



# NEW SOCIAL HOUSING RENT SCALE

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## **A PROPOSAL FOR A NEW RENT SCALE**

### **SUMMARY**

A proposal for a new Rent Scale has been developed. If implemented, the new Rent Scale will:

- treat all social housing tenants fairly and equally, no matter where they live in the NWT;
- provide incentives for tenants to take advantage of opportunities for homeownership, education and employment;
- maintain CMHC funding for operating and maintaining existing social housing units across the NWT; and
- make sure rents remain affordable for all tenants.

In November, 1992, Cabinet approved principles for the development of a new Rent Scale. Since then, the NWT Housing Corporation has held public Community Consultation meetings in almost every community across the NWT. All concerns and suggestions related to the rent scale review have been noted and taken into account in developing the options for a new Rent Scale.

A discussion paper on the NWT Housing Corporation's Rent Scale Review was presented to Caucus on March 3, 1994. Copies were circulated to all MLA's unable to attend the briefing. MLA's have raised many concerns about the Rent Scale, in Member's Statements, Questions, letters to the Minister Responsible for the NWT Housing Corporation, and at the Caucus briefing. These concerns and suggestions have also been reviewed and incorporated into the options considered for a new Rent Scale.

The impact of implementing the various Rent Scale options has also been analyzed. The degree of impact varies significantly, depending on the option. Community-specific examples are included in this paper to illustrate these impacts.

If the new Rent Scale is approved, an intensive information campaign will be needed to explain the new Rent Scale. The information campaign will be coordinated with a promotional campaign to publicize options available to tenants facing significant rental increases. Individual tenant counselling will be a key feature of the implementation process.

Ongoing communication with affected tenants, local housing organizations and communities will be required to address concerns, explain homeownership options and monitor the impact of the new Rent Scale. A Communications Strategy will be developed to ensure that tenants receive full information, not only about their new rents, but also about all of the homeownership options and assistance available to them.

## **MAJOR PROBLEMS WITH THE EXISTING RENT SCALE**

### **1. The Rent Scale is outdated - it has not been revised since 1983.**

Since the current Rent Scale was introduced in 1983, there have been many changes:

- More opportunities and options for homeownership, even in remote communities
- Today, there is some degree of private homeownership in all communities
- Loss of Federal funding for new rental units
- Less money available for housing programs
- Higher demand and expectations from public for housing programs
- Competing demands for available funding
- Growing emphasis on education and employment

A new Rent Scale is required that responds to the realities and challenges of today.

**2. The Rent Scale is complicated and difficult to administer.**

Rents are calculated at 25% of the assessable income of the household. Tenants and local housing organization (LHO) staff tell us that the calculation of assessable income is complicated and difficult to administer.

For example, certain sources of income are excluded from the gross household income before the assessment of rent. Only \$75 of income is included as assessable for working members in the household besides the head and spouse. A \$75 deduction is given to single parents and working couples.

The current scale also offers a rent reduction which varies depending on the cost of living in communities and family size. Calculating rent is complex, time-consuming and confusing to many tenants.

**3. The Rent Scale charges too much rent for low income employed households.**

The minimum rent charged is \$32/month. This is the rent paid by lowest-income tenants; for example, Social Assistance (SA) recipients and elders whose sole source of income is the Old Age Pension. A major criticism of the current Rent Scale is that too much rent is charged to tenants who get off SA to take low-paying jobs. As soon as a tenant's assessable income reaches \$400/month, their rent goes up to 25% of assessable income or \$100. Many tenants feel there is not enough incentive to take low-paying jobs, if they lose 25% of their new earnings to rent.

**4. The maximum unit rents are not equitable. Households living in similar houses with identical incomes in different communities may pay very different rents.**

The current Rent Scale charges higher maximum unit rents for so-called "homeownership communities" than for "non-homeownership communities". This distinction was established when the rent scale was first implemented, in 1983. The maximum unit rent in a non-homeownership community is much lower than the maximum unit rent in a homeownership community.

Take, for example, two similar families. One lives in Pangnirtung; one lives in Tuktoyaktuk. They each have a 3 bedroom public housing unit and they each earn about \$5600/month, total gross household income. The family in Tuk pays \$1,126/month rent, or about 20% of their income. The family in Pangnirtung pays \$453, or about 8% of their income. This disparity is unfair, as the cost of living is high in both communities. The only difference is that in Pang, \$453 is the maximum rent that can be charged for a 3-bedroom unit, while in Tuk, the economic rent applies.

Please see example on page 7.

**EXAMPLE: Rent Calculation (Current Scale) in Homeownership Community VS - Non-Homeownership Community**

RENT CALCULATION: Assessable Income x 25% - NWT Rent Adjustment = Rent

Maximum Rent in Homeownership Communities = Economic Rent  
 (3 Bedroom Economic Rent in Tuktoyaktuk = \$1,927.00)

Maximum Rent in Non-Homeownership Communities = 1983 GNWT Staff Housing Formula  
 (3 Bedroom Maximum Rent in Pangnirtung = \$453.00)

Community	Maximum Rent	Rent Calculated Using Current NWT Rent Scale	Monthly Rent Charged	% of Income Paid For Shelter
* Tuktoyaktuk	\$ 1,927	\$4,600 x 25% - 24 = \$1,126	\$ 1,126	20.1 %
** Pangnirtung	\$ 453	\$4,600 x 25% - 43 = \$1,107	\$ 453	8.1 %
* Homeownership Community		** Non-Homeownership Community		



