



Chapter 3

RESIDENT RENT REVENUES

Setting Market Rents

a) HOMES BC

In subsidized housing, many people with lower incomes pay 30 per cent of gross household income toward rent, which is called “rent-geared-to-income,” or “RGI” housing. But residents in HOMES BC developments have a range of income levels. Some people pay 30 per cent of their income, and the remaining costs for operating these units are subsidized. And in most HOMES BC non-profit and co-op developments, 40 per cent of units are “non-RGI,” where people pay rents or housing charges that are slightly lower than the cost for private market rental units (also called “low end of market” units). BC Housing provides “repayable assistance” to cover the remaining costs for these units, which societies and co-ops eventually repay.

You select an appraiser, accredited with the Appraisal Institute of Canada, to advise you what the market rents should be for the non-RGI units, based on amounts charged at comparable buildings in the area. (Details of the appraisal process are explained in Schedule D of the HOMES BC operating agreement.)

Non-RGI rents and occupancy charges are based on the market appraisal, not on your operating budget. You set the initial non-RGI rents before a building opens at 90 per cent of the appraised rents. There are several reasons to set market rents for non-RGI units at this level:

- Keeping rents at the low end of market prices creates an incentive for those who can afford to pay market rents to apply for your housing, which helps maintain the income mix among residents.
- Non-RGI rents set at the lower end of the rental scale do not unfairly compete with other market rental housing.
- The amount charged for non-RGI rents ensures a supply of affordable secure rental housing for people with moderate incomes, while reserving most of the rent subsidy funding for lower income households.
- Your organization has some control over setting non-RGI rents/occupancy charges.

You charge 90 per cent of the market rent for residents paying non-RGI rents or housing charges. We provide repayable assistance for the difference between 90 per cent of the market rent and the economic rent, with an adjustment to reflect increases in the Consumer Price Index. (See [page 22](#) for the CPI calculation.)

You are required to obtain a market rent appraisal at least every five years. BC Housing reviews your market rent appraisals and approves the non-RGI rents.



We recommend that you review the market rents each year and, at a minimum, increase the rent charged by the current CPI rate. The gradual increase may alleviate hardship for occupants if the appraised market rents increase significantly in five years.

In addition, the increase will ensure that the repayable assistance paid by BC Housing reflects the amount required to make up the difference between the economic rent and the non-RGI rents.

Depending on market conditions in the community, your non-RGI rents/occupancy charges can go as low as 85 per cent of the appraised market rents.

You can adjust the non-RGI rents annually, but not more than once a year.

b) PROVINCIAL RENTAL ASSISTANCE PROGRAM (PRAP) FOR SENIORS

For developments built under the PRAP for Seniors program, BC Housing periodically asks your organization to hire an independent appraiser, accredited with the Appraisal Institute of Canada, to estimate the market rents for the units, based on the amount of rent someone would pay for a unit that size in the private market.

We review the estimates and may approve an increase in the market rents you charge. If an appraiser recommends a substantial increase, we would gradually phase it in, so residents paying market rent do not face a large increase in their rents. Residents' rent contributions do not exceed the amount set for market rent.

Depending on the market conditions in your community, BC Housing will request a market rent appraisal report every three to five years, or a letter of opinion from your appraiser stating that the previous appraisal remains valid.

c) CMHC PROGRAMS

The process for setting market rents for programs administered by Canada Mortgage and Housing Corporation (CMHC) may differ from BC Housing's approach. Contact CMHC for information.

Rent and Housing Charge Collection

Each year, societies and co-ops review household income and family composition for everyone receiving rent or housing charge subsidies, on the anniversary of the date the building opened.

Complete the annual subsidy applications for residents, and calculate how much each person will pay for their rent or housing charge, for those paying rent-g geared-to-income. Send the completed *Application for Rent Subsidy* forms to us, so we can keep track of the rent subsidy dollars.

