

Housing Co-operatives in Canada

History

Housing co-operatives in Canada date back to the 1930s when, among other co-operative initiatives, the Nova Scotia Antigonish Movement promoted co-operatives that built houses for their members. When construction was complete, the houses were sold to the members and the housing co-operatives were dissolved. Similar building co-operatives were formed in Quebec between the wars.

The student movement introduced the housing co-operative model we see today in Canada, continuing rental housing co-operatives. Almost all Canadian housing co-operatives are set up so that the member-residents own the co-op collectively but do not hold equity in the assets.

The first student housing co-operative was founded in 1913 in Guelph, Ontario; the first family housing co-op opened in 1966. Both are still operating. An organized political lobby began in the 1960s to win government support for co-operative housing. Social activists wanted the Government of Canada to finance development of continuing non-profit housing co-operatives that could offer affordable rents to Canadians of low and moderate incomes. In 1968 a number of socially progressive groups formed the Co-operative Housing Foundation of Canada (CHF Canada) to organize these lobby efforts. Their work paid off. From 1973 to 1992 the government helped finance thousands of housing co-operative units through three successive co-op housing programs. From the mid-1980s on, the three largest provinces in Canada, Quebec, Ontario and British Columbia, also set up their own development programs to finance housing co-operatives.

During these years, the co-operative housing movement began to develop with the emergence of regional associations of housing co-ops and co-operative development groups. These organizations worked closely with CHF Canada to develop education, development and management services to a growing universe of Canadian housing co-ops.

In 1992 the Canadian government cancelled the last of the federal co-op housing programs. The province of Ontario cancelled its own programs in 1995 and British Columbia's modest program, which began in the early 1990s, was terminated by 2001. Only Quebec has continued to sponsor housing co-op development, through unilateral programs and by taking advantage of modest cost-sharing dollars for housing from the Canadian government under a new program that began in 2002. Parallel cost-sharing arrangements in the other provinces have not resulted in new housing co-ops, however. Except for Quebec the provinces, which now have constitutional jurisdiction over housing, have not chosen to apply these federal contributions to new housing co-op development.

Context

Except for a very small number of "equity housing co-operatives", virtually all housing co-operatives in Canada have received financial assistance from the federal and/or the provincial governments to make their rents affordable. It should be stressed, however, that the government does not own the co-operatives. They are independent corporations that work in partnership with government.

Today most housing co-operatives in Canada continue to depend on government financial support, though the contractual agreements under which this assistance is provided have ended for some co-ops and will end for most of them over the next 20 years.

Government support has come in the form of preferential government mortgages, operating subsidies, and assistance to low-income households with their rent. At the conclusion of their government agreements, Canadian co-ops will have paid off their initial mortgages, though they may need to refinance to do repairs and make renovations to aging buildings. At the same time they will receive no further government assistance and they will lose the protection the government has provided to co-ops that fall into difficulty.

This transition to independence from government brings challenges for the co-op housing movement in Canada, notably the continued dedication of the stock to co-operative housing purposes, the viability of the co-ops without a government safety net, and their capacity to assist low-income families without government assistance.

The Co-operative Housing Movement in Canada

The Canadian co-operative housing movement consists of housing co-operatives, the people who live and work in them, and the organizations and individuals that support and serve them. Unlike other countries, non-profit housing associations and housing co-operatives have each set up their respective movements. Even though they sometimes join together for political lobby or research projects, both movements are independent and pursue their own development.

The Co-operative Housing Federation of Canada (CHF Canada, formerly the Co-operative Housing Foundation of Canada) is the nation-wide umbrella organization for co-op housing in the country. Founded in 1968, CHF Canada exists to unite, represent and serve the community of housing co-operatives and the organizations that support their operation and development. Membership in CHF Canada is voluntary. CHF Canada is a democratic, grassroots organization with a 16-member board of directors elected from all regions of the country, several committees and a well-attended annual meeting at which directors are elected by co-op delegates and the broad direction of the federation is mapped out.

The structure of the Canadian housing co-operative movement has evolved over time, taking into account the needs and aspirations of a diverse membership in a very large country. For example, in more than 20 regions, housing co-operatives have joined together to form regional federations that are in turn members of CHF Canada themselves. Except for the province of Quebec, co-ops in Canada can and usually are, members of both their regional federation and of CHF Canada.

The regional federations, in collaboration with CHF Canada, may serve the co-operatives of a province, a special geographical area, or a single large city and its satellite communities. Services include advocacy, government relations, education and training, management support, and group-buying services.

