

RESEARCH REPORT



A Feasibility Study to Overcome Barriers for Aboriginal Home Ownership



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**A FEASIBILITY STUDY
TO
OVERCOME BARRIERS
FOR
ABORIGINAL
HOME OWNERSHIP**

Feasibility Study

to

Overcome Barriers

for

Aboriginal Home Ownership

Prepared for:
Canada Mortgage and Housing Corporation and Gignul Non-Profit Housing Corporation
By: D.V. York

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Abstract

This study examines selected socio-economic characteristics of the Aboriginal population of the Ottawa-Hull Region, with particular attention focused on the current Aboriginal households occupying rental properties owned and operated by Gignul Non-Profit Housing Corporation. Selected demographic characteristics on the Aboriginal individuals and families on the Gignul Waiting List are also presented. Based on current income levels of existing Aboriginal Gignul tenants and Waiting List applicants, affordable house purchase price ranges are identified.

On the basis of information obtained in reviewing the income levels of the Gignul Aboriginal population and the housing prices in the Ottawa-Hull Region, various options are identified and discussed in terms of ways they can be utilized to assist Aboriginal households to access home ownership.

The feasibility of the options developed is discussed in relation to their applicability to the Aboriginal households identified and affordability of housing in the Ottawa-Hull Region. The overall principle of developing options to assist Aboriginal households to access home ownership without on-going subsidy assistance from the Federal Government is discussed as the options are presented.

The last section of the study discusses the role that Community Economic Development can play in utilizing housing as a social, economic and human development strategy.

Acknowledgement

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- D.V. York

Executive Summary

The following "Feasibility Study to Overcome Barriers for Aboriginal Home Ownership" presents some of the forces that are driving the current search for new, innovative, options to assist Aboriginal households to access home ownership – without on-going subsidy assistance from the Federal Government.

The background information provided reviews the role of the Federal Government and Canada Mortgage and Housing Corporation in the shaping of Canada's housing policy. Reference is made to the two main thrusts of housing policy, the promotion of home ownership and the development of social housing. Urban Native Housing, its beginning and current status is also discussed.

Section I of the study presents selected characteristics of the Aboriginal population, refers to population growth, Aboriginal population projections to the year 2016, the rural-urban Aboriginal population shift, and the rapid growth of the Aboriginal population in large urban centres.

Section II provides a comparison of Aboriginal and non-Aboriginal selected population characteristics in the Ottawa-Hull Census Metropolitan Area. The Ottawa-Hull Aboriginal population is discussed in relation to information presented in Section I.

Section III focuses on selected population characteristics of Gignul Non-Profit Housing Corporation tenants and waiting list applicants. A series of Figures (Graphs), are used to illustrate sources of income, income levels, family size and type. This section places the two Gignul Aboriginal populations in the Ottawa-Hull market context. Tables are used to compare market rents charged in the Ottawa CMHC region and affordability regarding the Gignul Aboriginal populations. The section concludes with presentation and discussion on the affordable home purchase price range for Gignul tenants and waiting list applicants in comparison to the price ranges of existing and new residential units in the Ottawa-Hull CMA.

Affordability is defined and placed in the Ottawa-Hull context in Section IV. The relationship between affordability, cost and income are discussed and reference is made to some past government initiatives to increase accessibility and affordability.

Section V discusses factors that affect accessibility and affordability and focuses on financial barriers confronting low and moderate income households. Recently introduced innovations to the area are referred to, and sources of some of the initiatives are identified. The point is made that a wide variety of groups are attempting to find ways and means to increase accessibility to home ownership.

Section VI opens with discussion of the political and fiscal realities driving the direction of government programming. The benefits that may accrue as a result of the realities are mentioned briefly. The Government "Redbook" commitments are re-iterated as they relate to the development of housing initiatives and preferred options and the partnership approach to problem-solving is discussed. Specific options for assisting Aboriginal households to access home ownership are presented, analysed, and some methods of implementing them are presented for discussion. The roles of various levels of government and CMHC are emphasized.

Section VII, Developing A New Option, proposes that Community Economic Development provides a lasting comprehensive approach to increasing the accessibility of Aboriginal households to affordable home ownership. During initial discussions, CED is defined and the challenges that CED presents is briefly discussed. The necessity for a partnership approach is underlined. The essential requirements for success in the development of economic initiatives focusing upon housing are presented. The section continues by identifying possible obstacles to developing an effective long range CED approach, assesses the current economic development environment, and concludes with discussion pointing out the positive aspects of the political, economic, and social environment that will contribute to the success of a holistic Community Economic Development approach.

Summary of Findings:

1. The Aboriginal population of urban areas is increasing. 42% of persons reporting Aboriginal origin in the 1991 census lived in urban centres.
2. The Aboriginal population is much younger than the non-Aboriginal population. As the Canadian population "ages" many government programs and agencies are directing increased resources to problems and lifestyles associated with Canada's aging population. The Aboriginal population will receive few short-term benefits from programs focused on senior citizens.
3. Sources and levels of income of the Aboriginal and non-Aboriginal populations of the Ottawa-Hull CMA are similar, although Aboriginal persons reporting, generally have lower family incomes than non-Aboriginal persons.
4. Incomes of Gignul Tenants and Waiting List applicants are significantly lower than the Aboriginal and non-Aboriginal populations reporting income in the 1991 census. 17% of Aboriginal families reporting income in the Ottawa-Hull CMA, in which the Gignul populations are included, have incomes of less than \$25,000 compared to 88% of Gignul tenants with incomes of less than \$25,000.

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5. The majority of Gignul tenants, 79.6%, pay less than \$350 per month for rent. Market rent for all sizes of units in Ottawa-Carleton CMA averaged \$659 monthly in comparison to \$508 monthly in Hull CMA.
 6. The annual income required to purchase the average re-sale house in the Ottawa-Carleton region is approximately \$45,000. Purchase of an average re-sale home in the Hull CMA would require an income of approximately \$29,000. Both of the above figures assume a GDS of 30%. Assuming 0% down payment, no current Gignul tenants can afford to purchase the average house in Ottawa-Carleton and approximately 3 households can afford to purchase an average re-sale house in the Hull CMA.
 7. Assuming a GDS ratio of 25%, and available funds to provide a 25% down payment, households with an annual income of \$17,500 can purchase a house priced at \$63,333 and service a \$47,500 mortgage. (Closing costs are assumed to be available.)

Conclusions and Recommendations:

Conventional methods of accessing home ownership will not provide the opportunity for the average Gignul tenant or waiting list applicant to access home ownership in the Ottawa-Hull CMA. Costs normally associated with home ownership acquisition are too large a barrier for low-income families to overcome initially. Costs associated with assuming a conventional mortgage at the level required to purchase an average home in the Ottawa-Hull CMA are also prohibitive for the average Gignul tenant unless some form of on-going subsidy assistance is provided.

In order to assist Aboriginal households to access home ownership in the Ottawa-Hull CMA, options must be developed that focus on (1) lowering the cost of borrowing, (2) lowering the cost of the home and/or property to be purchased, (3) increasing the income of the average Aboriginal low-income household, and (4) combining any or all of the previous three options into a workable formula.

The recommendations that follow do not provide a preferable, better, or best option. There are various levels of government involved. All can develop policies and programs that can work in concert to address the problem of increasing accessibility for low-income Aboriginal households to affordable home ownership. The private and public sector and Aboriginal people can be involved in a partnership approach with the various levels of government to work in concert in the development of options that will increase accessibility to affordable housing.

Specific recommendations are as follows:

1. That CMHC be directed to develop a partnership approach with Aboriginal people to develop programs and approaches which provide greater incentive for Aboriginal people to access homeownership.

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2. That CMHC incorporate aspects of the Urban Native Housing Program that contributed to its success as part of a comprehensive Urban Aboriginal Home Ownership Program developed in partnership with Urban Aboriginal people. The frame of references to be developed can include the overriding principle – without ongoing subsidy assistance from the Federal Government.
 3. That the Urban Native Housing Program permits tenants to purchase their unit under defined criteria.
 4. That CMHC review and expand its capability as a Direct Lender to the Aboriginal community.
 5. That the parameters of the Project Development Fund be expanded for a specific period of time to allow selected income groups to develop proposals to the initial feasibility stage.
 6. That Mortgage Loan Insurance levels be increased to 100% and 105% for selected Aboriginal income groups and that long-term viability of the household rather than availability of funds normally associated with home acquisition be the primary factor in determining access to home ownership.
 7. That the impact of second mortgages, non-amortized second mortgages or “silent” mortgages be further investigated as mortgage instruments to be incorporated in the development of options to assist Aboriginal households to access home ownership without ongoing subsidy assistance from the Federal Government.
 8. Income supplements are currently being provided to some segments of society by various levels of government and in Social Housing projects, dual subsidization exists. It is recommended that the adequacy and appropriateness of income supplements, social assistance shelter allowances, and CMHC delivery of social housing supplements be reviewed and assessed in terms of long range housing policy designed to increase accessibility to adequate, affordable homes.
 9. As the creation of private and public land trusts can play a role in the provision of affordable housing, it is recommended that the Federal Government and CMHC assess the overall benefits of the land trust concept and identify the conditions necessary for the successful inclusion of land trusts in a comprehensive Urban Aboriginal Home Ownership Program.
 10. That existing federal, provincial, and municipal taxation policies be reviewed and assessed in terms of their impact on accessibility to home ownership for low-income Aboriginal households.

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11. That the Federal Government encourage the partnership approach to assisting Aboriginal low-income households to access home ownership through the creation of a taxation environment that serves as an incentive for the private and public sectors to become involved in assisting low-income Aboriginal households to access home ownership.
 12. That the Federal Government and CMHC continue in the development of a partnership approach to problem solving as it pertains to the development of options to increase accessibility to affordable housing.
 13. That the Federal Government commitment to Aboriginal peoples be incorporated as part of a comprehensive government strategy to facilitate the development of a Community Economic Development approach to assist Aboriginal households to become involved in social, economic, and human development.

Forward

An increasing urban Aboriginal population has resulted in an increased demand for adequate and affordable housing in larger Canadian cities. When comparing Aboriginal and mainstream populations in large urban centres, (100,000+) statistics indicate that the percentage of Aboriginal homeowners per capita is much lower than their non-Aboriginal counterparts.

Many of the barriers to homeownership confronting Aboriginal people are similar to that of the low and moderate income non-Aboriginal population.

Gignul Non-Profit Housing Corporation through seminars, workshops, and discussion with Aboriginal individuals and groups, have identified additional social and cultural factors that are involved when Aboriginal individuals and families consider becoming homeowners.

Many Aboriginal urban residents view the city as their place of employment, while the community or area in which they were raised is regarded as "home". Family, friendship, language and cultural and social ties all contribute to this feeling. Purchasing a home in an urban cosmopolitan centre is viewed by some Aboriginal people as putting down unnecessary and perhaps undesirable roots that may affect their future mobility, their right to a home on the reserve, and/or other inherent rights as First Nations people.

Whether or not the barriers to homeownerships are real or perceived is often beside the point. The fact that they exist is what is relevant.

Methods of addressing the concerns and financial realities confronting Aboriginal people must vary, depending upon the identified barriers and concerns. Seminars, workshops, and printed material can effectively address some concerns. Urban Native Housing groups, their tenant counsellors, urban Aboriginal professionals, and Aboriginal mentors, (those who have experienced home purchase), can all play an important role in assisting other Aboriginal individuals and households wishing to pursue homeownership in the urban setting.

The fact remains that financial and economic barriers are the most significant factors affecting the majority of Aboriginal people as they attempt to access homeownership. The following study addresses some of these factors and identifies some ways and means by which urban Aboriginal households can be provided with increased access to homeownership without on-going subsidy from the Federal Government.

Terms of Reference

The "Feasibility Study To Overcome Barriers for Aboriginal Home Ownership" has been defined by terms established by Canada Mortgage and Housing Corporation and Gignul Non-Profit Housing Corporation, the project sponsor.

Canada Mortgage and Housing Corporation (CMHC)

CMHC in its statement of work indicated that in carrying on the project the following five phases work would be performed:

- a) research and identify Aboriginal population statistics in both the Ottawa-Carleton and Outaouais Regions; the average income levels by housing composition; and, the percentages of this population currently in rental and ownership housing;
- b) identify the number of existing tenants in Gignul Non-Profit Housing units who are currently paying market rents and what those rents are in comparison to mortgages for similar home ownership housing;
- c) based on current income levels of existing Aboriginal rental households, identify the house purchase price range affordable given variable down payment amount (i.e. – 25%, 10%, 5%, 0 down payment);
- d) develop various options by which such households could be assisted to access home ownership – **without on-going subsidy assistance from the Federal Government;**
- e) recommend appropriate options for assisting Aboriginal households, both in social housing and private rental stock, to access home ownership.

In addition to the above, the project sponsor was to insure that a draft report was prepared and submitted to CMHC, containing the above information and incorporate CMHC comments and suggestions into a final report.

The Project Sponsor

Gignul Non-Profit Housing Corporation (Gignul) requested as an adjunct and where complementary to the terms of reference of CMHC, the consultant:

- a) focus upon options appropriate for the Ottawa-Hull Region that may have national application;
- b) provide an overview of the political and fiscal realities operating nationally and within the region and relate these realities to the feasibility of options developed and recommended;
- c) develop and build upon options currently being considered in the region and
- d) as feasible, propose options that involve Aboriginal people in the development of solutions that assist Aboriginal people to access affordable home ownership.

Introduction

The Aboriginal community in the Ottawa-Hull Census Metropolitan Area is characterized by a mix of Aboriginal people from all parts of Canada. Ottawa, as the National Capital is a natural focal point for the various Aboriginal Organizations in their efforts to work with government to address issues and conditions confronting Aboriginal peoples.

Adjacent to the Ottawa-Hull Region are a number of reserves with an estimated population in excess of 21,000. Educational and employment opportunities combine with the area health services to attract large numbers of Aboriginal people.

The circumstances of Aboriginal people and families are as diverse as their cultural backgrounds. While there are many who have adapted to urban life, many are still caught in the gap between opportunity and disparity. Cultural factors often combine with poverty to create barriers to successful adjustment to the urban environment.

The national average income among Aboriginal people is 50 percent that of non-Aboriginal Canadians. With little or no stable income, many Aboriginal people are faced with difficult adjustments to the realities of urban living – the high costs of food, clothing, health care, transportation and shelter.

Frequently, low-income families are forced into crowded and inadequate housing which require a large share of household expenditures. The provision of shelter is increasingly consuming a disproportionate share of total income.

The Urban Native Housing Program was one of the programs that resulted from the Federal Government's Social Housing policy designed to provide access to adequate housing for low-income families. Gignul Non-Profit Housing Corporation became a sponsor under the program guidelines established for Urban Native Housing.

Gignul Non-Profit Housing Corporation was established in 1986 in response to the need of Aboriginal Peoples in the Ottawa-Carleton region, for adequate and secure housing and to help improve the quality of life for low and moderate income families. The membership of Gignul Corporation is comprised of area Aboriginal people who are committed to improving the living conditions of a growing urban Aboriginal population. The Gignul membership is recruited by the board of directors from among Aboriginal professionals resident in the area.

The board of directors is elected by the membership at the annual general meeting of the Corporation, usually held during the summer months. The board meets monthly to provide direction and to monitor the business of the Corporation. Board members are volunteers with a high level of commitment to the Corporation and its tenants and do not receive financial remuneration.

With a General Manager and a staff of seven people, Gignul manages one hundred and sixty-two rent to income, social housing units in the Ottawa-Carleton region. Gignul's housing stock is valued in excess of twelve million dollars and is home to more than four hundred Aboriginal people. Staff responsibilities include: tenant selection, counselling, rent collection, repairs and maintenance, mortgage

administration. Canada Mortgage and Housing Corporation, through the Urban Native Housing Program, is Gignul's financial partner in its operation.

In 1993 Canada Mortgage and Housing Corporation made a decision to halt the continued expansion of federally funded social housing projects and limit its financial commitment to existing projects. As a result of this decision Gignul Corporation is unable to expand the number of rental units in spite of a rapidly increasing demand for social housing in the city. With a waiting list of approximately eight hundred low and moderate income families, it is necessary to look for new and different ways of meeting the needs of Aboriginal families who have low to moderate income levels. Gignul has identified the need to broaden its mandate and enlarge its role in the provision of adequate and affordable housing to Aboriginal peoples in the Ottawa-Carleton region.

To date Gignul Non-Profit Housing Corporation (Gignul) has developed four initiatives aimed at assisting the Aboriginal population of the Ottawa-Hull Region to access home ownership.

The first of these initiatives involved engaging a consultant group to undertake a qualitative assessment of factors that encourage or discourage Aboriginal people when purchasing a home. Using the workshop approach, the consultant group identified a number of barriers including lack of basic information regarding (1) the availability of resources in the community; (2) the basic requirements of lenders; and (3) the apparent lack of Aboriginal resource persons to provide credible information.

As a result of conclusions and recommendations made by the consultant group, Gignul sponsored a First Time Home Buyers Seminar for Aboriginal People. CMHC provided financial support to Gignul to develop, deliver and test a first time home buyers seminar appropriate for Aboriginal people. Using materials revised and/or developed by Gignul, a mainly Aboriginal panel presented a wide range of basic information. Following delivery of the seminar, an evaluation was carried out, revised seminar materials were produced, and a group of Aboriginal prospective home buyers were identified.

