

# *Subsidized Rental Housing*

## PROGRAM FRAMEWORK

May 2021



## INTRODUCTION

In 2015, BC Housing identified opportunities to streamline and simplify existing independent social housing programs to improve administrative consistency, fairness, and overall efficiency, and to support non-profit housing providers by providing the flexibility they require to preserve social housing over the long term.

The Subsidized Rental Housing Program Framework encompasses both new and existing independent, affordable rental housing programs that provide operating subsidies and Rent Geared to Income (RGI) housing. Funding for Subsidized Rental Housing is through a variety of both Provincial and Federal sources including:

- Federal/Provincial cost-shared under the Social Housing Agreement for pre-existing programs such as 82(1)(b) and Post-85 S.95
- *Building BC: Community Housing Fund*
- *Building BC: Indigenous Housing Fund*

The Appendix provides further detail regarding the specific funding streams. This program framework outlines the overarching program elements, and defines the roles and responsibilities of the Partners in the delivery and management of Subsidized Rental Housing.

Subsidized Rental Housing units will typically be situated toward the independent range of housing options. Projects under this program framework are eligible for operating subsidies in accordance with their operating agreement. Where projects involve supports or services to residents, additional funding from other programs and/or commitments from other funders may be necessary. A strong Indigenous housing sector will be further supported through the creation of affordable housing targeted to Indigenous households.

Figure 1: Housing Spectrum



## PRINCIPLES

### 1. **Low Income households have access to Rent Geared to Income units**

- a) RGI housing provides affordability for Low Income households and is protected to the greatest possible extent.
- b) Where applicable, Low and Moderate Income households benefit from access to suitable and adequate rental housing at an Affordable Market Rent. Income blending supports mixed-income communities and greater financial independence for housing providers.

**2. Operating subsidies are provided in a clear, consistent and efficient manner**

- a) The funding model is fair and transparent.
- b) Subsidy is allocated where it is needed most to ensure the ongoing operation of social housing.

**3. Long-term sustainability is supported**

- a) Housing providers plan and prepare for long-term capital needs, financial viability and the ability to continue providing affordable housing over the long term.
- b) BC Housing considers environmentally sustainable practices a priority and encourages commitments to this end.

**4. Transparent and accountable operations**

- a) BC Housing will employ fair and consistent processes in administering the program and will conduct periodic reviews to confirm that program objectives are met.
- b) Project partners will maintain reliable and consistent records, policies and complaint management procedures, and fulfil reporting obligations to BC Housing.

## **GOALS, OUTPUTS, OUTCOMES, INDICATORS**

### **Goal**

To support the long-term sustainability of a range of affordable and appropriate housing options for Low and Moderate Income households across British Columbia.

### **Objective**

To provide affordable rental housing for households in need, across British Columbia.

### **Outputs**

- 1. Operating subsidies provided to housing providers.
- 2. Housing operated under new, streamlined operating agreements.
- 3. RGI Units rented to Low Income households with income at or below the Housing Income Limits (HILs).
- 4. Affordable Market Rent Units rented to Low and Moderate Income households.

### **Outcomes**

- 1. Housing units are available for Low Income households at RGI.
- 2. Housing units are available for Low and Moderate Income households at Affordable Market Rents.
- 3. Housing providers are supported to achieve the long-term sustainability of affordable housing.

### **Indicators**

- 1. Number of operating agreements.
- 2. Number of RGI units provided to Low Income households.
- 3. Number of Affordable Market Rent units provided to Low and Moderate Income households.

## **KEY PROGRAM ELEMENTS**

### ***Rents and Unit Mix***

RGI Units are provided to Low Income households that are income tested annually and apply for a rent subsidy.

The actual unit mix in each development will vary depending on the funding program, characteristics of the development, the population served and long-term financial requirements. Some programs allow the housing provider to make a set percentage of units available to Low and Moderate Income households at the established Affordable Market Rent; however, preference should be given to housing Low Income households whenever possible. See the Appendices for more details.

