

Importance of Federal Investment in Northern Housing

Pan-Territorial Housing Analysis and Position Paper

Introduction

Social housing in the three Northern territories is the product of decades of government partnerships and contributions. As the Canada Mortgage and Housing Corporation agreements come to an end, the planning and delivery of housing programs requires careful consideration of the role of different levels of government. In this report, the three territories have come together to produce a collaborative research and analysis paper that highlights the need for an ongoing partnership between levels of government in the delivery of housing programs.

As a companion to a business case for ongoing federal funding led by the Nunavut Housing Corporation, the Northwest Territories Housing Corporation and the Yukon Housing Corporation, this report presents quantitative evidence demonstrating the need for continued, long-term, predictable and flexible federal funding to support housing in the territories. It also provides statistics and context that allow for a better understanding of the realities of environments in which the three housing corporations operate, and the common challenges they face.

Although all jurisdictions across Canada face challenges with the provision of housing, these challenges are amplified for the Northern territories. The North's vast and remote landscape faces many unique challenges not found elsewhere in Canada. Our long and cold winters mean that housing has to be built to a higher standard than in Southern jurisdictions, and that our construction season is short. Our remoteness also drastically increases the cost of construction, transportation, and renovation. There are also challenges with respect to: The lack of housing markets in most communities,

- Limited capacity of government and non-government organizations to support housing,
- Low income levels and high costs of living,
- Complex social challenges,
- Underdeveloped economies, and
- Aging infrastructure.

For the Northern territories, these challenges have resulted in much higher rates of households in core need. Compared to the national average of 13%, Nunavut currently has 39% of households in core need, while the Northwest Territories has 20%, and Yukon 15%.

While similar challenges exist in all three territories, the scale varies significantly as you travel from east to west. Nunavut, as the youngest of the three territories, has the strongest financial and programming ties to the federal government. Nunavut's housing is essentially dependent on federal government support. The Northwest Territories housing program is decentralized over a massive area and faces a similar reality to Nunavut although to a lesser extent. The Yukon's social housing program was created with significant federal support through the provision of assets; however, current agreements have the lowest value of all three territories.



Priority 1.

Protection and Modernization of the Existing Social Housing Portfolio



In this report, the three territories have set out four priorities where increased federal partnership is both beneficial and essential for the long-term sustainability of adequate housing:

- **Priority 1.** Protection and Modernization of the Existing Social Housing Portfolio
- **Priority 2.** Sustainability of the Existing Social Housing Portfolio
- **Priority 3.** Address Gaps and Strengthen Housing Continuum
- **Priority 4.** Move Towards Market Housing Options in Smaller Communities

Due to unique economic and geographical conditions, the three territories face challenges in maintaining the existing social housing portfolio as the stock ages. Aging infrastructure, energy demands, low level of capacity in the construction and maintenance fields, and the relatively high costs of construction are the main challenges to protecting and modernizing the existing social housing portfolio.

For the three territories, construction costs are considerably higher for both new construction and renovations than in Southern jurisdictions. This is brought on by the remote location, transportation costs, and materials and labour costs. Extreme weather also presents difficulties as it decreases the lifespan of buildings and requires that a higher building standard be used. These challenges affect both the cost and lifespan of social and affordable housing.

Protection and modernization of the existing social housing portfolio is critical to ensuring that the housing needs of northerners are met. Protecting and modernizing the existing social housing portfolio will require significant resources for renovations and new construction. Continued support from all levels, including the federal government will be key to success in this area.

YUKON

More than 40% of the Yukon Housing Corporation's units are greater than 45 years old and 60% are greater than 35 years old. A benchmark for replacement of units is 50 years. This means that the majority of the Housing Corporations assets will require replacement within 15 years.

Compared to Southern jurisdictions with cities like Edmonton, construction costs for both renovations and new builds in the Yukon are estimated to be between 75% higher in market communities, to over two times higher in non-market communities.

With its limited resources, the Yukon Housing Corporation is exploring several approaches with housing partners in order to protect aging stock, improve efficiency, and align needs with services. One example is converting single-family homes to multi-unit buildings. However, efforts such as this may be hampered by funding limitations, zoning restrictions, and displacement of low-income tenants during construction. With the reduction of social housing operating funds, the Yukon Housing Corporation is applying a significant portion of Investment in Affordable Housing funding towards the maintenance and repairs of its social housing stock.

