

ASCHA Resolution No. 2 – 2021

Housing Management Body (HMB) Access to Capital Financing

Issue

Currently, Housing Management Bodies (HMBs) are without a means to access predictable, stable capital financing to ensure sustainable housing options to meet the growing demands for affordable housing in local communities.

Background

HMBs provide housing management services for assets including the Lodge and Community Housing Programs under the Alberta Housing Act. This requires that the Province properly support capital development and major renovations for their assets or programs. The Lodge and Community Housing Programs were initially fully funded by the Province, but over time, these have moved to different approaches. Some assets are owned by the Province, some are owned by HMBs, and some are owned jointly.

HMBs do not received adequate capital funding, nor do they have access to direct capital borrowing to provide sustainable asset management. For decades, HMBs have been trying to access capital funds directly under the Local Authorities Capital Financing Act, while working to ensure that any borrowing does not negatively impact the municipalities' borrowing capacity for other municipal priorities or initiatives. In addition, some HMBs are paying interest and debentures at 3.5% when they could be accessing rates of 2.34% for 20 years to reduce both cost and interest rate risk. Under current legislation and agreements, this is not possible.

The Ministry of Alberta Seniors and Housing, as a partner with HMBs, has an obligation to develop, manage, and sustain housing assets for the province's Lodge and Community Housing Programs. These partnerships rely on capital grant funding and capital borrowing. Over time, provincial portions of funding support have been reduced, putting increased burden on municipalities to fund shortfalls. This has resulted in HMBs reducing expenditures, even though many of these are fixed costs related to operations and maintenance. ASCHA members have adopted former resolutions on this over decades, however, this issue remains unresolved.

Impacts

Without access to affordable borrowing channels and predictable capital funding, it is growing increasingly challenging to maintain the condition of assets and cover capital replacement costs when a facility has reached it full life cycle. Lower financing rates would also provide a cost-effective approach to meeting the affordable housing needs of Albertans on behalf of the provincial government, but many HMBs are unable to explore alternatives.

With the current approach to capital financing, affordable housing initiatives start from a deficit, indebted to the municipality where they are reliant on requisitioning. The impact is that the HMB is always working from a flawed cost recovery model, as there is no opportunity to reasonably recover costs or explore opportunities for cost savings. This is further exacerbated when the asset falls due for maintenance and repairs.

When assets cannot be maintained, they are taken out of inventory, directly impacting occupancy rates and resident/tenant satisfaction. When unrepaired units are kept in inventory, residents/tenants are forced to live in subpar accommodations, and the stigma of affordable housing programs continues. When residents/tenants have no sense of dignity or pride, it affects mental health and motivations to care for a living space, causing further social issues with direct impacts on a community and the health system.

If municipalities have their borrowing opportunities negatively impacted by the current capital financing structure for affordable housing, they are less likely to assume the financial risk on behalf of the HMB. Municipalities are under extreme pressure to serve their communities and need to utilize their full borrowing capacity for other municipal priorities that are not held in agreements with the province. The result is that affordable housing opportunities become less desirable to develop and invest in.

Call to Action

The Province must renew its funding commitments to the sector, and provide access to direct capital financing for approved capital projects. These savings would provide a cost effective approach to meeting the affordable housing needs of Albertans on behalf of the Government of Alberta.

As proposed in previous letters and former resolutions of the association, the members of ASCHA call upon the Government of Alberta to include HMBs as an eligible local authority and to provide low interest long-term funding for seniors and community housing projects through the Local Authorities Capital Financing Act.

Submitted by the Board of Directors of Mountain View Seniors Housing
Approved by ASCHA Members on April 8, 2021 at the ASCHA 2021 Annual General Meeting