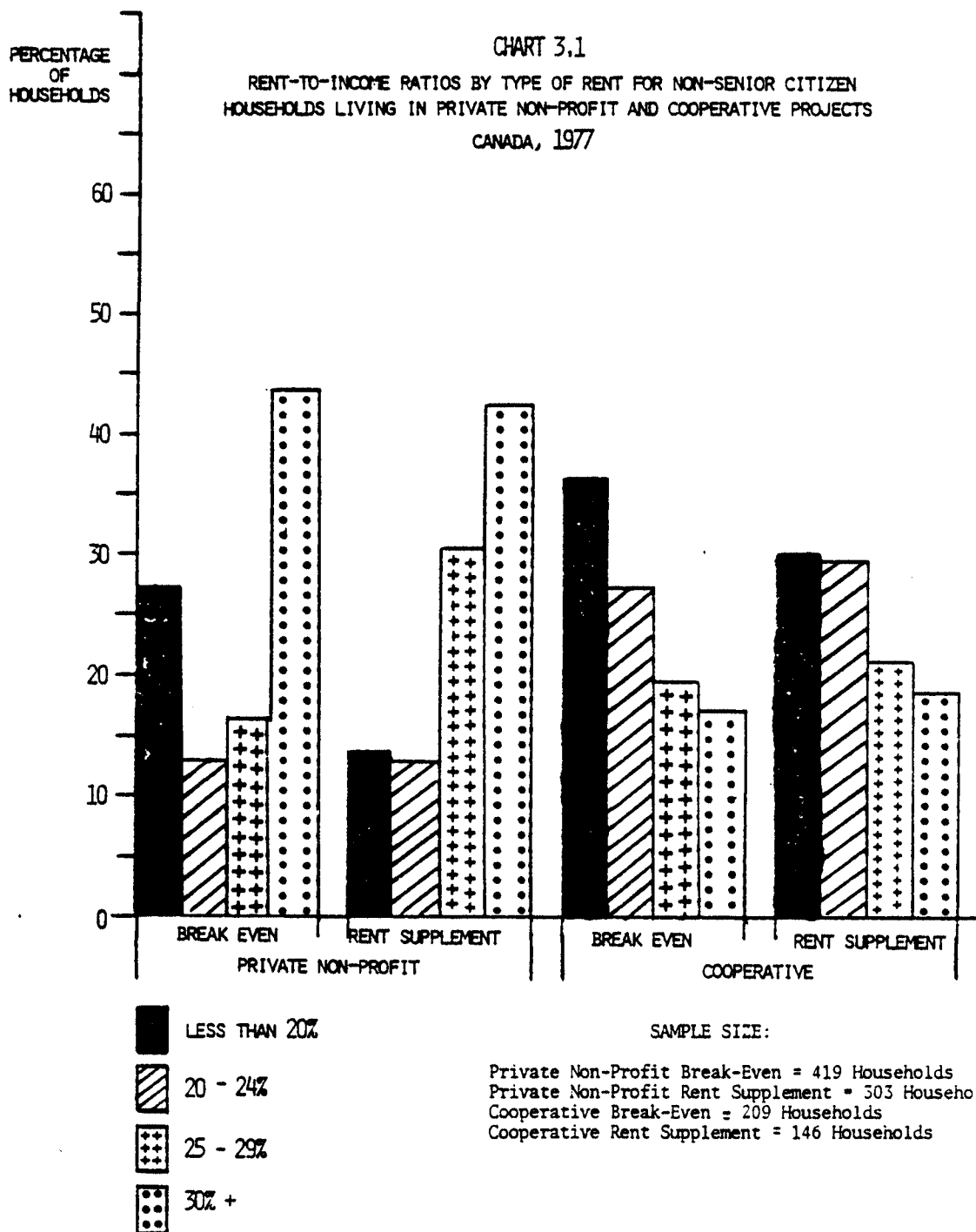
¹For example, if both households pay 30 per cent of income in rent, Household A with \$5,000 annual income would pay \$1,500 in rent and have \$3,500 left over for other things, whereas Household B with \$25,000 annual income would pay \$7,500 in rent and have \$17,500 left over for other things.

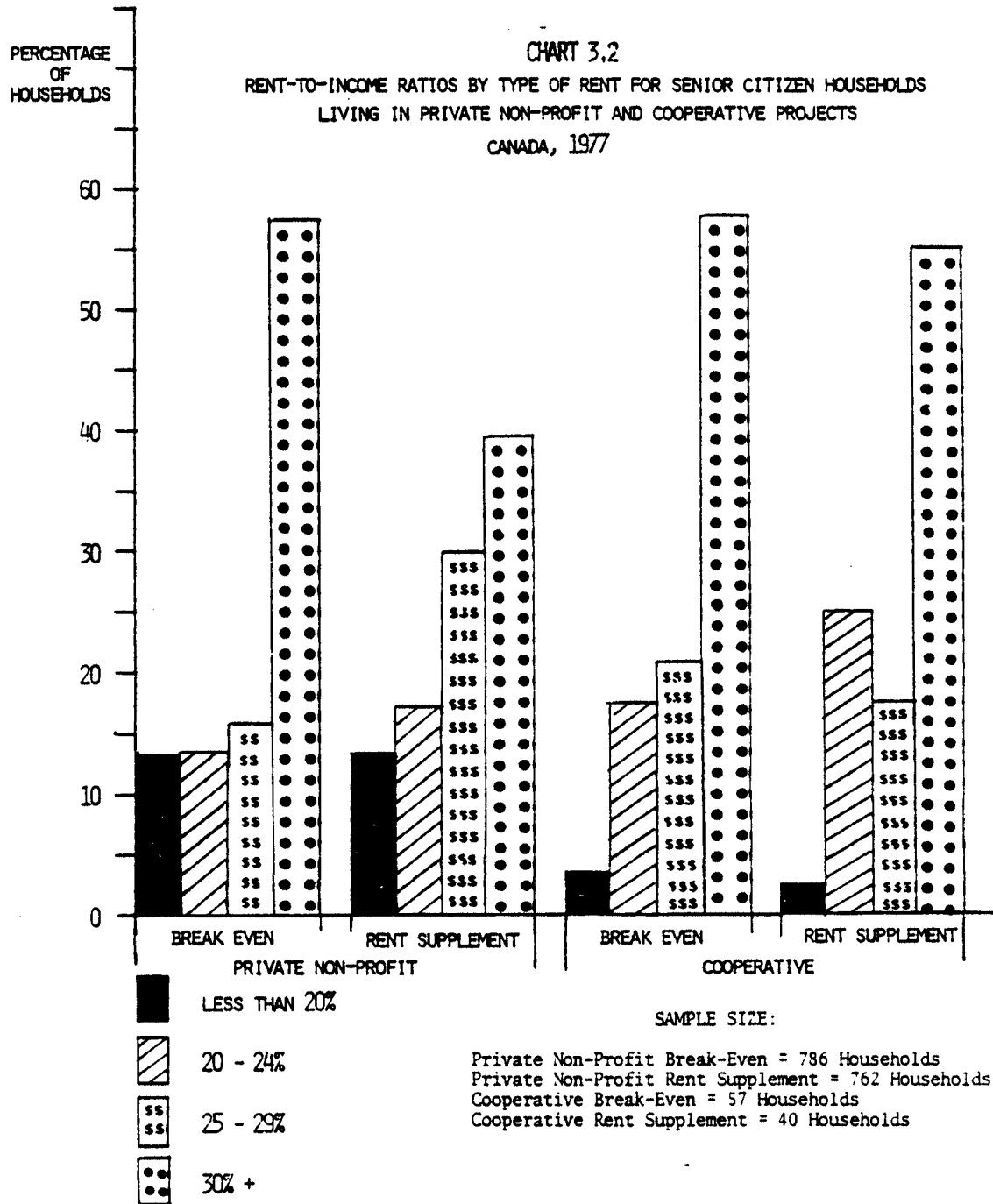
incomes for rent than did lower-income residents. This is to be expected since rents do not vary according to income, except for tenants of rent-supplement units. What is surprising is that this finding also holds for people in rent-supplemented units. Even though they are predominantly lower-income households¹, most pay relatively high proportions of their income in rent (Charts 3.1 and 3.2)