NORTHWEST TERRITORIES

Of the total 2,370 Northwest Territories Public Housing units in inventory, 47% are over 30 years old. To address the protection and modernization needs of the social housing assets, the Northwest Territories uses a retrofit and replacement approach based on the lifespan of the unit, eventually replacing the unit at age 50.

Construction costs for both renovations and new builds are estimated at approximately two-and-a-half times greater than in cities such as Edmonton.

In its efforts to address modernization, the Northwest Territories Housing Corporation has continued initiatives to improve energy and utility efficiencies. When single detached units reach the end of their operating lifecycle, they are replaced with multiplex units that have been designed with more basic and smaller floor plans, more utilitarian equipment and furnishings, and a configuration that allows for unit modification to meet the needs of seniors and those with disabilities.

The Northwest Territories Housing Corporation was able to access significant resources from the Northern Housing Trust (2007-2009), the Canadian Economic Action Plan (CEAP) (2009-2011), and the Investment in Affordable Housing (2011-2014 and 2014-2019) to improve the quality of social housing. These funds, matched by NWT dollars, provided much needed assistance in the construction and repair of homes in the Northwest Territories. For instance, during the period of CEAP and Investment in Affordable Housing (2009-2014), the percentage of households in core need dropped from 42% to 32% in small communities

NUNAVUT

Nunavut's challenge in managing its public housing portfolio is twofold. Faced with a chronic public housing overcrowding rate of 35% and an existing housing gap of over 3,200 units, Nunavut faces immediate pressure to expand its housing portfolio through new construction. At the same time, approximately 70% of all public housing units in Nunavut were built before 1999 and are aging. This means that the lack of housing stock precludes the option of writing-off units that may be sub-standard for occupancy, however, the repair and replacement of aging stock, out of necessity, becomes a secondary priority to new construction.

The costs of construction in Nunavut are very high in comparison to Southern Canada, and smaller, non-market communities often have even higher construction costs than the capital, Iqaluit. On average, construction costs in Nunavut are nearly three times higher than in the Greater Toronto Area¹. These high construction costs are compounded by the fact that funding for new public housing construction in Nunavut is unpredictable and unstable. While the Government of Nunavut has made significant investment commitments, its capital budget is limited.

To meet the ongoing pressures of decaying housing stock, as well as keep up with the growing housing gap, more stable, and predictable funding will be required.



¹Comparisons drawn from 2014 Altus Group Construction Cost Guide, recognized as an industry standard cost reference across Canada, cross-referenced to the Greater Toronto Area.

Priority 2.