**1983 NORTHWEST TERRITORIES HOUSING CORPORATION RENT SCALE  
NORTHWEST TERRITORIES COMMUNITIES**

Homeownership Communities

Dettah  
Edzo  
Fort Rae  
Lac La Martre  
Ndilo  
Yellowknife  
Fort Providence  
Fort Resolution  
Fort Simpson  
Fort Smith  
Hay River  
Hay River Reserve  
Lutselk'e  
Wrigley  
Aklavik  
Tsiigehtchic  
Deline  
Fort Good Hope  
Fort McPherson  
Fort Norman  
Inuvik  
Norman Wells  
Tuktoyaktuk

Non Homeownership Communities

Arctic Bay  
Broughton Island  
Cape Dorset  
Clyde River  
Grise Fiord  
Hall Beach  
Igloodik  
Iqaluit  
Lake Harbour  
Pangnirtung  
Pond Inlet  
Resolute Bay  
Sanikiluaq  
Arviat  
Baker Lake  
Chesterfield Inlet  
Coral Harbour  
Rankin Inlet  
Repulse Bay  
Whale Cove  
Paulatuk  
Sachs Harbour  
Cambridge Bay  
Coppermine  
Gjoa Haven  
Holman Island  
Pelly Bay  
Taloyoak

**5. Households receiving Social Assistance pay a base rent of \$32.**

Households where SA is the sole source of income pay the minimum rent of \$32/Month. Many people think that this is too low. Social assistance payments are cost-shared by the GNWT and the Federal government. These payments are "fail-safed" under the Federal funding formula and any increases are deducted from the Federal grant.

The NWT HC is addressing this issue with the Department of Social Services, through the Income Support Initiative. In addition, the Department of Finance will be consulted to determine whether this issue can be addressed through renegotiation of the Federal funding formula.

- 6. Households where a disabled person or an elder is named as the head of household pay a fixed rent, (usually \$32), even if other household members are earning high incomes.**

Often, adult children, who may earn good incomes, live at home with their parents. If the parents are elderly, the rent charged for the unit can be as low as \$32/month. There is no financial incentive for the adult children to move out into their own housing. At the same time, we have to be careful not to put financial pressure on elderly, low-income parents, by charging higher rents for the adult children. If the kids won't pay their share of the rent, the burden of payment should not fall on the elders, and their security of tenure should not be jeopardized. Please see page 11 for an example of how income can be sheltered in situations where an elder is the head of household:

**EXAMPLE: Sheltering of Income Where An Elder is Designated Head of Household**

<b>FAMILY</b>	<b>MONTHLY GROSS INCOME</b>	<b>ASSESSABLE INCOME</b>
A) Head (grandfather)	\$ 827. (pension)	\$ 0.
B) Spouse (grandmother)	1,500. (wage)	1,425.
C) Son	2,000. (wage)	75.
D) Daughter in-Law	2,000. (wage)	75.
E) Grand Daughter	0.	0.
<b>Totals</b>	<b>\$ 5,327.</b>	<b>\$ 1,575.</b>

**RENT CALCULATION:** Assessable Income x 25% - NWT Rent Adjustment = Rent

Maximum Unit Rent in Homeownership Communities = Economic Rent  
 (4 Bedroom Economic Rent in Inuvik = \$2,204.00)

**Fixed Rent for Seniors who are Head of Household = \$32.00**

<b>Community</b>	<b>Maximum Unit Rent</b>	<b>Rent Calculated Using Current NWT Rent Scale</b>	<b>Monthly Rent Charged</b>	<b>% of Income Paid for Shelter</b>
Inuvik	\$2,204	\$1,575 x 25% - 24 = \$370	\$32	.6%

7. In non-homeownership communities with artificial maximum unit rents, GNWT employees living in NWT HC rental housing pay much lower rents than they would in comparable GNWT staff accommodation. (For Example)

FAMILY	MONTHLY GROSS INCOME	ASSESSABLE INCOME
A) Head	\$ 5,417. (wage)	\$ 5,417.
B) Spouse	0.	0.
C) Son	0.	0.
D) Daughter	0.	0.
<b>TOTALS</b>	<b>\$ 5,417.</b>	<b>\$ 5,417.</b>

RENT CALCULATION: Assessable Income x 25% - NWT Rent Adjustment = Rent  
 Maximum Rent in Non-Homeownership Communities = 1983 GNWT Staff Housing Formula

(3 Bedroom Maximum Rent in Iqaluit = \$488.00)

COMMUNITY	MAXIMUM RENT	RENT CALCULATED USING CURRENT NWT RENT SCALE	MONTHLY RENT CHARGED
Iqaluit	\$488	\$5,417 x 25% - \$28 = \$1,326	\$488

IQALUIT - UNIT SIZE: 3 BEDROOM → 100 M <sup>2</sup>					
STAFF HOUSING	⌘	% OF INCOME PAID FOR SHELTER	PUBLIC HOUSING	⌘	% OF INCOME PAID FOR SHELTER
Rent	\$ 1,080.	25.5%	Maximum Rent	\$ 488.	9.4%
Shelter Cost	297.		Power	21.	
TOTAL	\$ 1,377.		TOTAL	\$ 509.	