Break-even rent households paying over 25 per cent of income in rent might be eligible either for rent supplement under Section 44.(1).(b) of the Act, or for assistance from funds generated for this purpose by the project surcharging the rents for certain higher-income residents. However, if all units certified as rent-supplement units under Section 44.(1).(b) are already taken, or the project cannot generate enough surcharge revenue, these households must pay the economic or break-even rent if they wish to live in the project. Although households paying less than 20 per cent of income for rent are supposed to pay rent surcharges, incomes are required to be verified only once every 30 months.

The main issue seems to arise in connection with the surprisingly large proportion of households occupying rent supplement units and paying over 30 per cent of income for rent. This situation ought not to occur,

¹In private non-profit projects, 70 per cent of households in rent-supplement units receive less than \$5,000 per annum, and over 20 per cent receive between \$5,000 and \$10,000 per annum. The picture is quite different in cooperative projects, presumably because the different family structure results in households having on average higher incomes, but also greater requirements for space.





since incomes are verified annually and the supplements are altered accordingly to keep the rent-to-income ratio in accordance with the rent-to-income scale used in public housing. In non-profit projects it was found that 39.3 per cent of senior citizen households, and 42.2 per cent of non-senior households, were paying over 30 per cent of income in rent. In cooperatives, 55 per cent of seniors were paying over 30 per cent of income in rent.

The situation is clearer if examined regionally. In the whole sample for Canada of 1,744 households receiving rent supplement, 475 or 27 per cent were paying more than 30 per cent of income in rent. Of these, 346 were in projects located in British Columbia, with 90 in Ontario, 37 in Manitoba, and one each in Alberta and Nova Scotia. In percentage terms, in the three provinces with a sample of any size, those paying over 30 per cent of income were 38 per cent of the sample in British Columbia, 22 per cent of the sample in Ontario, and 38 per cent in Manitoba. In British Columbia the problem was spread over a large number of projects, with 21 projects in the sample having from 5 to 36 households paying over 30 per cent of income. In Ontario the problem occurred mainly in three projects (with 66, 12 and 7 cases respectively). In Manitoba the problem occurred mainly in two projects, with 19 and 13 cases respectively.

One possible explanation is that the rent-to-income ratios calculated from the survey include charges for utilities, which are

excluded by the provinces in calculating rent-supplement payments.¹ Another possibility is that the scale is not being applied properly. It should be remembered that incomes reported in the survey were gross 1976 incomes. Incomes adjusted for rent-supplement purposes would be lower, so that the situation may be even worse than it appears.

Rent Surcharging

The rent surcharge system was originally developed to enable cooperatives to keep some higher-income members in the projects, and to provide a source of funds for subsidizing the rents of lower-income members.

The survey found that, among non-profit corporation projects, a very low proportion reported any use of surcharges. Among cooperative projects, the senior citizen and mixed projects reported not using rent surcharges, but projects representing close to three-quarters of the units occupied by non-senior citizens reported using rent surcharges, mainly in British Columbia. This result is not surprising, since the rent surcharge system had been suggested as an answer to the problem of cooperatives wishing to keep higher-income members.

¹The calculations of rent usually include heat and hot water. However, in British Columbia, there is a conflict within provincial practice, since rents in some projects include these items, and in others do not, and no allowance is made for this. Moreover, in survey forms received from project residents in British Columbia, electricity charges were so high that they appeared to include electricity used for space heating.

It may be of assistance to outline how the rent surcharge system is supposed to work. Roughly speaking, the total surcharge amount for a project is the difference between the amount the project now has to pay on its mortgage each year, and what it would have to pay if it was paying a non-subsidized interest rate. This surcharge is divided among the units of the project, but does not become payable for any particular dwelling unit unless that unit is occupied by a household with an adjusted income of more than 4.5 times the break-even rent of that unit.

In effect, anyone whose rent is less than 22.5 per cent of adjusted income should be paying some surcharge, the revenue to go to assisting persons whose rents are more than 25 per cent of adjusted income.¹ Since the incomes reported in the survey were gross incomes, some margin must be allowed for adjustment. However, practically nobody in non-profit projects pays more than \$250 per month, or \$3,000 annually, in rent. More than 9 per cent of non-senior citizens, with \$15,000 or more in annual income, have rent-to-income ratios of less than 20 per cent. Similarly, in cooperatives, very few paid more than \$350 in monthly rent in 1977, or \$4,200 annually, yet 13.6 per cent of cooperative project residents had a gross annual income of over \$20,000 in 1976.

¹See Appendix for the operating agreement between CMHC and the corporation or cooperative responsible for the project. In 1976, Section 2(b) was changed to require the following rent levels:

- For incomes 4 to 4.5 times economic rent - economic rent
- For incomes 4.5 to 4.75 times economic rent - economic rent plus one-third surcharge
- For incomes 4.75 to 5 times economic rent - economic rent plus two-thirds surcharge
- For incomes in excess of 5 times economic rent - economic rent plus full surcharge.

For incomes less than 4 times the economic rent, the rent is to be below economic rent, with the subsidy drawn from surcharges collected from other residents.

A number of reasons can be advanced for the rent surcharge system not being applied to a number of those who appear liable, particularly in non-profit projects.

(1) No matter what the theoretical surcharge may be, it may only be applied to the extent that it brings the rent of a unit up to the market rent. Accordingly, it may not be possible to surcharge the rent for someone who is liable, as the rent being paid may already be the market rent. Such a person would thus have a low rent-to-income ratio.

(2) Projects are only required to find out what a resident's income is once every thirty months, so that many projects might have had residents who were not liable for surcharge on entry to the project, and had not been there long enough at the time of the survey for their increased income to become officially known to the project management.