Sustainability of the Existing Social Housing Portfolio

Declining Federal Funding

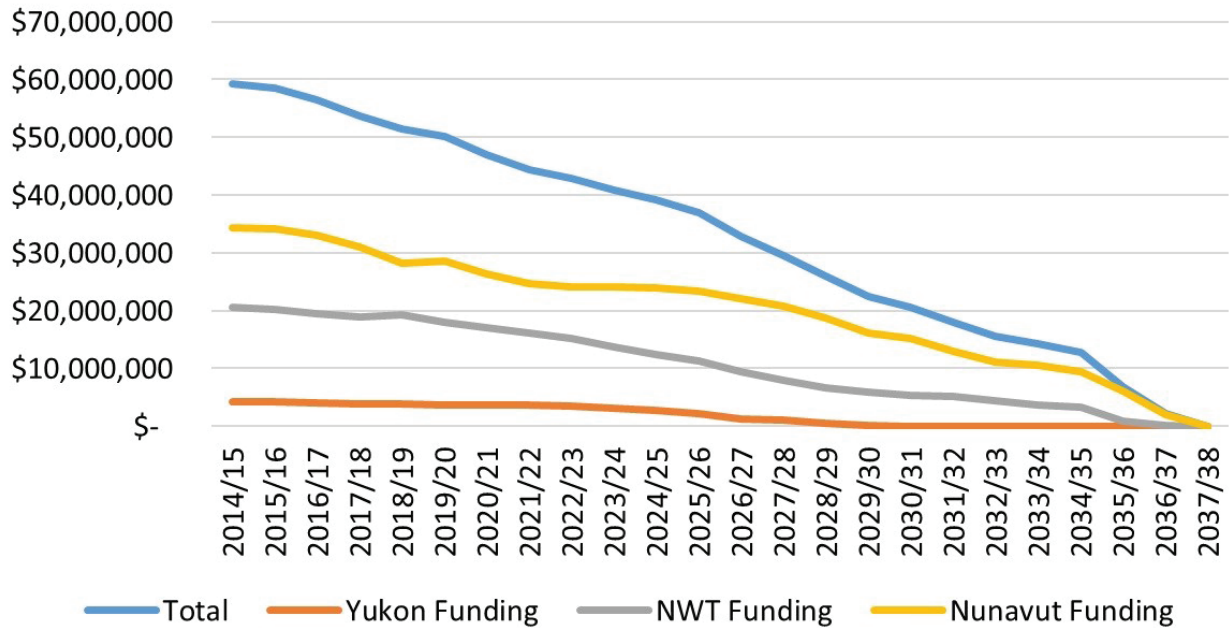


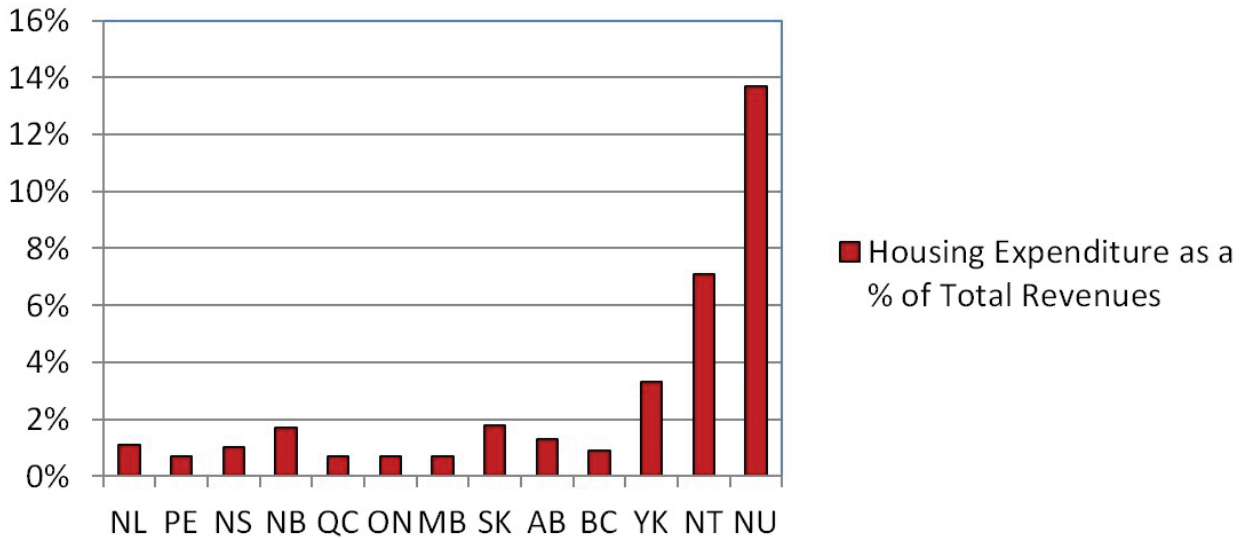
Table 1 : Declining Federal Funding, Yukon, NWT, Nunavut 2015 – 2018

As operating agreements end, and federal funding for social housing declines, increased burden will be placed on the governments of all three territories to maintain this critical housing stock (see Table 1).

The operation and maintenance costs for social housing are significant and increasing year over year. Only a small percentage of these costs are recovered through rental revenues. Rising operational costs coupled with declining Canada Mortgage and Housing Corporation contributions threaten the sustainability of the existing social housing portfolio.