The third initiative begun by Gignul is an outgrowth of the First Time Home Buyers Seminar. As a result of the seminar, ten motivated Aboriginal households were identified to become involved in a pilot project designed to actively pursue home ownership. Gignul is acting as a facilitator and partner with the households involved to identify and collectively develop workable solutions to overcome home ownership barriers. Home Grown Solutions has recently provided initial funds to Gignul Non-Profit Housing Corporation to develop a Home Grown Solutions initiative to support the pilot project.

The following "Feasibility Study To Overcome Barriers for Aboriginal Home Ownership", funded by Canada Mortgage and Housing Corporation, is Gignul Non-Profit Housing Corporation's fourth major initiative in pursuance of its goal to assist Aboriginal people to access adequate, affordable housing.

Background

Canadian Housing Policy: An Overview

Successive Federal governments have recognized the need for continued Federal involvement as a facilitator in the design and operation of a national housing policy. Following the Second World War Canada Mortgage and Housing Corporation (CMHC), then Central Mortgage and Housing Corporation was established to administer the Federal government's National Housing Act (NHA). The NHA contains the mandate and the broad conditions under which CMHC operates in order to work towards its objectives. CMHC has two main objectives:

- to assist in the development of new or improved housing;
- to achieve some form of economic betterment through the process.

Generally speaking, the private market place has been relied upon to meet the housing needs of most Canadians. Traditionally the role of government has been to create an environment conducive to the successful operation of private enterprise as the primary provider of adequate, affordable housing. Governments have used taxation or absence of taxation to promote home ownership and the provision of adequate rental stock. For home owners, capital gains on a principal residence are not taxed. Depreciation allowances for rental housing exceed true depreciation. However, if the undepreciated capital cost of a building is lower than the selling price, the vendor must pay tax on the difference.

Until the mid-1960's, rather than developing large-scale programs that focus upon directly meeting the needs of low-income households, the "trickle down" theory was allowed to operate. The "trickle down" theory operates upon the basic principle that by establishing a climate that encourages the growth of new residential units, the older existing units will come on the market at prices that are affordable to lower income families. During periods of rapid housing growth, this theory does work to some degree. It is doubtful that any single factor theory will apply to all situations. The existing social housing programs are a result of the market place's inability to respond combined with governments inability to create an economic environment that stimulates overall economic growth.

Housing has and continues to be regarded as an intricate part of economic policy. Various governments have strategically intervened in the operation of the housing market place in order to "jump start" the economy or when it has been deemed necessary and beneficial to increase stability in the market place. In order to impact the housing market place, a variety of tools have been used. These include loan guarantees, grants, low interest mortgages, mortgage insurance, CMHC direct lending, tax credits and tax exemptions, and a wide variety of subsidies. The shape, form, focus and methods of delivery of the above mechanisms have changed depending upon the perceived realities at a given point in time. For example during 1981-82 when interest rates were volatile, the government provided interest rate subsidies in order to stabilize the housing market place. The above mentioned initiatives have been aimed at

variety of sectors and have varied in focus, from time to time, upon investors, existing and prospective home owners, lenders and renters.

Successive Federal governments have used housing as a lever to aid and promote economic growth. The promotion of home ownership has also been a significant part of government housing policy. There are a number of social, cultural and economic reasons for promoting and supporting home ownership. The majority of those enunciated in relevant literature focus upon the economic benefits. Social and cultural factors, although referred to, receive limited attention.

Home ownership has been promoted and supported for the following reasons:

1. The belief that home ownership improves neighbourhoods by providing stability and enhancing residential value. Home ownership provides a stable tax revenue and contributes to a lower per unit of service costs.
2. Trickle down theory – The building of new houses results in older existing units for the market place at affordable prices allowing for purchase by lower-income families.
3. Economics – A home purchase represents a substantial investment in building materials and related consumer goods. An estimated Canadian GDP of \$30 billion annually is associated with residential construction, repair and renovations.
4. Employment – CMHC figures indicate that an average of 2.8 person-years of employment are created by building one average single-family dwelling.
5. Home ownership promotes the maintenance of existing housing stock and thus can be termed a method of conservation. Preserving the supply of housing through maintenance and renovating of existing housing stock puts less strain on both renewable and non-renewable resources.

The Federal Government recognizes the importance of home ownership as a method of savings and as a way providing old age security. The Canadian tax laws provide a taxable exemption on a principal dwelling. Canadians are encouraged to place taxable income in Registered Retirement Savings Plans (RRSP) in order to encourage savings, provide old age security, and defer taxes. Recent changes in the RRSP allow the utilization of tax free RRSP funds to be used for up to fifteen years in home ownership acquisition.

Governments of today are much more willing to produce tax avoidance measures than direct subsidy. Foregoing income or indirect subsidy is not reflected as a budget expenditure where as a direct subsidy is. Low or moderate income families can not afford to take advantage of the tax-breaks provided to higher income individuals and households.

CMHC in its role to assist in the development of new and improved housing plays a large role in the financial market place. As an insurer of mortgage loan funds and as direct lender, CMHC impacts the shape and form of mortgages. CMHC policies impact the lending community and vice-versa.

It has been estimated that there are at least 75 mortgage types. Of these, approximately a dozen have been explored by governments and lenders as ways to increase accessibility to home ownership. In an economically stable environment many will work as tools to increase accessibility to home ownership. During periods of interest rate instability and flat household incomes, negative amortization (which occurs when the interest rate on the loan rises too high to be covered by the mortgage payments, at which time it is added to the loan balance) may result. Examples of mortgage types that may result in negative amortization include Adjustable Rate Mortgage and Graduated Payment Mortgage. Fixed rate mortgages and variable rate mortgages have remained the most common finance mechanisms accepted by both lenders and borrowers.

The introduction of mortgage loan insurance by CMHC has had a significant impact in terms of increasing accessibility. The First Home Loan Insurance program initiated in 1992, reduces the minimum down payment required for first-time home buyers obtaining CMHC Mortgage Insurance. Mortgage Loan Insurance by CMHC has reduced the risk to lenders and has increased accessibility to home ownership. The primary benefactors of the above CMHC initiatives have been households in the moderate and middle income categories. To households with low-incomes, down payment and up-front-costs associated with home purchase, combined with required monthly mortgage payments remain as barriers to home ownership.

Smith (1995), while recognizing the Federal Government's continued encouragement of homeownership, in describing post-1970 Federal Housing policy states that "Rather than continue to assist and improve the market system.... Ottawa increasingly turned to direct intervention and regulation. Specific policies included the construction or subsidization of new dwellings for low-income households and the provision of rental assistance to tenants and cash grants to home buyers. Nonspecific housing policies include revision to tax regulations and the introduction of new tax legislation. Housing policy effectively became an instrument to redistribute income downward."¹

The imposition of rent controls by a number of provincial governments in the mid-1970's further intervened in the housing market place. Many provincial governments chose to establish rent controls and rent review boards in an attempt to deal with social and economic conditions of lower, moderate, and middle-income households. Rent controls were used in conjunction with social policy rather than economic policy.

¹ In. "Home Remedies: Rethinking Canadian Housing Policy, p.141"

The above factors combined with the cost of building materials and labour, land availability and cost, and economic factors such as income and interest rates, to slow the development of additional rental housing and the maintenance of existing rental units.

Regardless of the contributing factors, the inability of the market place to provide adequate affordable housing to low-income households resulted in CMHC developing additional housing initiatives, with additional focus upon social housing. CMHC currently administers a portfolio of over 650,000 housing units that are occupied by households who receive assistance from the Federal Government. CMHC is not directly responsible for managing the social housing stock that it funds, however it works with various social housing sponsors such as Gignul Housing Non-Profit Housing Corporation to facilitate management. The cost to the Federal Government and CMHC involvement in social housing programs exceeds 2 billion dollars per year.

Interest charges on mortgage loans to social housing from traditional lenders are a significant part of costs associated with operation of the social housing program. CMHC has responded by issuing CMHC Direct Lending Bonds. Capital from bond sales is used to make mortgage loans directly to new social housing projects. As a result of this initiative, CMHC became a direct lender to social housing projects in August of 1993. Under CMHC's Direct Lending Initiative, CMHC provides mortgage financing as a break even lender to qualifying non-profit and cooperative housing projects. As of May 1, 1996 the interest rate charged by CMHC under Direct Lending Initiative was 7.27%, approximately 1 - 1.5% below the posted mortgage loan interest rates of conventional lenders.

In the development and discussion of options by which Aboriginal households can be assisted to access home ownership, the above CMHC initiatives play an important role.

Social Housing Policy

Deviation from reliance on the market place to provide adequate housing occurred when the Federal Government was confronted with the increasing numbers of households that lived in inadequate housing and could not obtain or afford private market delivered housing. Social housing was almost non-existent until the mid 1960's. The 1964 amendments to the Nation Housing Act provide CMHC with the mandate to enter the social policy field. After this time "Social housing became the main thrust of housing policy."² Social housing was governments attempt to address the need for adequate housing by low income groups rather than attempt to deal with the conditions that created the need.

Social housing policy initiated the development of a variety of social housing programs that assumed various shapes and forms. This has involved tax credits, rent supplements, grants and low-income loans to both renters and landlords, and a number of specific housing programs such as the Assisted Home Ownership Program (AHOP).

One of the lasting features of the social housing policy is the provision of social housing for families and seniors at subsidized rents and funding, including forgivable loans to non-profit and cooperative groups and organizations that provide housing to targeted groups.

One of the specific outgrowths of the social housing program is the Urban Native Housing program.

Aboriginal Housing

During the period of economic growth following World War II, the majority of Aboriginal peoples remained as non-participants. Low population, high death rate, the reserve system and the general isolation of Aboriginal communities relegated the Aboriginal people of Canada to the status of the "forgotten" minority.

The majority of rural Aboriginal households were involved in home ownership. Inadequate, crowded dwellings that lacked most, if not all amenities, were the norm. Increased health services to Aboriginal peoples during the late 50's and 60's resulted in a significant population increase. A decrease in mortality combined with a high birth-rate placed increased pressure on reserves and Aboriginal rural communities.

The 1960's and 1970's period of relative affluence resulted in a proliferation of social programs. "Core funding" was provided to Aboriginal groups which assisted in the development of Aboriginal Political Organizations, and a number

² Fallis, et all, 1995 p.9.

of Aboriginal organizations with a predominantly social focus, such as court workers and housing organizations. Noticeably absent during this phase of development were Aboriginal organizations with financial capability.

One of the results of the funding of Aboriginal political organizations was the Rural and Native Housing Program (RNH). In 1973, the Native Council of Canada, the national organization representing the provincial Metis and Non-Status Indian organizations, submitted a brief to the Minister responsible for CMHC. The brief outlined the state of Aboriginal peoples housing off-reserve and requested Federal action in addressing the housing problem. The result of this initiative was the creation of the Rural and Native Housing Program in 1974. The RNH Program had two purposes:

- To ensure adequate housing for low-income persons in rural areas and small communities with a population of 2500 or less, and to motivate and help people solve their housing problems through their own organizations and efforts by providing opportunity for meaningful involvement in the planning and building of their own homes. Where home ownership was less feasible, funding was used to secure rental units. Shelter payments were determined on a rent-to-income scale. The difference between what the client could pay and the amount required to amortize the loan was subsidized by the federal and provincial governments.
- In addition to being the first housing program focusing on Aboriginal people off-reserve, the program contained the stated objective of providing meaningful involvement of the Aboriginal people in the planning and building of their own homes. The program, recognized the linkage between housing and community development.

The development of the Urban Native Housing Program was prompted by attempts of CMHC and the federal government to meet the needs of Aboriginal peoples at low and moderate income levels, living in urban centres. This CMHC program provides direct mortgage financing to urban Aboriginal non-profit housing groups, and provides subsidy assistance to meet the operating and maintenance costs of the non-profit housing projects. Under the terms of the current program, CMHC provides a maximum annual subsidy equal to the difference between acceptable annual operating costs and annual project revenues. A Rent-to-Income formula is used in calculating the rent paid by the home occupant. CMHC subsidizes the difference between rent paid and what is termed "economic rent".

The Urban Native Housing Program operation is similar to other social programs. The one distinctive feature is that in most instances CMHC is the only government agency involved.³ Although CMHC may be involved as the

³ The provinces of Quebec and Newfoundland have administered the Urban Native Housing Program since 1986.

sole provider of funding to other social housing organizations, more than 40% of Canada's social housing stock of over 650,000 units operate under Federal/Provincial/Territorial agreements. Of the estimated 2.1 billion allocated to CMHC to social housing, approximately 95 million or 4.5% of the social housing budget is directed to Urban Native Housing.

Federal Government deficit financing accelerated during the 1970's and has continued through the early 1990's. All levels of government are in a "downsizing" mode and most government programs and services are being cut back and in some instances, curtailed. CMHC and social housing has not remained immune to this shift in government policy. In 1993, Social housing program growth was halted. Ways and means of reducing Federal Government and CMHC's involvement in social housing are being considered that will allow CMHC to reduce its current level of involvement and commitment or exit the social housing arena completely.

The conditions and realities present when the Urban Native Housing Program was initiated have not changed. In fact on the basis of information available a strong case can be put forward that shows that the program should be expanded and additional resources dedicated to dealing with problems associated with the increased rural-urban Aboriginal population shift. The political and fiscal realities driving and shaping public policy dictate otherwise. The overall effectiveness of previous and current programs and policy is also a matter of debate.

The following aspects of the Urban Native Housing Program contributed to its success:

- Projects were financed up to 100% of acceptable costs.
- loans were amortized for up to 35 years or the useful life of the project.
- for eligible projects, CMHC reserved the right to purchase land required for projects.
- net "soft costs" (detailed in policy handbook Section E) were eligible for funding.
- insurance on lender loans was provided to the 100% level.
- application fees and Mortgage Loan Insurance premiums were waived.
- project development fund loans were made available for the initiation of new and innovative pilot projects.

In discussion of options to assist Aboriginal households to access home ownership without on-going subsidy assistance from the Federal Government, the above concepts and precedents should be kept in mind.

The need for the provision of adequate, accessible and affordable housing for low-income people in general, and Aboriginal people specifically, still exists. Different, innovative approaches must be developed.

Options to assist Aboriginal households to access homeownership can be developed if a partnership approach is adopted. The following "Feasibility Study to Overcome Barriers for Aboriginal Home Ownership" presents some options for consideration and focuses upon the partnership approach to reducing barriers and creating an environment of opportunity.

Section I: Aboriginal Population – General Characteristics

Reviewing data published following the 1991 census reveals that the general demographic characteristics of the Aboriginal population is markedly different from that of the non-Aboriginal population⁴ Most notably it is much younger 36.5%⁵ of the Aboriginal population on and off reserves is under 15 years of age in comparison to 20.5% of the non-Aboriginal population.⁶ 11.2% of the non-Aboriginal population is aged to 65 in comparison to the Aboriginal population with 2.9% aged 65+.⁷ Birth rate, mortality, and unemployment exceed Canadian norms. While general standards of living-income, education-level, and employment are considerably lower.

**Aboriginal and Non-Aboriginal Statistics
A Comparison: Canada, Ontario, Ontario - CMA's
and Ottawa-Hull - CMA, 1991**

	Total Population	Total Aboriginal Population	Aboriginal Population as a % of Total Population
Canada	26,994,045	1,002,675	3.7%
Ontario	9,977,055	243,550	2.4%
Ontario - 12 CMA's	7,457,225	143,075	1.9%
Ottawa-Hull	912,100	31,330	3.4%

Table 1

In recent years the Canadian Aboriginal population has not only increased rapidly, but statistics show that there is an increased urban Aboriginal presence. Population tables developed by Drost indicate that in 1941 only 3.6 percent of the Aboriginal population lived in urban areas ____ " in 1991, the share has increased to 42 percent of Aboriginals reporting a single ethnic origin.⁸ Table 1, Aboriginal and non-Aboriginal Statistics show that of the total Ontario Aboriginal population of 243,550, 143,075 or 58.7 percent live in 12 CMA's. The Ottawa-Hull Aboriginal population totals approximately 31,300 or 12.9 percent of the total Ontario Aboriginal population.

There are a number of factors contributing to the large rural-urban shift in Aboriginal population. While some factors can be measured objectively, others are more subjective in nature. Significant contributing factors are as follows:

⁴ See: Highlights of Aboriginal Canadians, 1991, 1986.
Demographic, Social and Economic Characteristics DIAND - 1995.

⁵ As above p. 57.

⁶ As above p. 63.

⁷ As above pp. 57 and 63.

-
- the reserve population is young with more than one-half under the age of twenty-five and a population growth rate of two times the national average;
 - employment rate of the reserve population is only one-half the national average;
 - larger metropolitan centres provide increased housing, employment and educational opportunities.
 - social assistance rates are higher off-reserve than on reserve which allow for an increased standard of living;
 - budgetary considerations has resulted in the freezing of DIAND capital subsidies utilized for on reserve housing;
 - rental housing on reserve is almost non existent, while rental housing in small rural areas is limited and of low-quality;
 - large metropolitan areas are generally multi-cultural and multi-ethnic in composition and as a result visible minorities are confronted with less subtle and overt racial discrimination;
 - metropolitan areas have support systems in place that ease the “cultural shock” associated with the transition from reserve to urban living. (E.g. Friendship centres);
 - ease of access to public transportation and other amenities.

Using 1991 census data, Morris⁸ has developed Aboriginal population projections (1991-2016) using slow, medium and rapid growth scenarios. The medium growth scenario projects an approximate 50% increase in the total Canadian Aboriginal population by the year 2016. Table 2, Population Projections indicates that under the medium growth scenario, the national Aboriginal population will be approximately 1.6 million by 2016.