### ***Resident Eligibility***

Eligible households include Low and Moderate Income seniors, families, or persons with disabilities. Where there is a demonstrated community need, BC Housing may provide written approval to the housing provider to select other Low and Moderate Income households. Only Low Income households with income at or below the HILs are eligible for RGI units. Other eligibility criteria may be included in the operating agreement.

### ***Operating Subsidy***

Where required, BC Housing will provide an operating subsidy to cover the difference between the total approved operating expenses and revenues. BC Housing will adjust operating budgets at least annually, or more frequently as needed, to maximize the efficient allocation of operating subsidy.

After the close of each fiscal year, BC Housing will review financial statements and resident rent records to determine whether any retroactive subsidy adjustments are required.

Five years prior to expiry of the operating agreement, the housing provider may be given the option to fix their annual subsidy at an agreed amount with no adjustments at year end. Any operating surplus thereafter can be transferred to the Capital Fund.

### ***Capital Planning and Capital Fund***

The housing provider will develop a Capital Plan to submit to BC Housing. The housing provider will contribute regularly to the Capital Fund as outlined in the operating budget. Capital funds may only be used to pay for capital repairs and replacements to the development in accordance with the Capital Plan, or to make other payments as approved by BC Housing from time to time.

Contributions to the Capital Fund allocated under the operating budget are not intended to fully fund the Capital Plan and are subject to BC Housing's maximum provisions. Housing providers must consider both short and long-term capital replacement needs and work towards a feasible plan for large-scale capital renewals.

### ***Operating Agreements***

The housing provider will enter in to an operating agreement with BC Housing that will specify, among other requirements:

- a) Resident eligibility
- b) The mix of RGI and Affordable Market Rent Units
- c) The financial operations of the development, including any subsidy paid by BC Housing
- d) Reporting requirements

## **ROLES AND RESPONSIBILITIES**

### ***BC Housing***

- a) Provide operating subsidies where required
- b) Provide technical support, advice and other services for housing providers to support long-term financial and capital planning
- c) Monitor and evaluate the success of the program

### ***Housing Providers***

- a) Provide day-to-day operation and management to ensure the financial viability and long-term operational success of the development
- b) Identify and select residents, and verify household income
- c) Report to BC Housing as specified in the operating agreement

## **MONITORING AND REPORTING**

- a) Annually, the housing provider will submit an operating budget to BC Housing for review and approval.
- b) Annually, the housing provider will submit audited financial statements and BC Housing will complete a financial review, including a review of the Capital Fund and progress against the Capital Plan.
- c) Where operating subsidy is no longer required by the development, BC Housing may waive the requirement to submit an annual operating budget for approval and/or waive the requirement for a complete financial review.
- d) An operational review will be conducted every three years or as otherwise required.
- e) The housing provider will submit an updated Capital Plan to BC Housing every five years.

## SIGN-OFF

The Program Framework requires final sign-off by BC Housing's Vice President of Operations and Vice President of Corporate Services.



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Vice President Operations  
BC Housing



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Vice President Corporate Services and Chief Financial Officer  
BC Housing

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## APPENDIX A: GLOSSARY OF TERMS

**Affordable Market Rent** – is the average market rent based on the most recent and applicable Canada Mortgage and Housing Corporation rental market or housing report, or a mutually agreed upon alternative rent, as needed to reflect unique local market conditions.

**Affordable Market Rent Unit** – is a unit occupied by a household with a Low and Moderate Income and whose rent contribution is set at the established Affordable Market Rent.

**Capital Fund** – an amount the housing provider is required to hold in reserve for capital repairs, replacements and improvements at the development.

**Capital Plan** – a plan developed by the housing provider outlining repairs, replacements and improvements at the development.

**Housing Income Limits (HILs)** – is the maximum household income for RGI units. This maximum is based on the cost of housing in the local community such that the household cannot obtain rental housing in good condition, meeting the occupancy standards, without paying more than 30% of income. This maximum will be established by BC Housing from time to time.