- 8. The use of the current rent scale results in significant loss of federal funding, because Canada Mortgage and Housing Corporation (CMHC) bases its share of costs on the Federal Rent Scale, which produces more revenue (charges more rent) than the NWT Rent Scale.**

The NWTHC already loses \$ 2.8 Million annually, and must make this loss up from within. CMHC plans to cut even deeper, and decrease its contributions by a further \$ 5.3 Million, annually. This would mean a loss of over \$ 8 Million annually, that would have to be covered by the NWTHC.

## **CABINET DIRECTION**

**On November 7, 1992, Cabinet approved the following principles for a revised Rent Scale (ROD 92-19-4):**

- a) Consistent with the community transfer initiative, communities should deliver housing programs.**
- b) To the degree possible families must accept personal responsibility for housing.**
- c) Public Housing tenants must be strongly encouraged to elect homeownership if they can afford it.**
- d) Social Housing Programs must enrich existing housing markets and promote the development of new housing markets in communities.**
- e) NWT Social Housing Programs should maximize federal cost-sharing opportunities and be consistent with GNWT principles.**
- f) The Rent Scale should ensure that Public Housing tenants pay according to their financial ability but pay no more than 30% of their gross household income on shelter costs.**
- g) The Public Housing Rent Scale and the rent regime for GNWT staff housing should be coordinated so that tenants in both programs receive equitable treatment and the above principles are promoted.**



- h) The Rent Scale should be simple to understand and easy to administer.
- i) Changes to the Rental Scale should not adversely affect federal revenue through the Formula Financing Arrangement.

**The proposed new Rent Scale is consistent with all of the principles approved by Cabinet.**

## CHALLENGES

Tenants and MLA's have expressed a number of concerns about revising the existing Rent Scale. These concerns generally flow from the following issues:

### 1. The High Cost of Living in Communities

In developing options for a new Rent Scale, one of the most difficult challenges was to keep rents low enough so that tenants can afford to purchase other necessities of life. Because the cost of living is so high, people are worried that their spending power will be reduced when the new Rent Scale is implemented. The major concern expressed by tenants and MLA's is that a revised Rent Scale means across-the board, increases in rent for everyone. **This will not happen.**

Most high-cost necessities - food, clothing, fuel, etc. - are not subsidized and they are very expensive, especially in the more remote communities. The high cost of transporting goods to the communities drives costs up. There is great pressure to keep rents very low so that people can afford high-cost items.

This issue is being addressed by the Income Support initiative, led by the Department of Social Services. In the long term, the Income Support initiative will address the cost-of-living issues. Until the high cost of these items is addressed, this pressure to keep rents as low as possible will continue.

**Rents charged under the proposed new Rent Scale will take the cost-of-living into account, and will remain affordable.**

2. **Rents Paid by Social Assistance Recipients**

It is not advantageous to charge Social Assistance (SA) recipients rents higher than \$32/month, because these increases would not be cost-shared by the Federal government under the Federal funding formula. The NWT HC is working on this issue with the Department of Social Services, through the Income Support initiative. The Department of Finance will be consulted to determine whether this issue can be effectively addressed within the context of the re-negotiation of the Federal funding formula, which expires at the end of 1994/95.

3. **Loss of CMHC Funding**

CMHC plans to further reduce its contributions for the operation and funding of cost-shared units unless the current Rent Scale is revised. CMHC already keeps back \$2.8 Million annually from its share of O & M for existing housing, and plans to increase this by another \$5.3 Million - a total cut of over \$ 8 Million. This shortfall has to be made up by the NWT HC. Money spent covering off the CMHC cuts is money not spent providing new units.

4. **Tenant Beliefs About the Right to Housing**

In some areas, there will be opposition to the implementation of any rental increases. There are tenants (and homeownership clients) who feel that they are entitled to housing from the government, and that they should not have to pay rent. This is a long-standing issue between aboriginal people and the Federal government.

5. **Eligibility for Homeownership Assistance**

Many tenants who can afford homeownership do not qualify for assistance under NWTHC programs because they have arrears. Current program guidelines exclude people who owe money to LHO's or the Corporation. Some of these arrears are very old, and are likely uncollectible.

In 1994/95, the NWTHC plans to review all old arrears (in both the rental and homeownership programs) to determine those that are collectible and those that should be written off/forgiven. Following this review, the NWTHC will develop an approach to allow tenants to repay their (collectible) arrears, over time, so that repayments remain affordable. **Cabinet will be asked to write off/forgive all uncollectible debts.**

**The timing of this review will be fast-tracked.** It is important to ensure that tenants whose rents increase significantly, and who can afford homeownership, are not prevented from getting assistance, if suitable arrangements can be made to address their arrears.

## THE PROPOSED NEW RENT SCALE

- **ALL RENTS WILL BE AFFORDABLE**

**No one will pay more than 30% of their gross household income for rent.** Major increases will be phased in over time, and will be coordinated with targeted homeownership program allocations.

- **LOWEST INCOME TENANTS WILL PAY LESS RENT**

The minimum rent will be kept at \$32/month. This includes heat, water and sewage disposal. Tenants pay 3 cents/KWH for electricity; on average, this works out to about \$21/month. The remainder of the electricity cost is paid by the NWTHC. The minimum rent will continue to be charged to Social Assistance recipients, disabled tenants and elders with minimum incomes. Rents charged to lowest-income single parents, working poor, and other lowest-income tenants will not increase, and, in some cases, will decrease.