⁸ Morris, M.J. Projections of Aboriginal Populations in Canada, 1991-2016. Population Projections Section, Demographic Division. Stats Canada.
- Medium Growth Scenario.

Aboriginal Population Projection (1991-2016)

	Aboriginal Population	Projections 1991 - 2016 ⁹
	1991	2016
Canada	1,002,675	1,600,000
Ontario	243,550	365,000
Ontario - 12 CMA's	143,075	215,000 ¹⁰
Ottawa-Hull	31330	47000 ¹⁰

Table 2

Predicated upon the same assumption, the Aboriginal population of Ontario, Ontario's CMA's and Ottawa-Hull also increase by 50% to 365,000, 215,000 and 47,000 respectively. Although hard-line data is unavailable, the CMA's of Ontario, including Ottawa should exceed the 50% projection. During the period 1981 to 1991, the Aboriginal population of Ottawa-Hull increased by approximately 25%.¹¹ Assuming similar growth, the Ottawa-Hull CMA Aboriginal population will reach approximately 40,000 by the year 2001, and will exceed 50,000 by 2011. A number of factors will determine the actual rate of growth. These will include the degree to which economic, social and housing problems are successfully dealt with at the reserve level and the overall economic well-being of the Ottawa-Hull region.

When viewing the medium growth scenario presented by Morris, the most significant changes due to aging are the expected increases in the number of Aboriginal people of working-age, representing about 70% of Aboriginal population¹² (15-64). The impact on urban centres will be in direct proportion to the economic and employment opportunities and housing availability on reserves as well as educational levels and opportunities.

At this point in time there is little to suggest that the rural-urban Aboriginal population shift will decelerate. The pressure to provide adequate, accessible and affordable housing in the Ottawa-Hull region will increase rather than decrease.

As indicated above the Aboriginal population is much younger than the non-Aboriginal population. Two different aging scenarios are developing in relation to the Aboriginal and non-Aboriginal population. As the Canadian population as a whole "ages" many government programs and agencies are directing increased resources to problems associated with Canada's "aging population". Housing, health and recreation programs are changing focus in order to address the

⁹ Morris, M.J., p. 19.

¹⁰ Author's calculations.

¹¹ Source: Stats Can. Cat # 94-327.

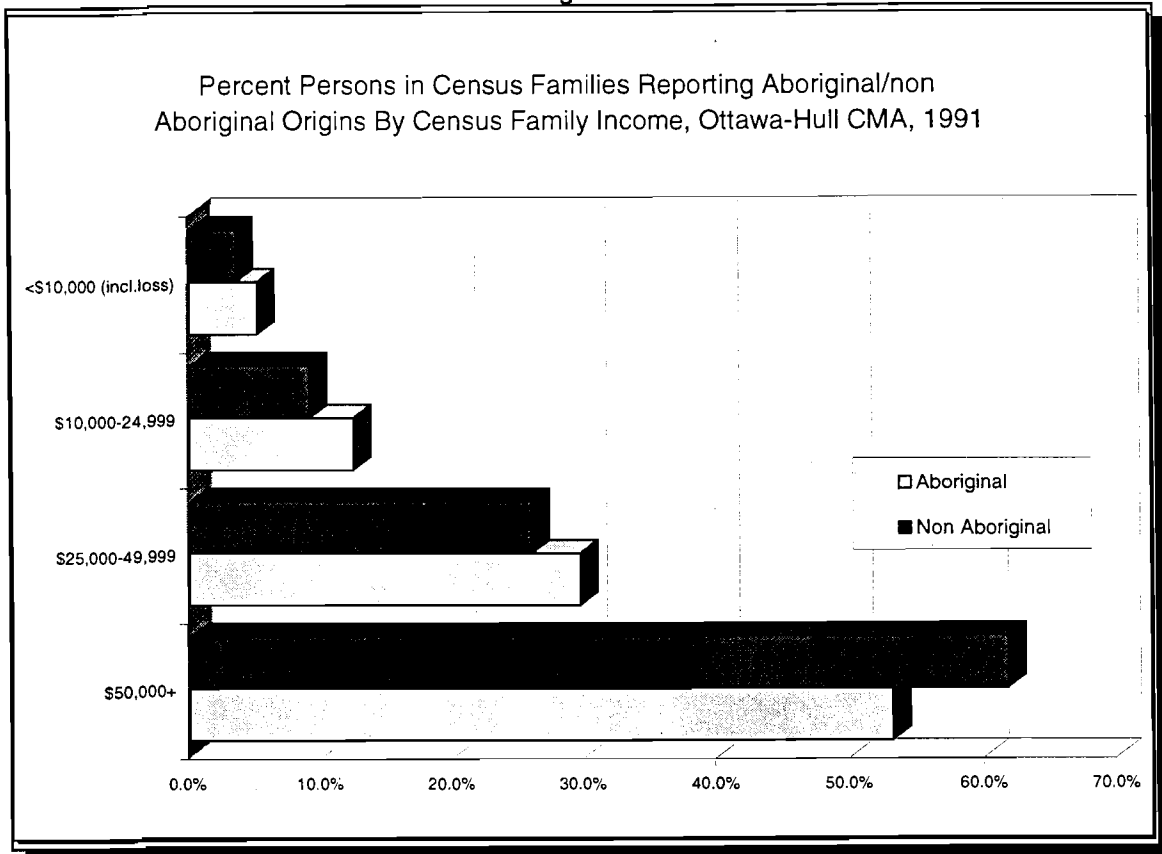
¹² Morris, M.J., p. 19

increased needs of “seniors”. The Aboriginal population will receive few immediate benefits from re-allocation of tax dollars. The fact that “seniors” are well-organized will continue to effect the allocation of diminishing financial resources.

Reference to the above reality is not meant to suggest that allocating resources to the non-Aboriginal, seniors population, is inappropriate or that the need is not present. Rather, it can be concluded that there will be increased competition for diminishing financial resources. Options to be developed and recommended for assisting Aboriginal households to access home ownership must reflect the Canadian political and fiscal realities.

Persons reporting Aboriginal origins generally have lower family incomes than non-Aboriginal persons. Figure 8 illustrates, that of the 25,900 persons reporting Aboriginal origins and who are in Census families living in the Ottawa-Hull CMA, 17% have total family incomes of less than \$25,000 compared to 12% of non-Aboriginal persons. Just over half of Aboriginal persons had family incomes over \$50,000 compared to 62% of non-Aboriginal persons.

Figure 8



Source: 1991 Public Use Micro File

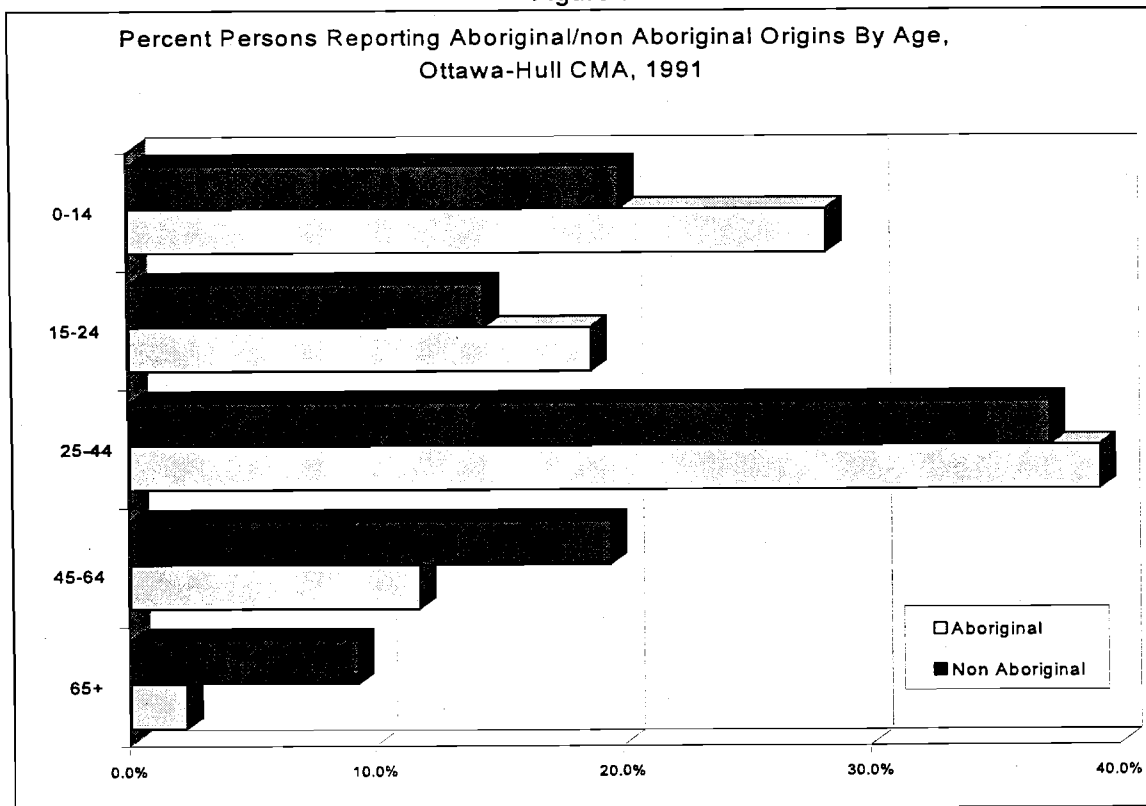
1991 Census Highlights on Registered Indians: Annotated Table (1995) show that the on-reserve population had an average income that was 30% less than that of the off-reserve Registered Indian population, 38% less than that of the total Aboriginal population, and 56% less than the non-Aboriginal population.

Section II: A Comparison of Aboriginal and non-Aboriginal Selected Population Characteristics

The following graphs present a comparison of the Aboriginal and non-Aboriginal populations of the Ottawa-Hull CMA Region. The selected demographic and economic characteristics presented are accompanied by brief comments highlighting the predominant features of each.

Figure 1 reflects the higher birth rate of the Aboriginal population. A higher proportion of persons reporting Aboriginal origins living in the Ottawa-Hull CMA are younger than their non-Aboriginal counterparts. Of the 31,300 persons reporting Aboriginal origins, nearly 30% are under the age of 15 compared to 20% of the non-Aboriginal population. A slightly larger proportion of persons reporting Aboriginal origins (19%) are between the ages of 15 and 24 than the non-Aboriginal population (14%). The proportion of the two populations between the ages of 15-44 is similar.

Figure 1



Source: Unpublished 1991 Census Data

Figure 1 illustrates the different aging scenarios between the two populations. A smaller proportion of Aboriginal persons (12%) are aged 45-64 than non-Aboriginal persons (19%) and only a small percentage (2%) are over the age of 65.

same province. A higher proportion of Aboriginal persons lived in the same province (20.6%) than the non-Aboriginal population (16%) that changed residence.

Statistical information cited by Peters (1995) shows that the total Ottawa-Hull CMA population increased by 28.3% during the 10 years prior to 1991. At the same time the percentage increase in the Aboriginal population was 58.2%. Reasons for the rural-urban shift are discussed later.

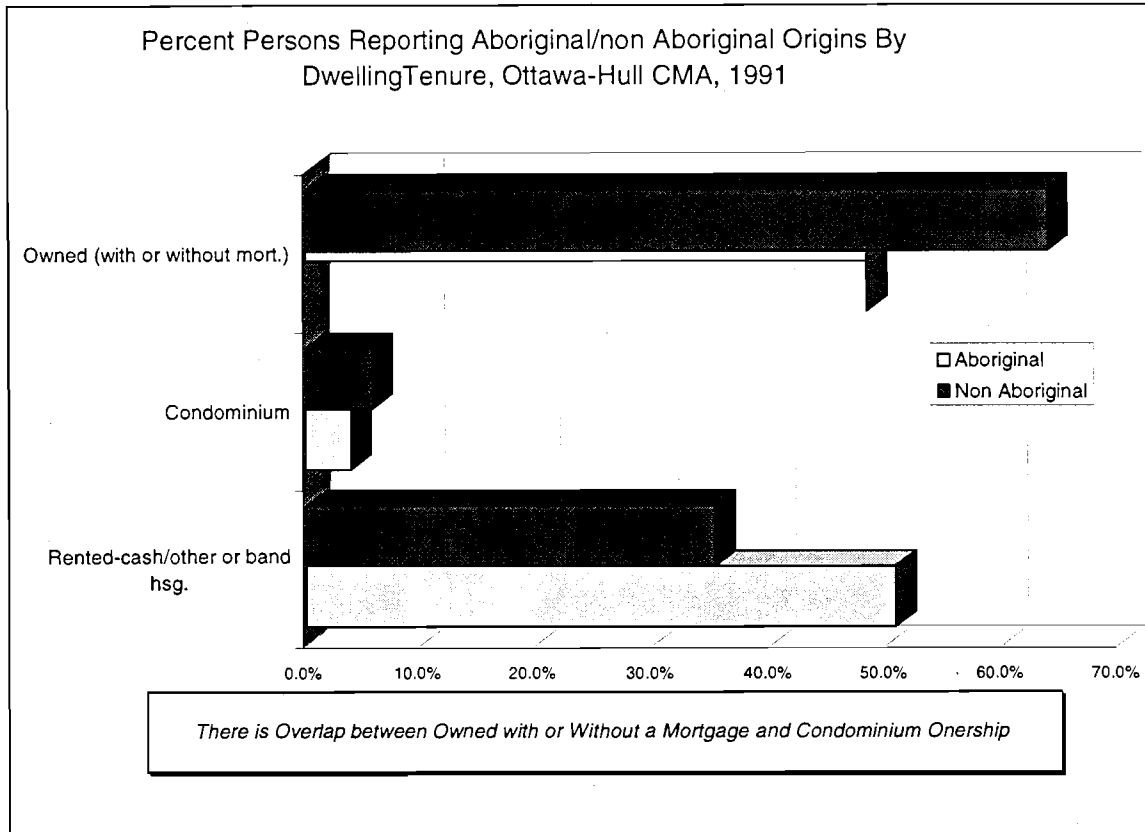


Figure 3 compares the dwelling tenure of the Ottawa-Hull CMA Aboriginal and non-Aboriginal populations. Home ownership among the 31,300 persons

Figure 3

Source: 1991 Public Use Micro File

reporting Aboriginal origins in the CMA is considerably lower than among non-Aboriginal originals. Of Aboriginal persons reporting, the percentage of home owners and renters was about equal. Half of persons reporting Aboriginal origins owned their own homes (including condominiums) compared to nearly two-thirds of non-Aboriginal persons. The term ownership or owned does not differentiate between "free and clear" and mortgage.

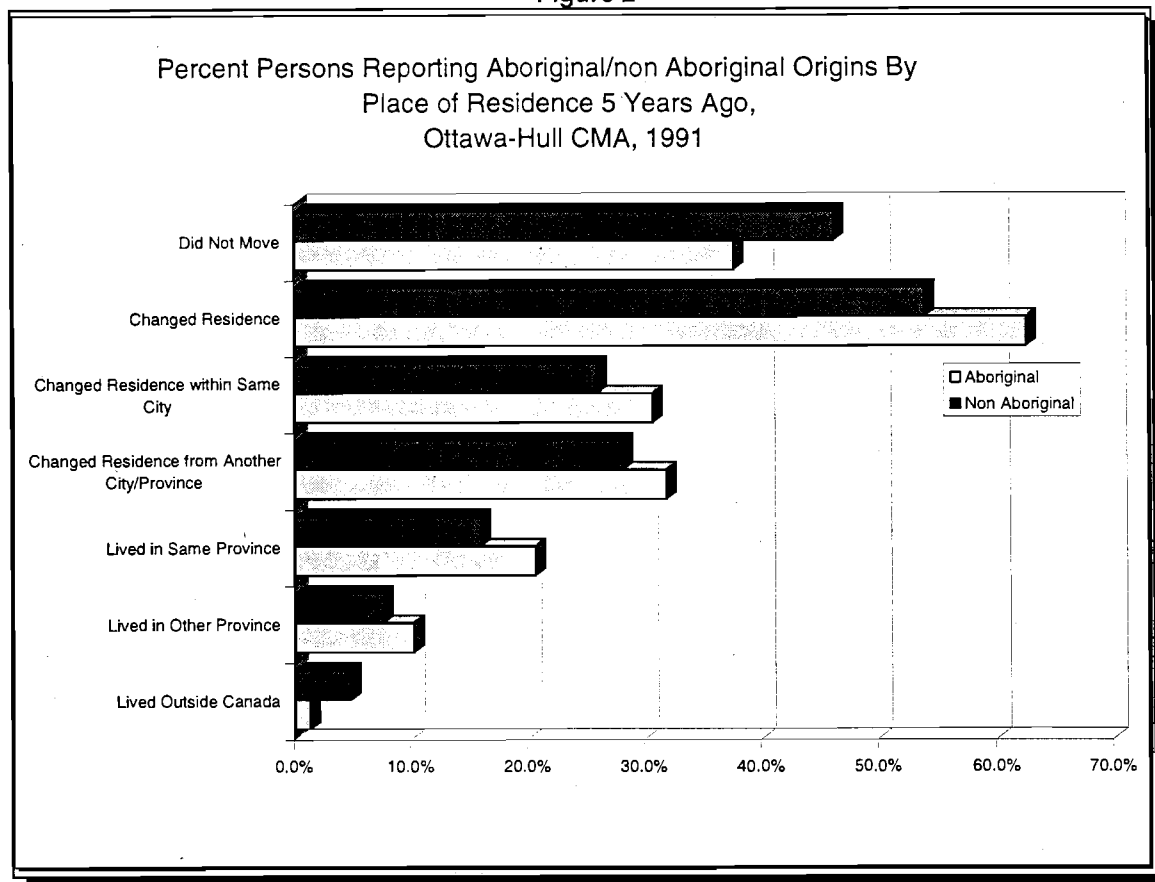
Figures 4 and 5 are included to provide a comparison of the living conditions experienced by the Aboriginal and non-Aboriginal populations.