**Low and Moderate Income –**

**Units with two or more bedrooms:** households whose gross income does not exceed the median income for families with children, as determined by BC Housing from time to time.<sup>1</sup>

**Units with less than two bedrooms:** households whose gross income does not exceed the median income for families without children, as determined by BC Housing from time to time.<sup>2</sup>

**Low Income** – households whose gross income is below the applicable Housing Income Limit, as defined by BC Housing from time to time.

**RGI Unit** – is a unit occupied by a household whose income is at or below HILs and whose rent contribution is calculated based on the rent scale included in the operating agreement.

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<sup>1</sup> BC Housing determines this figure using data released by Statistics Canada - Income Statistics Division: *T1 Family File - Median Income for British Columbian Couple Families (With Children)*.

<sup>2</sup> BC Housing determines this figure using data released by Statistics Canada - Income Statistics Division: *T1 Family File - Median Income for British Columbian Couple Families (Without Children)*.

## APPENDIX B: BUILDING BC: COMMUNITY HOUSING FUND

### Background

With Budget 2018, the Government of British Columbia laid out a 30-point Housing Plan, which included several funding streams for affordable and subsidized housing, including \$1.435B over 10 years to provide 14,350 units of social housing under the Community Housing Fund. This program applies a mixed-income approach to provide housing that is affordable for households with a range of income, with a particular focus on the “missing middle”.

<b>Program Goal</b>	Create 14,350 new units of social housing for a mix of Low and Moderate Income households across British Columbia. Priority for families, seniors, people with disabilities; other households, including singles, within the applicable income limit may be eligible.
<b>Project Funding</b>	<ul style="list-style-type: none"> <li>• Interim construction and take-out financing for up to 100% of construction cost</li> <li>• Capital grants of up to \$100K per unit, balance via take-out financing</li> <li>• Limited budget-led operating subsidy provided over full agreement term</li> </ul>
<b>Project Ownership</b>	<ul style="list-style-type: none"> <li>• Projects are owned by the housing provider, long-term leasehold may be permitted</li> <li>• Housing Provider may be an eligible non-profit society, housing co-op, or municipal housing provider that is wholly government-owned and controlled</li> <li>• No PRHC ownership, layering of funding programs or cross subsidy from other units or projects permitted</li> </ul>
<b>Rents and Eligibility</b>	<p>Targeted unit mix:</p> <p><b>30% Affordable Market Rent Units</b></p> <ul style="list-style-type: none"> <li>• Household income up to the Low and Moderate Limit (per unit size)</li> <li>• Income tested at move-in only</li> <li>• Initial market rents and annual increases approved by BC Housing, with rents to be maintained at no less than the CMHC average market rent for the community</li> </ul> <p><b>70% RGI Units</b></p> <ul style="list-style-type: none"> <li>• Household income below HILs</li> <li>• Annual income testing</li> <li>• Rent Geared to Income per rent scale</li> <li>• 20% deep subsidy units for households in receipt of income assistance or with income below the deep subsidy income threshold established by BC Housing from time to time</li> </ul>
<b>Mortgages and Operating Agreements</b>	<ul style="list-style-type: none"> <li>• 60-year Operating Agreements, eligible for subsidy for the full term</li> <li>• BC Housing’s standard mortgage package for repayable and forgivable mortgages, as well as S.219 Covenants with Option to Purchase will be registered on title</li> </ul>
<b>Operating Subsidy Model</b>	<ul style="list-style-type: none"> <li>• Refer to individual operating agreement</li> <li>• No units within the project are eligible for SAFER or RAP</li> </ul>