**Under the proposed new Rent Scale, across the NWT, about 20% of tenants would pay lower rents than they do now, and about another 40% of rents would stay the same.**

**EXAMPLE:**

**Comparison of Rents Paid by Low Income Family  
under the Current Scale versus the Proposed Rent Scale**

<b>FORT SMITH</b>			
<b>FAMILY</b>	<b>MONTHLY GROSS INCOME</b>	<b>CURRENT SCALE ASSESSABLE INCOME</b>	<b>PROPOSED SCALE ASSESSABLE INCOME</b>
A) Head	\$ 600. (traditional)	\$ 600.	\$ 600.
B) Spouse	0.	0.	0.
C) Son	0.	0.	0.
D) Daughter	0.	0.	0.
<b>TOTALS</b>	<b>\$ 600.</b>	<b>\$ 600.</b>	<b>\$ 600.</b>

Maximum Unit Rent in Fort Smith = Economic Rent  
(3 Bedroom Maximum Rent in Fort Smith = \$1,760.00)

Fort Smith is in Cost Zone 1 - No NWT rent adjustment applies in Cost Zone 1)

**CURRENT RENT CALCULATION:**

Assessable Income x 25% - NWT Rent Adjustment = Rent

**PROPOSED RENT SCALE CALCULATION:**

Basic Rent Calculation Table - NWT Rent Adjustment = Rent

<b>NWT RENT SCALE</b>	<b>CALCULATION</b>	<b>MONTHLY RENT CHARGED</b>	<b>% OF INCOME PAID FOR SHELTER</b>
Current	\$600 x 25% - 0 = \$150	\$150	25.0%
Proposed	\$64 - 0 = \$64	\$64	10.7%

- **RENTS CHARGED ACROSS THE NWT WILL BE FAIR AND EQUITABLE**

The new rent scale will charge all tenants across the NWT rents based on the same rent scale. Under the current rent scale, high-income tenants in some communities pay much lower rents than tenants in other communities.

- **HIGH INCOME TENANTS WILL BE ENCOURAGED TO BECOME HOMEOWNERS**

The most direct way to encourage high income tenants to seriously consider leaving rental housing and moving into homeownership, is to charge them higher rents as their income increases. If the rent scale gives deductions that are too generous to tenants with incomes high enough to support homeownership, they will not have any incentive to move out. It will continue to be cheaper for them to stay in social housing.

Based on information collected from tenants last fall, it is clear that there are approximately **1574** tenants currently living in social housing, who have incomes high enough to afford homeownership. However, many of these same tenants now have their rents capped at artificial maximums, so there is no incentive for them to become homeowners. Replacing the artificial maximum rents with economic rents will provide this needed incentive.

All of these tenants can afford to be homeowners. Most would qualify for some form of homeownership assistance from the NWT Housing Corporation. If they all moved out of rental housing over the next several years, **over 1500 vacancies would be created**. This would go a long way to addressing the housing shortage in most communities, and would also ease overcrowding.

Although over 1500 families living in rental housing earn enough income to afford homeownership, not all of the available homeownership units were allocated this year. Part of the problem is that it is cheaper for these tenants to stay where they are, because their rents are capped at the artificial maximum rent. The community's full allocation of homeownership units will be built on the speculation that a qualified client will be identified to take over the unit. This will ensure that some units are available if rents increased and people start to consider other options.

Highest income tenants will pay 30% of their income, up to the economic rent. Economic rent is the equivalent of what it costs the NWT HC to build, operate and maintain the unit. The economic rent for the unit will be the maximum rent (cap) that can be charged.

## **OPTIONS FOR MARKET COMMUNITIES**

- Once tenants reach the maximum CNIT, they are given notice to vacate. This option is in force in Yellowknife, where tenants are given 3 months notice as soon as their incomes rise to the maximum CNIT. In Yellowknife, the private sector rental market has developed to the point where there is an over-supply of vacancies available, so these tenants have choices. It may be appropriate to consider this option for other market communities, where realistic private sector rental options are available for high-income tenants.
- Another option is to allow maximum rents for tenants with incomes over the CNIT to rise above the economic rent, to a full 30% of income. Again, this would provide a powerful financial incentive for tenants to vacate social housing, creating a vacancy for a more needy family.



- Regardless of the option selected, it is important to ensure that there are reliable, realistic private sector alternatives available so that high-income tenants have housing to move into.

Of the 1574 tenants who can afford homeownership, there are **over 250 tenants currently living in social rental housing who earn incomes over the CNIT** for their community. This means that their incomes are too high to qualify for subsidized homeownership assistance. However, there are other options available to help these tenants become homeowners, and information on these options will be provided to them on an individual basis.

Tenants will be able to buy units that are not cost-shared with CMHC. There are about 250 units in fair to good condition across the NWT, that could be purchased by tenants.

- **VACANCIES WILL BE CREATED IN SOCIAL HOUSING**

To make sure that the options for high-income tenants are realistic and available, it may be necessary to increase homeownership program allocations for these communities, at the expense of rental housing allocations. However, as high-income tenants move out of social housing and into their own homes, vacancies will be created for lower-income families. This will reduce the number of new rental units that are required in the community.

- **EDUCATION WILL BE ENCOURAGED**

Training allowances will no longer be included as assessable income. Rents will not increase if tenants receive training allowances, as they do now.

Also, tenants who leave their home communities temporarily to attend Arctic College or other training in another community, will not lose their housing. While they are away at school, their units will be occupied by another family, on a fixed-term lease basis.

