

PUBLIC HOUSING RENT SCALE

October, 1989

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Government of N.W.T.
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Yellowknife, N.W.T.
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PUBLIC HOUSING RENT SCALE

OVERVIEW:

The N.W.T. Housing Corporation delivers Social Housing primarily through two programs; Public Housing and the Homeownership Assistance Program (HAP). These are two different programs aimed at households with different housing requirements. For those households capable of maintaining and operating a home, the Homeownership Program provides assistance in the form of a material package to construct a housing unit. For those households with still lower income, the Housing Corporation must not only construct the housing units, but also assume the ongoing costs of operating and maintaining the unit.

The task of providing affordable, adequate and suitable housing to all those in need is made difficult by limited financial resources. In light of the substantial subsidy involved in delivering Public Housing, households that benefit from Public Housing services must assist by paying rent according to their income.

This proposed Rent Scale introduces a system of rent assessment which is simple to administer and encourages self-sufficiency through private homeownership. Equally importantly, the new Rent Scale proposes rent assessment based on a household's ability to pay, while giving consideration to the adequacy of the unit.

OBJECTIVES:

(1) Simplicity

The **new Rent Scale** aims to achieve three objectives. The first is that the scale must be simple. The **present Rent Scale** contains a number of special exemptions, adjustments and deductions which make it complicated for Housing Association/Authority staff to administer and difficult for the tenants to understand how their monthly rent is calculated. The **new Rent Scale** is less complicated. It offers one large deduction which applies equally to every tenant household, instead of numerous small deductions and adjustments applied in particular circumstances in the **present Rent Scale**.

(2) Self-Sufficiency

The second objective of the **new Rent Scale** is to encourage tenants to be financially self-supporting and be less dependent on government and public assistance. The process of public consultations brought to the Corporation's attention of some low income earners who, after paying their rent each month, are left with less money than those who depend entirely on social assistance. With a large single deduction, the **new Rent Scale** ensures that tenant households, after paying their rent, have enough money remaining to enjoy the employment income they earn.

(3) Private Homeownership

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

Financial Implications

It is **not** the objective of the **new Rent Scale** to increase the amount of money the Corporation collects from its tenants. The first discussion paper made it clear that public housing in the Northwest Territories is heavily subsidized and that the Corporation could not afford to give the tenants a general reduction in their rents. Many people may criticize the Corporation for not raising the rents and making a serious attempt to reduce the amount of public monies spent on public housing.

The Corporate Strategy of the Housing Corporation is that if the **new 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.

Rent-to-Income Calculation

The portion of household income over and above the **Household Expense Deduction** is calculated as follows: households with monthly incomes below the Core Need Income Threshold are assessed at 25% of their assessable income; households with incomes above the Core Need Income Threshold are assessed at 30% of their income. Notwithstanding the above, the unit operating cost will be the maximum rent charged for any Public Housing tenant.

The purpose of calculating rent assessments in this manner is to indicate to the higher income households that they earn enough money 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. With the **new Rent 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 **new 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 **new Rent Scale** preserve the principle of providing housing subsidies to those households that are in the greatest need of assistance. The **new Rent Scale** aims to conserve 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.

Household Expense Deduction

The **new Rent Scale** abandons all the deductions, exemptions and adjustments that complicate the present Rent Scale. In their place, the **new Rent Scale** introduces the **Household Expenses Deduction**. The **Household Expenses Deduction** replaces all other deductions, including, family size, location and single parent deductions that are in place in the **present Rent Scale**. The **Household Expenses Deduction** entitles every household to subtract the first \$800 from the total of the combined monthly incomes of all household members. The Household's monthly rent is calculated as a percentage of the household's income over and above the \$800 **Household Expenses Deduction**. Should the percentage of the household's income over and above the \$800 **Household Expenses Deduction** be calculated and found to be less than \$32.00, the basic minimum monthly rent of \$32.00 shall still apply. No Household shall pay less than the minimum rent.