As the federal funding for social housing declines, the fiscal capacity of the territorial governments are hampered by having to take on a larger percentage of expenditures just to sustain social housing. The chart below demonstrates that the three territories are currently spending a much greater proportion of their revenues to support housing than other provincial governments:

Housing Expenditure as a % of Total Revenues



- Average housing expenditures by the Government of the Yukon were 2.5% of the territory's revenue. This means Yukon is devoting nearly twice as much of its revenue to housing than any other province.
- Average housing expenditures by the Government of the Northwest Territories were 6.8% of territory's revenue. This means the Northwest Territories is devoting more than three and a half times as much of its revenue to housing than any other province.
- Average housing expenditures by the Government of Nunavut were 13.3% of the territory's revenue. This means that Nunavut is devoting more than seven times as much of its revenue to housing than any other province.
- For comparison, the provinces had individual expenditures ranging from a low of 0.7% in Prince Edward Island, to a high of 1.8% in Saskatchewan.

With such a significant difference between operating costs in the North compared to Southern Canada, the effects of declining federal funding have a much greater impact. The high operating costs of housing in the North combined with low household incomes in the three territories means that the territories will continue to subsidize housing at rates much higher than anywhere else in Canada. Without maintained federal funding in some form, the financial impacts on the territorial governments will be substantial.



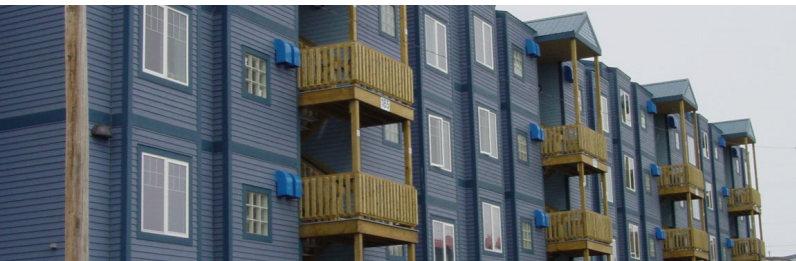
YUKON

The Yukon Housing Corporation owns and operates 661 social housing units. Approximately 84% (552 units) of these units are located in market communities, while 109 units are located in non-market economies. The Yukon Housing Corporation's social housing program provides low-income residents with rental housing based on rent geared to income. Tenants pay 25% of their income toward rent. The average household income for tenants in social housing is less than \$25,000. The Yukon Housing Corporation is the largest landlord for rental units in Yukon and waitlists of more than 100 eligible applicants indicate that demand for social housing remains strong.

In 2014, the total direct costs of operation and maintenance were \$9.5 million. Rental revenue totaled \$4 million. To cover the shortfall, the Canada Mortgage and Housing Corporation is currently contributing \$3.7 million and the Yukon Government is contributing \$1.7 million. The Yukon Housing Corporation has a commitment for no net loss of social housing units. Sustainability of the existing social housing portfolio will require significant resources and continued support from all levels of government.

NORTHWEST TERRITORIES

The Northwest Territories Housing Corporation operates 2,370 public housing units, which are 100% rent geared to income. Of these units, 37% are in market communities with the remaining 63% located in non-market communities.



The economic challenges faced by many social housing tenants impacts the rent revenue generated through the rent-geared-to-income model, which, combined with the high construction and operating costs in the territory, results in a significant subsidy level required to meet basic program and service needs. An average annual operating cost per social housing unit in the territory was approximately \$18,900 in 2013-14. Average rent assessed was about \$2,600. This represents an operating cost subsidy per unit by the Corporation of \$16,300 or 86%.

Examination of the structure of the Social Housing Agreement indicates that based on the declining Canada Mortgage and Housing Corporation funds, by 2038 the Northwest Territories will face an overall increase in the territorial government's contribution of 175%. Just to maintain the existing basic level of social housing in the territory, the territorial government would need to invest an additional 5% on an annual basis from now until 2038.

NUNAVUT

The annual operational cost per public housing unit in the territory is approximately \$25,000. Rental revenues from public housing tenants in Nunavut are limited by the territory's lack of economic opportunities for individuals. Almost 80% of public tenants have annual incomes of less than \$23,000. With all public housing rent geared to income, this means that the vast majority of tenants pay the minimum rent of only \$60/month. In 2013-14, total rent assessed was approximately \$2,800 per unit, representing a subsidy of 88%. Considering these numbers, there is little opportunity for rental revenue to contribute in a significant way to paying for the operating costs of public housing. From 2015 to 2038, the Government of Nunavut will have to increase its contribution by 78% or \$96.3 million.

