

OPINION HOUSING CO-OPS

When politicians actually do work together, positive policy

In an era of politician bashing, it's worth crediting Parliamentarians from all parties for supporting housing co-operatives and recognizing their value to Canadian communities from coast to coast.



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It's rare when the federal parties agree on a new policy direction, and it's rarer still when a small change in government policy translates into better public infrastructure, jobs, and economic growth.

But sometimes it does happen. In early 2013, a small policy change supported by all three federal parties made possible nearly \$30-million (with much more to come) in new investments in housing—every nickel from the private sector.

In 2012, the Canada Mortgage and Housing Corporation (CMHC) was insisting on very high prepayment penalties for housing cooperatives seeking new first mortgages to repair and modernize their aging homes. But in a show of non-partisan support, Canada's special Parliamentary Committee on Co-operatives recommended to the government that a reasonable prepayment formula be found—and in January 2013 the government and CMHC announced just that. With a fair prepayment penalty, new mortgages for housing co-ops built under the federal Sec. 95 program (representing some 39,000 homes) became affordable, and these co-ops could now move forward to renew their properties.

The result? In less than a year, with assistance from the Co-operative Housing Federation of Canada (CHF Canada), 10 new housing co-op mortgages have been approved, representing nearly \$30-million in new financing to renovate the exteriors and interiors of these aging homes. Fourteen more housing co-ops are in the process of approaching their credit unions, and many others are working on preliminary analysis of their capital needs. And the Quebec housing co-op movement has replicated the initiative in partnership with the Desjardins network of caisses populaires.

This small, but prudent policy change has allowed housing co-ops to access new investment to maintain the quality of their homes, and make it sustainable and available for Canadians for the coming decades. Many are using the new mortgages to add energy saving features, reducing utility costs. For the member-residents, typically people of modest means, satisfaction and pride in homes and communities is increased.

These new investments come with no cost to taxpayers. Unlike other forms of social housing, housing co-ops are mixed-income communities, so the new mortgages can be repaid from normal operating income, without any reliance on government grants for capital repairs and renewal. And local businesses benefit from the construction and renovation jobs that come with the new mortgages. These new loans will pump millions of dollars into the local economies where these co-ops are found across Canada.

The only thing that could be better would be if the housing co-ops created by other federal programs could also benefit. With the proven success and rapid growth of the Section 95 refinancing program,

co-operatives in other federal programs want to jump aboard, and so too do Canada's credit unions.

Current CMHC mortgages remain an obstacle for the so-called "Section 61" co-ops. These housing co-ops, with some 7,700 homes, have fixed 40 and 50-year term mortgages, typically at eight per cent. Although that was a good interest rate when they were built, that high rate now makes it unaffordable to prepay under the current formula. In its 2014 budget submission to the Finance Committee, CHF Canada has

asked the government and CMHC to develop a fair prepayment penalty so that new private sector investments can be arranged for Sec. 61 co-ops—a few dollars in foregone CMHC revenue—can yield big new investments and dramatic results preserving Canada's affordable housing stock.

Few policy initiatives can claim instant success. Fewer still can claim to do so without a cent of government spending. The success in attracting new investment is a testament to the strength and viability of the co-operative business model.



Industry Minister James Moore is responsible for Canadian co-operatives. *The Hill Times* photograph by Steve Gerecke

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