(3) The obligation to impose surcharges or the right to impose them may at times not be understood. One project managing group in Ontario complained to the interviewer that they did not know what the surcharge system was. The same cooperative group complained of having turned away applicants they very much wanted, under the impression that the CMHC local office would not let them accept applicants above a certain income level, only to find later that the CMHC local office was now saying that they could have accepted these applicants. The implication is that they would have gladly operated a surcharge system in order to get these people as residents.

If may be concluded that there are some difficulties with the surcharge system. If a project does not have higher-income residents to surcharge, or if the higher-income residents are already paying market rent, then revenues can not be generated by this means to help keep down the occupancy cost to people paying over 25 per cent of their incomes in rent. The cooperatives themselves complain that restricting the number of households with incomes over four times rent on entry to 10 per cent of the households in a project prevents the generation of sufficient internal subsidies, as well as preventing the achievement of the degree of income mix which they regard as desirable. The cooperatives also object to the fact that basing the surcharge on the difference between the preferred mortgage interest rate and an unsubsidized rate (Section 58) can lead to different levels of surcharge on identical units in different projects, or stages of the same project, if interest rate levels have changed substantially between the times the different projects or stages were financed. These and other problems raise the question of whether the system as it exists is worth enforcing.

Subsidies

Attempts have been made to compare subsidies across a number of housing programs, but fair comparisons have not so far been possible. One major difficulty has been a lack of good data on comparable bases. Another is that, even if it is known with some accuracy what it costs to subsidize a dwelling unit, or a person, or a square foot of accommodation, the persons

or households being assisted vary as to their incomes and needs. There are likely also to be considerable quality differences in the accommodation being subsidized, as well as in the services being provided, which make it impossible to say with any accuracy that a dollar spent on one type of housing confers the same benefit as a dollar spent on another type. Another important problem is that figures based on the present situation need not form a good basis for predictions as to the future, since differences in client populations could mean that subsidy costs could rise or fall much more in one type of project than another. These considerations lead to the discussion in this section being confined to what is known about subsidizing non-profit corporation and cooperative housing.

In 1976, the average subsidy cost per unit of non-profit and cooperative housing was as follows (Table 3.8):

TABLE 3.8

COST IN 1976 OF SUBSIDIES OF NON-PROFIT AND COOPERATIVE HOUSING
PROGRAMS UNDER THE NATIONAL HOUSING ACT. CANADA

	Non-Profit Self-Contained			Cooperative Self-Contained		
	Per Unit	No. of Units	Total	Per Unit	No. of Units	Total
	\$		\$	\$		\$
Senior Citizen	1,148	4,907	5,633,236	1,120	153	171,360
Family	1,360	2,192	2,981,120	1,249	1,413	1,764,837

SOURCE: Program Evaluation Unit, CMHC, November 18, 1977. The table is based on approvals data taken from CMHC computer tape N951 N951.

These figures include the 10 per cent capital grant, and the interest writedown from a non-subsidized (Section 58) rate to the Section 15.1 and 34.18 preferred rate. To these figures must be added the cost of CMHC's share of rent supplement under Section 44.(1).(b) of \$1,716,038 in 1976.

An attempt was made, using results of the 1977 survey, to estimate the distribution of rent supplements among the various income ranges of households in the projects. In this analysis, the rent supplement for each household in a rent-supplemented unit was calculated on the basis of the difference between the tenant's actual rent and the break-even or economic rent of the unit. An estimate was then made of the percentage of the total subsidy going to clients in each income range. This was done by multiplying the average subsidy amount for each income range, by the numbers of clients in the sample in that range (Table 3.9 and 3.10). Table 3.10 shows that about two-thirds (67.7 per cent) of the subsidies go to clients with incomes below \$5,000, with 23.4 per cent going to clients in the \$5,000 to \$10,000 income range, and 8.8 per cent of the supplements going to households receiving an annual income above \$10,000.

Considering the distribution by non-profit and cooperative sponsors, it is found that a large percentage of the subsidies in cooperatives went to the higher-income rent-supplement clients. For example, over a quarter of the subsidies go to clients with over \$10,000 of income in cooperatives.

TABLE 3.9
ESTIMATE OF PERCENTAGES OF RENT SUPPLEMENT GOING TO EACH INCOME RANGE OF NON-SENIOR AND SENIOR CITIZEN HOUSEHOLDS IN HOUSING PROJECTS UNDER NHA SECTIONS 15.1 AND 34.18, CANADA, 1977

Income Range Dollars per Year	Non-Senior Households in Non-Profit Projects					Senior Citizen Households in Non-Profit Projects				
	Sample Households		Average Subsidy		Sample Supplement Total	Estimated Total Subsidy Distribution		Sample Households		Sample Supplement Total
	No.	p.c.	Dollars	Dollars		p.c.	p.c.	No.	p.c.	Dollars
0 - 4,999	203	74.6	927		188,096	67.5		489	77.0	1,020
5,000 - 9,999	54	19.9	1,212		65,457	23.5		122	19.2	791
10,000+	15	5.5	1,661		24,909	8.9		24	3.8	1,020
TOTAL	272	100.0	1,024		278,462	100.0		635	100.0	976
	Non-Senior Households in Cooperative Projects					Senior Citizen Households in Cooperative Projects				
	Sample Households		Average Subsidy		Sample Supplement Total	Estimated Total Subsidy Distribution		Sample Households		Sample Supplement Total
	No.	p.c.	Dollars	Dollars		p.c.	p.c.	No.	p.c.	Dollars
0 - 4,999	16	10.7	1,140		18,244	14.1		12	29.3	653
5,000 - 9,999	61	40.7	1,143		69,721	53.7		27	65.9	557
10,000+	73	48.7	573		41,844	32.2		2	4.9	924
TOTAL	150	100.0	865		129,809	100.0		41	100.0	603

SOURCE: Survey by the Program Evaluation Unit, Corporate Planning Division, Central Mortgage and Housing Corporation, Ottawa, 1977.

TABLE 3.10
ESTIMATED PERCENTAGE DISTRIBUTION OF RENT SUPPLEMENT BY INCOME RANGE
OF CLIENTS OF HOUSING PROGRAMS UNDER NIA SECTIONS 15.1 AND 34.18, CANADA, 1977¹

Income Range Dollars per Year	Non-Profit Housing Projects				Cooperative Housing Projects				Total All Projects	
	Sample Households		Sample Supplement Total		Estimated Total Subsidy Distribution		Sample Supplement Total		Estimated Total Subsidy Distribution	
	No.	p.c.	Dollars	p.c.	No.	p.c.	Dollars	p.c.	Sample Supplement Total Dollars	Estimated Total Subsidy Distribution p.c.
0 - 4,999	692	76.3	686,707	76.5	28	14.7	26,077	16.9	712,784	67.7
5,000 - 9,999	176	19.4	161,930	18.0	88	46.1	84,769	54.9	246,699	23.4
10,000+	39	4.3	49,389	5.5	75	39.3	43,692	28.3	93,081	8.8
Total	907	100.0	898,026	100.0	191	100.0	154,538	100.0	1,052,564	100.0

SOURCE: Survey by the Program Evaluation Unit, Corporate Planning Division, Central Mortgage and Housing Corporation, Ottawa, 1977.