In Nunavut, the largest portion of operating costs for public housing can be attributed to water, power, and sewage services. While the Government of Nunavut is developing methods of increasing energy efficiency in its units, as well as curbing consumption among tenants, these initiatives can only go so far in reducing operating costs as Nunavut's high delivery cost of utilities is a cost-driver at all levels of consumption. High delivery costs for utilities are associated with Nunavut's growing infrastructure deficiency and cannot be expected to improve significantly in the foreseeable future.

Priority 3.

Address Gaps and Strengthen Housing Continuum



Within the three territories, there are clients with needs that go beyond affordable housing. Without a robust housing continuum, these clients face significant challenges in accessing services, especially in small communities of the North.

There are significant gaps and needs in the territorial housing continuum including emergency shelters, transitional housing, supportive housing (especially for seniors), affordable housing, and market rental options. Despite its prevalence, existing social housing can no longer adequately meet the diverse needs of Northern people, and it is critical to assess the gaps and strengthen the housing continuum through services and supports.

As the number of seniors increases, the three territories face increasing costs in many program areas. Seniors have additional and more complex housing needs, which poses challenges for the three territories. Enabling seniors to age in place, and live independently in their home communities will require providing appropriate supportive care services including: independent housing, supportive housing, assisted living/home care, residential based care, and hospital-based continuing care.

Gaps in regards to affordable housing also mean that those who may otherwise be able to afford some kind of rental housing or homeownership are unable to move out of public housing and reduce their dependency on the government. Affordable housing options beyond public housing are seriously limited, particularly in smaller communities.

Efforts are being made to reduce and fill gaps in the housing continuum through programming designed to support and develop emergency shelters by addressing their capital and operational needs. Recognizing that issues are multifaceted, the territorial Governments are also seeking to address these gaps through other social programming such as social inclusion and poverty reduction.

YUKON

The Housing Action Plan for Yukon, approved in June 2015, highlights the need to address housing gaps and collect better data in order to respond appropriately. Housing in Yukon is delivered through an interconnected system of government, non-government, and private sector entities. The resulting picture can appear complex and, with limited time and resources, organizations may struggle to connect beyond their specific program, mandate, or client group to address gaps in the system.

The seniors' share of Yukon's total population is 10% and is increasing, while the waiting list for seniors social housing is roughly equal to that for non-seniors' social housing. This means that seniors are disproportionately in need of housing and not receiving it. Many seniors' have a fixed income, and as their population increases, so do the needs for suitable social housing, and housing with supports.

Vacancy rates are consistently low for affordable rental properties throughout Yukon. Increasing affordable rental housing in Yukon is critical to addressing the issue of Yukon's high rate of core housing need, which was 14.6% in 2011,

NORTHWEST TERRITORIES

The Northwest Territories Housing Corporation is coordinating with, and supporting a range of public and private agencies to address gaps in the housing continuum; including addressing emergency shelter needs, transitional housing, and housing supports for seniors. The Northwest Territories currently provides support for 9 emergency shelters comprising 153 beds. Also supported are 2 transitional housing facilities with 37 beds.

While seniors make up roughly 10% of the territorial population, seniors occupy approximately 31% of social housing units. Medium growth projections indicate that the percentage of seniors as part of the general population will increase

by 96% by 2031. With the number of seniors increasing in the territory, so will the demand for seniors-supportive housing. The Northwest Territories Housing Corporation will continue to invest in modifications to accommodate seniors with mobility and access limitations.

NUNAVUT

There are limited housing options for the residents of Nunavut, both in terms of affordable and supportive housing. With the lack of diversified housing to meet the greatly varying housing needs in the territory, social housing becomes a catch-all.

Nunavut's Elder population is expected to double over the next 25 years. Moreover, with limited emergency and homeless shelters in the territory, Nunavut's most vulnerable are increasingly at risk.

