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Housing Matters

Saskatoon & Region
Home Builders'
Association



KEY INDUSTRY ISSUE: HOUSING STABILIZATION FUND (Rent Bank)

BACKGROUND >> Rental housing in the centre of a pandemic

The notion that one's home is how we remain safe is truer today during this COVID-19 pandemic than ever before. To protect Saskatchewan residents that are currently renting and may be facing economic hardships during the COVID-19 pandemic, the Government of Saskatchewan temporarily suspended eviction hearings as of March 26, 2020. Previous eviction orders for non-urgent matters won't be enforced and scheduled hearings were cancelled.

According to a 2016 KPMG report conducted on behalf of the Saskatchewan Landlord Association (SKLA), there are approximately 83,000 rental units in Saskatchewan – and this, not counting other types of social housing units where rent is subsidized or adjusted based on wages, such as the 31,000 units managed by the Saskatchewan Housing Corporation. In a survey conducted this month, the SKLA found that out of 310 respondents representing over 13,000 units, 88% of landlords are small businesses with less than 50 rental units and 65% of those landlords have less than 6 units.

In residential construction, rental units are increasingly part of a business's diversified revenue streams. With the pressures of the market and policy stacking in construction over the past five years, home builders pivoted to survive. According to a survey conducted by the Saskatoon & Region Home Builders' Association (SRHBA), home builders have significantly increased their investment into rental units. From 2015 to 2020, local home builders in Saskatoon have increased their rental units by approximately 600% and this is likely a similar reality in Regina. Let's assume the provincial total number of units in 2020 is now approximately 87,000.

THE NUMBERS IN SASKATCHEWAN >> The crisis for landlords, local businesses

April 1st presented the first window into the financial reality of how many Saskatchewan residents would require assistance for rent. The SKLA, in partnership with the SRHBA, surveyed their professional members the first week in April 2020 to find out how much revenue streams were impacted by the pandemic. On average, the numbers of tenants requiring assistance to pay rent (outside of social housing units) are negligible, 1-2%. **Rent owed on April 1st, however, was startling: 15-20% of rent had not been paid, varying by location and income level.**

If tenants are unable to pay rent as the pandemic goes on, landlords will require financial assistance, so the essential needs of housing are uninterrupted, well-maintained, and safe. As May 1st approaches, landlords are concerned that the amount of rent not paid will be even greater. There are options for the Government to consider which can help both tenant and landlord, and this, as soon as possible.

THE CANADIAN PANDEMIC >> Housing programs across the country

Canadian provinces and territories have a mix of help for renters. The chart below is accurate as of April 2, 2020 and presents the landscape well.

What must also be taken into consideration is a growing campaign on social media to avoid paying rent or advocating for rent to be cancelled: **#rentstrike2020**. While originating in the US, this campaign has clearly made its way to our country and to Saskatchewan. Graffiti with the above hashtag has been spotted in the city of Saskatoon and likely elsewhere. The website www.cancelrent.ca has many landlords and property owners concerned, especially if there is no solution to balance the support for rent payments during this pandemic.

Let's be clear, no one is advocating to evict tenants, but rather, find a balanced approach to ensuring both sides of the equation can survive this unprecedented crisis.

