

Yukon Government Staff Housing Scoping Analysis

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Introduction

The Yukon Government, through the Yukon Housing Corporation, currently provides staff housing in Yukon communities outside of Whitehorse. Staff housing is used a recruitment and retention tool for YG staff who deliver government services in rural Yukon communities. Staff housing in communities outside of Whitehorse is not an entitlement of employment. Of the 858 Yukon Government employees currently residing in communities outside of Whitehorse, only approximately 147 (or, 17%) are living in staff housing.

As Yukon communities continue to develop and grow, interest in reducing intervention by the Yukon Government in community housing markets has also been increasing. It is hoped that reduced intervention by the Yukon Government in local housing markets will help those markets become more fully functioning and correspondingly more responsive to regional economic development opportunities. Thus, the Yukon Government wishes to understand how it can facilitate the orderly transformation of private rental and homeownership markets in rural Yukon communities.

Given that intervention in community housing markets outside of Whitehorse is a decades-long practice, the distortionary effects of those market interventions are now very well entrenched. As a result, to rapidly alter the approach to providing staff housing in Yukon communities may simply introduce a different array of distortionary market effects. To gain an understanding of what the alternate distortionary effects may include, the purpose of this project is to conduct a high-level scoping analysis which identifies and describes the range of possible issues involved in reducing the level of Yukon Government intervention in Yukon housing markets. Potential effects that may follow from altering the current approach to providing staff housing in rural Yukon will also be identified.

Staff Housing Context

It is not at all unusual for the Yukon Government to be providing housing to employees in communities outside of Whitehorse. Both of our territorial government neighbors – the Government of the Northwest Territories and the Nunavut Government – also offer staff housing. And staff housing is still supplied by a least one federal organization. The Parks Canada Agency maintains a housing stock for employees living in remote areas where there are few private sector accommodation options.

While the Yukon Government ceased to provide staff housing in Whitehorse in the early 1980's, it has continued to provide staff housing in all Yukon communities outside of Whitehorse. Two significant changes in governance have been experienced in rural Yukon communities during the last 20 years. The first change is the settling of land claims in 11 of 14 Yukon communities and the emergence of autonomous First Nation governments beginning in 1995. The second change is the implementation of the Devolution Transfer Agreement which transferred administrative authority for lands, minerals, forestry and water resources from the federal government to the Yukon Government in April 2003.

While the General Administration Manual Policy 3.30 *Staff Accommodation* has not been materially updated since 1994, a new staff housing policy is currently being developed. The new policy will address concerns noted by the Auditor General for Canada in 2010 involving the prioritization of staff housing according to job type by introducing priority categories (or, tiers) of employment and the creation of a committee to allocate housing for priority job types across Yukon Government departments. Yukon Government employees will also be limited to a maximum of three years tenancy in staff housing.

Housing Market Distortions in Rural Yukon Communities

Distortions in housing markets in communities outside of Whitehorse now appear to be creating political pressure. Two examples of how market distortions are leading to political pressure are described below:

Example 1 \ YG employees paying less rent for staff accommodation than social housing tenants in the same community.

By way of example, consider two individuals living in a Yukon community. One individual is a YG employee living in staff housing and the other is an individual living in social housing where rent is geared to income at a rate of 25%.

The Yukon Government employee earns \$5,000 per month pays a fixed rent of \$600 per month (plus utilities) and is quite likely living in a dwelling which has more bedrooms than occupants.

The second individual, in need of subsidized housing, has a monthly income of \$2,500 and pays \$625 in rent per month (plus utilities).

In the example above, the second individual, despite having half the monthly income of the first individual, is paying \$25 per month more in rent and faces a disincentive to earn more income as an increase in income will require 25% of that income to be paid in rent.

Example 2 \ Difficulty in raising bank financing in communities outside of Whitehorse.

The cost of construction in communities outside of Whitehorse is typically higher than the price at which a new house can later be sold on the open market. As a result, banks are reluctant to issue mortgages in those communities as it is unlikely that the bank could recoup its investment in the event of a mortgage default. As long as governments (federal, Yukon and First Nation) continue to supply the bulk of housing in Yukon communities, the absence of an open market will continue to constrain the availability of bank financing for mortgages in Yukon communities outside of Whitehorse for individuals who wish to construct their own homes.

