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PUBLIC HOUSING RENT SCALE
DISCUSSION PAPER II

June, 1988

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Rent Scale Review - Progress Report

In March of 1987, the N.W.T. Housing Corporation released for public discussion a paper on the Public Housing Rent Scale. Rather than propose a series of specific revisions to the existing scale, the paper put forward, in general terms, the principles, issues and constraints involved in the design of an entirely new Rent Scale. The intent of the paper was to promote public participation in the formation of a new Rent Scale. The Housing Corporation's District staff held public meetings in the communities and, in response, the Corporation received several written submissions back from the communities. A little over a year later, the contributions from the communities, the fundamentals laid out in the discussion paper and the recommendations from the Special Committee on Housing have come together to produce a model for a new Rent Scale.

The purpose of this second paper is to present the outline of a new Rent Scale and, again, to encourage comments and suggestions from the public at large. At this stage, the discussion moves past general principles to deal with the features the new scale is likely to contain. Those familiar with the present Rent Scale will find the following proposals represent significant changes in the way public housing is delivered in the Northwest Territories. The changes are intended to give the role of public housing in the overall housing scene a clearer definition.

OBJECTIVES:

(1) Simplicity

The new Rent Scale is designed to achieve three objectives. The first is that the scale should be simple. The existing scale is cluttered with a number of special exemptions, adjustments and deductions which makes the scale complicated to administer and difficult for the tenants to understand how their monthly rent is calculated. The new scale is quite straightforward. Instead of several small deductions and adjustments which apply in special cases and particular circumstances, the new scale offers one large deduction which applies equally to every tenant household.



(2) Self-Sufficiency

The second objective is that the scale must encourage tenants to be financially self-supporting and independent of public assistance. The process of public consultations brought to the Corporation's attention the unhappy situation of some low income earners who, after they pay their rent each month, are left with less money than those who depend entirely on social assistance. With its large single deduction, the new scale makes sure that tenant households have enough money left over to enjoy the employment income they earn.

(3) Private Homeownership

The third objective is that the scale must promote independent homeownership by establishing a firm connection between the rents in public housing and the operating costs of privately owned homes. To accomplish this the Rent Scale is graduated so that the rents assessed for households with higher incomes are equal, and in some cases even greater, than the costs they would incur if they were to live in homes of their own.

Financial Implications

Finally, it must be stated that it is **not** the objective of the scale to increase the amount of money the Corporation collects from its tenants. The first discussion paper made it clear that public housing was very heavily subsidized in the Northwest Territories and that the Corporation could not afford to give the tenants a general reduction in their rents. Many people, and not without justification, will criticize the Corporation for not raising the rents and making a serious attempt to reduce the amount of public monies spent on public housing.

After much careful consideration, the rental policy of the Housing Corporation is that if the Rent Scale succeeds in achieving its three primary objectives (simplicity, economic self-sufficiency and independent homeownership), the benefit to the people of the Northwest Territories is, in the long run, greater than the short run goal of improving the Corporation's financial position.

STRUCTURE:

Household Expenses Deduction

The mechanics of the new scale follow from the objectives of simplicity, self-sufficiency and independent homeownership. The basic minimum rent remains unchanged at \$32.00 per month. No household pays less than the minimum rent. The new scale abandons all the deductions, exemptions, maximums and adjustments that complicated the former scale. In their place, the new scale introduces the **Household Expenses Deduction**. The **Household Expenses Deduction** entitles every household to subtract the first \$800 from the total of the combined incomes of all household members. The household's monthly rent is calculated starting from the base \$32 minimum plus a percentage of the household's income over and above the \$800 **Household Expenses Deduction**.

Income From All Sources

The new scale takes quite a different approach to the issue of household income. It does not differentiate between types of income. All the money that the members of a household receive, regardless of the source (employment earnings, Canada Pension, Social Assistance, Unemployment Insurance etc. etc.), is recognized equally as a contribution to the household's income.

The intent behind the exemption of certain classes or types of income was to make sure that households living on low and fixed incomes were not further disadvantaged by their rent assessments. The assumption embodied in the previous Rent Scale was that low and fixed income households were identified by the source of their incomes. This is not always the case. For a variety of individual reasons and particular circumstances, many low and fixed income households, who certainly need protection from high rent assessments, do not benefit from any kind of income assistance program. If the intent of the Rent Scale is to protect low and fixed income households from high rents, then the scale should assess each household's rent according to the amount of money it receives each month. It is not important where the money happens to come from or which members of the household receive it. The advantage of replacing all the special exemptions with the one, large and universal **Household Expenses Deduction** is that, since it applies to all households equally, it is sure to protect all low income households, whatever their individual circumstances.