Province/Territory	Income Support	Evictions	Rent Support	Rent Increase	Other Help
Alberta	Canada Emergency Response Benefit or through wage subsidies	No evictions for non-payment of rent and/or utilities until after April 30	N/A	Rents will not increase during State of Public Health Emergency	No late rent fees until June 30
British Columbia	Canada Emergency Response Benefit or through wage subsidies	Ban of new or existing evictions, unless exceptional cases	Temporary rent supplement (up to \$500/month) paid to landlords	Freeze of new annual rent increases during the state of emergency	BC Emergency Benefit for Workers
Manitoba	Canada Emergency Response Benefit or through wage subsidies	Postpone all hearings for non-urgent matters to halt evictions until May 31	N/A	Suspension of any rent increases April 1 to May 31	N/A
New Brunswick	Canada Emergency Response Benefit or through wage subsidies	Suspended until May 31	N/A	N/A	New Brunswick Workers Emergency Income Benefit
Nfld & Labrador	Canada Emergency Response Benefit or through wage subsidies	No evictions for those who lost income resulting from COVID-19 and not able to pay rent	N/A	N/A	N/A
Nova Scotia	Canada Emergency Response Benefit or through wage subsidies	No evictions for the next three months	N/A	N/A	Those on income assistance receive an additional \$50
Province/Territory	Income Support	Evictions	Rent Support	Rent Increase	Other Help
Northwest Territories	Canada Emergency Response Benefit or through wage subsidies	Evictions from public housing banned	N/A	N/A	N/A
Nunavut	Canada Emergency Response Benefit or through wage subsidies	N/A	N/A	N/A	N/A
Ontario	Canada Emergency Response Benefit or through wage subsidies	No new eviction orders. Existing eviction enforcement is suspended	N/A	N/A	Expanding access to the emergency assistance program administered by Ontario Works
Prince Edward Island	Canada Emergency Response Benefit or through wage subsidies	No evictions until end of June	Temporary Rental Assistance Benefit to landlords	N/A	N/A
Quebec	Canada Emergency Response Benefit or through wage subsidies	Suspended during the health emergency	N/A	N/A	Temporary Aid for Workers Program
Saskatchewan	Canada Emergency Response Benefit or through wage subsidies	Suspended evictions	N/A	N/A	Self-Isolation Support Program
Yukon	Canada Emergency Response Benefit or through wage subsidies	Suspended eviction	N/A	N/A	N/A

WHAT IS A RENT BANK >> An quick & easy solution for Saskatchewan

A **housing stabilization fund**, often referred to as a **rent bank**, provides loans to renter households who have regular income but are facing eviction as a result of a short-term financial crisis like illness, job loss, relationship breakdown or eviction. The loans are low or no-cost and have generous repayment terms – usually

up to 24 months. While many are established by not-for-profits or agencies, some are in partnership with governments so that more people can maintain their housing stability while experiencing a crisis or temporary financial emergency.

A tenant would apply on-line where a pre-assessment screens eligible people based on basic criteria (maybe a SIN, reason for applying with proof of documentation and rent details). Senior staff or a loan review committee can make the final decision about loan applications. Once approved, rent (and/or utilities, even the security deposit of first month's rent) is paid directly to the landlord.

The first rent bank in Canada was in Toronto in 1998 and the **Ontario** Government established it province-wide in 2004, overseen by 47 municipalities but are focused more towards homelessness programs. **Alberta** had a rent bank in Calgary that was operated by a charity which started in 2005. Over its 10-year history, it provided 1,200 loans totalling \$750,000, with a repayment rate of 74%. It is no longer operational. **British Columbia** has several rent banks which have played a pivotal role in addressing its housing crisis. In 2018-19 they together provided over 200 loans. They are all locally managed by small not-for-profits funded by banks, credit unions, donations and government.

A rent bank in **Saskatchewan** is a very tangible tool to respond to a crisis, assisting both tenants and landlords/business owners. While the Government of Saskatchewan had a very quick and solid response to keep renters in their homes, it is now evident that the second part of this solution is to assist landlords/local businesses in providing these homes.

Future potential not within this document: A rent bank could be a temporary tool for up to 2 years (to allow repayment of loans) but could also be a legacy program in smaller format following the pandemic – a decision which can be made at a later date. A rent bank could potentially also be used as a tool for business tenants during this crisis.

PROPOSED SOLUTIONS >> 3 scenarios for Saskatchewan to start a rent bank

Let's first point out a list of assumptions (outside of social housing needs): In regular non-COVID economic times, a rent bank would not be an overutilized tool. Saskatchewan is not seen as having housing challenges based on overcrowding, shortfalls, income gaps or affordability. It may be a tool that remains as a housing stabilization tool for some, on a very small scale.