Government-funded child care subsidies will not be included as income.

- **EMPLOYMENT WILL BE ENCOURAGED**

In any rent-geared-to-income scale, rent goes up as income increases. With the current scale, tenants on social assistance who take low-paying jobs have their rents immediately increased to 25% of their gross income. This is too great a percentage of their new earnings. Many tenants complain that this increase discourages people from working at low-paying jobs. They feel that after taxes and other deductions, paying 25% of their gross income leaves them with too little income to be worth their while.

The proposed new Rent Scale charges lower income tenants a much smaller percentage of income. The current Rental Scale charges tenants 25% of income, as soon as their assessable income reaches \$400/month. The proposed Rent Scale starts charging rent at 6.4% of income for those working in low-paying jobs. The graduation of the scale is more extended, so that tenants have to earn \$1800/month before 25% of income is charged for rent. Depending on family size and community, cost-of-living deductions reduce these rents further. This means that they will experience the benefit of working by being able to keep more of their earnings.

Again, Government-funded child care subsidies will not be included as income, to help provide a further incentive to work.

- **CMHC FUNDING WILL BE MAINTAINED**

If there is no change to the Rent Scale, CMHC will reduce its contributions to the NWT HC by up to \$5.3 Million, annually, for operating and maintaining cost-shared units. \$2.8 Million is already lost annually, and this will increase by \$5.3 Million, to over \$8 Million in total, annually, unless the Rent Scale is revised. \$5.3 Million would fund about 35-50 new units a year.

These deeper cuts will come into effect in 1994/95. Under the proposed new Rent Scale, none of this funding will be lost. The only way to get back all federal funding is to use the Federal Scale, or an equivalent scale that generates the same income (charges the same rent) as the Federal Scale. This is not a realistic option for the NWT as rents would increase across-the-board, and no cost-of-living or other deductions would be permitted.

## **DEDUCTIONS FOR SPECIAL CIRCUMSTANCES**

The proposed new rent scale features a number of deductions for specific circumstances, in addition to a basic household deduction:

### **BASIC HOUSEHOLD DEDUCTION**

The new rent scale proposes a deduction of \$400/month (\$4800/year) from the total household assessable income. This is an across-the-board deduction that does not vary with community or household size. Using a fixed amount, rather than a percentage of income, provides greater assistance to lower-income families.

The purpose of this deduction is to provide a basic, cost-of-living deduction for all social housing tenants.

## **ADDITIONAL COST OF LIVING DEDUCTION FOR LARGE FAMILIES**

The purpose of the cost of living deduction is to charge **large families living in more remote communities less rent**, so they can better afford high-cost items like food, clothing and fuel for boats and snow machines. In this way, the rental housing program will continue to subsidize expensive, non-housing items.

The proposed cost of living deduction varies by community, and is based on the Basic Living Allowances established by the Department of Social Services for communities. Communities are grouped by "Cost Zone". For the purposes of the new Rent Scale, Cost Zone I has been used as a base.

The average size of families living in social rental housing is 5.2 people. The Cost of Living deduction is a rent deduction for households of six or more people, and is applied in addition to the Basic Income deduction of \$400/monthly.

## N.W.T. COMMUNITIES BY COST ZONE

<b>COST ZONE 1</b>	<b>COST ZONE 2</b>	<b>COST ZONE 3</b>	<b>COST ZONE 4</b>	<b>COST ZONE 5</b>
Dettah Fort Smith Hay River Ndilo Yellowknife	Enterprise Fort Liard Fort Providence Fort Resolution Fort Simpson Kakisa Lake Rae Edzo	Inuvik Reliance	Fort McPherson Nahanni Butte Tsiigehtchic	Aklavik Arviat Rae Lakes
<b>COST ZONE 6</b>	<b>COST ZONE 7</b>	<b>COST ZONE 8</b>	<b>COST ZONE 9</b>	<b>COST ZONE 10</b>
Bathurst Inlet Bay Chimo Coppermine Déline Fort McPherson Lac de la Pêche Norman Wells Rankin Inlet Sanikiluaq	Baker Lake Cambridge Bay Chesterfield Inlet Fort Good Hope Wregey Iglood Lutselk'e Nanisivik Tuktoyaktuk	Broughton Island Cape Dorset Clyde River Hall Beach Holman Island Igloodik Jean Marie River Lake Harbour Pangnirtung Pond Inlet Resolute Bay Snare Lake	Arctic Bay Coral Harbour Repulse Bay Sachs Harbour Trout Lake Whale Cove	Colville Lake Gjoa Haven Grise Fiord Paulatuk Pelly Bay Taloyoak

## RENT REDUCTION SCALE

(FIGURES ARE IN DOLLARS)

FAMILY SIZE - NUMBER OF PEOPLE															
COST ZONE	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	2	4	5	7	8	9	11	12	13	14	16	17	18	20	21
3	4	8	11	14	17	20	23	26	28	31	34	37	40	43	46
4	6	13	17	21	25	29	34	38	42	46	50	54	59	63	67
5	9	17	22	28	34	40	45	51	57	63	68	74	80	86	92
6	11	21	28	35	42	49	56	63	70	77	84	92	99	106	113
7	13	26	34	42	51	60	68	77	85	94	103	111	120	129	137
8	15	30	39	49	59	69	79	89	99	109	119	129	139	148	158
9	18	34	45	56	68	79	91	102	114	125	137	148	160	172	183
10	20	38	51	63	76	89	102	115	127	140	153	166	179	191	204

Cost Zones as designated by the Department of Social Services and approved by the Financial Management Board on March 9, 1994. Record of Recommendation FB 93-13-4 (A)



## CONDITION

A rental deduction for the condition of the unit is recommended. The amount of rent deduction will vary depending on the units condition - the poorer the condition of the unit, the bigger the rent reduction. The deduction will be based on inspection of units using the Corporation's standard unit condition rating system. Where units lack basic facilities or the overall condition rating is less than 60%, tenants will receive a rent adjustment.