The Ottawa-Hull CMA census data reflects the national Aboriginal and non-Aboriginal population trends in terms of aging, but the Aboriginal population of the region is noticeably older than the national Aboriginal population as shown when comparing the national Aboriginal population under the age of 15 of 36.5% to the data contained in Figure 1.

Data contained in Highlights of Aboriginal Conditions 1991, 1986, shows that Aboriginal Canadians have a higher degree of mobility than the non-Aboriginal populations. Drost (1995) and Peters (1995) note that there has been a substantial increase in the Aboriginal population in most CMA's.

Persons reporting Aboriginal origins living in this CMA show a higher proportion who lived elsewhere 5 years earlier than non-Aboriginal persons. Figure 2 shows that of the 20,450 persons aged 5+ who reported Aboriginal origins living in the

Figure 2



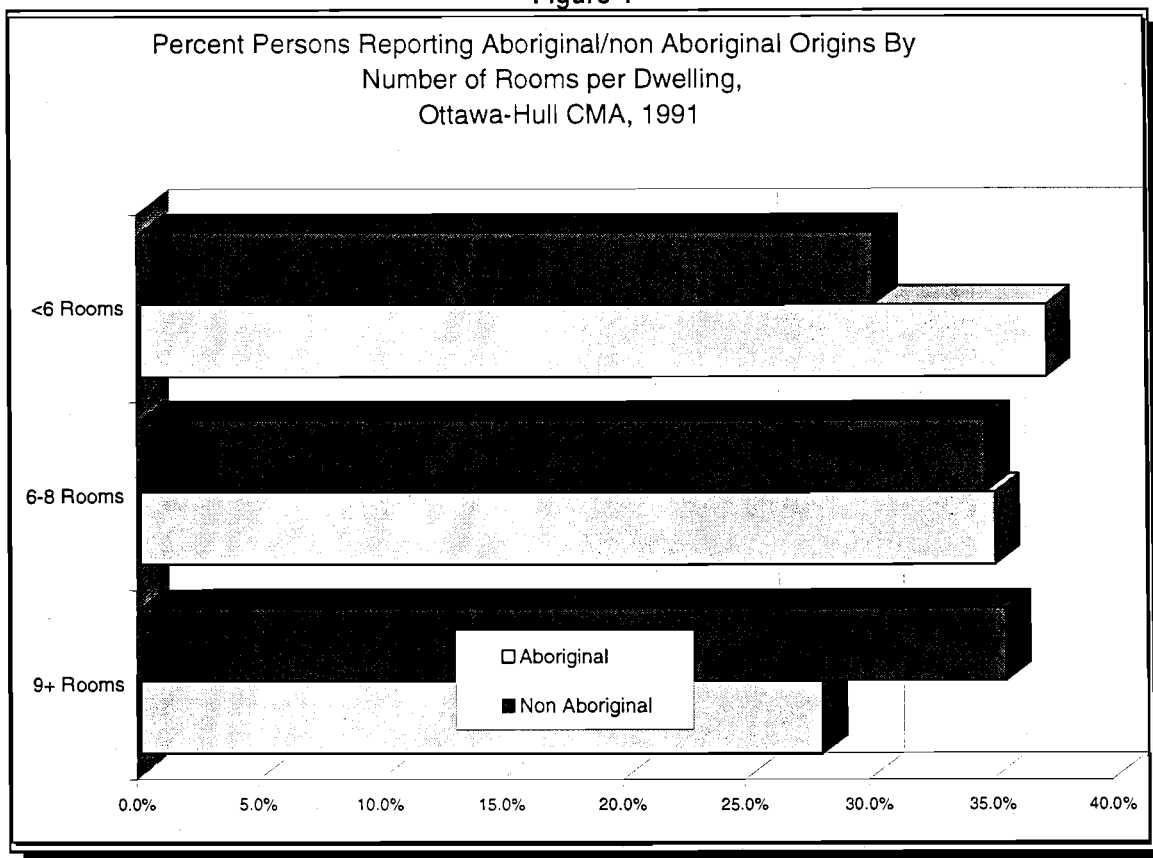
Source: Unpublished 1991 Census Data

Ottawa-Hull CMA, 37% lived in the same residence as they did 5 years earlier compared to 45% of the non-Aboriginal population. Of the 62% of Aboriginal persons who did not live in the same dwelling as they did 5 years ago, half lived in the same municipality and approximately half changed residence within the

A higher proportion of Aboriginal persons live in smaller dwellings than do non-Aboriginal persons. Of the 31,300 persons reporting Aboriginal origins living in the Ottawa-Hull CMA, 3 in 8 live in dwellings with less than 6 rooms compared to 3 in 10 of non-Aboriginal persons. One in three Aboriginal persons and an equal number of non-Aboriginal persons live in dwelling with 6-8 rooms. Approximately 10% more non-Aboriginal persons occupied dwellings of 9 or more rooms than did Aboriginal persons.

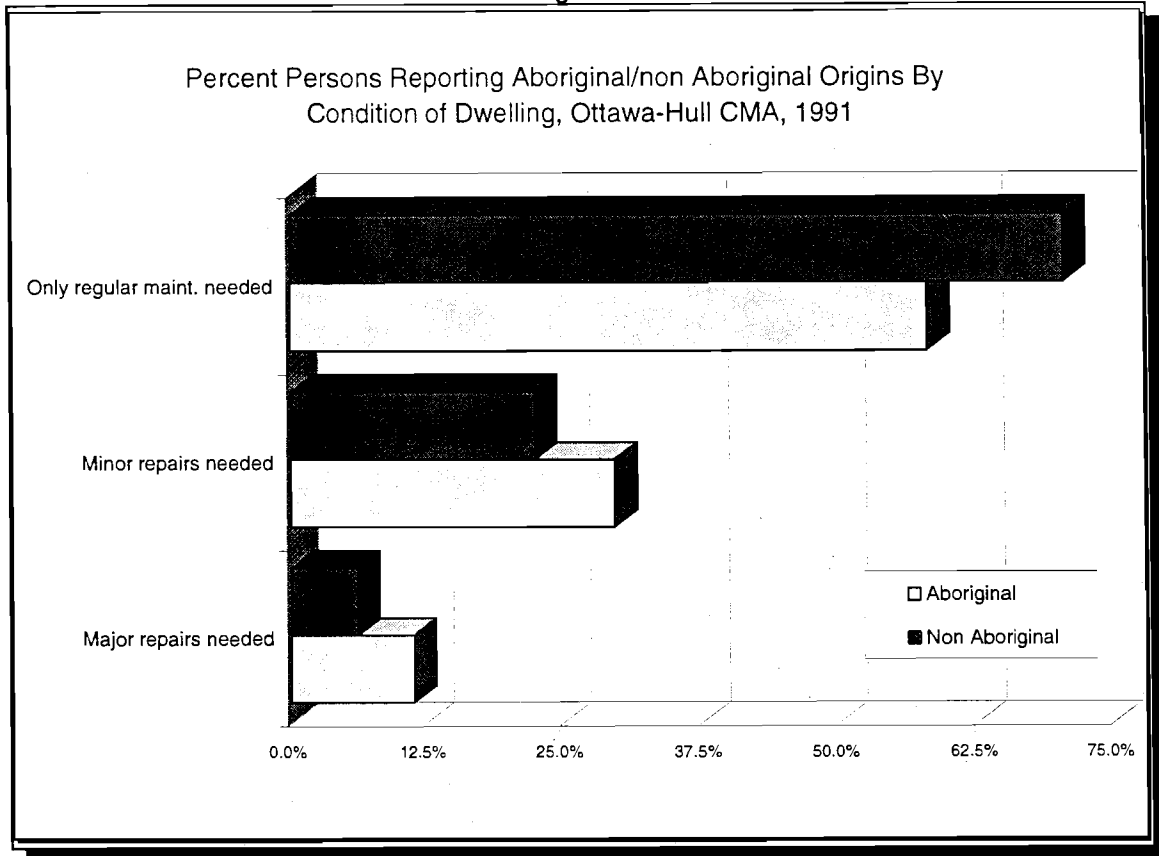
When comparing the condition of dwellings inhabited by the two population groups, a lower proportion of Aboriginal persons (58%) live in housing which requires only regular maintenance than non-Aboriginal persons (71%). 30% of Aboriginal persons live in dwellings which need minor repair compared to 23% of non-Aboriginal persons. Major repairs are required in 11% of dwellings occupied by Aboriginal persons compared to 6% of those occupied by non-Aboriginal persons.

Figure 4



Source: 1991 Public Use Micro File

Figure 5



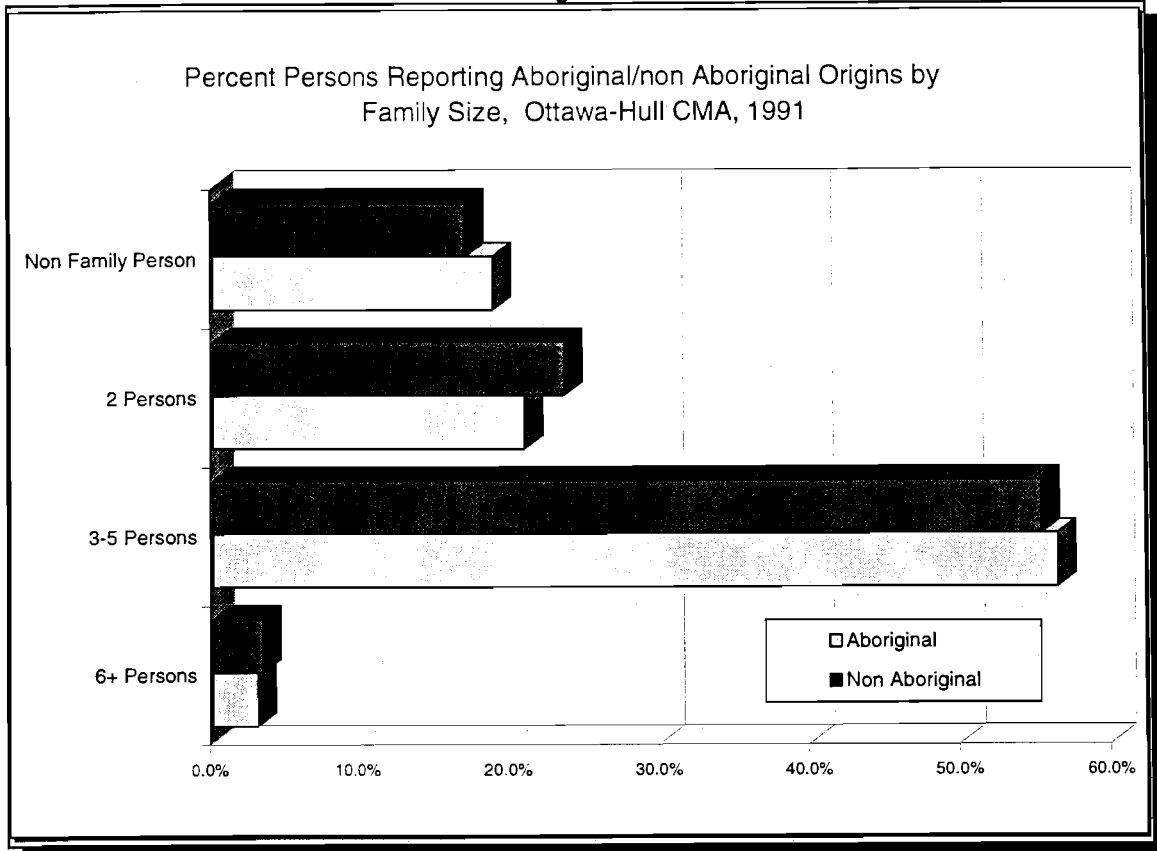
Source: 1991 Public Use Micro File

In contrast to the Ottawa-Hull CMA statistics, of the 76,000 housing units on reserves in 1995, only 34,800 were found to be adequate in terms of meeting health and safety standards. Over 21% of dwellings on-reserve have densities of more than one person per room compared to 1.3% for all Canadian households.¹³

¹³ Housing conditions on Reserves, DIAND Report, 1995.

As illustrated in Figure 6, there are no major differences in family size between the Aboriginal/non-Aboriginal persons reporting in the 1991 census. Both statistical groups reported just under 20% non-family persons and just over 20% were in 2 person families. Just over half of both, Aboriginal and non-Aboriginal family persons lived in families with 3-5 persons. Less than 3% of both groups reported family size of 6 or more.

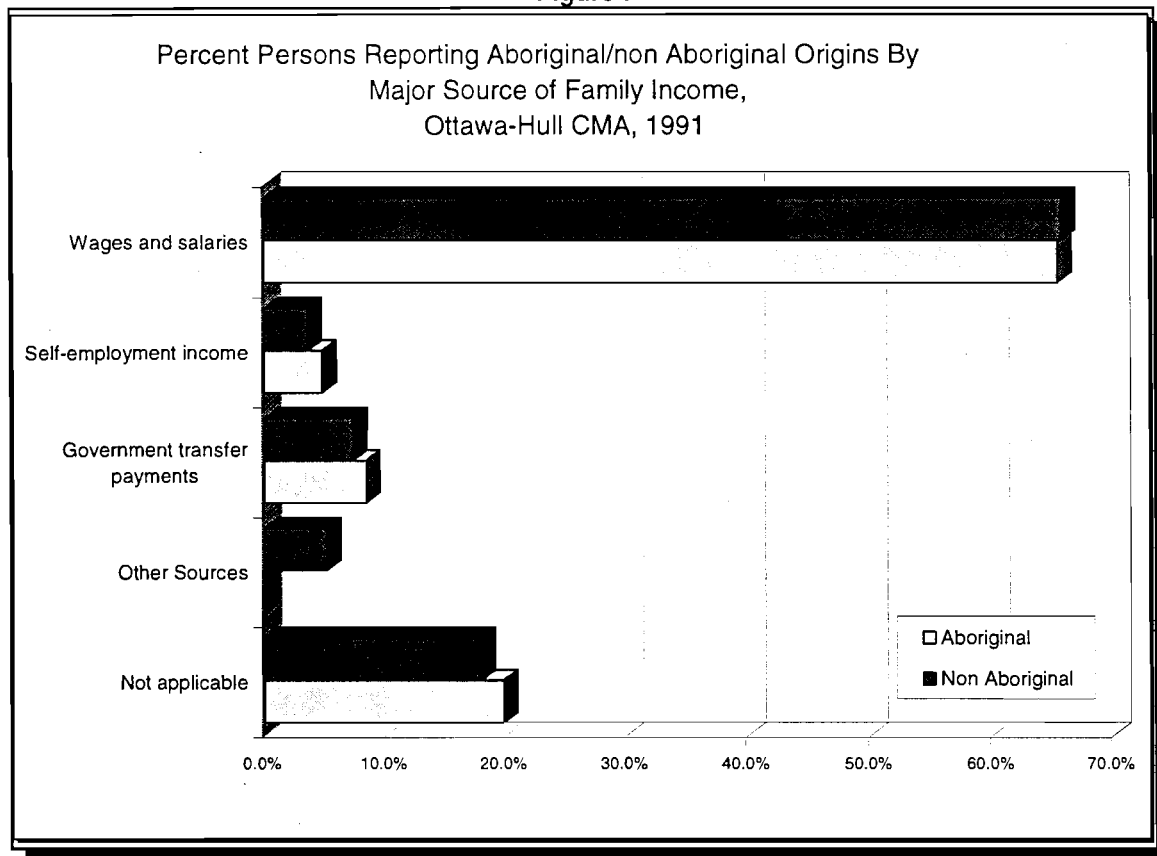
Figure 6



Source: 1991 Public Use Micro File

Figure 7 shows that there are no major differences in the Aboriginal/non-Aboriginal population proportions reporting major sources of family income. Of the 31,300 persons reporting Aboriginal origins living in the Ottawa-Hull CMA, 2 in 3 report wages and salaries as the primary sources of income, similar to the proportion of persons reporting non-Aboriginal origins. Income reported from other sources, self-employment and government transfer payments (social assistance, UIC, disability insurance, etc.) were also similar for both groups. Just under 20% of both groups did not have family income.

