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**SUBMISSION TO THE
BOARD OF DIRECTORS**

TITLE: Program Revisions to the Market Housing Rental Program
DATE: Dec. 16, 2013
BRANCH RESPONSIBLE: Strategic Initiatives
BRANCH HEAD NAME / TITLE: Jill Perron, A/Director
LOG NUMBER: HCDDM13-00318

SUBJECT:

- **Program Revisions to the Market Housing Rental Program**

RECOMMENDATIONS:

- It is recommended that the Housing and Community Development (HCD) Executive Management Committee (EMC) approve:
 - Revised Program parameters for the Market Housing Rental Program (MHRP)
 - Implementation Plan outline.

BACKGROUND:

- It is Manitoba Housing's mandate to enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low and moderate income.
- In the late 1990s, there were high vacancy rates in the private rental market (5-6%) and vacancies were a chronic problem in Manitoba Housing properties. Manitoba Housing implemented a Ceiling Rent Policy to be applied in specific circumstances with the goal of reducing vacancies, increasing revenues, and decreasing subsidies to social housing projects.
- Ceiling Rents were implemented on a project-by-project basis, based on recommendations from District Managers, Project Managers, or Rural and Northern Housing program administrators. See Appendix A for the principles for the application of ceiling rents. Rents were set lower than private market rents to increase tenancies and reduce vacancies. For example, the 2003 average rent in Manitoba was \$514, while the average ceiling rent was \$426. Rents were intended to be evaluated annually and change with the market.
- In May 2010, the Board of Directors approved the creation of the Affordable Housing Rental Program (AHRP), and Market Housing Rental Program (MHRP) (HCDDM10-00020). Along with the Social Housing Rental Program (SHRP), Manitoba Housing provides a range of rental programs targeted at households across the income distribution. These programs deliver rent subsidies which

make housing affordable to the households that subscribe by maintaining a shelter-to-income ratio of 30% or below¹.

- The SHRP and AHRP target low- to moderate-income households in all regions of Manitoba. Gross household income determines program eligibility. See Appendix B for Program Income Limits (PILs) and rents that will be effective January 1, 2014. Manitoba Housing offers the AHRP to assist existing SHRP tenants to remain in their homes as they build their attachment to the labour force and continue on toward housing self-sufficiency. The MHRP enables existing AHRP tenants who live in communities with no other rental market or in communities with chronic vacancies to remain in their home once they exceed the AHRP PIL.
- With the introduction of the AHRP and MHRP, the Ceiling Rent Policy was meant to be retired. This did not occur consistently. The rents of many tenants who qualified for the AHRP or MHRP were only increased 5% per year until they reached the appropriate program rent. In some cases, ceiling rents continue to be charged at rates established in 2001.
- In the fall of 2013, following a *Freedom of Information and Protection of Privacy Act (FIPPA)* request, the Canadian Taxpayers Federation (CTF) issued a press release demonstrating that there are high income earners residing in Manitoba Housing units who are not matched to the correct program. This led Manitoba Housing to undertake a comprehensive review of these tenants, which determined that there are 63 tenants whose incomes exceed the income limits for the Affordable Housing Rental Program and who are not being charged a rent that they are capable of paying. As well, there are a small number of tenants in the Affordable Housing Rental Program who are currently paying a ceiling rent rather than an Affordable Rent.



DISCUSSION:

- Rent limitations are appropriate in rural/remote areas where no other rental housing options exist and Manitoba Housing units are in abundance. Tenanting with higher-income households creates a win-win situation, as Manitoba Housing receives revenue and households acquire housing.
- The majority of tenants in the MHRP are seniors in communities outside Winnipeg (54%). In many communities, Manitoba Housing is the sole option for seniors' rental housing. By providing market rental housing, seniors can remain in their community rather than moving to a different community with private seniors' rental housing.

¹ Canada Mortgage and Housing Corporation (CMHC), Manitoba Housing, and other provincial housing agencies measure housing affordability based on a 30% shelter to income ratio. If a household spends 30% or less of their gross household income on shelter, their housing costs are deemed "affordable".

- To ensure the MHRP provides housing in communities with chronic vacancies and in communities without a rental market, the following policy revision recommended to EMC.

Policy Revision:

The Market Housing Rental Program shall be available in Non-Market Communities and Other Communities or buildings² as designated (eg. Churchill) by the MHRC Board.