Deductions for condition will be capped, so that they do not result in a rent less than the minimum unit rent of \$32.00 per month. The rent adjustment will not apply to tenants who are above the maximum Core Need Income Threshold (CNIT) and occupy units that meet one or more of the criteria listed in the following example:

<b>EXAMPLE</b>	
<u>Criteria</u>	<u>Deduction</u>
1. a) Condition rating less than 60%	\$100.00
b) Condition rating less than 60%	\$200.00
c) Condition rating less than 40%	\$300.00
2. Lacks hot/cold running water	\$100.00
3. Lacks shower or bathtub	\$100.00
4. Lacks flush toilet	\$100.00

The financial impact of deductions for condition are not as great as compensating for overcrowding. Only the old Northern Rental units are in poor condition and/or lack basic facilities. Administration of this deduction is also easy, as condition is assessed annually. If a unit lacks basic facilities such as hot and cold running water, a flush toilet, a bath or shower, or requires major repairs, the tenant will receive a rent reduction.

**Sample Calculation:**

Tenant's rent	.....	\$ 800.00
Unit Condition -	Condition rating less than 50% - Deduct	\$200.00
	No flush toilet - Deduct	<u>\$100.00</u>
Total Deduction	.....	<u>\$300.00</u>
Tenant's adjusted Rent	.....	\$500.00

## **OVERCROWDING**

According to national CMHC housing standards, a unit is considered to be overcrowded if any of the following conditions exist:

- More than two people per bedroom
- Parents share a bedroom with their children
- Household members aged 18 or more, who are not married or living together, share a bedroom
- Children aged 5 or more of the opposite sex share a bedroom

There are problems with the national overcrowding criteria. Many parents prefer to have infants or a small child share their bedroom, and would not regard this as "overcrowding". Other families may find it acceptable to have three children share a room.

Larger households will already receive larger cost-of-living deductions, as outlined earlier. Additional generous rent reductions for overcrowding may provide a financial incentive to families to remain in overcrowded conditions. As more people joined the household, the rent would be decreased. However, if only a token amount is deducted from rent for overcrowding, there may be complaints that it does not adequately compensate overcrowded tenants.

Another concern is administration. As household members come and go, LHO staff will have to keep track of who is living where, work out the number of extra bedrooms required, and adjust rents in accordance with a formula. They will have to adjust rents every time there is a change in household composition, whether the additional household members earn income or not. As this is a new requirement, training will be needed. LHO staff already have a tough job, as they must collect personal and sensitive household information, often from their relatives and neighbours. It is unlikely that they would welcome the administrative burden that a rent deduction for overcrowding would require.

The cause of overcrowding is a housing shortage in the community. The best way to reduce overcrowding is to open up vacancies in the existing rental stock, and to encourage high-income earners to house themselves.

It is recommended that overcrowding be addressed as follows:

- For overcrowded families under the minimum income, (cannot afford homeownership) - give higher priority for allocation of a rental unit of their own.
- For overcrowded families who can afford homeownership, under the maximum CNIT - give higher priority for allocation of a homeownership unit.
- For overcrowded families who can afford homeownership, over the CNIT - provide counselling, information and assistance to move into their own home.

Where families are overcrowded because they are sharing a unit with others, each family's income will be assessed separately, so that information and counselling can be provided, appropriate for their financial situation.

## GROSS VS. NET INCOME

Many tenants question why gross income is used instead of net income, for the purposes of rent assessment. The main reason is to ensure all public housing tenants are treated as fairly and consistently as possible.

Rents charged are based on the tenants' ability to pay. Using net income reduces the rent for higher paid individuals to a greater degree than for those with lower pay. Tenants earning higher gross pay generally have much higher deductions for income tax, employee savings plans, extra insurance or retirement benefits, etc. It is simply not fair to those with lower incomes who do not pay as much taxes or to extra benefits, to provide higher income earners a much greater break on their rent.

For Example:

	INDIVIDUAL A	INDIVIDUAL B
Gross Monthly Income	850.00	4,200.00
Deductions: Income Tax	85.00	840.00
Pension Plans, RRSP, etc.	0.00	420.00
NET INCOME	\$765.00	\$2,940.00

Rental calculation based on:

25% of Gross Monthly Income	212.00	1,050.00
25% of Net Monthly Income	191.00	735.00
Difference between Gross and Net Income	\$21.00	\$315.00

Using net rather than gross income gives higher-income tenants a bigger break on rent. At the same time, they benefit from being able to shelter their income in deductions which benefit the individual

directly (private pension plans, Canada Savings Bonds, for example). Lower income tenants usually cannot afford such payroll deductions for savings. Because deductions vary greatly from employer to employer, net income provides an inconsistent basis for rent assessment.