Income From All Sources

The **new Scale** takes a different approach to household income. It does not distinguish 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 as a contribution to the household's income. (See Appendix "A").

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. For a variety of reasons and circumstances, many low and fixed income households who 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 **Household Expenses Deduction** is that, since it applies to all household equally it will serve to protect all low income households, whatever their individual circumstances. All wage earners of legal age residing in Public Housing will be required to sign a Lease Agreement.

The Problem of Sub-Standard Units

The Housing Corporation recognizes 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 and replace them with new efficient units. Nevertheless, since it would be irresponsible to demolish the units before replacement units are ready, the inferior units will, out of necessity, remain in service for some time to come.

With respect to the **new 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-geared-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 at the price of poor 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 Rent Scale** attempts to avoid the unusual situation whereby inferior accommodations appear attractive to certain higher income groups. Nonetheless, the Corporation cannot apply the same rent to both the standard and inferior units. To resolve this situation the **new Rent Scale** provides an additional **Service Deduction** to reduce the rents on inferior units by \$150 a month.

An 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 break-downs in equipment are a maintenance problem, not 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 minimum rent of \$32 a month remains in effect. Should the assessed rent minus the **Service Deduction** come to less than \$32, the basic minimum rent of \$32 shall still apply.

APPENDIX "A"
NATIONAL, TERRITORIAL AND PROPOSED RENT SCALE COMPARISONS

NATIONAL (CMHC) SCALE	TERRITORIAL SCALE	PROPOSED SCALE
INCOME DEFINITION: (1) Income Included	INCOME DEFINITION: (1) Income Included	INCOME DEFINITION: (1) Income Included
Gross Personal Income of all persons over fifteen years of age:	Gross Personal Income of all persons over eighteen years of age:	Gross Personal Income of all persons over eighteen years of age:
> Wages, self-employed earnings, part-time/casual earnings, salaries, commissions, tips.	> Wages, self-employed earnings, part-time/casual earnings, salaries, commissions, tips.	> Wages, self-employed earnings, part-time/casual earnings, salaries, commissions, tips.
> Rents, Interest, Investment Income.	> Rents, Interest, Investment Income.	> Rents, Interest, Investment Income.
> Alimony from divorced or separated spouse.	> Alimony from divorced or separated spouse.	> Alimony from divorced or separated spouse.
> Court awarded child support payments.	> Court awarded child support payments.	>
> Unemployment Insurance Benefits.	> Unemployment Insurance Benefits.	> Unemployment Insurance Benefits.
> Social Assistance Payments.	>	> Social Assistance Payments.*
> Old Age Security, Guaranteed Income Supplement, CPP/QPP Pensions.	>	>
> Private Pensions and/or Annuities.	> Private Pensions and/or Annuities.	> Private Pensions and/or Annuities.
> Regular payments from Workers' Compensation, Insurance Plans, Legal Settlements.	> Regular payments from Workers' Compensation, Insurance Plans, Legal Settlements.	> Regular payments from Workers' Compensation, Insurance Plans, Legal Settlements.
> First \$5,800 per annum (\$483 per month) of all members of the household other than the head and spouse.	>	>
>	> Employee Benefits - Housing/Living Allowances.	> Employee Benefits - Housing/Living Allowances.

* Rent assessed on Social Assistance Payments paid by the Department of Social Services on behalf of tenant and/or co-tenants.