¹This table totals and summarizes the previous table.

3.3 EQUITY

The question of equity must be raised, since under the Sections 15.1 and 34.18 programs, subsidies are benefiting clients of different income levels who are paying widely varying proportions of their incomes in rent. This situation must be judged partly in terms of the program goals and objectives. The basic questions relate to whether clients are being treated fairly, and whether they have equal access to the program benefits.

The Concept of Equity¹

It is useful to introduce here the two ideas of horizontal equity and vertical equity. Horizontal equity is usually taken to mean similar treatment of people in similar circumstances. A fairly simple example is that of giving the same amount of help to a number of senior citizens, all living solely on the same old age pension, by providing them with the same square footage of accommodation per person, the subsidy per square foot being the same for everyone. Vertical equity is taken to mean that somehow people of different levels of income are treated equally fairly, for example by giving the same amount of help per person to low-income people with small responsibilities, and people of somewhat higher income with larger responsibilities.

¹Equity is defined in the dictionary as fairness or justice, not equality. Two extreme positions which can be held are (1) that each should receive according to his need, and (2) that each should receive according to his contribution. In practice, in allocating society's resources, some mixture of these two views usually underlies policies, and the programs under Sections 15.1 and 34.18 are no exception.

The program objective of integrating people of different income levels implies a very different view of equity, namely that it is fair to treat people unequally because they make unequal contributions. On the basis of the survey results, not much can be said about this kind of equity, but a good deal can be said about horizontal and vertical equity.

Equity and Program Goals

As already noted, there is some conflict, or ambiguity, in the program goals and objectives (Chapter 2). Accommodation is to be provided to families of low and moderate incomes, but another objective is to encourage the integration of families and individuals of varying incomes in the same projects, with the concepts of low and moderate incomes not being closely defined. Similarly, preferences are stated for families and senior citizens of the lowest incomes possible under the programs. Since the lowest incomes possible under the program may have to be relatively high so as to enable clients to pay the economic rent, this does not necessarily imply that projects will be accessible to people normally regarded as low-income. Put another way, these goals and objectives do not mean that the most needy in society will be in a position to benefit from the subsidies being paid out under these programs. The most needy may require subsidies that are greater than the program can provide.

When the current non-profit/cooperative program was instituted

in 1973, projects were given targets of 15 to 25 per cent of residents to have incomes less than 3.3 times rent on entry (rent 30 per cent of income), i.e. up to 75 per cent could have incomes more than 3.3 times rent. This standard was changed at the beginning of 1976 to incomes four times rent (rent 25 per cent of income), but projects were now expected to have 90 per cent of residents with less than this level of income on entry. That is, not more than 10 per cent were to have incomes in or approaching the surcharge range on entry.

It may be concluded that the non-profit and cooperative programs were not intended mainly as low-income programs, but the insertion of rent supplements provided for access by people of various levels of income, and the restrictions imposed as to the percentages of higher-income residents imposed an initial upper limit on the range of income mix permitted.

Unequal Treatment of Clients

There are some anomalies in the treatment of clients which raise the broad question of fairness, even though program standards are not violated.

Comparisons of income distributions of break-even renters and renters receiving rent supplement show that there is considerable overlap in private non-profit projects especially for senior citizens, a group relatively homogeneous with respect to incomes and needs (Tables 3.11 and 3.12).

TABLE 3.11

COMPARISONS OF INCOME DISTRIBUTIONS FOR NON-SENIOR CITIZENS
PAYING BREAK-EVEN RENT AND RECEIVING RENT SUPPLEMENT IN
PRIVATE NON-PROFIT HOUSING

Income Group	Break-Even Renters	Renters Receiving Rent Supplement
Dollars	Per Cent	Per Cent
Less than 5,000	40.6	70.5
5,000 - 9,999	30.6	22.1
10,000+	28.8	7.4

SOURCE: Survey by Program Evaluation Unit, Corporate Planning Division,
Central Mortgage and Housing Corporation, Ottawa, 1977.

The overlap also exists in cooperatives, but is less meaningful for non-senior citizens there because of the greater variety of household sizes and thus needs (Chart 3.3). The overlap in these income groups is very likely the result of rent-supplement units being full and thus not available for others who live in the project, and would qualify for rent supplement aid but do not receive it.

Another issue arises from the fact that not enough dwelling units are certified for Section 44 (1).(b) rent supplement for all those in need of assisted housing. In the master agreements between Central Mortgage and Housing Corporation and the provinces, the provinces agree to ensure that designated housing projects choose the applicants in greatest need. The problem is that while those selected may be needy, they are not necessarily those most in need. When projects favour applicants in the

TABLE 3.12

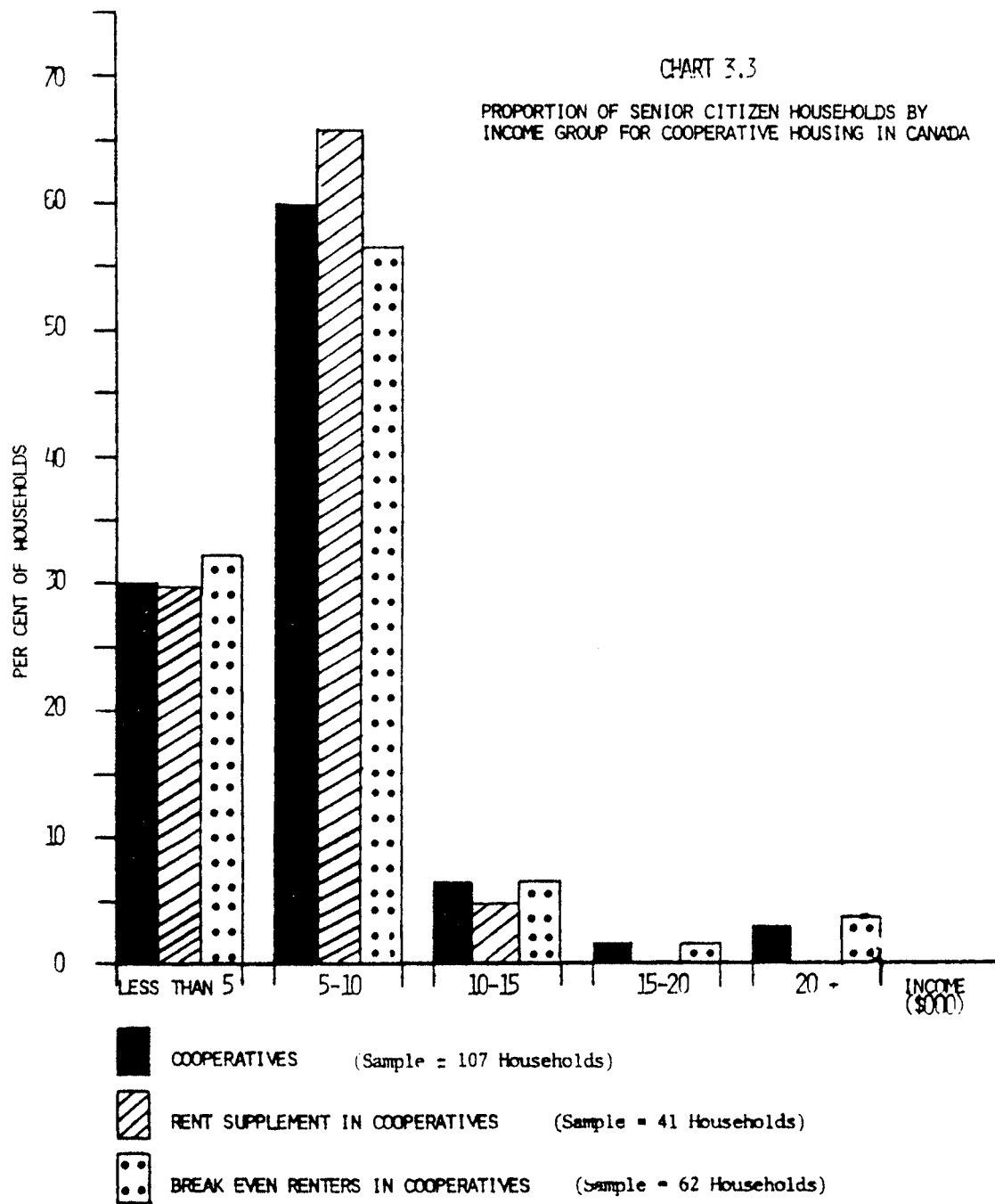
COMPARISON OF INCOME DISTRIBUTIONS FOR SENIOR CITIZENS
PAYING BREAK-EVEN RENT AND RECEIVING RENT SUPPLEMENT IN
PRIVATE NON-PROFIT HOUSING