Figure 7



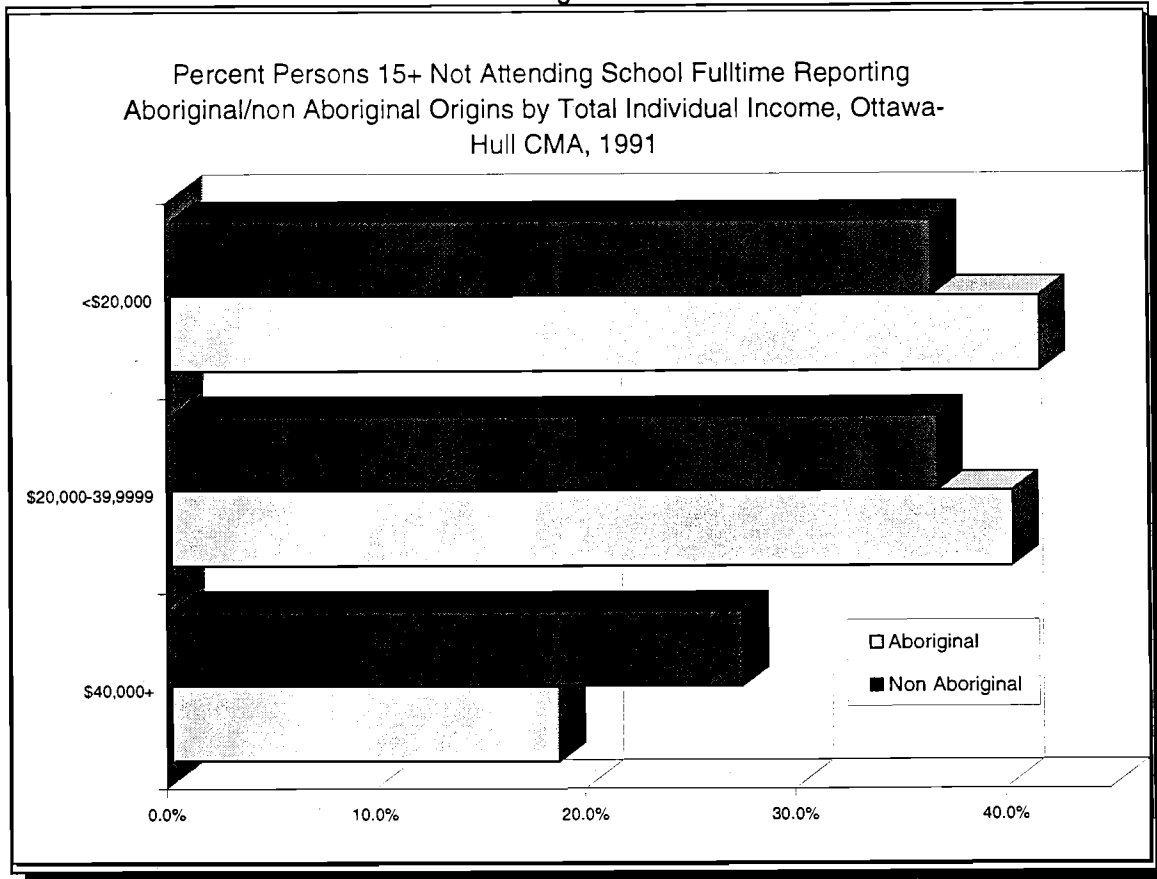
Source: 1991 Public Use Micro File

Contrasting with the data provided in Figure 7, Highlight of Aboriginal Canadians 1991, 1986¹⁴ shows that 59% of total income was derived from employment, 6.1% lower than the level reported for non-Aboriginal persons. In addition, government transfer payments accounted for over 24% of the income reported by all Aboriginal Canadians, in comparison to the 15.5% of non-Aboriginal population. Approximately 39% of Registered Indians on reserve reported employment as a major source of income.

¹⁴ p. 98

Figure 9 summarizes and compares total individual income characteristics of the Aboriginal/non-Aboriginal Ottawa-Hull CMA population. Persons reporting Aboriginal origins have lower total individual incomes than do non-Aboriginal. Of the 17,960 persons ages 15+, not attending school full time who reported Aboriginal origins, 41% had incomes of less than \$20,000 compared to 36% of non-Aboriginal persons. Incomes over \$40,000 were reported by 19% and 27% of the Aboriginal and non-Aboriginal persons respectively. In 1991 Census Highlights on registered Indians on reserves in Canada indicates that the average income of individuals ages 15+ was approximately two-fifths of the non-Aboriginal population.

Figure 9



Source: Unpublished 1991 Census Data

Summary

The above figures compare selected demographic, social and economic characteristics of the Aboriginal and non-Aboriginal population of the Ottawa-Hull region. They are generally consistent with the scenarios portrayed when viewing their national counter-part but reflect less of a gap between Aboriginal and non-Aboriginal groups when comparing basic data between the Ottawa-Hull CMA Aboriginal and non-Aboriginal populations. This can be attributed to the fact that the National Capital Region is unique among CMA's due to its high civil service population. The following factors have contributed to the lessening of socio-economic differences between the two groups populating the region:

- The Federal Government has become a major employer of professional Aboriginal people.
- Most Aboriginal organizations have established national offices in the Ottawa metropolitan area.
- Businesses desiring to or currently doing business with the Federal government and Aboriginal organizations are recruiting professional, well-educated Aboriginal people.

In addition to the above factors, the large reserve population (in excess of 21,300) within approximately 100 miles of the metropolitan area and the large number of post-secondary educational institutions located within the region contribute to the growth of the urban Aboriginal population.

Although the Aboriginal population under the age of 15 exceeds that of the non-Aboriginal population (28% versus 20%) in the Ottawa-Hull CMA, it is significantly smaller as a percentage than the national Aboriginal statistic which is 36 percent of the total Aboriginal population.¹⁵ The proportion of populations between the ages of 15-44 are almost identical at 37 percent in comparison to the national statistics of approximately 50 percent for both groups.

Income levels of Aboriginal people in the Ottawa-Hull CMA are less than the non-Aboriginals. 41 percent had incomes of less than \$20,000 compared to 36 percent of non-Aboriginal persons. 19 percent had incomes over \$40,000 compared to 25 percent of non-Aboriginal persons.

The data contained above indicates that economic considerations are factors involved in decisions to relocate in large urban centres.

The data and demographic characteristics presented in this section of the study is limited. It is included for the purpose of placing the Ottawa-Hull Aboriginal population in a national perspective. Data regarding the rural-urban Aboriginal population shift strongly suggests that a degree of urgency exists regarding the

¹⁵ Highlights of Aboriginal Conditions (p.27)

development of strategies that will enable Aboriginal households to access ownership. The recent shift in both Federal and Provincial government policy and programming and the resulting “winding down” for social housing programs further underlines the urgency. In addition, social assistance levels have recently been adjusted downward in Ontario. Low-income families, of which the Aboriginal population is a significant proportion, are increasingly bearing the brunt of Federal, provincial and municipal governments attempts to “exercise fiscal restraint”. Funds, traditionally allocated to social programming, are being cut as governments work toward balanced budgets and deficit reduction.

Initiating home ownership strategies now, will forestall or limit future problems, as the Aboriginal population develops an increasing urban presence.

Section III: Gignul Non-Profit Housing Corporation Tenant and Waiting List Population: General Characteristics

In the following discussion and Figures both the current Gignul tenants and waiting list are presented. The larger population provides for a more accurate presentation of the realities confronting Aboriginal people when attempting to access home ownership. Due to the nature of Gignul Non-Profit Housing Corporation, its mandate, and the original objectives of the Urban Native Housing Program, the characteristics of the Gignul population differ significantly from both the Ottawa-Hull CMA Aboriginal and non-Aboriginal population norms.

CMHC guidelines to sponsors of Urban Native Housing state:

“All units for commitment under this program are to be occupied solely by Native Households in need.”¹⁶

Gignul Non-Profit Housing Corporation in its definition of need narrowed the focus somewhat by developing a point system that defined need more specifically. As a result single family parents and low income students, comprise a high proportion of the Gignul tenant population.

The following Figures* present selected demographic, economic, and social data regarding the Gignul tenant and waiting population. Brief comments highlight the main features of each Figure.

Where appropriate, reference is made to the data presented regarding the Aboriginal and non-Aboriginal population of the Ottawa-Hull CMA.

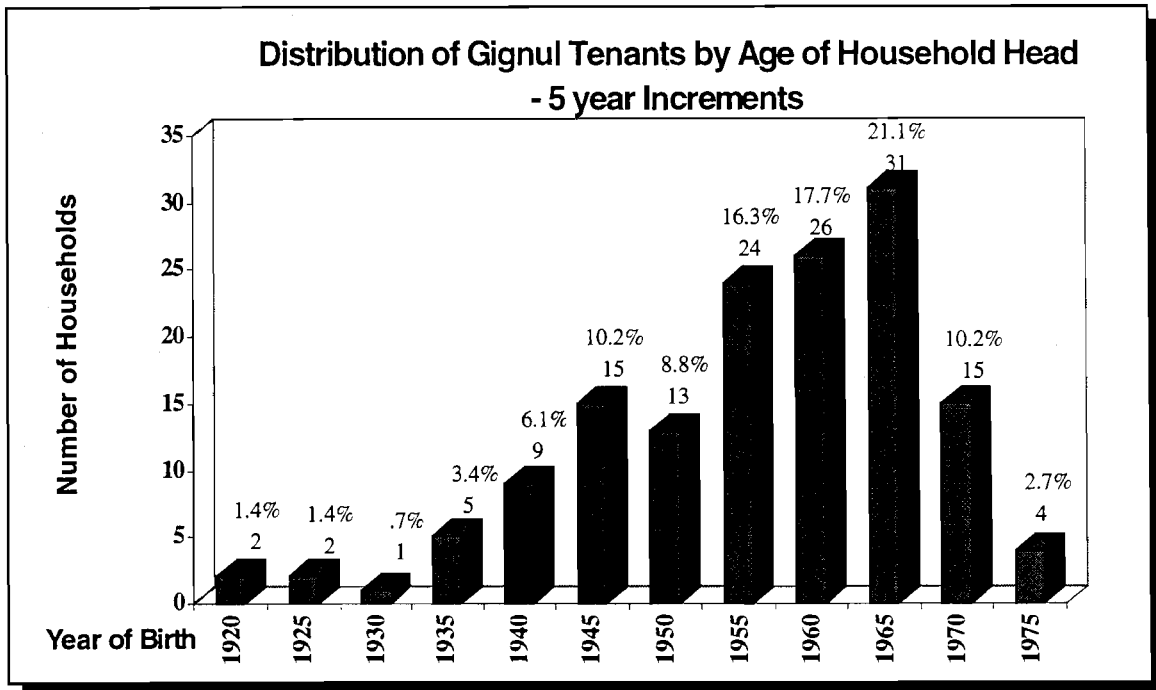
¹⁶ Urban Native Non-Profit Programs, Program Guidelines Objectives/Program Description, Summary #9.

* Unless indicated otherwise, the raw data source are Gignul Non-Profit Housing Corporation files. Calculations and Figures presented are those of the author.

** Percentages may not always equal 100% due to rounding.

The two components of the Gignul population combine to provide a total Aboriginal population of 2,340 or approximately 7.5% of the total Ottawa-Hull CMA population of 31,300. Figure 10 presents the year of birth of the household heads in five year increments meaning that the year of birth is as indicated or prior to the next increment. Data presented indicates that a high proportion of

Figure 10



Gignul household heads are in the age group associated with participation in the work force. This is consistent with Ottawa-Hull CMA statistics. Of the 147 household heads currently occupying Gignul units 109 or 75% are in the 25-44 age group. Just under 97% are between the ages of 20-60, while 5 household heads are 65+.

Figures 11 and 12 illustrate the similarities that exist between the two Gignul populations. Non-family persons dominate both population groups. Of the 147 Gignul housing units occupied, just over 31% are non-family persons. 42% of

Figure 11

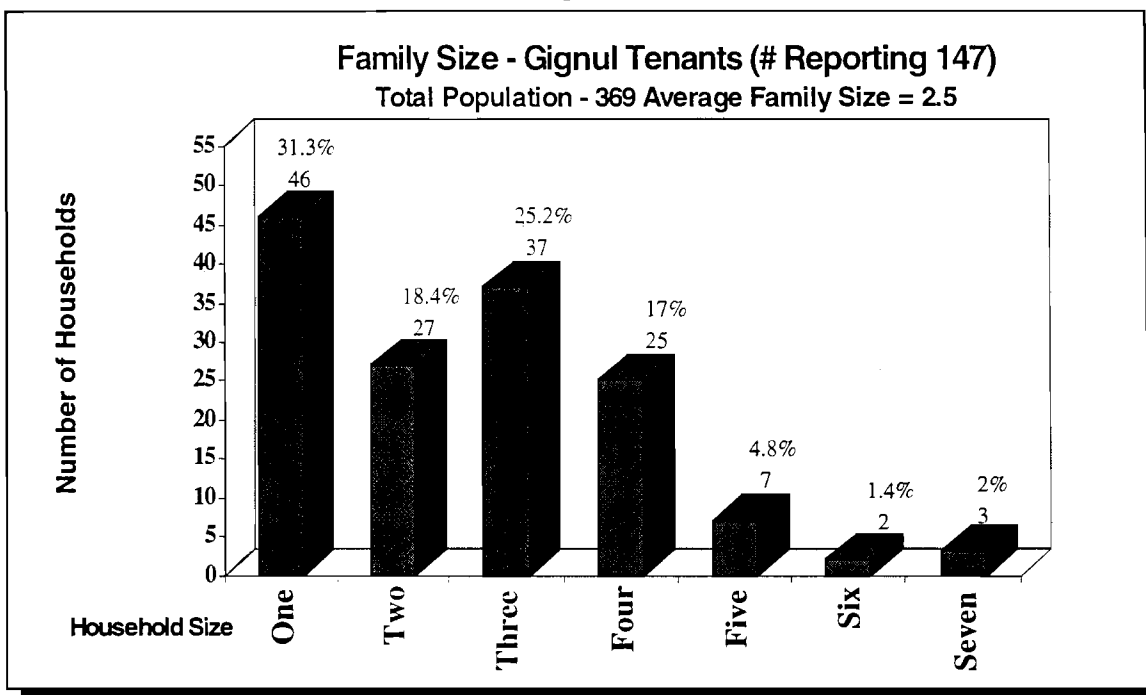
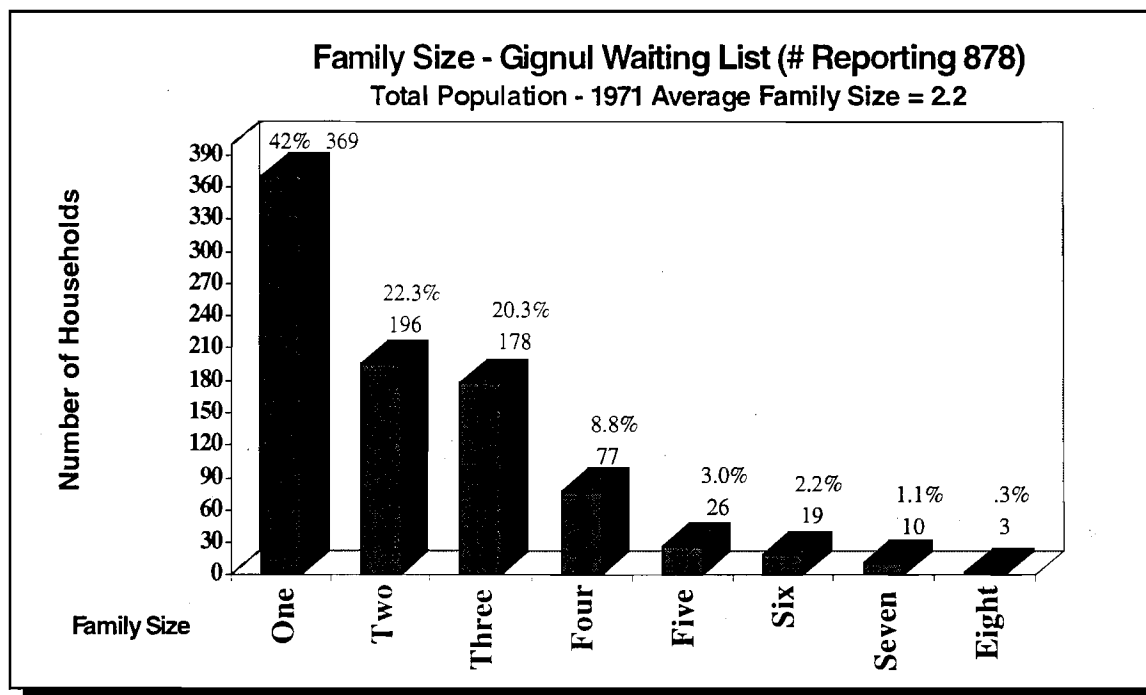


Figure 12



those on the Waiting List are single-person households. Families comprised of 3-5 persons occupy 47% of the Gignul units in comparison to the Waiting List, where they are under-represented at 32%. Figure 11 shows just over 18% of

Gignul tenant units were occupied by 2 person families. The percentage of households in both groups with 6 or more family members, are similar to data presented regarding the Ottawa-Hull CMA Aboriginal population.

Single females and single-parent females comprise the majority of Gignul tenants. As illustrated in Figure 13, of the family types occupying Gignul units just over 36% have single-parent female household levels, while 29 or approximately 20% are single females. Single parent males represent 2% of the Gignul tenant population of households. Single males comprise just under 12% of the Gignul population. 41 families and 4 couples occupy Gignul units.