Rent-to-Income Graduation

The portion of household income over and above the **Household Expenses Deduction** calculated as rent rises in stages from 25% to 30%. The purpose of the gradual rate increases is to indicate to the higher income households, in a very clear and direct way, that they earn enough to support the cost of operating a private home on their own. In other words, they do not need the large housing subsidies they receive by living in public housing. The rental rate starts at 25% and reaches 30% when the monthly costs of operating a Homeownership Assistance Program (HAP) house would also come to 30% or less of their monthly household income. With the new scale, those households that find themselves paying 30% of their income in rent, will know that the expenses of operating a private house would be no more, and often even less, than their monthly rent in public housing.

The operating costs of a private home (water and sewer, electricity, heating fuel, municipal taxes etc.) vary substantially from one community to the next across the Northwest Territories. The Rent Scale recognizes this fact and the monthly household income at which rents reach the 30% rate are set according to the local costs in each community.

It is very important that the Rent Scale preserve the principle of providing housing subsidies to those households that are genuinely in need of assistance. The Rent Scale is carefully designed to maintain the large housing subsidies available through public housing for low income households and, at the same time, to encourage higher income households to make the move into private homeownership. Everyone stands to gain from this policy. For the higher income households, with the responsibility of taking care of a home of their own, comes their independence from government assistance. The community as a whole also comes out ahead. Every time a higher income household moves out of public housing into a private house, a public housing unit becomes available for a lower income household. In a sense, by reinforcing the delivery of housing assistance according to need, the Rent Scale makes two units available for every new one built.

Elimination of Maximum Rents

The new Rent Scale removes maximum rents from public housing. Maximum rents work against the fundamental principle of public housing, that is, rent-geared-to-income. The rents in public housing are set according to the ability of households to pay. The intent is not to recover the cost of the housing, but to make sure that proper shelter is available to households at a rent they can afford. It follows that the higher a household's income, the more they are able to pay.

At one time, maximum rents served a useful purpose. Today they do not. When, in most of the communities of the Northwest Territories, public housing was the only type of housing the Housing Corporation delivered, it was only fair that the Rent Scale should set an upper limit to the amount of rent a household could pay. After all, higher income households had nowhere else to live. Now, with the introduction and expansion of HAP, a housing program is available which higher income households can use to their advantage to provide them with shelter at a fixed cost. HAP has replaced the necessity for maximum rents.

The Problem of Sub-Standard Units

The Housing Corporation recognizes the fact that it maintains in service all too many inferior housing units. Between the constraints of a severe housing shortage and limited capital budgets, the Corporation is doing what it can to dispose of these inferior units as quickly as possible. Nevertheless, since it would be irresponsible to demolish the units before replacement units were ready, these inferior units will, of necessity, remain in service for some time to come.

With respect to the Rent Scale, these inferior units have added a strange twist to the issue of maximum rents. Under the former Rent Scale, the Corporation recognized the poor quality of these units and by setting very low maximum rents for them, effectively removed them from the rent-gear-to-income scale. Higher income households found that the inferior units with low fixed rents gave them an opportunity to protect their disposable income from high rent assessments, albeit, at the price of reduced living conditions. Some, indeed many, higher income households have chosen to accept poorer housing standards in return for higher disposable incomes. What makes matters worse, is that since the inferior units often operate as rent shelters, the tenants resist their destruction even when the Housing Corporation is able to replace them.

Service Deduction

The new scale attempts to avoid the peculiar situation whereby inferior accommodations appear attractive to certain income groups. At the same time, in all fairness, it cannot apply the same rent to both the standard and inferior units. To resolve this situation the Rent Scale provides an additional **Service Deduction** to reduce the rents on inferior units by \$150 a month. A inferior unit, for the purpose of the **Service Deduction**, is defined as a public housing unit that is not equipped with (a) hot and cold running water, (b) a bath or shower or (c) an indoor flush toilet. The **Service Deduction** does not apply to units where items (a), (b) and (c) exist but, for whatever reasons, are not in working order. Such malfunctions are properly a maintenance problem as opposed to a standards problem.

The \$150 **Service Deduction** is a rent reduction. For a household living in a unit to which the **Service Deduction** applies, the rent is first assessed according to income, just as it is for any other household, and then a further \$150 is subtracted from the assessed rent. In this calculation, the rent base of \$32 a month remains in effect. If the assessed rent minus the **Service Deduction** comes to less than \$32, then the rent is \$32.