NATIONAL, TERRITORIAL AND PROPOSED RENT SCALE COMPARISONS

NATIONAL (CMHC) SCALE	TERRITORIAL SCALE	PROPOSED SCALE
INCOME DEFINITION: (2) Income Excluded	INCOME DEFINITION: (2) Income Excluded	INCOME DEFINITION: (2) Income Excluded
> Family Allowance.	> Family Allowance.	> Family Allowance.
> Employment related travel allowances.	> Employment related travel allowances.	> Employment related travel allowances
> Single lump sum payments from insurance settlements, disability awards, gifts, inheritances, sale of personal effects, capital gains.	> Single lump sum payments from insurance settlements, disability awards, gifts, inheritances, sale of personal effects, capital gains.	> Single lump sum payments from insurance settlements, Land Claims settlements, disability awards, gifts, inheritances, sale of personal effects, capital gains.*
> Income from children and/or dependants in full-time attendance at school.	> Income from children and/or dependants in full-time attendance at school.	> Income from children and/or dependants in full-time attendance at school.
> First \$1,000 per annum (\$83 per month) of children and/or dependants not in full-time attendance at school.	>	>
> First \$1,000 per annum (\$83 per month) of single parent and/or full members of the household other than head.	>	>
>	> Child Tax Credit.	> Child Tax Credit.
>	> Foster Child support.	> Foster Child support.
>	> Treaty Payments.	> Treaty Payments.
>	> Old Age Security, Guaranteed Income Supplement, Canada Pension Plan, Disability Pension Benefits, Survivors Pension.	> Old Age Security, Guaranteed Income Supplement, Canada Pension Plan, Disability Pension Benefits, Survivors Pension.

* Does not apply to the sale of real property.

NATIONAL, TERRITORIAL AND PROPOSED RENT SCALE COMPARISONS

NATIONAL (CMHC) SCALE	TERRITORIAL SCALE	PROPOSED SCALE
INCOME DEFINITION: (2) Income Excluded	INCOME DEFINITION: (2) Income Excluded	INCOME DEFINITION: (2) Income Excluded
>	> Social Assistance Payments.	> *See Note at bottom of Page 1.
>	> First \$900 per annum (\$75 per month) of single parent or spouse.	>
>	> Income over \$900 per annum (\$75 per month) of all members of the household other than the head and spouse.	>
>	>	> Orphans Benefits.
>	>	> Child Support Benefits for Disabled.
>	>	> Part-time, casual and/or incidental earnings less than \$100 per month.
>	>	> Compensation or awards made through the Victims of Violence Program.

RENT ASSESSMENT RATES ON ADJUSTED HOUSEHOLD INCOME

NATIONAL (CMHC) SCALE

Rent Assessment Rates on Adjusted Household Income

- > From an adjusted income of \$2,304 per annum (\$192 per month) to \$4,848 per annum (\$404 per month) the assessment graduates from 16.7% to 25%.
- >

TERRITORIAL SCALE

Rent Assessment Rates on Adjusted Household Income

- > From an adjusted income of \$2,304 per annum (\$192 per month) to \$4,848 per annum (\$404 per month) the assessment graduates from 16.7% to 25%.
- >

PROPOSED SCALE

Rent Assessment Rates on Adjusted Household Income

- > The lower rate (25%) applies to households with incomes below the community Core Need Income Threshold (CNIT).
- > The higher rate (30%) applies to households with incomes exceeding the community CNIT.

The income level at which the assessment rate changes from 25% to 30% is based on the operating costs of a privately owned home in each community. These income levels change from community to community according to local costs.

RENT ASSESSMENT RATES ON ADJUSTED HOUSEHOLD INCOME

NATIONAL (CMHC) SCALE

**Rent Adjustments
Deductions and Surcharges**

- > Rent is reduced by the amount a tenant pays to supply his/her own basic services; heat, hot and cold water, stove and/or refrigerator.
- > Rent is increased by the amount of any services over and above heat, hot and cold water, stove and/or refrigerator.
- > Under the National (CMHC) Scale the tenant is responsible for the full amount of monthly electrical services.
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- >
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- >

TERRITORIAL SCALE

**Rent Adjustments
Deductions and Surcharges**

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- > User-Pay Power Program - The tenant is responsible to pay \$0.03/KWH of monthly electrical consumption.
- > Territorial Rent Adjustment (Family Size and Geographic Cost Zone) - Adjustment varies from \$0 to \$93 a month.
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- >
- >

PROPOSED SCALE

**Rent Adjustments
Deductions and Surcharges**

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- >
- > User-Pay Power Program - The tenant is responsible to pay \$0.03/KWH of monthly electrical consumption.
- > Household Expense Deduction excludes first \$9,600 per annum (\$800 per month) of combined gross household incomes(s).
- > Compensation or awards made through the Victims of Violence Program.