Figure 13

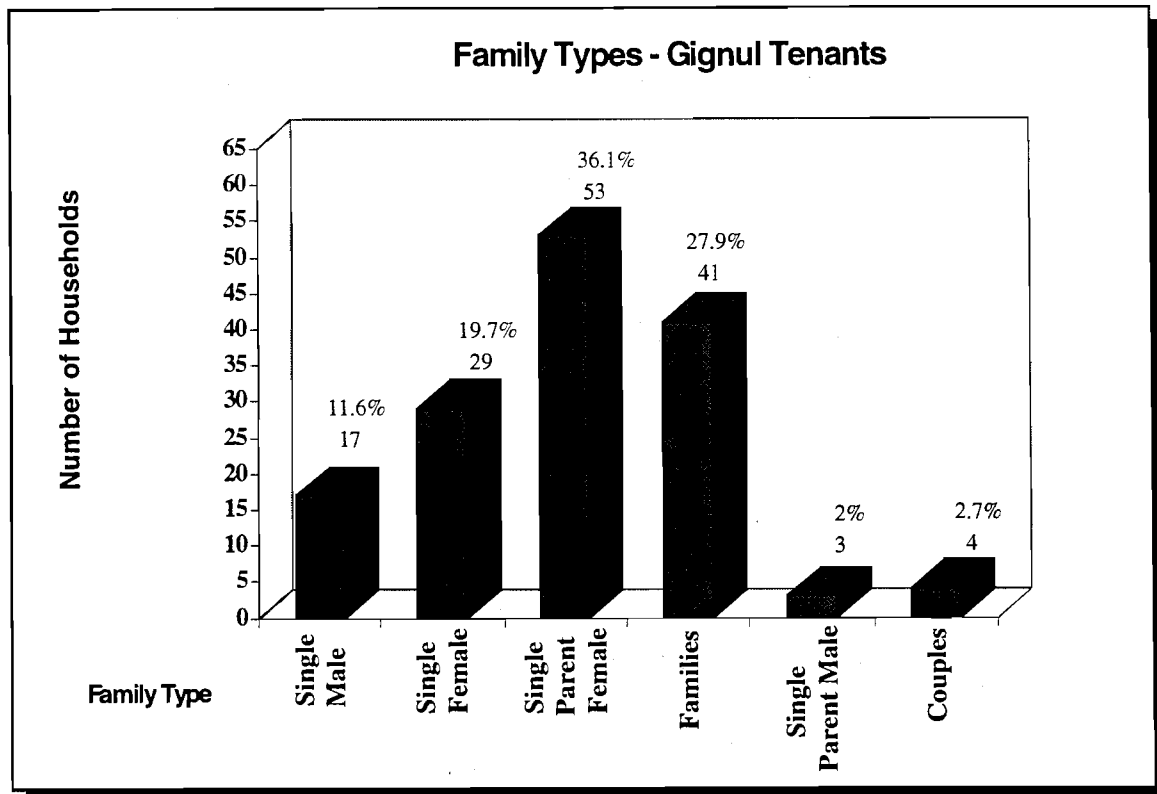
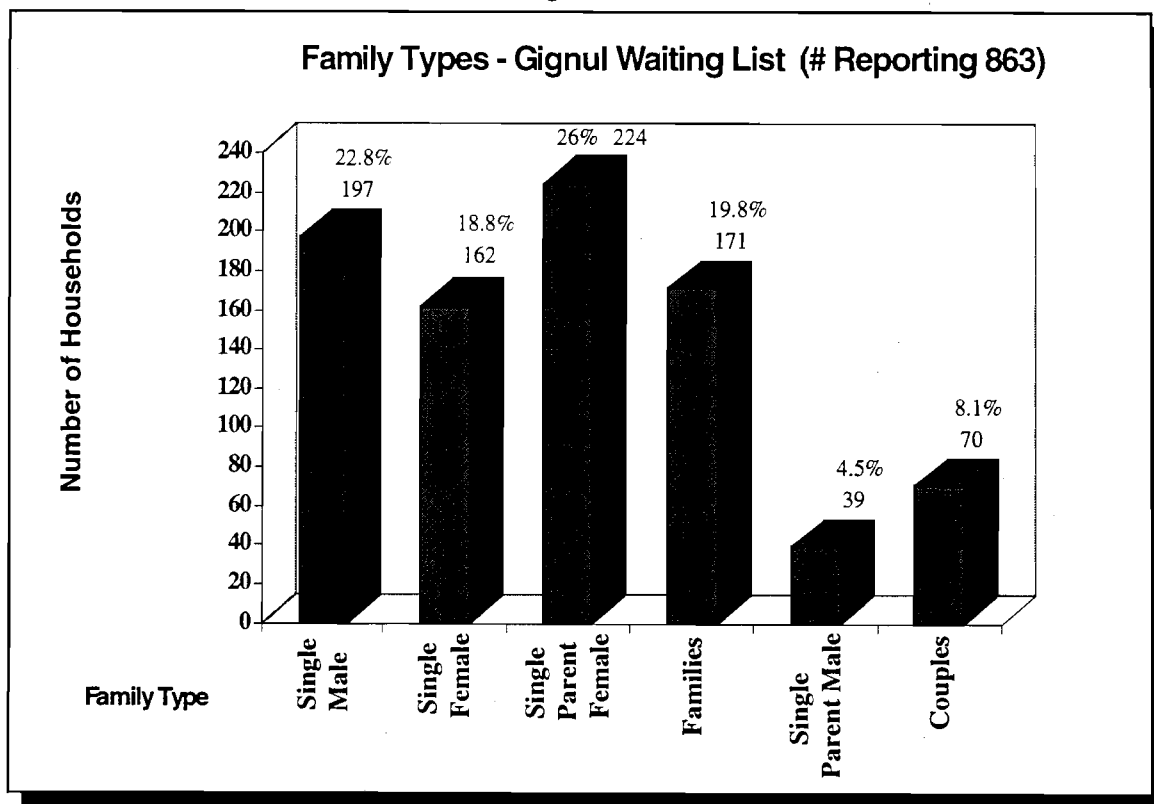


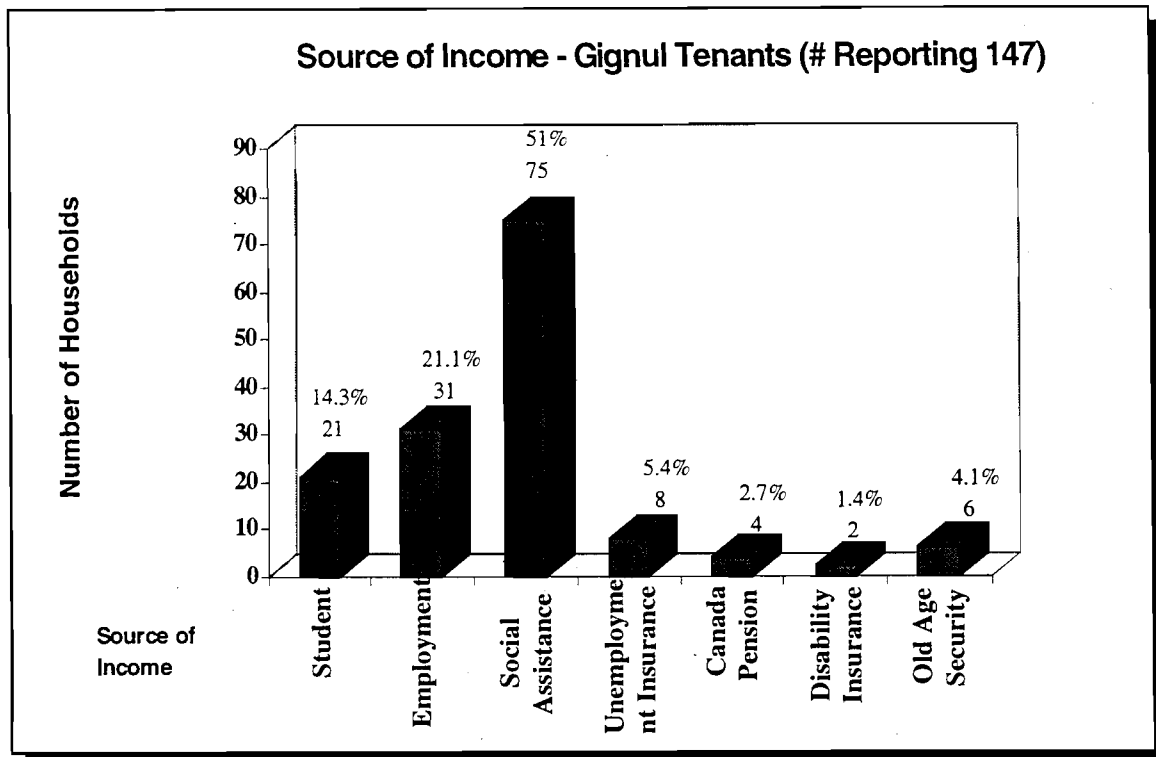
Figure 14 illustrates that Family types on the Gignul Waiting List are dominated by single male and female applicants. Single parent male and female family types are also represented in large numbers. Of the 863 families represented in Figure 14, just over 42% are non-family members. Single females and single parent female families represent approximately 45% of the total applicants. Families and couples comprise 27.9% of the Waiting List applicants. Just over 30% of the applicants are single female and male parent families.

Figure 14



Government transfer payments and student loans and grants are the major sources of income for Gignul tenants. Figure 15 shows that of the 147 households occupying Gignul units, just over 50% or 75 households rely on social assistance as a primary source of income.

Figure 15

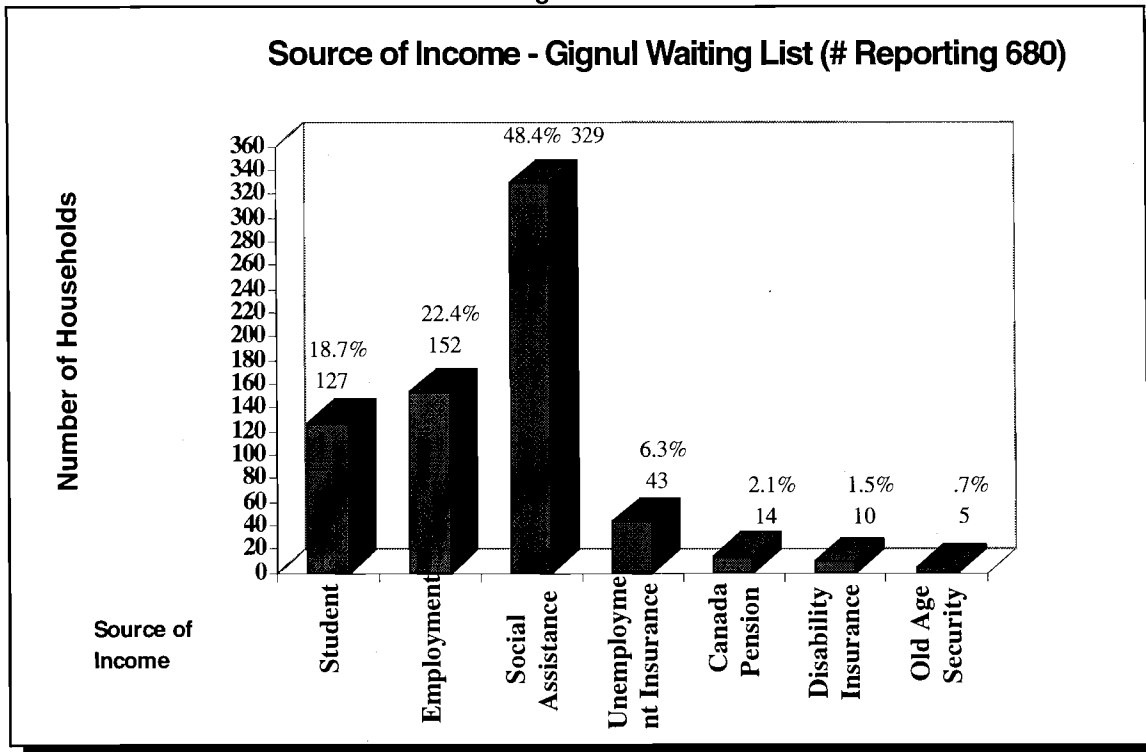


Employment is the source of income for 31 households. Canada pension, Old Age Security and disability insurance are major sources of income for 13.6% of Gignul tenants. Just over 14% of households rely on some form of student assistance as the major source of income.

The above contrasts sharply with Figure 7, in which two-thirds of the Aboriginal and non-Aboriginal populations report wages and salaries as the major source of income.

Source of income, Gignul Waiting List as represented in Figure 16, indicates that similarly to current Gignul tenants, Aboriginal households applying for housing to Gignul, rely mainly on Government Transfer Payments as the major source of income. Of the households reporting, 329 or approximately 48% of households report Social Assistance as the major source of income.

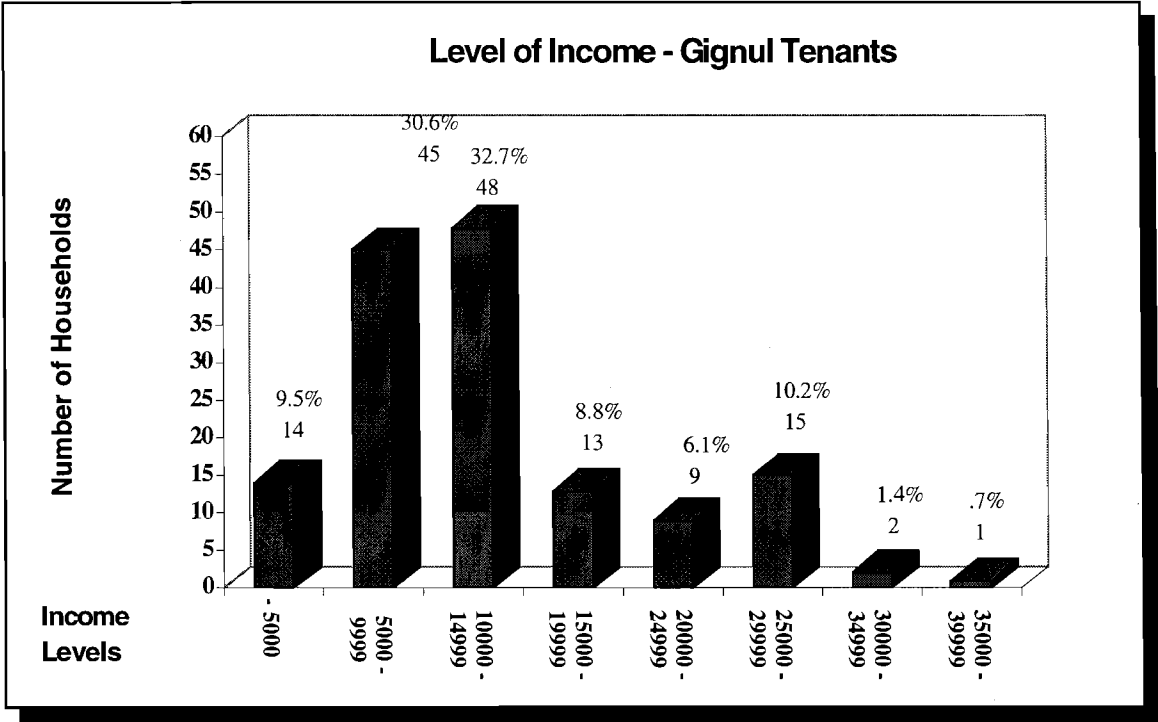
Figure 16



Just over 22% of households reporting identified employment as the primary source of income. Pension, Old Age Security and Disability Insurance are the major source of income for 4.3% of those reporting. Student loans, bursaries and grants account for the income of 127 or 18.7% of those on the Waiting List.

Figure 17, Income Levels - Gignul Tenants illustrates that income levels reported range from less than \$5,000 to \$40,000 per household. Households with incomes of less than \$15,000 are dominant. Of the 147 households occupying Gignul housing units 73% have total family incomes of less than \$15,000. Just over 99% of total tenant households have family incomes of less than \$35,000. Incomes of \$5,000 or less are reported by 14 or 9.5% of Gignul households.

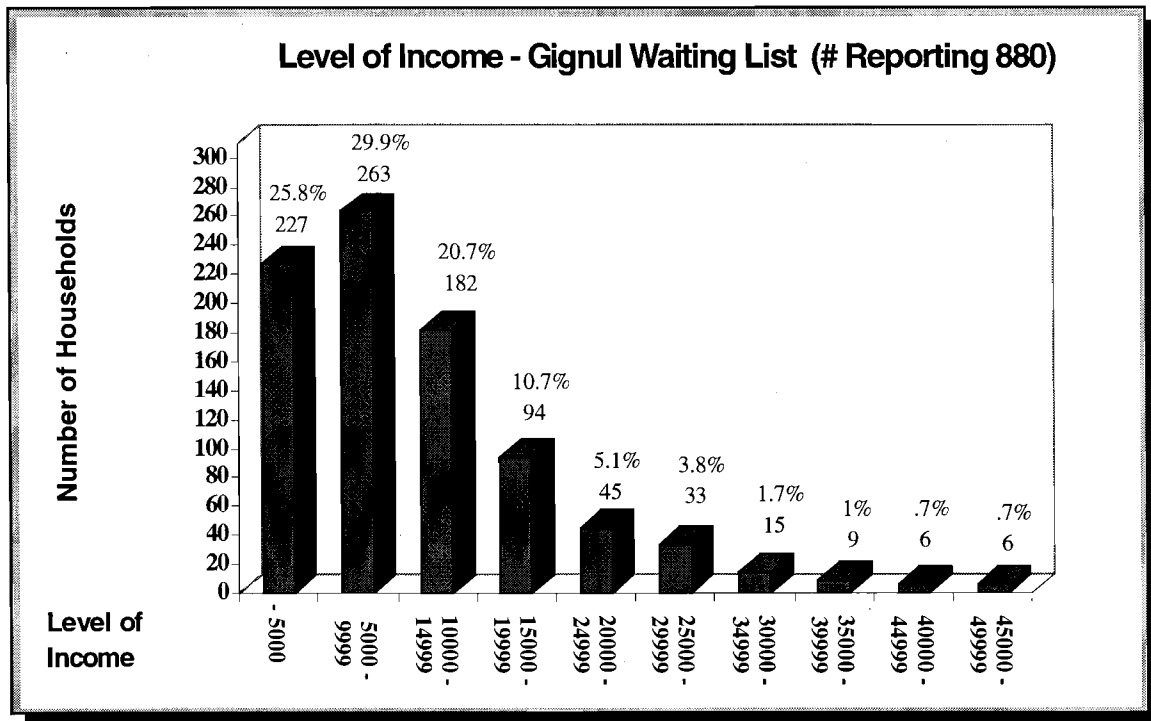
Figure 17



Income levels of Gignul tenants differ markedly from Aboriginal and non-Aboriginal families reporting income in Figure 10. Over half of Aboriginal persons had family incomes over \$50,000 compared to 62% of non-Aboriginal families. 17% of Aboriginal families illustrated in Figure 10 have incomes of less than \$25,000 compared to 88% of Gignul tenants represented in Figure 17.