The table to the right, which shows the proportion of staff housing relative to the number of privately owned homes in Yukon communities, illustrates the potential for market disruption that could result from the Yukon Government ceasing to provide staff housing. For example, in Ross River, Yukon Housing supplied 12 staff houses in 2013 which together accounted for 55% of the private housing market in that community. Thus, a rapid change in the degree of intervention by the Yukon Government in housing markets in some communities outside of Whitehorse may introduce alternate distortionary effects such as saturation of local housing demand and an accompanying decline in house prices. As a result, a shift in approach to the provision of staff housing in rural Yukon needs to be carefully thought out and gradually implemented.

A Tangle of Housing Issues in Rural Yukon Communities

This next section of the paper identifies and describes the range of possible issues involved in reducing the level of Yukon Government intervention in Yukon housing markets. Potential effects that may follow from altering the current approach to providing staff housing in rural Yukon are also identified. The five issues identified, and their potential effects, are discussed in the table on the following two pages.

Yukon Government Staff Housing - 2013			
	Number of Staff Houses	Number of Private Dwellings	% of Private Housing Market
Watson Lake	34	187	18%
Dawson City	28	612	5%
Carmacks	16	125	13%
Faro	14	401	3%
Ross River	12	22	55%
Pelly Crossing	11	n/a	n/a
Teslin	9	57	16%
Haines Junction	7	234	3%
Old Crow	7	n/a	n/a
Mayo	6	139	4%
Carcross	4	161	2%
Beaver Creek	3	n/a	n/a
Destruction Bay	2	n/a	n/a
Whitehorse	0	10,621	0%
Total	153		

Source: Adapted from *Comprehensive Review and Assessment of Yukon Housing Issues* (2013).

YG Staff Housing Scoping Analysis

Issue name and description	Status	Potential effect
<p>1\ Market functionality matching:</p> <p>The efficient supply of staff housing in rural Yukon communities requires the matching of housing stock volumes with the current state of market functionality in each community.</p>	<p>The rural housing markets in which YHC provides staff housing are at various stages of functionality. Three communities (Dawson City, Watson Lake and Haines Junction) are thought to have “close to fully functioning” housing markets. Notwithstanding that Dawson City, Watson Lake and Haines Junction have housing markets close to fully functioning, 50% of all YHC staff housing units (85 of 171) are located in those communities.</p> <p>It could be argued that with only 61 out of 448 (14%) of YG employees located in Dawson City, Watson Lake and Haines Junction living in staff housing, the provision of staff housing in those communities is having an inconsequential effect local housing markets. However, if the Yukon Government truly intends to stimulate the emergence of private rental and homeownership markets in Yukon communities, the relevant metric is not the proportion of employees in staff housing but the number of staff housing units in communities with close to fully functioning housing markets.</p> <p>As housing markets in Dawson City, Watson Lake and Haines Junction continue to evolve towards being fully functioning, the number of staff housing units in those communities should correspondingly decline towards the Whitehorse benchmark of zero staff housing units if the supply of staff housing in those communities is to be efficient.</p>	<p>Continued mismatches between staff housing stock volumes and the degree of housing market functionality in rural Yukon communities will continue to impede the development of fully functioning housing markets in rural Yukon communities</p>
<p>2\ Cost recovery and capital reserves:</p> <p>The efficient supply of staff housing in rural Yukon communities requires that rents are sufficient to cover operations and maintenance costs and that capital reserves are set aside or are otherwise available for housing stock replacement.</p>	<p>Currently, staff housing is being supplied at a financial loss to the Yukon Housing Corporation.</p> <p>In the 2013/14 fiscal year, YHC’s staff housing portfolio consisted of 168 units. Fixed and operating costs for the 168 units totaled \$1,856,398 while a total of \$1,114,309 was collected in rent, resulting in an annual operating loss of \$742,089. On a per unit basis, the annual operating loss experienced by YHC was \$4,417 per unit.</p> <p>Over the five year period 2009/10 to 2013/14, YHC’s average annual operating loss was \$5,000 per unit.</p> <p>While a Capital Plan has been developed for YHC’s staff housing stock, no portion of the rents being collected from YG staff are being allocated to a capital reserve fund for construction of replacement staff housing units.</p>	<p>The current inefficient supply of staff housing in rural Yukon will make the transition to market based rents difficult as employees will likely be resistant to increases in rental charges that bring rental revenues in better alignment with operating costs.</p> <p>To the extent that sufficient capital funding is not appropriated in the years it is needed, the long term sustainability of the YG staff housing program may be affected as staff housing units continue to age.</p>