- **Eligibility:**

- Households with incomes above the Program Income Limit for Affordable Housing: 2013/14: \$64,829 (family) and \$48,622 (individual). There is no income limit.

- **Benefit to Client:**

- Rents charged will be the Market Rent posted by Manitoba Housing annually.

- **Exception**

- Tenants with incomes above the Affordable PIL residing in MHRC owned buildings in non-designated communities may maintain tenancy by paying the Top Rent. The Top Rent charged will be 10% greater than the posted Market Rent as set annually by MHRC.



- **Designated Communities:**

Criteria:

- Where the supply exceeds to the needs of social and affordable housing programs and use is as a temporary measure until the portfolio can be rationalized
- Where there is purposeful need for market rental housing (eg. no other private market)

Process for Designating Communities or Buildings:

- Strategic Initiatives will contact the Regional Managers for Winnipeg, Southern Urban/Rural catchment, and Northern Other Urban/Rural catchment each June. Should there be communities or buildings with chronic vacancies or a need for market rental housing, Regional Managers will recommend designation into the MHRP.
- Strategic Initiatives will include designation recommendations in the annual PILs and Rents submission to the Board.

² Market Housing Rental program is only available in urban areas where a portion of units in Manitoba Housing owned buildings have been purposely designated for this program.

Notes:

- o Designated communities will not be published on the Manitoba Housing website. Inquiries regarding designated communities will be directed to regional Housing offices.

Implementation Plan

- o MHRC will notify all affected tenants of rent increases to the appropriate rent. Letters will be sent in January 2014, providing tenants with a minimum three months notice of rent change.
 - o Where the difference between current and the revised rent is greater than 15%, tenant rent will increase in equal amounts over a three year period until the rent reaches the appropriate level. Households will see rent increase annually upon lease renewal. When the increase is 15% or less, the entire rent increase will be applied after the notification period in one increment.
 - o Rent changes will occur after the *Residential Tenancies Act (RTA)*-required three month notification period or upon lease renewal, whichever occurs first. It should be noted that the RTA limits a landlord to one rent increase per year (this increase includes rent and any increases to amenities or services eg. parking). Where an increase has already occurred for affected household, this measure will be applied at renewal.
 - o Standard annual rent increases will occur in addition to the increases needed to bring tenants into the correct program.
- Manitoba Housing will maintain the SHRP and AHRP for low- and moderate-income households.

ALTERNATIVES:

- Status quo. High income earners pay a MHRP rent, and the program is available province-wide.

FINANCIAL IMPLICATIONS:

- According to data analysis from July 2013, there are 63 households with income above the Affordable PIL in the portfolio (see Appendix C). Bringing all of these households into the new policy will result in annual revenue of \$791,963, which is an increase of \$316,975 per year.



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- If the 32 households in non-designated communities terminated their tenancies instead of paying the Top Rent, the annual revenue from the remaining 31 high income households in designated communities would be \$312,000, which is an increase of \$108,288 per year.
 - There are currently six households in the AHRP paying ceiling rents. Bringing all of these households into the new policy will result in annual revenue of \$42,468, which is an increase of \$13,776.

INTERNAL IMPLICATIONS:

- The previous Ceiling Rent Policy shall no longer be applied in the portfolio. The AHRP and MHRP have replaced the need for this policy.
- This policy change is in no way intended to evict or cause a household to involuntarily leave Manitoba Housing due to a rent increase. This would be in contravention of the *Residential Tenancies Act (RTA)*. High income tenants will have security of tenure at a reasonable rent level.
- Under Part 9 of The *RTA*, subsidized housing is exempt from rent regulation, except for provisions limiting the period between rent increases (12 months) and number of increases in a year (one). The *RTA* stipulates that landlords exempt from Part 9 shall not increase the rent for a rental unit with the expectation or intention that the tenant will vacate the rental unit (intent to evict Sec. 68(1)).
- If a Manitoba Housing tenant vacates a rental unit solely as a result of an increase in rent, Manitoba Housing would be presumed in contravention of Sec 68(1). Manitoba Housing would be liable to pay the tenant's moving expenses and to compensate for the tenant's reasonable expenses. This may include the increased rent that the tenant is or may be obliged to pay because of the termination, for up to 12 months.
- Manitoba Housing can terminate the tenancy of a tenant in subsidized housing when a tenant ceases to be eligible for the particular rental unit her or she occupies (ie. their income is too high for the program). However, if the household is eligible for another unit (or another program), Manitoba Housing must make every reasonable effort to make a rental unit available to the household in the vicinity of the unit that they currently occupy (Sec. 103). In sum, if Manitoba Housing has other Rental Housing Program alternatives available, eviction is not possible under the *RTA*.
- Under the *RTA*, Manitoba Housing can only increase the rents upon lease renewal and can only impose one increase within a 12 month period.
- There are isolated cases where tenants from the former Rural and Native Housing (RNH) program are paying a rent lower than the rent identified for the program that is appropriate for the household's income. In these cases, there may be a capped rent identified within the lease agreement.. Manitoba Housing cannot legally raise the rents of these tenants. While there have only been two