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Housing co-ops in the province of Quebec do not belong directly to CHF Canada. A special membership arrangement is in place with the co-op housing organizations of Quebec that recognizes the distinct heritage and culture of the province and the development of its co-op housing movement.

In 2005, the Co-operative Housing Federation of Canada entered into an innovative partnership with the federal government to assume, through an arms-length agency, the administration of the federal government's co-op programs. Although there has been no development under these programs for 15 years, the government has long-term operating agreements in place with the co-operatives. It is the management of these agreements that the new agency has taken in under contract, using innovative program management techniques designed to optimize program performance.

For more information, go to www.chfc.ca

Statistics

250,000 people live in Canadian housing co-operatives. There are a total of 2,186 housing co-operatives containing 92,000 units. Co-operatives are spread across the country with the largest concentrations in the three most populated provinces and the three largest cities. However, it is important to point out that several thousand housing co-operative units can be found in rural areas.

CHF Canada's membership is constantly growing, currently comprising 882 housing co-operatives representing 56,870 units. Excluding the housing co-operatives from Quebec, which are affiliated with CHF Canada through their provincial federation membership, 75% of the Canadian housing co-operatives are direct members of CHF Canada.

Description

Key characteristics of the Canadian housing co-operatives are:

- Permanent rental: the properties belong to the housing co-operatives with no individual equity and no access to member ownership of their units.
- Non-profit: the rents are set to cover immediate and long-term expenses and capital reserves. The members receive no dividends or return of surplus. Non-profit status is a requirement of the government development programs.
- Mixed-income communities: about 30% to 50% of all co-op households receive direct assistance with their rents.
- Diversified membership: there are housing co-operatives for families, seniors and many have designated units for people with special needs. Canada's co-ops serve the housing needs of many new Canadians.
- Security of tenure: residency is protected as long as members fulfill their obligations.
- Double status of member and tenant: an applicant must be accepted as a member before being admitted as a tenant. However, some provincial legislation protects the tenant status during occupancy in the event of membership exclusion.

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- Democratic participation: the principle of one-member one-vote applies universally. Members are expected to engage and involve themselves in the functioning of the co-op.
- Modest size: the largest Canadian housing co-operative has 770 units; the smallest 5 units; the average is around 60 units.
- Variable management models: some co-ops hire professional staff, others retain management companies. Yet others are managed solely by the members on a volunteer basis though this is now discouraged as it has led in many cases to poor management outcomes.
- Member deposits and shares: When provincial legislation allows, members pay either a security deposit, which is usually equivalent to one month's rent, or make a refundable share purchase. Both the share and the security deposit are reimbursed when leaving the co-op, according to internal rules.

There are also 12 student housing co-operatives serving Canadian universities. These housing co-operatives offer different types of accommodation such as small and large group houses, dormitories, apartment complexes and townhouses for students with families. Some of them have been financed through different development programs.

Financing

Financial assistance provided to housing co-operatives varies according to the different government programs, for example:

- low-interest loans for 50 years through direct lending from the federal government's Crown Corporation for housing, Canada Mortgage and Housing Corporation (CMHC).
- grants to reduce construction costs
- ongoing financial assistance to assist with operating costs, according to various formulas
- housing allowances to low-income members, administered by the co-operatives.

Federal or provincial housing corporations insure co-op mortgages. In many cases the federal government is the mortgage lender. All housing co-operatives have signed an operating agreements with the applicable level of government of varying terms up to 50 years, though most last for no more than 35 years.

Housing co-operatives financed by the third and last federal program use an index-linked mortgage introduced to Canada from Europe by CHF Canada. These co-ops have set up a stabilization fund through an initial contribution of 3% of the capital costs. This fund provides financial assistance to the housing co-operatives having difficulties that can compromise their long-term viability. It protects the federal government against mortgage insurance claims.

CHF Canada has also set up a risk underwriting fund and a university student co-operative housing fund to provide loan guarantees that can provide short-term bridge funding to assist with the development of co-op housing and assist existing co-ops in their operations.

Legal Framework

The legal instruments for the co-op housing sector are:

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- Co-operative acts: these provincial acts determine the co-operatives' organizational rules and generally govern their conduct as co-op corporations.
- Operating agreements: signed with the government, these agreements determine the obligations and responsibilities of the housing co-operative and the government housing corporation.
- The tenant legislation acts: in some provinces tenancy law governs certain aspects of co-operative tenancy. In others, the co-op acts apply.
- Federal tax law: The *Income Tax Act* determines the non-profit status of housing co-operatives.
- As an enterprise, the housing co-operatives must also comply with all laws that relate to their activities in matters such as safety, employment, contracts, privacy, occupiers' liability, the environment, and human rights.