## APPENDIX C: BUILDING BC: INDIGENOUS HOUSING FUND

<b>Program Goal</b>	Create 1,750 new units of social housing for Low Income Indigenous households across British Columbia.
<b>Project Funding</b>	<ul style="list-style-type: none"> <li>• Interim construction and take-out financing for up to 100% of construction cost</li> <li>• Capital grants of \$200K per unit (subject to annual funding allocations above), balance via take-out financing</li> <li>• Budget-led operating subsidy provided over full agreement term</li> <li>• Limited funding for some tenant programs</li> </ul>
<b>Project Ownership</b>	<ul style="list-style-type: none"> <li>• Projects are fully owned by the housing provider; long-term leasehold interest may be permitted</li> <li>• Housing Provider may be an eligible non-profit society, housing co-op, or municipal housing provider that is wholly government-owned and controlled</li> <li>• No PRHC ownership, layering of funding programs or cross subsidy from other units or projects permitted</li> </ul>
<b>Rents and Eligibility</b>	<ul style="list-style-type: none"> <li>• 100% RGI</li> <li>• Individuals, families, seniors, persons with disabilities, primarily of Indigenous descent</li> <li>• Household income below HILs</li> <li>• Annual income testing</li> <li>• Rent Geared to Income per rent scale</li> </ul>
<b>Mortgages and Operating Agreements</b>	<ul style="list-style-type: none"> <li>• 60-year Operating Agreements, eligible for subsidy for the full term, administered by AHMA</li> <li>• BC Housing's standard mortgage package for repayable and forgivable mortgages, as well as S.219 Covenants with Option to Purchase will be registered on title</li> </ul>
<b>Operating Subsidy Model</b>	<ul style="list-style-type: none"> <li>• Standard subsidy model applies</li> <li>• No units within the project are eligible for SAFER or RAP</li> </ul>

## APPENDIX E: S.95 POST-85 NON-PROFIT PRIVATE (PUBLIC, PRIVATE, CO-OP)

In the late 1980s and early 1990s, housing providers received 35-year National Housing Act (NHA) insured loans from approved lenders to construct affordable rental housing under S.95 of the NHA along with federal/provincial cost-shared operating subsidy to cover the difference between the total RGI tenant rent contributions and the total economic rents.

In 2018, BC Housing made changes to the program to allow more flexibility in preparation for the expiry of operating agreements and for providers to prepare for long-term capital needs.

<b>Program Goal</b>	To provide affordable rental housing for Low Income families with children, seniors, and persons with disabilities.
<b>Project Funding</b>	<ul style="list-style-type: none"> <li>• Interim construction and take-out financing</li> <li>• Budget-led operating subsidy provided over full agreement term</li> </ul>
<b>Project Ownership</b>	<ul style="list-style-type: none"> <li>• Projects are on land owned by the housing provider or under long-term leasehold</li> <li>• Housing Provider is an eligible non-profit society, housing co-op, or municipal housing provider that is wholly government-owned and controlled</li> </ul>
<b>Rents and Eligibility</b>	<ul style="list-style-type: none"> <li>• 100% RGI</li> <li>• Families, seniors, persons with disabilities</li> <li>• Household income below HILs</li> <li>• Annual income testing</li> <li>• Rent Geared to Income per rent scale</li> </ul>
<b>Mortgages and Operating Agreements</b>	<ul style="list-style-type: none"> <li>• 35-year repayable mortgages and operating agreements, eligible for subsidy for the full term</li> </ul>
<b>Operating Subsidy Model</b>	<ul style="list-style-type: none"> <li>• Standard subsidy model</li> <li>• No units within the project are eligible for SAFER or RAP</li> </ul>

## APPENDIX F: S.82(1)(b)

### Background and Funding Source

In the 1970s, CMHC provided 50-year term rate construction mortgages for low income seniors housing under S.26/27 of the National Housing Act (NHA). While many projects received capital grants towards construction costs, the projects received no subsidy and tenants were expected to pay breakeven rents. Over time, escalating costs meant the breakeven rents in some projects were no longer affordable for low income households. CMHC partnered with the province to provide subsidy under section 82(1)(b) of the NHA, covering the gap between the RGI rent and the approved breakeven rent for lower income tenants. Higher income tenants did not apply for subsidy and paid the breakeven rent.

Starting in 2016, BC Housing made changes to the S.82(1)(b) program to allow more flexibility in preparation for the expiry of operating agreements and for providers to prepare for long-term capital needs.