Gaps in Nunavut's housing continuum can be attributed in part to a lack of private and non-profit developers in the territory. In comparison to Southern Canada, where the private market serves the majority of the country's housing needs, almost 80% of housing in Nunavut is government supported. While the Government of Nunavut will continue to respond to the needs of the population to the best of its ability, there is a need to address the absence of non-governmental organizations with a housing mandate, as well as to create incentives for private development. Without a diversification of housing options, the varied housing needs of Nunavut will continue to be unmet, and the territory will suffer both in the well-being of its population, and in its social and economic development.



Priority 4.

Move Towards Market Housing Options in Smaller Communities



The three territories have identified that developing options and mechanisms to encourage movement towards market housing options, in a practical and fiscally sustainable way, is a priority.

While social housing will remain a significant component of housing tenure in the smallest communities for the foreseeable future; there are potential pools of households with adequate income to consider private rental or homeownership options. Addressing this area of need has the potential to reduce government expenditures on additional social housing and reduce the associated cumulative capital and operating liabilities.

Accessing homeownership opportunities can be a challenge for Northern residents, especially outside of market centres. The cost of construction, combined with limited resale ability, creates significant barriers to homeownership. The cost of maintaining a home is also prohibitive, especially in smaller communities where the lack of available contractors may mean that work cannot be completed for months even if a homeowner has the funds.

Economic factors, housing policies, and housing supply and demand have also contributed to the leveling off of homeownership rates. Despite the trend of low borrowing costs, many residents have difficulty obtaining bank financing.

Residents of small Northern communities face unique barriers to accessing homeownership or the private rental market. Federal support, with built-in flexibility, would allow territorial governments to offer more targeted programming better suited to reducing these barriers for residents of small remote communities.

YUKON

It is a challenge to provide homeownership and market rental options in 75% of Yukon's communities, as they are too small to sustain a housing market. In these communities, investment poses a prohibitively high risk for homeowners or landlords.

In 2011 Yukon's Core Housing Need among homeowners was just over 10% (and renters at 24%). In terms of home ownership, only Nunavut has a higher core housing need among homeowners. This level of core housing need among homeowners represents a risk of defaults if mortgage rates rise— It is essential to have programs in place to prepare for this scenario.

In order to provide affordable housing options for rural Yukoners, the Yukon Housing Corporation provides programs and incentives for homeownership and development of affordable rentals. The return on investment is not sufficient for the private sector to fully engage in affordable rental market developments in rural Yukon. Supply side funding incentives will continue to be required to stimulate housing market growth. Without federal funding in place, Yukon will not be able to continue supporting the private sector to build market housing capacity.

NORTHWEST TERRITORIES

While the average personal income in Canada has seen an overall increase, the Northwest Territories has seen this trend reversed with average personal income dropping from \$56,861 in 2001, to \$39,186 in 2012.

There are limited incentives towards homeownership and investment in private housing due to actual and/or perceived limited equity growth, limited resale options in smaller communities, high operating costs, and the absence of housing services sector.



The ownership rate has remained largely unchanged from 2001 to 2009 where it stood at about 52.5%, and then declined slightly in 2011 to 51.5% (52% in market communities and 49.5% in non-market communities). The corresponding national rate was 69%.

In the Northwest Territories there are limited private market rental options, especially in smaller communities. This, combined with historically low vacancy rates (an average rate of 2.9%), has resulted in a need for more market rental units.

NUNAVUT

With the majority of Nunavut's population living in public housing, it is no surprise that rates of homeownership in the territory are significantly lower than in Southern Canada. In 2011, homeownership in Nunavut was at 24% in Iqaluit and only 20% in other communities. This compares to a national rate of 69%.

Like homeownership, private market rental is also limited in the territory. Within Iqaluit, private rental costs are prohibitive for the majority of the population. Extremely low vacancy rates, and the overall lack of private developers contributes to high costs and limited availability. Outside of Iqaluit, the private rental market is almost non-existent.

The Government of Nunavut is looking to develop ways of supporting and incenting homeownership, particularly in smaller communities. These efforts, however, are limited by restrictions on funding. Increased flexibility in funding agreements would allow the government to cater homeownership programs to meet the specific needs of each community. Programs aimed at creating incentives for private rental markets must be based on the specific circumstances in each community.