During this pandemic however, there is a need for quick access to loans so that landlords can get paid, the housing system can still work, and government can still collect the expected portion of corporate tax from those businesses.

	stressing the numbers by need				
	5%	10%	15%	20%	
Tenants requiring help for rent	4,350	8,700	13,050	17,400	
Total rent in loans per month	\$4,410,900	\$8,821,800	\$13,232,700	\$17,643,600	
5% of tenants moving	218	435	653	870	
Security deposit required (= 1 month rent)	\$220,545	\$441,090	\$661,635	\$882,180	
Total rent & security deposits in loans/month	\$4,631,445	\$9,262,890	\$13,894,335	\$18,525,780	
Total rent & security deposits in loans/6 months	\$27,788,670	\$55,577,340	\$83,366,010	\$111,154,680	
default rate (monthly)	5%	\$231,572	\$463,145	\$694,717	\$926,289
	10%	\$463,145	\$926,289	\$1,389,434	\$1,852,578
	15%	\$694,717	\$1,389,434	\$2,084,150	\$2,778,867
	20%	\$926,289	\$1,852,578	\$2,778,867	\$3,705,156

The most recent data (October 2019) from the Canadian Mortgage and Housing Corporation said \$900 is the average rent for 1 BR, \$1,079 for 2BR, \$1,250 for 3 BR and \$700 for a bachelor. The average rent in Saskatchewan is thus \$1,014.

The Government of Saskatchewan would require, depending on the need in the province, between \$27.7M to \$111.1M to fund a loan portfolio over 6 months. The risk of this program - the true expense on the books - is the default rate of those loans, which can be seen in the chart going from \$0.2M to \$3.7M monthly. A government, however, does have mechanisms in place to collect areas that a not-for-profit would not, increasing the advantage of this service coming from government. In addition, without a rent bank, there is also an increasing risk the government's collection of corporate taxes from these businesses will be reduced. The portion not calculated in these numbers and which is likely consistent throughout all scenarios below, is the administrative requirements (FTEs etc.) to process and manage the program. The following scenarios provide options to consider for quick delivery:

Scenario 1: Chose a reputable and established not-for-profit or local investment firm to manage this program for a fee.

While this option seems to be the preferred route across the country, it may not be the solution for a province-wide approach in a time of crisis. The right player may be able to deliver a quick start to the program.

Scenario 2: Local banks and credit unions filter loan applications and disbursements, similar to the federal government programs.

This would be a trust-worthy option in the world of loans, however without initial discussions, it is difficult to see if this is truly an option and how quickly it could be operational.

Scenario 3: The Saskatchewan Housing Corporation could offer the service.

While a rent bank is not intended to fall within social housing, it is part of housing and providing stability in society. This could fit well with a corporation while still being at arm's length from government. They know the housing market well, is already staffed and could be ready to go.

A person's home has never been more important. By assisting renters and landlords together, we can protect the health and safety of a significant portion of our housing continuum and ensure everyone has a roof over their head during this crisis.

14/04/20

The **Saskatchewan Landlord Association** is the voice of landlords in Saskatchewan and the leading community of industry professionals who are proud to provide safe, high quality homes for the people of Saskatchewan. By promoting innovative practices, advocating for equitable legislation, and supporting members, SKLA works to help sustain a rental-housing industry that serves the needs of renters, owners, and managers. For more information, visit www.skla.ca.

IN PARTNERSHIP WITH

Together, the **Saskatoon & Region Home Builders' Association** and the **Regina & Region Home Builders' Association** are the professional associations representing the housing industry and provide the only certifications available for professional home builders and renovators. They are the expert voice focused on improving affordability, quality and choice of housing in our province, and work collaboratively with stakeholders and governments to get us there. For more information, visit www.saskatoonhomebuilders.com and www.reginahomebuilders.com