<b>Program Goal</b>	To provide affordable rental housing for Low and Moderate Income seniors and persons with disabilities.
<b>Project Funding</b>	<ul style="list-style-type: none"> <li>• Buildings constructed under S.26/27 program</li> <li>• Budget-led operating subsidy provided over full agreement term</li> </ul>
<b>Project Ownership</b>	<ul style="list-style-type: none"> <li>• Projects are on land owned by a non-profit housing society or under long-term leasehold</li> </ul>
<b>Rents and Eligibility</b>	<ul style="list-style-type: none"> <li>• Historically 100% RGI</li> <li>• As of 2016:             <ul style="list-style-type: none"> <li>○ <u>Minimum 75% RGI</u> <ul style="list-style-type: none"> <li>○ Household income below HILs</li> <li>○ Annual income testing</li> <li>○ Rent Geared to Income per rent scale</li> </ul> </li> <li>○ <u>Up to 25% Affordable Market (on turnover)</u> <ul style="list-style-type: none"> <li>○ Household income up to the Low and Moderate Limit (per unit size)</li> <li>○ Income tested at move-in only</li> <li>○ Rents set at CMHC Average Market Rent, subject to RTA annual increase</li> </ul> </li> </ul> </li> </ul>
<b>Mortgages and Operating Agreements</b>	<ul style="list-style-type: none"> <li>• 35-year repayable mortgages and operating agreements, eligible for subsidy for the full term</li> </ul>
<b>Operating Subsidy Model</b>	<ul style="list-style-type: none"> <li>• Standard subsidy model</li> <li>• No units within the project are eligible for SAFER or RAP</li> </ul>

## APPENDIX G: PRAP SENIORS

### Background and Funding Source

In the late 1970s and early 1980s, providers received 35-year National Housing Act (NHA) insured loans from approved lenders to construct affordable rental housing under the pre-1986 S.95 '2% write down' program. Projects under this program provide a mix of market and non-market units and receive a fixed subsidy based on the difference between amortizing capital costs at the prevailing interest rate and amortizing at a rate of 2%.

In select projects, CMHC and the province partnered to layer on additional subsidies to certain projects under the PRAP Seniors program, to secure 100% of the units at RGI.

In 2016, BC Housing made changes to the PRAP Seniors program to allow more flexibility in preparation for the expiry of operating agreements and for providers to prepare for long-term capital needs.

<b>Program Goal</b>	To provide affordable rental housing for Low and Moderate Income seniors and persons with disabilities.
<b>Project Funding</b>	<ul style="list-style-type: none"> <li>• Interim construction and take-out financing</li> <li>• Budget-led operating subsidy provided over full agreement term</li> <li>• HC(EC)A grants were available for 25-33% of capital costs</li> </ul>
<b>Project Ownership</b>	<ul style="list-style-type: none"> <li>• Projects are on land owned by a non-profit housing society or under long-term leasehold</li> </ul>
<b>Rents and Eligibility</b>	<ul style="list-style-type: none"> <li>• Historically 100% RGI</li> <li>• As of 2016:             <ul style="list-style-type: none"> <li>○ <u>Minimum 75% RGI</u> <ul style="list-style-type: none"> <li>○ Household income below HILs</li> <li>○ Annual income testing</li> <li>○ Rent Geared to Income per rent scale</li> </ul> </li> <li>○ <u>Up to 25% Affordable Market (on turnover)</u> <ul style="list-style-type: none"> <li>○ Household income up to the Low and Moderate Limit (per unit size)</li> <li>○ Income tested at move-in only</li> <li>○ Rents set at CMHC Average Market Rent, subject to RTA annual increase</li> </ul> </li> </ul> </li> </ul>
<b>Mortgages and Operating Agreements</b>	<ul style="list-style-type: none"> <li>• 35-year repayable mortgages and operating agreements, eligible for subsidy for the full term</li> </ul>
<b>Operating Subsidy Model</b>	<ul style="list-style-type: none"> <li>• Standard subsidy model</li> <li>• No units within the project are eligible for SAFER or RAP</li> </ul>