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Issue name and description	Status	Potential effect
<p>3\ Rent equity:</p> <p>The equitable supply of staff housing in rural Yukon communities requires that rents charged are reflective of comparative market rents <u>and</u> are fair in comparison to rents charged for other types of government-supplied housing i.e., social housing.</p>	<p>Rents charged for YG staff housing are fixed, they are not geared to income and are not linked to a measure of comparative market rents. The average rent charged for all YHC staff housing units is currently \$584 per month and the median rent is \$600 per month. On average, each staff housing unit has 2.7 bedrooms. While it is difficult to determine market rents in small rural communities (especially when government intervention has suppressed the functionality of local housing markets), it is likely, given the average size of the YG staff housing units, that current fixed housing rents are well below market rents.</p> <p>As rents charged to social housing tenants in Yukon communities are geared to income, it is possible that a social housing tenant can be paying more in rent than a staff housing tenant for similar housing in the same community.</p>	<p>Fixed rents that are well below market rents create a disincentive for YG staff to purchase housing and advance the creation of a fully-functioning housing markets in rural communities.</p> <p>The inequitable supply of housing to different types of housing tenants can impair the stability and well-being of small communities.</p>
<p>4\ Fiscal equity:</p> <p>Fiscal equity requires that all YG employees in the same priority tier of employment face the same effective cost for housing in the same community.</p>	<p>The Canada Revenue Agency has deemed market rent to be \$837 per month in communities outside of Whitehorse for purposes of calculating taxable employee benefits. As the difference between YHC fixed rents (\$600 per month) and the deemed market rent (\$837) is not currently treated as a taxable employee benefit, YG employees in staff housing are paying less than comparative market rents for housing.</p> <p>In addition, to the extent that actual monthly homeownership costs (including mortgage costs) in rural Yukon communities exceed \$837, the difference between YG fixed staff housing rents and comparative market rents could be greater than the \$237 (per month, per unit) in taxable benefits currently being forgone by the Yukon Government.</p>	<p>As long as staff housing rents are perceived to be less than comparative market rents (or mortgage costs), YG staff will be reluctant to purchase or rent privately supplied housing in rural communities thus delaying the creation of more fully-functioning housing markets in rural Yukon communities.</p>
<p>5\ Multiple staff / social housing market players in Yukon communities:</p> <p>Three levels of government (federal, Yukon and First Nation) supply social and staff housing in Yukon communities, each of which are contributing to the distortion of housing markets in rural Yukon communities.</p>	<p>While the good news is that the Yukon Government is not the only entity contributing to the distortion of housing markets in communities outside of Whitehorse, the bad news is that the existence of multiple housing market players is going to make the task of disentangling housing market issues even more challenging.</p> <p>For example, if YG was to sell off its stock of staff housing in a community and another level of government was to purchase the stock and continue to supply staff or social housing but to a different set of constituents, there would be no resulting change in market functionality.</p>	<p>Any change in approach to the supply of staff housing in rural Yukon communities needs to have as an objective a reduction in the overall level of housing market distortion being caused by all levels of government.</p>

Conclusion

As evidenced by the issues and potential effects identified in the table above, a shift in approach to the provision of staff housing in rural Yukon needs to be carefully thought out and gradually implemented. A market transition strategy that is focused on the identified issues needs to be developed to facilitate the orderly transformation of housing markets in rural Yukon communities.