The NWTCH is required to assess rents based on gross income because of our existing agreements with Canada Mortgage and Housing Corporation.

## IMPLEMENTATION OF THE PROPOSED RENT SCALE

**NOTE:** Income information was collected from rental housing tenants last summer and fall. This information has been used as a basis to test the various deductions and options considered in developing the proposed Rent Scale. Please note that income information was collected at a time when seasonal employment in the communities was high. The following estimates of impact of the proposed Rent Scale are based on this "snapshot" of tenant income.

### 1. Rent Decreases

<b>IMPACT OF PROPOSED RENT SCALE ON HOUSEHOLDS</b>	
<b>HOUSEHOLDS WHOSE RENT WILL INCREASE</b>	<b>HOUSEHOLDS WHOSE RENT WILL DECREASE OR REMAIN THE SAME</b>
<p>Households where members of the household other than the head and spouse have significant earnings.</p> <p>High income households who have been paying the artificially low maximum rents, especially in the non-homeownership communities.</p> <p>Households headed by Senior Citizens or Disabled Persons where other household members have significant income.</p>	<p>Households with low income from wages and salaries.</p> <p>Households living on Unemployment Benefits.</p> <p>Low income single parent households.</p> <p>Households where household members are participating in training programs or attending school.</p> <p>Single senior or senior couple households whose only income is Old Age Security, Guaranteed Income Supplement, Canada Pension or Quebec Pension.</p> <p>Households where the only income is that received by members who are regular recipients of disability benefits and/or social assistance benefits.</p>

It is recommended that rental decreases be implemented effective July 1, 1994. Based on the tenant income information collected last fall, over 1100 households would have their rents decreased.

## 2. Rent Increases

**Over 2000 households would experience an increase in rent once the new rent scale is implemented. To give tenants time to adjust to and plan for the increases, it is recommended that rental increases over \$250/month be phased in, as follows:**

Notice of rental increase - all tenants	Beginning in June, 1994 - All tenants notified by October 1, 1994
Increases less than \$250/month	Effective January 1, 1995
Increases over \$250/month	First 50% effective January 1, 1995; second 50% January 1, 1996

The phasing in of rental increases should be applied for all tenants cannot afford homeownership and/or who do not yet have access to realistic homeownership options. However, it would be counterproductive to phase in rents for those tenants who could get into homeownership sooner. It is recommended that the option of phase-in be offered to tenants based on the results of counselling and review of their individual financial situation and available homeownership options.

An aggressive information campaign will be required to get information out to tenants on the reasons for a new Rent Scale, and an explanation of how it will work, and how it differs from the current scale. This must be followed up by individual tenant counselling, to ensure that tenants have full information on all of their options, and that they receive any assistance they need to prepare for the new rents.



LHO's will calculate the new rents, and will advise District staff of those tenants who will experience significant increases. District staff will follow up with appropriate information, and counselling will be offered to explain each tenant's options. Tenants who want to pursue homeownership options will be assisted throughout the process.

Both LHO's and District Offices will require training and increased resources (staff) to successfully implement the new Rent Scale.

3. **No change in rents**

Based on the information collected last fall, about 1900 families would experience no change in their rents if the proposed Rent Scale was implemented.

**PROPOSED RENT SCALE  
EFFECT ON HOUSEHOLD RENTS**

<b>NUMBER OF PERCENTAGE OF HOUSEHOLDS WHOSE RENTS WILL...</b>					
<b>INCREASE</b>		<b>DECREASE</b>		<b>NOT CHANGE</b>	
<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
2,037	40.2	1,119	22.1	1,912	37.7
<b>BASED ON 2,037 HOUSEHOLDS WHOSE RENTS WILL INCREASE</b>					
<b>MONTHLY INCREASE RANGE</b>			<b>HOUSEHOLDS AFFECTED</b>		
			<b>NUMBER</b>	<b>%</b>	
Up to \$100			475	23.3	
Between \$101 - \$250			406	19.9	
Between \$251 - 500			493	24.2	
Between \$501 - \$1,000			466	22.9	
Over \$1,000			197	9.7	
<b>TOTALS</b>			<b>2,037</b>	<b>100.0</b>	