Geographic cost sensitivity taken into account with community specific operating costs incomes. (See Rent Assessment Rates) Page 4.
- > Sub-standard Service Deduction - \$150 per month for units lacking any or all of (1) hot and cold running water; (2) indoor flush toilet; or (3) bath or shower facility.

MINIMUM AND MAXIMUM RENTS

NATIONAL (CMHC) SCALE

> Minimum Rent - \$32 per month.

>

>

TERRITORIAL SCALE

> Minimum Rent - \$32 per month.

> Heads of households who are Senior Citizens (60 years of age or over), Disability Pensions and/or Social Assistance recipients qualify automatically for the Minimum Rent.

> Maximum Rent - Varies by type of community and Rental Program.

Homeownership Communities

Northern Rentals - Greater of Market or *Economic Rent.

Public Housing - Greater of Market or *Economic Rent.

Non-Homeownership Communities

Northern Rentals - Individual appraisal.

Public Housing - DPW Staff Housing Rental Rates (formula based on usable floor space).

* Economic Rent is the total of actual and operating expenses associated with the rental unit.

PROPOSED SCALE

> Minimum Rent - \$32 per month.

> Household Expense Deduction applies to all households.

> Maximum Rent - The maximum rent any tenant will pay is equal to the cost of operating the unit.

PUBLIC HOUSING RENT REBATE PROGRAM

PROGRAM OBJECTIVE

The **Public Housing Rent Rebate Program** is intended as a intermediary measure to ease the effect of the **New Public Housing Rent Scale** on those households whose rents will increase and who may have to wait some time to secure a new private home. The implementation of the **new Public Housing Rent Scale** will prompt an immediate demand for private home packages which, due to a number of constraints may not be possible to fulfill for two or three years. The **Public Housing Rent Rebate Program** is a temporary and transitional program which aims to improve the effect of the **new Rent Scale's** introduction.

PROGRAM OVERVIEW

The long run solution to housing problems in the Northwest Territories is to establish private homeownership as a secure and viable alternative to publicly funded housing assistance. The N.W.T. Housing Corporation's implementation of the **new Public Housing Rent Scale** together with the **Rent Rebate Program** are all part of a consistent program strategy to promote and encourage private homeownership in the communities. The success of this larger strategy rests on the co-ordination of the separate program components, including, in this case, the **Rent Rebate Program**.

The **new Public Housing Rent Scale** aims to achieve two goals: (a) to reduce rents for low and single income families, and (b) to encourage more private homeownership amongst higher income households who are able to support the costs of a private home. In practice, rents are graduated to household incomes.

As household incomes increase, the **new Public Housing Rent Scale** will produce rents for public housing units which, in some cases, may exceed the costs of a private home. For this reason, the **new Public Housing Rent Scale** will make private homeownership an attractive option for higher income households to control their shelter costs.

Those households who find that the **new Public Housing Rent Scale** sets a rent for them which is equal to or greater than the costs of a private home should, in theory, want to move into a private home immediately. However, due to such limitations as the Housing Corporation's annual budget for Homeownership Assistance Program (HAP) units and in some cases, the state of the tenant households' personal finances will combine to constrain the delivery and construction of new private homes for a period perhaps as long as two to three years.

PROGRAM OUTLINE

Based on the model of the Northern Territorial Rental Purchase Program (NTRPP), the Public Housing Rent Rebate Program will reimburse a tenant household one-third of its rental payments from the date the household registers its intent to establish a private residence and the date the household vacates its public housing unit to occupy the new home. Households with work in progress on the construction or renovation of a home may make quarterly draws on their rent credits accumulated to date. Program eligibility is limited to those tenants who hold a lease to a public housing unit in their name(s) on the date the new Rent Scale comes into effect.

DATE DUE		
MAR 19	2003	