Income Group	Break-Even Renters	Renters Receiving Rent Supplement
Dollars	Per Cent	Per Cent
Less than 5,000	56.3	71.8
5,000 - 9,999	33.9	19.4
10,000+	9.8	8.8

SOURCE: Survey by the Program Evaluation Unit, Corporate Planning Division,
Central Mortgage and Housing Corporation, Ottawa, 1977.

neighbourhood, and there is a public housing project also in the municipality, the master agreements say that the non-profit or cooperative project is to adopt a formal and consistent system of determining the relative needs of individual applicants to determine those in greatest need. The projects are also to apply the federal or the provincial rent-to-income scale to tenants of rent-supplement units. As already discussed earlier, non-profit projects tend to choose rent-supplement tenants from their own waiting lists, and not to use the provincial point-rating system in doing so.

It has already been pointed out that rent-to-income ratios vary widely, even among break-even renters, but that this is in the nature of the program. Nonetheless, even though program standards are not violated,



SOURCE: Survey by Program Evaluation Unit, Corporate Planning Division, Central Mortgage and Housing Corporation, Ottawa, 1977.

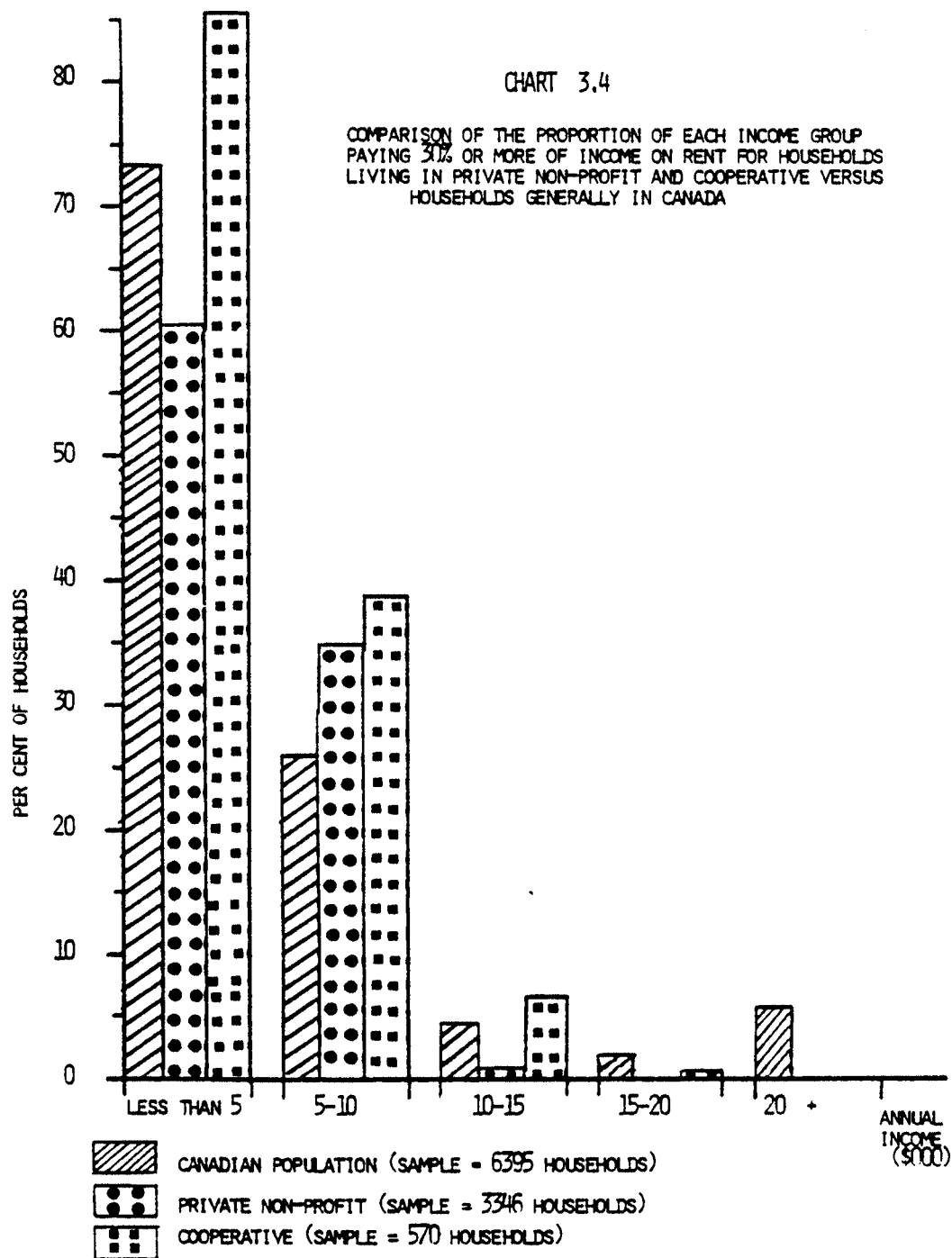
people of differing resources and needs are paying and benefiting equally from the program, when it might be argued that those with greater resources should pay more for a given financial benefit. Under the proposed new programs (1978-1979), the basic principle is that all residents will pay 25 per cent of their incomes in rent. i.e. those with more will pay more, up to a stated maximum. In non-profit projects, the maximum rent will be the market rent. In cooperative projects the maximum rent will be the lesser of market or economic (break-even) rent.