Conclusions and Recommendations



Canada's three Northern territories are currently facing serious housing challenges that will only worsen unless addressed through strong collaboration and commitment to shared interest. It is evident that housing issues vary across Northern Canada, both in their extent and severity. Canada's territories, however, are similar in their need for a continued and strengthened partnership with the federal government, including increased investment to ensure that their populations are suitably, adequately, and affordably housed.

Access to adequate and suitable housing is intrinsically linked with all aspects of an individuals' well-being, including health, education and employment. Lack of adequate housing not only limits the potential of the individual, but it also threatens the development of a community and country. As the incidence of core housing need is higher in the North than anywhere else in Canada, it is vitally

Based on the information provided in this report, the three territories are making six recommendations regarding federal investment in Northern Housing:

1. Recognize that territorial governments are challenged to deliver social housing in the North, and that federal assistance and support is critical.
2. Recognize the shared housing priorities of Yukon, NWT, Nunavut and that the federal government has an important role.
3. Provide ongoing capital funding programs to improve energy efficiency, sustainability, regeneration of aging stock in recognition of reducing operating dollars over time.
4. Provide funding for territorial housing priorities (continuum) and funding to incentivize greater private sector involvement and investment in social housing.
5. Develop alternative funding arrangements to support the sustainability of social housing in the North regarding options for renewed commitment for operating funding after the Social Housing Agreements through work at F/P/T, recognizing the needs of North.
6. Continue to work with F/P/T on tools and best practices that will enable informed decisions about government housing policy on small and rural housing markets, to ensure maximum benefit for citizens while balancing impact on private sector provision of rental housing.

important that social housing remain a viable option — especially given that most northern communities are rural and are not otherwise served by the private sector. Likewise, it is also important that governments work to reduce barriers to homeownership and the private rental market. Northern rural and remote communities require government investment in order to ensure that there are safe and secure housing options for vulnerable populations.

The four priorities identified in this report are key to ensuring housing in the North is suitable, adequate and available to future generations of Northerners. As this report has emphasized, making progress on these priorities will require funding commitments that are long-term and flexible. This kind of partnership will be essential to protect and modernize of existing social housing units, sustainably operate the current housing stock as well as support homeownership and other market alternatives to social housing in communities without developed private housing markets.

The three territories are already investing a higher percentage of their overall government revenues for the provision of social housing while federal support for social housing is declining. Collectively, the three territories request acknowledgment that enhanced federal support and assistance for the provision of social housing in the North is critical. This support and assistance can come in different forms to address the four common priorities presented in this report and further outlined in the business case.

Yukon, NWT and Nunavut will also continue to work to develop tools and best practices and seek federal assistance with data collection, research and economic modeling which will help the three territories to consider options for the provision of social housing through alternative means. As we look to find innovative ways to support a move toward market housing options in smaller market and non-market communities, the territories look to the federal government to assist with the expertise required to make informed decisions that consider the implications of government interventions or policy on small markets where data is lacking.

Yukon, NWT and Nunavut will continue to work with the Federal/Provincial/Territorial (F/P/T) working groups on improving the social housing system. To this end, the territories request that nationwide funding levels for social housing remain at current levels over a long-term period and that the federal government commits to alternative funding options to protect the sustainability of Northern social housing.

SUMMARY OF RECOMMENDATIONS

1. Recognize that territorial governments are challenged to deliver social housing in the North, and that federal assistance and support is critical;
2. Recognize the shared housing priorities of Yukon, NWT, Nunavut and that the federal government has an important role;
3. Provide ongoing capital funding programs to improve energy efficiency, sustainability, regeneration of aging stock in recognition of reducing operating dollars over time;
4. Provide funding for territorial housing priorities (continuum) and funding to incentivize greater private sector involvement and investment in social housing;
5. Develop alternative funding arrangements to support the sustainability of social housing in the North re options for renewed commitment for operating funding after the Social Housing Agreements through work at F/P/T, recognizing the needs of North;
6. Continue to work with F/P/T on tools and best practices that will enable informed decisions about government housing policy on small and rural housing markets, to ensure maximum benefit for citizens while balancing impact on private sector provision of rental housing.