Summary Observations

For many years in the Northwest Territories, there has been a great deal of discussion about "The Housing Problem". When people speak of "The Housing Problem" they are referring primarily to the chronic shortage of housing as a problem common to all the cities, towns and communities in the Northwest Territories. If one takes seriously the observations of many that "The Housing Problem" is bound up with a number of closely related social and economic problems, it should be obvious that there is not one "Housing Problem" but several housing problems. Simply because the physical symptom, a scarcity of shelter, is common, one should not be misled into thinking one is dealing with a single problem.

The consequence of failing to see "The Housing Problem" as several quite different problems is that one can come to expect one housing program to solve all problems. In fact, housing programs are designed and delivered to deal with very specific types of housing problems. The first step in dealing with any problem is to select the correct tool.

The Housing Corporation delivers social housing primarily through two programs; Public Housing and HAP. They are two different programs aimed at two different types of housing problems. In the rush to build houses and "solve The Housing Problem" both the Corporation and the people in the communities it serves have all-too-often lost sight of the differences between Public Housing and HAP and the types of housing problems each is good at solving. In some communities the people want nothing but Public Housing. In other communities the people want nothing but HAP. Neither program can possibly work well for everyone. The two programs should work together in all the communities for the groups of people each is suited best to serve. The trick is to find the balance between them.

In thinking about the new Rent Scale, its different pieces and how they work together, one should look at it, on the whole, as a guide for households to help them find which housing program offers them the greatest benefit.

An illustration demonstrating the overall effect of the new scale is provided in Appendix "A".

The Consultation Process

The next phase of consultation is intended to bring the views of community organizations and the government together to form a new policy concerning social housing rent. The N.W.T. Housing Corporation will be contacting all communities involved or interested in the rental program shortly after the release of this paper. Housing Associations/Authorities, Community Councils, Band Councils, Local Metis Associations and other interested organizations will be asked to participate in a meeting to exchange and record viewpoints on the subject. All of the results of these meetings will be considered in the formulation of the final rent policy.

The scale outlined in this paper is not intended to necessarily represent the final rent policy. It is recognized that there will be many views and issues raised during the consultation period. The goal of the consultation process is to discuss the objectives and solutions put forward in the discussion paper and if found lacking, propose alternative solutions.

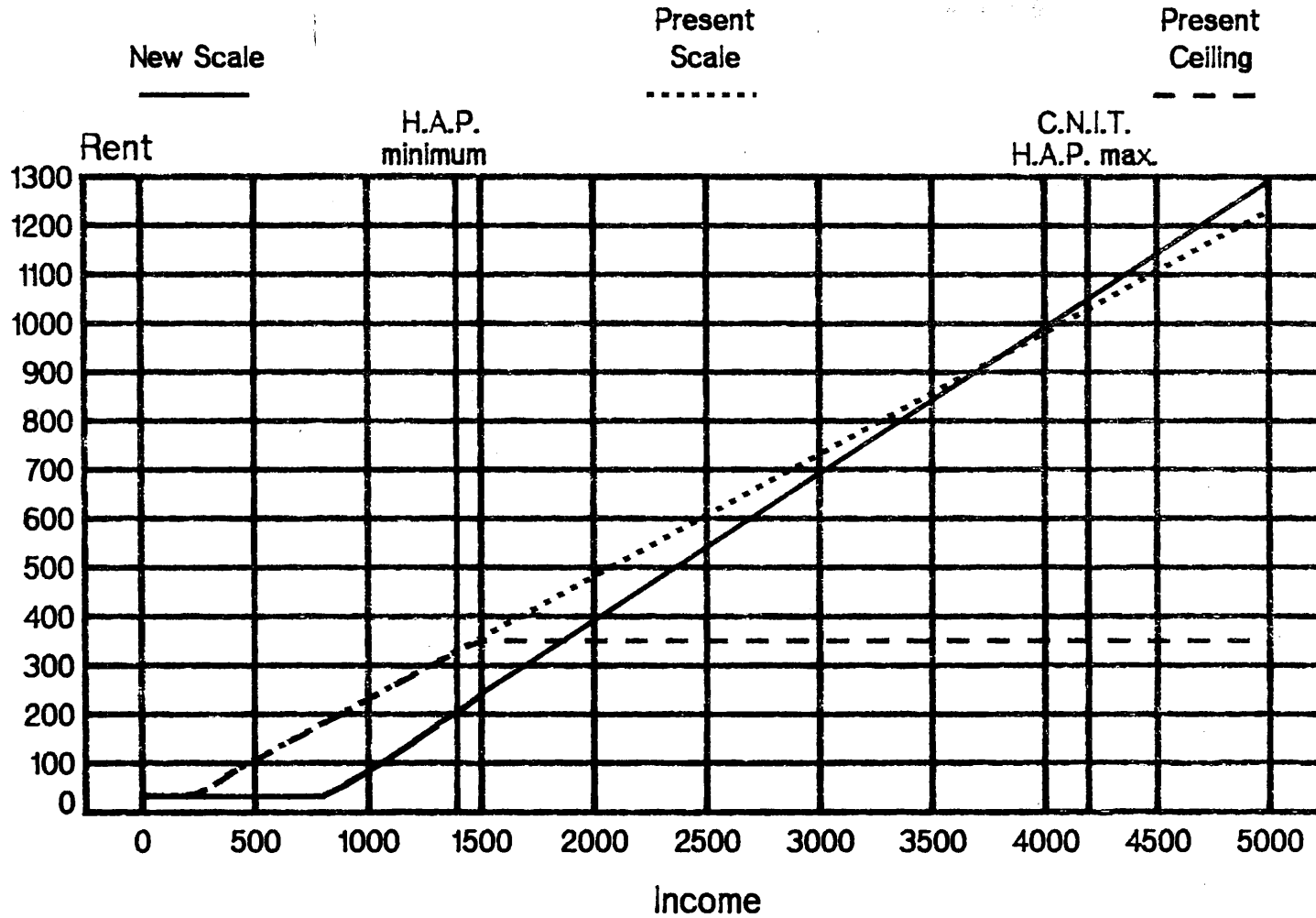
Community groups are urged to participate in the consultation process through the organized meeting to be held during the summer. If unable to participate, briefs may be submitted to:

President
N.W.T. Housing Corporation
P.O. Box 2100
Yellowknife, N.W.T.
X1A 2P6

Before September 1, 1988

COMPARISON OF RENT SCALES

(Family of four - Eskimo Pt.)



COMPARISON OF OLD AND NEW RENT SCALES
(Family of four - Eskimo Point)

<u>HOUSEHOLD INCOME</u>	<u>NEW SCALE</u>	<u>PRESENT SCALE</u>	<u>EFFECT OF MAX RENTS</u>
\$ 0	\$ 32	\$ 32	\$ 32
\$ 100	\$ 32	\$ 32	\$ 32
\$ 200	\$ 32	\$ 33	\$ 33
\$ 300	\$ 32	\$ 47	\$ 47
\$ 400	\$ 32	\$ 80	\$ 80
\$ 500	\$ 32	\$ 105	\$ 105
\$ 600	\$ 32	\$ 130	\$ 130
\$ 700	\$ 32	\$ 155	\$ 155
\$ 800	\$ 32	\$ 180	\$ 180
\$ 900	\$ 57	\$ 205	\$ 205
\$ 1,000	\$ 84	\$ 230	\$ 230
\$ 1,100	\$ 113	\$ 255	\$ 255
\$ 1,200	\$ 144	\$ 280	\$ 280
\$ 1,300	\$ 177	\$ 305	\$ 305
\$ 1,400	\$ 206	\$ 330	\$ 330
\$ 1,500	\$ 242	\$ 355	\$ 350
\$ 1,600	\$ 272	\$ 380	\$ 350
\$ 1,700	\$ 302	\$ 405	\$ 350
\$ 1,800	\$ 332	\$ 430	\$ 350
\$ 1,900	\$ 362	\$ 455	\$ 350
\$ 2,000	\$ 392	\$ 480	\$ 350
\$ 2,100	\$ 422	\$ 505	\$ 350
\$ 2,200	\$ 452	\$ 530	\$ 350
\$ 2,300	\$ 482	\$ 555	\$ 350
\$ 2,400	\$ 512	\$ 580	\$ 350
\$ 2,500	\$ 542	\$ 605	\$ 350
\$ 2,600	\$ 572	\$ 630	\$ 350
\$ 2,700	\$ 602	\$ 655	\$ 350
\$ 2,800	\$ 632	\$ 680	\$ 350
\$ 2,900	\$ 662	\$ 705	\$ 350
\$ 3,000	\$ 692	\$ 730	\$ 350
\$ 3,100	\$ 722	\$ 755	\$ 350
\$ 3,200	\$ 752	\$ 780	\$ 350
\$ 3,300	\$ 782	\$ 805	\$ 350
\$ 3,400	\$ 812	\$ 830	\$ 350
\$ 3,500	\$ 842	\$ 855	\$ 350
\$ 3,600	\$ 872	\$ 880	\$ 350
\$ 3,700	\$ 902	\$ 905	\$ 350
\$ 3,800	\$ 932	\$ 930	\$ 350
\$ 3,900	\$ 962	\$ 955	\$ 350
\$ 4,000	\$ 992	\$ 980	\$ 350