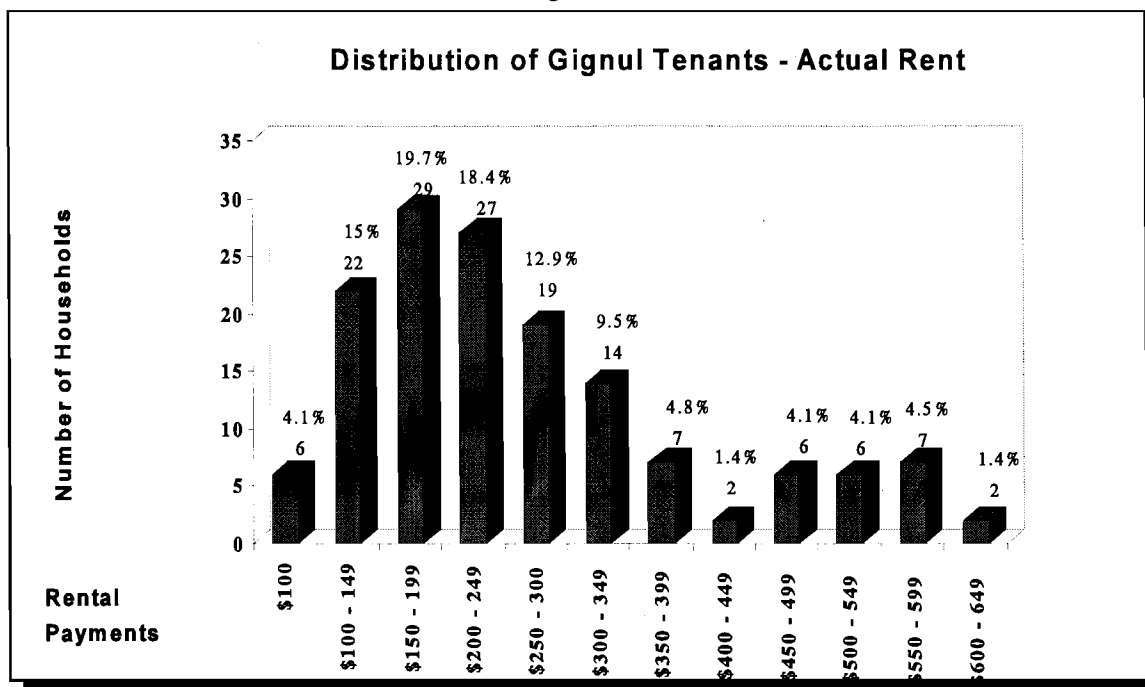
The level of income reported by households on the Gignul Waiting List, Figure 18, compares similarly to that of the Gignul tenants. Of the 880 applicants reporting income, 96.4% of households have incomes of less than \$35,000. 672 households or 76.4% report incomes of less than \$15,000 and just under 26% have incomes of less than \$5,000.

Figure 18



The nature of the Urban Native Housing Program and Gignul Non-Profit Housing Corporation's mandate automatically suggest that rents paid by Gignul tenants will be less than market rents for the region. Rents paid by Gignul tenant households range between \$100 - \$650 monthly. Figure 19 shows that of the 147 households comprising Gignul's tenant population, the majority of Gignul tenants, 79.6%, pay less than \$350 per month for rent. Just over 6% pay \$500 or more per month.

Figure 19



The above tables present a population similar to national Aboriginal demographic, economic, and social characteristics. As discussed earlier the Ottawa-Hull region is unique among CMA's due largely to its "raison d'être". Comments regarding the general Aboriginal population inhabiting the Ottawa-Hull CMA have also pointed out the somewhat uniqueness of its "uniqueness" in comparison to the National Aboriginal Population. The households represented in the Figures above portray a sharp contrast to the overall Ottawa-Hull Aboriginal and non-Aboriginal population. Over one-half of the Aboriginal persons reporting income in 1991 had family incomes over \$50,000 compared to 0% for Gignul Tenants and Waiting List. 88% of Gignul tenants and 95% of households on the Waiting List had reported income of less than \$25,000. A significant proportion of Gignul households have incomes below \$5,000 - 9.5%. Just over 99% of Gignul tenant households have family incomes of less than \$35,000, which is below the 30th percentile when relating to income in the Ottawa-Carleton Region. The discussion and table that follow (Market Rent) indicate the problems associated with developing options for assisting Aboriginal households to access home ownership.

The large student population identified in the above indicates that there is a large requirement for student housing. Successfully addressing the student population

needs for low-income accommodation would free up Gignul units for use by other segments of the Aboriginal population.

The table that follows provides a comparison of market rent by area in the Ottawa-CMHC District and affordability regarding both Gignul tenants and applicants. For discussion purposes average rent paid for a two-bedroom row house is used. Rents range from \$652 - \$838 monthly within the region. The number and percentage of households in each group are presented opposite the average market rents paid. Maximum affordability exist in zone 2, Sandy Hill and Lowertown. Three Gignul tenant households and 60 Gignul Waiting List households can afford to pay market rents in this area of Ottawa. In assessing ability to pay market rent at the Ottawa area level of \$739 monthly, one current Gignul Tenant and 36 household in the Gignul Waiting List can afford to pay market rent.

Comparison: Market Rent by Area - CMHC - Ottawa and Affordability - Gignul Tenants and Waiting List¹⁷

Area	Households by Area: Gignul Tenants	Households by Area: Gignul Waiting List	Average Market Rents 2 Bedroom Row House ¹⁸	Ability to Pay Market Rents Gignul Tenants		Ability to Pay Market Rents Gignul Waiting List	
				# of Households	Percentage	# of Households	Percentage
Ottawa - CMHC	147	880	\$739	1	.7%	36	4.1%
Zone 1	2	N/A	\$673	3	2%	69	7.8%
2	65	N/A	\$652	3	2%	69	7.8%
3	--	N/A	\$838	--	--	21	2.4%
4	9	N/A	\$715	1	.7%	36	4.1%
5	--	N/A	\$756	1	.7%	36	4.1%
6	61	N/A	\$739	1	.7%	36	4.1%
7	--	N/A	* 0	--	--	--	--
8	8	N/A	\$749	1	.7%	36	4.1%

Table 3

Market rents for all sizes of units in Ottawa-Carleton CMA averaged \$659 in comparison to \$508 monthly in Hull CMA.¹⁹ In comparing economic rent paid by Gignul tenants, none can afford to pay market rents in Ottawa-Carleton and approximately 13 or less than 10% could afford to pay market rent in the Hull CMA average. Assuming a rent-geared to income ratio of 25% when assessing ability to pay rent, households required an annual income of approximately

¹⁷ Source: Rental Market Report: CMHC, Ottawa - Fall 1995.

¹⁸ Row House: a group oriented rental dwelling attached to two or more similar units so that the resulting row structures contains three or more units.

* Data unavailable

¹⁹ CMHC, Rental Market Survey, Oct. 1994.

\$32,000 in Ottawa-Carleton and an annual income of \$24,500 in the Hull CMA in order to afford to pay market rents.

On the basis of information provided in Figure 18, Level of Income-Gignul Waiting List, the number of households with ability to pay markets rents in the Ottawa-Carleton Region and the Hull CMA would amount to approximately 28 (3%) and 69 (8%) respectively.

The income levels of both the current Gignul tenants and households desiring to acquire Gignul units are low in comparison to both the Aboriginal and non-Aboriginal persons reporting income in the 1991 census. Figure 8 illustrates that approximately 83% of the Aboriginal population could afford the average market rents in the Hull CMA. An estimated 65%²⁰ of Aboriginal families reporting income can afford the average rents levied in the Ottawa-Carleton.

Previous Figures depicting the income levels, of Gignul tenants and Waiting list, show that incomes range from less than \$5,000 to \$50,000. The following table estimates the affordable home purchase price range at selected income levels. Households with income levels below \$5,000 and over \$35,000 are not included. Two Gross Debt Servicing ratios are presented (25% and 30%). The price ranges shown reflect the effect of using the two ratios. For low-income families living in the Ottawa region, the 25% GDS ratio more accurately represents ability to service a mortgage. The selected income levels used represent the median in each income category used in the previous Figures.

Affordable Home Purchase Price Range: Gignul Tenants Selected Down payment Variables

Basic Assumptions: Interest Rate = 8% Amortization Period = 25 years

Annual Income	Monthly Income	Monthly Mortgage Payments GDS = 25%	Monthly Mortgage Payments GDS = 30%	Price Range 0% Down payment	Price Range 5% Down payment	Price Range 10% Down payment	Price Range 25% Down payment
\$5,000	\$417	\$104	\$125	\$13,500 - \$16,500	\$14,210 - \$17,370	\$15,000 - \$18,333	\$18,000 - \$22,000
\$7,500	\$625	\$156	\$188	\$20,000 - \$24,000	\$21,052 - \$25,263	\$22,232 - \$26,667	\$26,667 - \$32,000
\$12,500	\$1,042	\$261	\$313	\$34,000 - \$41,000	\$33,740 - \$42,105	\$35,556 - \$44,444	\$45,333 - \$54,667
\$17,500	\$1,458	\$365	\$437	\$47,500 - \$57,000	\$50,000 - \$60,000	\$52,778 - \$63,333	\$63,333 - \$76,000
\$22,500	\$1,875	\$469	\$563	\$61,500 - \$74,000	\$64,737 - \$77,845	\$68,333 - \$82,222	\$82,000 - \$98,667
\$27,500	\$2,292	\$573	\$688	\$75,000 - \$90,000	\$78,950 - \$94,737	\$83,333 - \$100,000	\$100,000 - \$120,000
\$32,500	\$2,708	\$677	\$812	\$88,500 - \$106,000	\$93,158 - \$111,579	\$98,333 - \$117,778	\$118,000 - \$141,333
\$35,000	\$3,175	\$781	\$938	\$102,500 - \$122,000	\$107,895 - \$128,421	\$113,889 - \$135,555	\$136,667 - \$162,667

Source: Author's calculations
(Taxes and heat are not included)

Table 4

²⁰ Figure 8, page 21 (Median range is assumed)

The above table reflects the impact on affordability when various down payment variables are assumed. The impact of the two different GDS ratios is also illustrated. Focusing upon the effect that the two sets of variables have in determining the affordable price range for a household when an income of \$22,500, the table indicates the range will vary by approximately \$37,000, depending upon GDS ratio utilized and the down payment variable applied (\$61,000 - \$98,667). When gross annual income is increased by \$5,000 to \$27,500 the range becomes \$75,000 to \$120,000 when using the same variables. Each \$5,000 increment in annual gross income results in an increase of affordability by approximately \$13,500 assuming GDS = 25%. When a GDS ratio of 30% is factored into the formula, affordability increases by approximately \$15,000. The down payment variable has greater impact as the house price increases. Assuming a 10% down payment is available a family with an income of \$12,500 can afford to purchase a house priced in the \$35,000 to \$44,000 range depending upon the GDS ratio used. When zero down payment is available the price range decreases to \$34,000 - \$41,000.

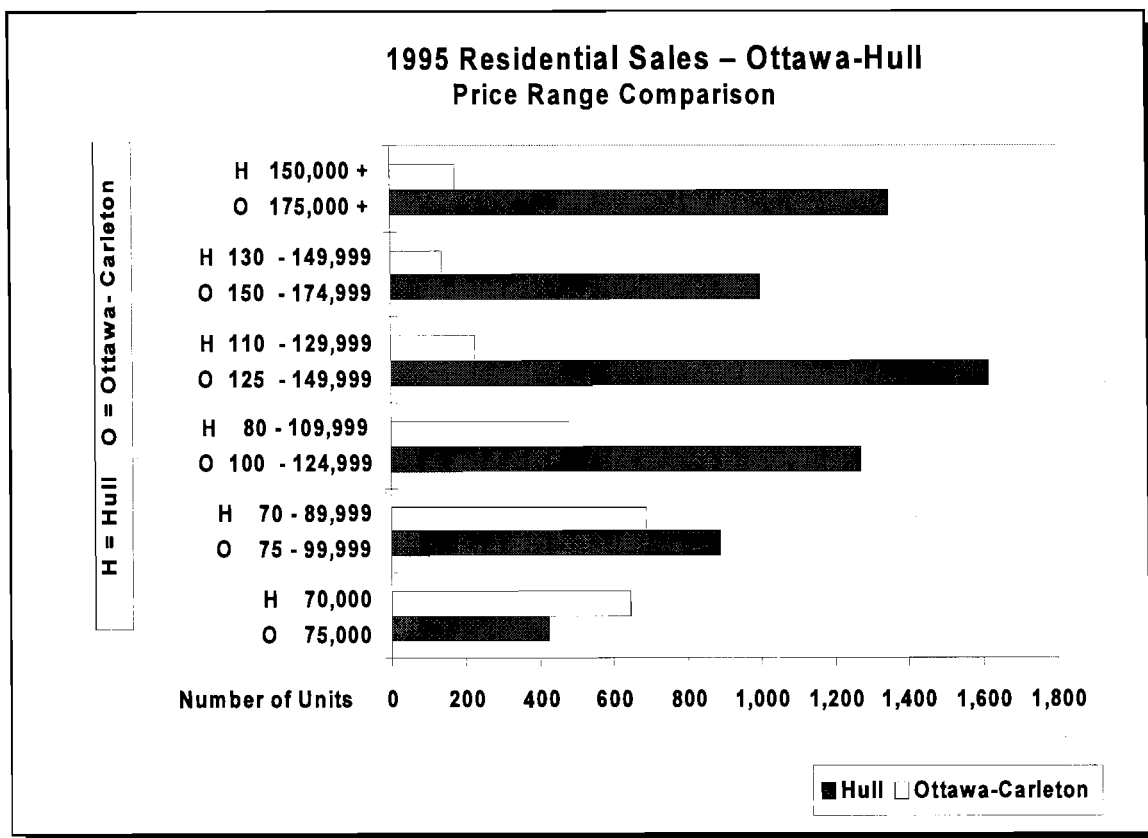
Information illustrated in Figure 17 - Level of Income - Gignul tenants shows that in order for 73% of the households to access home ownership, homes have to be purchased for \$34,000 or less, assuming zero down payment and a GDS ratio of 25%. Assuming a GDS ratio of 30% and a down payment of 25%, affordability level increases to approximately \$53,000. Housing priced above this level is affordable on a diminishing basis as reflected in the above table.

Homes priced above \$75,000 are affordable to households with incomes of \$27,500, depending upon the variables utilized. Figure 17 indicates that 18 tenants (13%) can afford housing priced in excess of \$74,000, assuming zero down payment and a GDS ratio of 30%.

As stated earlier, the mandate of the Urban Native Housing Program is to provide adequate housing to Aboriginal households of low-income. The economic characteristics of the Gignul tenant and Waiting List population portray the levels of income that qualify them as recipients of the benefits of the program. In addition, the economic characteristics exhibited by the population underline the need for the Urban Native Housing Program and Social Housing in general. Winding down the Social Housing Program does not wind down the need.

When addressing the issues of affordability and accessibility, the question of availability is a necessary part of the discussion. Figure 20 provides the 1995 residential sales in both Ottawa-Carleton and the Hull CMHC District. Although the Figure depicts different ranges in reference to pricing, the graph provides a useful tool by indicating price range and volume of sales in the indicated categories and is appropriate for discussion purposes.

Figure 20



In the Hull CMHC District, the average sale price of residential dwellings was approximately \$90,000 in comparison to the Ottawa-Carleton average of \$143,000. A difference of approximately \$53,000. Using the above averages, theoretically, 50% of residential single family dwellings sold for less than \$90,000 and \$143,000 respectively.

The Annual income required to purchase the average resale house in the Ottawa-Carleton region is approximately \$45,000. Purchase of an average resale house in the Hull CMA would require an approximate income of \$29,000. Reviewing data presented regarding newly completed singles and semi-detached units, sales prices average approximately \$212,000 and \$115,000, in the Ottawa-Carleton and Hull, CMA, or \$107,000 less on average in the Hull CMA. Annual Income required to purchase new single-family homes in Ottawa-Carleton is approximately \$67,800, to purchase a similar new home in the Hull CMA an annual income of \$37,000 is required.