Comparison with the General Population

This sub-section will very briefly compare the households in private non-profit and cooperative projects with the renting households generally in the population.

Although a large proportion of the low-income group in private non-profit projects pay over 30 per cent of income in rent, an even larger proportion does so in the general population of renters in Canada (Chart 3.4). On the other hand, a larger proportion of people in the low-income range in cooperatives pay over 30 per cent of their incomes in rent. However, the sample in cooperatives in this range is small (see Table 3.4) and further data are required for verification.

The conclusion may be drawn that non-profit projects are easing the rent burden on their low income residents, in that a lower percentage pay over 30 per cent of their income in rent. As far as the cooperatives



SOURCE: "HOUSEHOLD INCOME, FACILITIES AND EQUIPMENT"(HIFE), CMHC 1976

are concerned, the comparison seems to mean that cooperative projects are sufficiently attractive to some people for large proportions of them to put up willingly with a high rent-to-income ratio.

3.4 ENFORCEMENT

A number of problems referred to in this chapter are probably the result of a lack of federal, or provincial, control. The apparent failure on the part of some provinces to enforce a systematic and known procedure for selecting applicants for rent supplement under Section 44.(1).(b), the very high proportion of rent-supplement tenants paying more than 30 per cent of income in rent, and the difficulties with the rent surcharge system, indicate that the programs are not being carried out as intended in the legislation, and as spelled out in the written manuals. The question is whether these problems result from (i) administrative difficulties which can be remedied without changing the program; or (ii) whether they are inherent in the nature of the legislation and the program themselves. There is also the question of whether these difficulties in fact prevent the objectives of the program from being achieved.

The manuals contain detailed provision for controlling sponsors groups and their projects up to the point where the projects are built.¹ Once repayment of the mortgage loan has commenced, the project is regarded

¹For example, Chart 2.1 in Chapter Two of this report.

mainly from the standpoint of mortgage administration. The operating agreements, and the master agreements between CMHC and the provinces under NHA Section 44.(1).(b) provide for information on incomes to be verified, but not to be transmitted to CMHC unless CMHC requests it. The Social Housing Division of CMHC does know where the designated housing projects are and which dwelling units are certified for rent supplement, but accepts the provincial auditor's certification of the bill from the province for the federal share of rent supplement. It would appear, however, from a reading of the operating agreement and the federal-provincial master agreements for rent supplement under Section 44.(1).(b), that the power exists at present to demand adequate reporting of incomes of project residents to CMHC.

Clause 3 of the operating agreement between a project and CMHC requires the project to obtain from the occupant of any housing unit a report on his annual income, at least once during each 30 months of occupancy, and in a form satisfactory to Central Mortgage and Housing Corporation.¹ The project management is required to review the occupant's income and adjust the rent in accordance with the agreement between the occupant and the borrower. The survey seems to show that many projects are not in fact enforcing this section of the operating agreement, and there is little that CMHC can do about it without either spot-checking to see that projects are in fact obtaining reports on income and acting

¹See Appendix.

on these reports, or else setting up a system for the projects to report incomes and other characteristics of residents of projects to CMHC. Similarly, CMHC has the power now to request the information necessary for accounting for monies paid out under NHA Section 44.(1).(b).

It is apparent from the manual that CMHC local offices are expected to promote non-profit housing projects, to work with the sponsor groups to see that they are built, and then to hand them over to Mortgage Administration Division, which administers the mortgages and interest subsidies. Apart from authorizing rent increases, CMHC has little more to do administratively with a project thereafter, unless it defaults on the mortgage.

One result of this approach to program control, which amounts to assuming that several hundred different project managements will do what is expected of them for thirty-five years without any supervision to see that at least they are all doing things in much the same way, is that program evaluation is very difficult and expensive. It was assumed that the information on tenants was available in CMHC, either at National Office or in the local offices across the country. This was found not to be so, and therefore it was assumed that the managers of projects would have the information. During the pre-testing of a questionnaire designed to be administered by interview to project managers, it was discovered that many managers could not answer questions about current income of

residents, unless they were living in rent-supplemented units, or unless they had very recently become residents in the projects, in which case detailed information from their applications tended to be available. Accordingly, a very expensive and time consuming survey of residents as well as managers had to be mounted, since the requirement was imposed that every region of the country had to be well represented.

One of the first discoveries made in organizing the survey was that there was no accurate, reasonably up-to-date list of projects built and occupied as of the end of 1976, let alone of projects built and occupied up to the time of the survey in the summer of 1977. There were lists which did not distinguish completely between projects built, and projects approved but incomplete, or approved but not even started. This has all happened because the program instructions require the local offices to see to the production of the housing, but do not fix the responsibility for reporting information on projects and their residents.

It may be concluded that some of the problems are administrative and can be remedied without changing the program, and others are inherent in the program. It does not require a change in the program to develop an improved procedure for recording and storing information now being reported by local offices so that it can be retrieved when needed. Similarly, it does not require a change in the program to request further information to be reported so that questions on local and provincial

administration of the Section 44.(1).(b) program can be investigated.

However, there is the question of whether the problems discussed in this — chapter are seriously affecting achieving program goals. Good projects are being built, and low and moderate-income people are being helped. Comments written on completed questionnaires seemed to indicate that, while there are complaints, many clients are very pleased with their accommodation, and its management.

There is the problem inherent in the program of how to choose among those who should be helped, but it is difficult to know if another approach to enforcement would result in needier people being helped in better projects. There is the danger that if attempts are made to enforce unpopular measures, non-profit and cooperative sponsors may feel little incentive to go to the very considerable trouble involved in promoting new housing projects. Under the new programs, it is proposed to set an upper limit of market rent for non-profit corporations, or the lesser of market or economic rent for cooperatives, and to let the corporations or cooperatives responsible for managing the projects set the individual project tenant mix. It is also proposed that below these rents, occupants pay rents geared to their incomes.

CHAPTER FOUR

SUMMARY AND CONCLUSIONS

Between mid-1973 and mid-1977, under the new Sections 15.1 and 34.18 programs, non-profit corporations and cooperatives added over 13,000 self-contained units to the stock of "third sector" housing. To judge by the comments of the residents, as well as impressions of interviewers, most of this accommodation is very satisfactory. Certainly, over the period as a whole, there has not been a vacancy problem.

Non-profit and cooperative housing projects tended to serve somewhat different clients. The non-profit projects mainly accommodate senior-citizens and small non-senior citizen households. The senior citizen households in particular earn low incomes. Almost two-thirds had less than \$5,000 per annum, and almost all the rest between \$5,000 and \$10,000 per annum. The cooperative projects house a greater variety of households, with considerable spread in income levels.