Non-Profit Special Purpose and HOMES BC developments with fixed rents do not require annual subsidy reviews. And residents paying non-RGI rents or housing charges are not required to submit proof of income annually.

When you conduct the annual rent review, tenant rent contributions and subsidies may need to be adjusted to reflect changes in income or the number of people living in a unit.



For step-by-step instructions on how to calculate income and rent contributions, refer to the rent calculation section of the *Operations Guide*. In addition, we can provide Rent Calculation workshops to train your staff and volunteers. Call our Housing Services Department at 604-439-4750, local 370, to arrange a session.

Maintain a current rent/housing charge roll listing:

- Who is living in each unit.
- How much the rent/housing charge is for each unit.
- Whether the rent/housing charge is paid every month.
- When and how the rent/housing charge is paid.
- How much rent/housing charge has been paid.

This list enables you to:

- Track rent contributions, which affect the cash flow budget and subsidy and repayable assistance payments.
- Monitor and control arrears.

Arrears

Develop an arrears policy that outlines a process for collecting outstanding rents or housing charges. Non-profit and co-operative groups need a consistent, fair arrears process to:

- Help ensure rent/housing charges are paid on time.
- Help prevent evictions for late payment or non-payment of rent/housing charges.
- Keep the organization from falling behind financially.
- Provide the documentation needed to justify an eviction or termination if it becomes necessary.

Consult residents for their input when you develop the arrears process, so people understand:

- They're responsible for making regular rent/housing charge payments.
- When the payment is due.
- What will happen if the rent/housing charge is not paid on the first of the month.
- What to do if they have short-term financial difficulties.

Develop preventative measures, such as a short-term repayment plan, for people experiencing financial difficulties. This approach will help people avoid getting into arrears, so their housing is not jeopardized.

Explain when you will initiate the process to end a tenancy and why, so people understand you must collect payments on time to have adequate revenues to run the development.



If a resident usually pays on time, and calls ahead to arrange a late payment due to financial difficulties that month, you can work out an alternative date with the resident. But when someone consistently pays late, you should write a letter stating that payment on the first of the month is a term of the tenancy/occupancy agreement. The warning letter will encourage people to pay on time, and can be used as supporting documentation if you proceed to end a tenancy.

You need to define when persistently late payment will lead to the more serious sanction of ending a tenancy. For example, your policy might define persistently late as paying after the first of the month, four times in a twelve month period.

The idea is to balance compassion for people who are genuinely struggling, with a system for handling those who habitually pay late or don't pay.

The Administration section of the *Operations Guide* outlines the eviction process under the *Residential Tenancy Act*, and member terminations under the *Co-operative Association Act*.

You may also want to contact the BC Non-Profit Housing Association at 604-527-8859 or 1-800-494-8859, or the Co-operative Housing Federation of BC at 604-879-5111 or 1-866-879-5111 to find out about workshops and other materials on handling arrears and evictions.

Vacancy Loss

Excessive vacancies can cause a cash flow shortage. If a housing provider experiences financial difficulties from chronic or excessive vacancies, BC Housing may be able to arrange an extraordinary expense payment to cover the operating deficit.

If your vacancy rate is above average, discuss options for decreasing vacancies with your Property Portfolio Manager. If the vacancy rate in the community is contributing to the problem, your PPM may increase the contingency for vacancy loss in your operating budget to ensure you have sufficient funds to meet your monthly financial obligations. (See [page 29](#) for information on the contingency for vacancy loss.)

In addition, we will work with you to minimize the number of vacancies and attract new residents to prevent the situation from recurring. Your PPM can help you:

- Identify the circumstances that contribute to a higher than average vacancy rate.
- Provide a list of potential residents from BC Housing's applicant list.
- Develop a marketing plan for the available units.
- Implement improvements to make the units and development more attractive to prospective residents, if necessary.

You can also contact the BC Non-Profit Housing Association or Co-operative Housing Federation of BC for information on how other groups address this issue.