## PROPOSED RENT SCALE IMPACT ANALYSIS BY DISTRICT / COMMUNITY

COMMUNITY / DISTRICT	HOUSEHOLDS	DECREASE	NO CHANGE	INCREASE	BREAKDOWN OF INCREASE				
					UP TO \$100	UP TO \$250	UP TO \$500	UP TO \$1,000	MORE THAN \$1,000
<b>BAFFIN DISTRICT</b>									
Arctic Bay	72	15	17	40	8	5	12	7	8
Broughton Island	84	15	44	25	6	5	12	2	0
Cape Dorset	192	45	67	80	13	21	21	22	3
Clyde River	85	15	35	35	3	12	8	9	3
Grise Fiord	22	3	1	18	3	2	2	7	4
Hall Beach	76	6	24	46	7	7	9	12	11
Igloolik	158	29	59	70	14	14	17	18	7
Iqaluit	352	49	130	173	22	27	47	54	23
Lake Harbour	57	13	9	35	10	8	12	4	1
Pangnirtung	202	48	94	60	16	14	11	14	5
Pond Inlet	135	19	52	64	13	15	20	12	4
Resolute Bay	27	5	9	13	0	4	5	1	3
Sanikiluaq	71	9	33	29	6	5	6	9	3
<b>TOTAL</b>	<b>1,633</b>	<b>271</b>	<b>574</b>	<b>688</b>	<b>121</b>	<b>139</b>	<b>182</b>	<b>171</b>	<b>75</b>
<b>KEEWATIN DISTRICT</b>									
Arviat	221	35	107	79	14	18	24	15	8
Baker Lake	251	31	117	103	15	22	33	20	13
Chesterfield Inlet	60	8	16	36	4	7	12	11	2
Coral Harbour	88	13	19	56	9	7	10	21	9
Rankin Inlet	230	28	77	125	13	16	33	43	20
Repulse Bay	71	5	28	38	3	2	13	12	8
Whale Cove	46	9	13	24	4	3	5	6	6
<b>TOTAL</b>	<b>967</b>	<b>129</b>	<b>377</b>	<b>461</b>	<b>62</b>	<b>75</b>	<b>130</b>	<b>128</b>	<b>66</b>
<b>KITIKMEOT DISTRICT</b>									
Cambridge Bay	163	19	51	93	13	16	23	29	12
Coppermine	188	24	83	81	6	12	28	27	8
Gjoa Haven	134	17	51	66	8	19	22	14	3
Holman Island	85	18	33	34	5	7	10	8	4
Pelly Bay	60	4	13	43	9	7	10	11	6
Taloyoak	102	16	42	44	7	7	12	15	3
<b>TOTAL</b>	<b>732</b>	<b>98</b>	<b>273</b>	<b>361</b>	<b>48</b>	<b>68</b>	<b>105</b>	<b>104</b>	<b>36</b>

## PROPOSED RENT SCALE IMPACT ANALYSIS BY DISTRICT / COMMUNITY

COMMUNITY / DISTRICT	HOUSEHOLDS	DECREASE	NO CHANGE	INCREASE	BREAKDOWN OF INCREASE				
					UP TO \$100	UP TO \$250	UP TO \$500	UP TO \$1,000	MORE THAN \$1,000
<b>NORTH SLAVE DISTRICT</b>									
Dettah	27	8	7	12	7	1	2	2	0
Edzo	22	7	8	7	4	3	0	0	0
Fort Rae	135	23	66	46	22	10	8	6	0
Lac La Martre	6	4	2	0	0	0	0	0	0
N'dilo	16	7	4	5	2	1	0	2	0
Yellowknife	234	83	41	110	69	29	1	4	7
<b>TOTAL</b>	<b>440</b>	<b>132</b>	<b>128</b>	<b>180</b>	<b>104</b>	<b>44</b>	<b>11</b>	<b>14</b>	<b>7</b>
<b>SOUTH SLAVE DISTRICT</b>									
Fort Providence	98	33	22	43	14	9	8	11	1
Fort Resolution	70	29	24	17	2	6	6	3	0
Fort Simpson	87	41	29	17	9	0	3	5	0
Fort Smith	104	55	20	29	4	6	9	6	4
Hay River	108	54	22	32	11	8	8	7	0
Hay River Reserve	7	0	7	0	0	0	0	0	0
Lutselk'e	28	7	13	6	2	1	2	1	0
Wrigley	4	2	1	1	0	1	0	0	0
<b>TOTAL</b>	<b>504</b>	<b>221</b>	<b>138</b>	<b>145</b>	<b>42</b>	<b>29</b>	<b>36</b>	<b>33</b>	<b>5</b>
<b>WESTERN ARCTIC DISTRICT</b>									
Aklavik	140	48	73	19	14	5	0	0	0
Tsiigehtchic	16	4	9	3	3	0	0	0	0
Deline	86	27	41	18	8	3	5	2	0
Radlilh Koe (Ft Good Hope)	28	6	15	7	3	1	2	1	0
Fort McPherson	107	29	51	27	10	12	3	2	0
Fort Norman	59	23	28	8	4	2	1	0	1
Inuvik	225	77	84	64	27	18	10	7	2
Norman Wells	19	7	4	8	6	2	0	0	0
Paulatuk	35	9	16	10	3	2	0	3	2
Sachs Harbour	25	5	9	11	2	3	3	1	2
Tuktoyaktuk	152	33	92	27	18	3	5	0	1
<b>TOTAL</b>	<b>892</b>	<b>268</b>	<b>422</b>	<b>202</b>	<b>98</b>	<b>51</b>	<b>29</b>	<b>16</b>	<b>8</b>
<b>TERRITORIAL TOTAL</b>	<b>5,068</b>	<b>1,119</b>	<b>1,912</b>	<b>2,037</b>	<b>475</b>	<b>406</b>	<b>493</b>	<b>466</b>	<b>197</b>

## **PROMOTING HOMEOWNERSHIP**

Realistic homeownership options, and more of them, need to be put in place, so that tenants have options to consider. In many communities, it takes up to two years to finish a new house. More units will be needed to meet the demand that will be generated when rental increases come into effect. More funding for homeownership programs will be required to meet this demand.

Short-term emphasis on homeownership makes sense, especially if the extra units are targeted to tenants who will get major rent increases, because vacancies will be created when these tenants move out.

The NWTCH is also working with the banks to improve mortgage lending and services to tenants in remote communities. This will be an important option for tenants over the CNIT.

As described earlier, the NWTCH is developing an approach to resolve the issue of arrears, which currently prevents many tenants who could afford homeownership, from obtaining assistance.