Despite the satisfactory nature of most or all of the projects, and evidence that most residents seemed to fit program criteria with respect to incomes and needs, a number of questions concerning the programs and their administration arose in the course of the research. These questions or issues are now taken up, under four headings, namely (1) rents, incomes and their relationship; (2) selection of clients, especially for rent supplement units; (3) equity of treatment; and (4) enforcement of program norms.

4.1 RENTS, INCOMES AND THEIR RELATIONSHIP

In non-profit projects surveyed in 1977, 80 per cent of non-senior citizen households received less than \$10,000 per annum in income, and another 10.5 per cent received between \$10,000 and \$15,000. Over 90 per cent of senior citizens in non-profit projects received less than \$10,000 per annum from all sources, with another 5 per cent in the \$10,000 to \$15,000 range. In other words, only 10 per cent of non-senior, and about 4 per cent of senior citizen households in non-profit projects received over \$15,000 in annual income. In cooperative projects, on the other hand, almost 35 per cent of non-senior citizen households received over \$15,000 per annum in income from all sources. Almost 90 per cent of senior citizen households in cooperative projects received less than \$10,000 in annual income.

Project residents with higher incomes paid lower proportions of their incomes for rent than did lower-income residents. A large proportion of households in private non-profit projects were paying 30 per cent or more of income in rent, but a relatively small proportion paid more than 30 per cent in cooperative projects (less than 20 per cent including senior citizens, about 11 per cent if non-senior citizen households only are considered). In both private non-profit corporation projects and cooperatives, virtually all households paying more than 30 per cent of income in rent had an annual income of less than \$15,000. It should be noted that, with few exceptions, households with an annual income of \$15,000 or more paid under 20 per cent of income on rent.

It was found that 39.3 per cent of senior citizen households in non-profit projects, and 55 per cent of seniors in cooperative projects who were living in rent-supplement units were paying over 30 per cent of their incomes in rent. In private non-profit projects 42.2 per cent of non-senior households receiving rent supplement paid more than 30 per cent of income in rent. The problem was most widespread in British Columbia, whereas in both Manitoba and Ontario it was heavily concentrated in two or three projects. It would appear that the rent supplements are not being properly applied, in many projects, since usually the rent-to-income scale used should result in rent-supplement tenants paying 16 to 25 per cent of income on rent, and certainly not more than 30 per cent.

Finally, in this section, it should be noted that almost no non-profit corporation projects reported applying rent surcharges, although over 25 per cent of their break-even rent households spent less than 20 per cent of their incomes on rent. Cooperative projects, however, representing three-quarters of the units for cooperative non-senior citizens, reported applying rent surcharges. Despite this, over 35 per cent of the non-senior, break-even rent households in cooperatives paid less than 20 per cent of income for rent.

4.2 SELECTION OF CLIENTS FOR RENT SUPPLEMENT UNITS

Most non-profit projects used their own waiting lists in choosing tenants for their rent-supplement units, and in doing so did not use the

provincial point-rating system. This raises questions of both equity and enforcement. The federal government, which pays half the cost of rent supplement, does not know if the most needy applicants are chosen. Moreover, the master agreements provide that formal and consistent procedures must be followed in selecting rent-supplement tenants, and it appears that these are perhaps not being followed.

It should again be made clear that the issue is not one of helping people who do not need help, but of whether those most in need of help among those who qualify are in fact being chosen.

4.3 EQUITY

It is pointed out in this report that the Sections 15.1 and 34.18 programs were not intended to be solely low-income programs, although the addition of rent supplements under Section 44.(1).(b) widened the opportunity to admit very low-income households.

However, a question of equity arises in that over half of senior citizens paying break-even rents in non-profit projects receive less than \$5,000 in annual income, and about 72 per cent of senior rent-supplement tenants receive less than \$5,000. This seems to indicate some inequality of treatment of people in that income range. This is the result of there not being enough rent-supplement units to go around.

Although a large proportion of low-income households in non-

profit projects paid 30 per cent or more of their income for rent, an even larger proportion of the general population paid 30 per cent or more (approximately 73 per cent of those households with less than \$5,000 in 1976). This indicates that the non-profit programs have been successful in easing the rent burden on the section of the lowest-income groups which they are able to serve.

4.4 ENFORCEMENT AND ADMINISTRATION

The problems can be classified under two headings, namely those which result from not carrying out procedures required by legislation or agreements, and those which result from not going as far as the existing rules and agreements permit.

It is probable that program standards are being violated when rent-supplement tenants are chosen by projects without using a provincial point-rating scale. Similarly, it is likely that some violation is occurring for there to be such a large proportion of rent-supplement tenants paying more than 30 per cent of income for rent. On the other hand it is not a violation of program rules if income information is not transmitted to CMHC by the projects, since they have not been required to do this. Nor is it a violation of the rules if provinces do not transmit information on rent-supplement tenants which has not been requested. It may be that many projects are not reviewing residents' incomes every 30 months and adjusting rents as required by the operating agreements, but CMHC has not checked to see whether this is being done, nor has CMHC

set up a system for projects to report incomes and other characteristics of residents to CMHC. This has put CMHC in the position of not knowing if programs are being carried out as intended.

These concerns leave CMHC in the position of either changing the programs, or enforcing them as they are written now. The approach in the proposed new non-profit and cooperative programs is to deal with the problems of inequality of rent burden by moving towards a standard rent-to-income ratio of 25 per cent, subject to the market or economic rent ceiling thus avoiding the surcharging problem as well; to let the projects themselves decide the degree of income integration in their projects; and to require the reporting of much more information by projects and the provinces, so that programs can be monitored and so that special surveys for basic data can be avoided.

4.5 CONCLUSIONS

The main conclusion to be drawn is that the issues which have been raised result from the way in which the programs are administered. The limitation on the numbers of rent supplement units results in some people in low-income ranges paying break-even rents with others at the same level benefitting from rent supplements. In general, the emphasis on production of accommodation without provision for reporting and storing information results in an inability to monitor projects and clients. These considerations point to two conclusions.

- (i) Rents should be more uniformly geared to incomes.
- (ii) Workable procedures for recording information from local offices, provinces and project managements must be put in place as a matter of CMHC national policy. To be usable, information must be collected in one place in retrievable files, preferably on the computer. Otherwise, there is just the illusion of control.

Some consideration must always be given to the need to sustain the motivation of sponsor groups. It ought to be possible to develop an improved information system, and to enforce the surcharge system, as conditions for receiving public funds, without imposing cumbersome procedures on sponsor groups which effectively discourage them from initiating projects.