cases to date, it is unknown how many tenants have RNH rent caps in their lease agreements due to a lack of documentation. Rectifying the rents in these cases will need comply with the RTA and any other parameters identified within the existing lease agreement.

EXTERNAL IMPLICATIONS:

- Following the CTF inquiry, Manitoba Housing analyzed program participant data for households with incomes over \$50,000. TMS data reports from July, 2013 indicated that there were 118 households with incomes over \$50,000, representing 0.8% of all 14,500 households served through the direct managed portfolio.
- Of the 118 households³ with income over \$50,000:
 - 26 are currently in the MHRP, paying an appropriate rent
 - 10 are currently in the AHRP, paying an appropriate rent
 - 38 are still paying a ceiling rent
 - The remaining 44 are paying a rent that is inconsistent with their income and the program rents
- Based on income and household size, the intended program distribution of Manitoba Housing’s existing income-earning tenant population is:

Income-Earning Tenants by Program Distribution - Sept, 2013 (Direct Managed Only)				
2013 PIL Catchment Area		Social (RGI)	Affordable	Market
Winnipeg and Catchment		2,331	205	16
Southern Other Urban/ Rural	Brandon	469	159	6
	Portage la Prairie	132	31	1
	Selkirk	350	84	4
	Steinbach	57	4	-
	Winkler	97	10	2
Northern Other Urban/Rural	Thompson	27	1	-
	The Pas/Flin Flon	178	32	5
Southern Non-Market		556	262	24
Northern Non-Market		101	77	5
Total		4,298	865 (17%)	63 (1%)

Source: TMS Rent Query Report July 2013

Note: This analysis is based on the current methodology of using 2QFI to determine Affordable PIL.

The 5% rent increase limit has been incorporated in the methodology.

Churchill is excluded from this analysis.

Note: The table above does not include tenants on Employment and Income Assistance.

³ Does not include commercial leases in Churchill.

- With the policy change, high income earners in market areas will either pay higher rents or seek alternative private market options. Tenants in the AHRP will pay rents higher than their ceiling rent.
- Existing tenants affected by significant rent increases will oppose the policy change. A summary of issues and responses is located in Appendix D.

COMMUNICATION STRATEGY:

- MHRC will notify all tenants whose incomes exceed the Affordable Rental Program income limit advising of rent increases to the appropriate Market or Top rent (which ever applies to the household). MHRC will also notify all tenants whose incomes exceed the Social Housing Rental Program income limits and who are paying a ceiling rent, advising of rent increases to the appropriate Affordable Rent. Letters will be sent in January 2014 providing tenants with a minimum 3 months notice of rent change.
- The accounts of all affected will be flagged to ensure that they receive the appropriate rent increase.
- Media has interest in high income earners in Manitoba Housing and coverage has been critical of Manitoba Housing. The planned policy response may require defense in the media.

PERFORMANCE MEASURES:

- An audited review of rents charged will be conducted beginning in January 2015 to ensure that all tenants are being charged posted rents.

BRANCH COLLABORATION AND CONSULTATIONS:

- Strategic Initiatives has been working in collaboration with Standards and Resolutions on this issue. The revised policy has been reviewed by Property Services Branch and implementation planning has been initiated with Standards and Resolutions Branch.

OTHER APPROVALS REQUIRED:

- MHRC Board of Directors

Revised Submission Y ___ N X Initial Date of Approval: _____

Steven Spry, CEO of Manitoba Housing and Renewal Corporation