APPENDIX A

- 60 -
CHART A.1

CMHC 372C
(Sec. 34.18, NHA)
(Loan to Cooperative
Association)

AGREEMENT

THIS AGREEMENT dated the day of 19 ;

B E T W E E N:

CENTRAL MORTGAGE AND HOUSING CORPORATION
(hereinafter called "the Corporation")

OF THE FIRST PART:

- and -

(hereinafter called "the Borrower")

OF THE SECOND PART:

WHEREAS pursuant to Section 34.18 of the National Housing Act, hereinafter referred to as "the Act", the Corporation may make a loan to any person provided that the person has entered into a contract with the Corporation pursuant to the Act;

AND WHEREAS the Borrower is a non-profit cooperative association as described in Section 34.18 (1)(b) and defined in Section 15.1(3) of the Act;

AND WHEREAS the Borrower has undertaken the

of a housing project comprising

units hereinafter referred to as "the project" in in the Province

of which project is situated on land described as follows:

NOW THEREFORE THIS INDENTURE WITNESSETH in consideration of the mutual covenants contained, the parties hereto undertake and agree as follows:

1. TERMINOLOGY

For the purposes of this agreement, the term "economic rent" or "rent" shall mean all payments required to be made by the Occupant of each housing unit in respect of his occupancy thereof, including payments for housing charges to meet the annual expenses of the Borrower for replacement, maintenance and repair, for management, operation and administration expenses, for fire and public liability insurance, for taxes, for water and other public utility charges, for loan repayment, and for contingency allowance; and the sum shown in Column 3 of Paragraph 2(a) shall be deemed to include provision for the foregoing items of payment.

2. RENTAL SCALE

- (a) Each housing unit in the project shall have assigned to it an economic rent set out in Column 3 below, and a surcharge amount as shown in Column 4 below:

(1) <u>No. of Units</u>	(2) <u>Type of Unit</u>	(3) <u>Economic Rent</u>	(4) <u>Surcharge</u>
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- (b) For each housing unit, rents charged at both entry and for continued tenancy will be as follows:

- (i) For incomes in excess of 3.3 and up to 3.8 times the economic rent, the economic rent will be charged;
- (ii) For incomes in excess of 3.8 and up to 4.2 times the economic rent, the charge will be the economic rent plus one-third the surcharge;
- (iii) For incomes in excess of 4.2 and up to 4.6 times the economic rent, the charge will be the economic rent plus two-thirds the surcharge;
- (iv) For incomes in excess of 4.6 times the economic rent, the charge will be the economic rent plus the full surcharge;
- (v) For incomes that are less than 3.3 times the economic rent, the rent that will be charged will be 30% of income. The subsidy required to reduce such charges below that economic rent will be derived from the surcharges collected under (ii), (iii) and (iv) above.

All surcharges collected by the Borrower are to be directed and applied to the provision of subsidies required pursuant to this paragraph.

- (c) _____ per cent (_____ %) of the units in the project shall be occupied by persons whose incomes are less than 3.3 times the economic rent.

- (d) Income shall be aggregate gross income, in whatever form received, of the principal wage earner and spouse or of an individual where applicable, excluding:

- (i) Living out or travelling allowances of a family head;
- (ii) Earnings of a working spouse of up to \$1,000.00 per annum;
- (iii) The first \$1,000.00 of income, excluding social assistance payments, received by a one-parent family;
- (iv) \$300.00 for each dependent child;
- (v) Capital gains;
- (vi) Family and youth allowances.

- (e) If the economic rents shown in Column 3 of Paragraph (a) above are less than or exceed a sum sufficient to cover the operating costs of the project as approved by the Corporation, then the rent, subject to the approval of the Corporation and subject to the submission by the Borrower to the Corporation of a financial statement, may be adjusted upward or shall, upon direction of the Corporation, be adjusted downward accordingly, effective from such date as the Corporation shall determine.

- (f) At the time of any adjustment in the economic rents being approved under Paragraph (e) above, the Corporation may direct the Borrower to make appropriate changes in the surcharge amounts shown in Column 4 in Paragraph (a) above, effective from such date as the Corporation shall determine.

3. OCCUPANCY OF HOUSING UNITS

- (a) At least once during each thirty (30) months of occupancy, the Borrower shall require the Occupant to report his annual income in a form satisfactory to the Corporation, and at that time the Borrower shall review the Occupant's income and adjust the rent that is being charged in accordance with the agreement between the Occupant and the Borrower.

- (b) The Borrower shall be responsible at all times to ensure that possession of a unit by a Member may be terminated by the Borrower where, pursuant to Paragraph (a) above, the rent that is being charged in respect of the unit is adjusted upward and the Occupant fails to pay such adjusted rent.

4. PROHIBITION AGAINST ENCUMBRANCES AND LENDING

- (a) The project, or any part thereof, shall not be mortgaged, charged, or otherwise encumbered without the approval of the Corporation other than by the security in favour of the Corporation.
- (b) The Borrower will not lend any project funds or guarantee or underwrite the repayment of any obligation by a third party without the approval of the Corporation.

5. BOOKS AND ACCOUNTS

- (a) The Borrower shall maintain books, records and accounts in a form satisfactory to the Corporation, and shall permit the Corporation to inspect such books, records and accounts by a representative of the Corporation at any time and shall make such annual or other reports to the Corporation in such form and containing such particulars as the Corporation may require;
- (b) For the purpose of verifying revenue or expenditures and of obtaining statistical or other information on the operation of the project, the Borrower will permit the Corporation to have access to the project at any reasonable time;
- (c) The Borrower will for statistical purposes, supply to the Corporation on forms provided by the Corporation, such information as is requested by the Corporation.

6. PAYMENT

The Borrower shall make to the Corporation promptly on the due dates the payments required to be made in order to pay the interest on and amortize the loan during the term thereof;

7. DEFAULT

The Corporation shall have the right, in the event of the Borrower failing to maintain the low-rental character of the project or failing to apply the rental scale set forth in Paragraph 2 above or otherwise committing a breach of this agreement, to declare the unpaid principal of the loan in the project due and payable forthwith or to increase the interest payable thereafter on the unpaid balance of the said loan to such rate, at the time of any such breach of this agreement, as may at the time be in effect in respect of loans made by the Corporation pursuant to Section 58 of the Act.

8. ORGANIZATION AND MANAGEMENT

The Borrower shall furnish efficient management of the project, maintain the project in a satisfactory state of repair and permit representatives of the Corporation to inspect the project at any time, and the Borrower will not, save with the approval of the Corporation, enter into any contract for the management of all or part of the project by any person or organization.

9. SALE OF THE PROJECT

The project or any part thereof shall not be sold or otherwise disposed of during the term of the loan except with the consent of the Corporation and on such terms and conditions as the Corporation may approve.

10. DISCRIMINATION

The Borrower agrees that it will not in the leasing of the accommodation discriminate against any persons by reason of race, colour, religion, sex, marital status or national origin.

11. RETENTION OF DOCUMENTS

All documents, vouchers, records and accounts that pertain to the project, shall remain in the possession of the Borrower for not less than seven (7) years.

12. TERM OF AGREEMENT

This agreement shall continue in force for such period as there is any part of the loan on this project made by the Corporation, or interest thereon, remaining unpaid.

IN WITNESS WHEREOF the said parties hereto have caused these presents to be signed on the day and year first above mentioned.

SIGNED, SEALED AND DELIVERED)
in the presence of:)
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CENTRAL MORTGAGE AND HOUSING CORPORATION