Approximately 67% of residential units in the Hull CMHC District sold for less than \$100,000 while in Ottawa-Carleton, approximately 20% of residential units sold for less than \$100,000. 644 units or 27.3% of residential units sold in Hull (CMA) for less than \$70,000, in comparison to 424 units or 6.5% of total sales in Ottawa-Carleton sold for less than \$75,000. A review of the Ottawa-Carleton Real Estates Board MLS's for the recent half of February indicates that of the nearly 8,000 properties listed, approximately 40 single family 2-3 or 4 bedroom homes, all classes-except apartments, are listed for \$70,000 or less, while 625 or

less than 8% of the properties in the same categories are listed at prices of less than \$100,000. When identifying the location of selected lower priced properties, the majority are in the outlying areas, adjacent to Ottawa-Carleton proper. (No effort has been made to determine the condition of the lower priced dwellings, therefore no judgement is provided regarding their adequacy).

Assuming GDS=32%, households with annual gross incomes of \$22,400 can afford to service mortgages of \$70,000. An annual gross income of \$24,000 is required to service a mortgage of \$75,000.

On the basis of the information presented above, it is apparent that there are homes that can be purchased within the affordable range of households with gross annual incomes of less than \$30,000. The "up-front-costs", normally associated with home ownership, present a barrier to most low and moderate income families.

Based on the data presented above and relating it to the incomes of the Gignul Tenants, Gignul tenants are not in a position to access home ownership by purchase the average new or resale single-family unit in the Ottawa-Carleton CMA. Aboriginal households identified on the Gignul Waiting List fair somewhat better. Income Levels - Gignul Waiting List indicates that approximately 21 Aboriginal Households can afford to purchase the average new single-family dwelling in the Hull CMA, while approximately 36 households can afford to purchase the average existing home offered for sale. The above figures presented indicate that regardless of the down payment required, the averaged priced existing home in Ottawa-Carleton CMA is inaccessible to all Gignul Tenants unless some form of deep subsidy is provided. In the Hull CMA, the scenario presented is similar, although less severe. Focusing attention on the lowest priced existing units offered for sale increases accessibility to some degree but still presents a formidable obstacle for the largest percentage of Aboriginal households occupying Gignul Social Housing units.

In reviewing the basic Hull CMA data presented regarding housing availability and price ranges and incomes of Gignul tenants and Waiting List, it is apparent that the Hull area provides obvious opportunities for accessing home ownership that are unavailable or limited in the Ottawa-Carleton Region. Off-setting the apparent home ownership opportunities is the uncertainty of Quebec's continuing relationship with the rest of Canada. In addition, relations between Aboriginal organizations and the Quebec Provincial Government are highly politicized and volatile. Further research on this specific question would need to be done prior to initiating housing programs designed to assist Aboriginal households to access home ownership in the Hull CMA.

Prior to discussion of options that may be appropriate mechanisms for assisting Aboriginal households to access home ownership, the following section discusses the concept of affordability and places the concept in a Ottawa-Hull setting.

Section IV: Affordability

The concept of affordability is one with which we are all familiar. At a young age, the majority of members of our society are confronted with decision-making based on the funds at our disposal in relation to our individual wants and needs. The introduction of lending or borrowing begins early in life. Children at a young age witness or are directly involved in transactions that involve borrowing and lending or obtaining advances on credit (e.g. allowance). The ability to “afford” an item becomes part of our vocabulary at a young age. We become involved in discerning the difference between “wants” and “needs” at an equally early age. Members of our society soon begin to understand that material wants and needs are usually defined on the basis of available funds and access to credit. Wants and needs become defined by external forces outside the immediate self or family. Similar to individual wants and needs, definitions by external individual and agencies change with time. Changes often occur on the basis of additional information being provided or the desire of individuals or society to reduce perceived inadequacy or inappropriateness of existing definitives. Redefinition of criteria regarding wants and needs also occurs when individuals wish to limit or expand perceived inequities that exist within themselves and the society in which they live. Society, in turn, reacts similarly.

For example, adjusting a societal definition of adequate housing will either expand or contract a real or perceived problem. Adjusting the criteria does not change the immediate reality of a situation, but results in a change in the manner in which a reality is perceived by both the individual and society.

In an effort to provide terms with definitions that can be related to by a broad spectrum of society it is necessary to develop quantitative measuring sticks and terminology. Qualitative terms, requiring or allowing for subjective references and judgements, are usually not included when attempting to define adequate or affordable housing.

Canada has developed a federal housing policy founded in the principal that all Canadians should have access to decent and adequate shelter at a level of payment that is affordable within their means. The Canada Mortgage and Housing Corporation is instrumental in developing and delivering programs designed to achieve the above principle.

“Affordability normally involved a relationship between costs and incomes. In the case of housing, it generally describes a relationship between housing costs – mortgage payments, rents, utilities and household income.”²¹

²¹ Housing Access and Affordability Overview Report.
CMHC, May 1994.

The term household income is more often used when determining access to specific government programs, depth of social subsidy, social assistance, and income support. Income for the purpose of determining access to some CMHC support programs, means total income from all sources, for all persons in the household 15 years of age and over. In other circumstances the incomes of the household head and spouse are used.

Most definitions of affordability in relation to housing incorporate a shelter-to-cost-to-income ratio. Depending upon the program, agency, or analyst, the ratio will range from 25% to 32%. The 25% rent-geared-to-income ratio is used when determining the accessibility of households to social housing units. CMHC and lenders use a Gross Debt Servicing (GDS) ratio when assessing a prospective home owner's ability to service a mortgage. The GDS ratio determines affordability by relating a household's gross monthly income to monthly occupancy costs of a home, including property taxes, heating costs and the monthly costs of servicing a mortgage. While the acceptance ratio may vary from lender to lender, 32% of gross household income has been accepted as a "rule of thumb" when determining affordability.

CMHC introduced its affordability indicator for houses in the main urban centres initiatives Canada, in 1990. CMHC's Affordability indicator is calculated based on the average sale price for existing houses in the whole CMA. Gross income required is equated to the ability to service a mortgage which corresponds to 95% of the average price.

Assessing housing affordability as 32% of GDS disregards the variations among households at which housing costs become a burden. Mazikams suggests that the concept of "horizontal equity" or the income remaining after essential expenditures (food, shelter, etc.) should be similar for all households.²² He found that a variable shelter-to-income ratio was more appropriate for measuring the effect of housing costs for households of different sizes.

Regardless of overall appropriateness, the concept of 32% of GDS has become accepted as a basic standard in determining affordability.

CMHC also bases its affordability measures on the number of renter households who can afford to buy a starter home. In the Ottawa-Carleton Regional Municipality affordable rental housing was defined as costing up to \$830 monthly in 1994. For home owner ship, assuming the GDS ratio equals 32%, this means a house price of approximately \$100,000 based on an interest rate of 8%, 25 year amortization loan, five percent down payment and property tax equal to 1.5% of the purchase price.

²² Mazikams, B. Assessment of a variable shelter cost-to-income measure of affordability. Ottawa CMHC 1992.

The affordable housing policy in the Ottawa-Carleton Region “requires that one-half of the affordable housing be affordable to households in the lowest 30th income percentile ...”²³ “ In the Region, this means an income of just under \$36,000 (\$35,819).”²⁴

Based on current income levels of existing tenants in Gignul Non-Profit Housing units (Figure 17, page 33), one household would have access to affordable housing on the basis of Ottawa-Carleton affordable housing criteria. 2.4% or 15 households on the Gignul Waiting List would have access, using the same definition of affordability.

When the ratio exceeds the 32% threshold, households are said to have an “affordability problem”. For purposes of discussion the 32% Gross Debt Servicing ratio is used in this study.

Accessibility and Affordability

Various levels of government, their agencies, lenders, developers and a wide variety of housing groups are attempting to find ways and means of accomplishing the above. Developing strategies and initiatives to reduce the costs of housing and money, increase the income of low-income households, and/or modify the product presents a complex challenge. The sections that follow propose actions by which Aboriginal households could be assisted to access home ownership without ongoing subsidy assistance from the Federal Government.

In the sections above, some earlier and current government applicable initiatives and programs have been discussed. Most of these programs, for example the social housing program, have been designed to provide adequate housing, rather than promote home ownership. During the years following the Second World War, the Federal Government, through CMHC, has mounted strategic interventions in an effort to promote home ownership. These initiatives have been primarily driven by economic factors rather than social factors. Few attempts have been made to combine economic and social concerns when addressing the question of home ownership. Social considerations have taken a back seat to economic factors. The Assisted Home Ownership Program (AHOP) developed in the 1970's perhaps came closest to a program that effectively addressed both economic and social needs. Regarded by many as being too expensive, largely due to what was considered a high default ratio (approximately 11%), AHOP created an additional 161,000 single-family dwellings to Canada's permanent housing stock. Low and moderate income

²³ 1994 Annual Housing Review, Regional Municipality of Ottawa-Carleton, Planning and Property Dep't 1995.

²⁴ Workshop on Alternative Approaches To Developing Affordable Housing, Summary of Proceedings, November 1995.

families were able to access home ownership, particularly when federal and provincial programs were combined.

While few CMHC programs designed to promote home ownership were of demonstrable benefit to low and middle-income families, some of the concepts incorporated in the programs can be utilised when designing strategies to assist lower-income Aboriginal families to access homeownership.

The objective of this paper is to “Overcome Barriers for Aboriginal Home Ownership”. It is doubtful that a program or series of programs could be developed to provide all low-income families with the opportunity to access home ownership. There are limits in terms of real feasibility. Federal and Provincial governments are continuing to erode the “social safety net”. In Ontario, the provincial government recently cut social assistance by approximately 22%. The overall ramifications and net effect on the standard of living for those affected by the government “cut backs” have yet to be fully determined. One fact remains apparent, families with incomes of less than \$25,000 in the Ottawa-Hull CMA have too few resources to afford to purchase homes unless methods of providing deep subsidies are developed. Families with incomes in the \$25,000 - \$30,000 range may have access to the low priced range of existing homes, provided the various levels of governments and their respective agencies are prepared to act in concert in developing and accepting innovative ways of providing access to home ownership.

As discussed above, affordability is directly related to cost and income. When discussing mortgages, security of income becomes an equally important factor. CMHC Mortgage Loan Insurance and the increased level of coverage, addresses this problem to some degree, but as was discussed above, young middle-income households will be the primary benefactors of this program change. The required down payment and “up-front” costs remains as a major barrier for households with low and moderate income levels.

Section V: Increasing Affordability – Removing Barriers

CMHC recently funded a report entitled - *Housing Access and Affordability – Overview Report*²⁵ The report summarized the studies that were carried out by a number of consultants on Housing Accessibility and Affordability. In summarizing the various studies “The housing finance components of mortgage costs was treated under the heading “housing accessibility” while the housing price components of mortgage costs was considered under the heading “housing affordability”.²⁶ The research conducted “did not include analysis of the income scale of the housing affordability equation”.²⁷

The objective of the report was to summarize the purpose, scope, main findings, and conclusions of research commissioned by CMHC on Housing Accessibility and Affordability. Rather than attempt to summarize the findings, the reader is referred to the above report.

Factors that affect accessibility and affordability in relation to home ownership include house prices, household income, down payment and “up-front” costs, the cost of borrowing, and on-going housing expenses, that may range from paying utilities bills to normal maintenance of the home and property.

In attempting to access home ownership, low and moderate income households are confronted with financial barriers and affording the additional cash costs associated with closing. These financial problems are not confined to these income groups. The recent stagnant housing market in the Ottawa-Carleton Region has resulted in most sectors that play a role in the housing market working, often in concert, to develop new, different, and at times, innovative ways to increase accessibility to home ownership.

A wide variety of “home ownership made easier” programs are being tested by developers, builders and mortgage companies and other lenders. They include several versions of rent-to-own and no-down payment plans. Many plans involve mortgage rate buy-downs, or discounted mortgages, where builders and their backers or mortgage companies arrange attractive financing for short periods. Most of the programs being promoted involve utilizing CMHC’s Mortgage Loan Insurance program at the 95% level. The level of risk incurred by lenders is limited. The primary benefactors of programs of this nature are average and above average income households who are able to access homes in the moderate to higher (\$125,000) price range. Programs and plans of the above nature have increased accessibility to home ownership by lowering, removing, or deferring down payment and additional cash-costs associated with “closing”. Variations and/or combinations of the above concepts can increase accessibility for lower and moderate-income households.

²⁵ CMHC, May 1994, p.1

²⁶ See above

²⁷ See above

Various levels of governments, their agencies, lenders, and developers are giving considerable attention to ways of increasing access to home ownership. CMHC is promoting self-help housing and assessing the potential of existing units for conversions to multi-family housing. City governments are reassessing rules and regulation governing site development in traditional single-family dwellings. Costs associated with building codes and zoning restrictions are being reviewed. The city of London, Ontario held a “lot” lottery, providing access for 5 families to serviced lots. Ottawa is experimenting with Alternative Development Standards as a method for more efficient land use. Montreal is offering tax rebates of up to \$10,000 to home owners purchasing new homes or renovating existing units in the downtown core. Quebec City is offering a tax credit of 100% of the value added to existing residential units for 3 years. CMHC has funded a Montreal contractor to develop a Demonstration project involving an innovative starter home that can be expanded to accommodate additional family needs or create an accessory apartment for rent. The public-private partnership, CCPPPH, has become involved in supporting a wide varieties of initiatives focusing upon ways and means of increasing accessibility and affordability.

For greater detail on the above approaches and options, the reader is referred to the CMHC library and CCPPPH.

The sections that follow attempt to present options for assisting Aboriginal households to access home ownership that build upon, complement, or can be used in conjunction with some of the above. At this point in time all options and combinations of options should be explored.

Section VI: OPTIONS: Presentation and Analysis

The era of social programming initiated in the late 1960's and early 1970's is gradually being wound down. Terms such as devolution, "off-loading", "erosion of the social safety net", "fiscal responsibility", "privatizing" and many others of similar vain have become an important part of the Canadian vocabulary. Following an era of deficit financing, by most levels of government, combined with the realization that "made in Canada" fiscal and monetary policy cannot be a present reality have resulted in major changes in the manner in which social programming is being viewed. The World view of the Canadian dollar, World Stock Markets and Bond rating agencies have a greater impact on government's policy development and existing government programs, than the Canadian economic, social and cultural realities at the community level. "Short term pain for long term gain" is often the rationalization used in justifying cuts and expenditure shifts apparent in budgets developed and presented by the various levels of government. The necessity and appropriateness of the approaches being taken by governments in efforts to reduce discretionary spending, balance budgets, and address problems associated with long-term debt are not subjects for discussion in a study of this nature.

The above comments are presented for the purpose of focusing upon factors that are currently shaping government policy, programs, and initiatives.

Governments realize that most of the negative economic and social conditions prevalent in the 1960's and 1970's are still present. The fact that three million Canadians, or approximately 11% of the population are receiving social assistance benefits supports the need to re-assess the existing "social safety net" programs and the mechanisms designed for delivery. Previous Canadian governments have failed to develop programs that recognize the inherent linkages between economic development and social development. The search for new, different, and/or innovative ways in the development of programs and delivery mechanisms that will meet the needs of the economically and socially disadvantaged is driven by economic realities rather than a recognition of the fact that inappropriate or inadequately funded programs have failed to address the needs of the poor in a significant and lasting manner. Recent federal initiatives in the examination of the Social Safety Net set the stage for creative thinking to address these needs in a new way.

The positive side of the current political, economic, and social picture is that there appears to be a "political will" to find "new answers to old problems" providing they can become operational at a cost that places less strain on the public coffers.

Devolution of government programs, the corresponding budgets and decision-making ability that should accompany them, may result in an increased cost/benefit ratio being achieved.

The election of the current government, largely on the basis of commitment outlined in the "Redbook" created an air of optimism amongst Aboriginal

peoples. The “Redbook” recognized an increasing Aboriginal urban presence and the goal of government to work with urban Aboriginal peoples to develop programs and initiatives that recognize the linkages between economic and human development. The following three quotes from the “Redbook” outline this commitment:

When referring to Off-Reserve Community Development the “Redbook” states:

(government will) ...”ensure that community development resources are better extended to Metis and other off-reserve Indian institutions in urban areas with particular focus on small businesses, economic planning, housing, human resource development (employment and training) and comprehensive community planning.”

The following quote further reinforces the same concept and recognizes the need for a partnership approach:

“A Liberal government, in partnership with Aboriginal peoples, will work towards improving their economic and social conditions. Aboriginal controlled community enterprise and effective community development institutions will be supported as the main engines of economic growth for Aboriginal peoples.”

The third quote refers to urban Aboriginal development and institutions and the provision of government support:

“... will build upon the rational of urban Aboriginal institutions and will support community controlled institutions.”

The three quotes from the government “Redbook” contain the following important commitments and recognitions:

1. The government recognizes the necessary linkage between economic and human development.
2. The government recognizes the importance of a partnership approach to problem solving.
3. The government recognizes the need for Aboriginal control in the development of programs and operation of mechanisms designed to meet these needs.
4. The government commits to building upon and supporting community controlled institutions. Government support can be in various ways, not necessarily a funding commitment.

-
5. The government recognizes that the provision of adequate housing is linked with economic development, small businesses, human resource development, and community development.

Inherent in the above commitments is the recognition that increased independence and self-reliance are a desired result of a government-Aboriginal partnership. The role of government and its agencies is to facilitate their growth, rather than impede or take a passive role in these developments. In an effort to create an environment conducive to the development of independence and self-reliance, program funding criteria of various government departments have been changed to facilitate access to economic development funding. Developing home ownership scenarios that incorporate strong economic development and community development linkages will accomplish goals that exceed the initial goals of overcoming barriers for Aboriginal home ownership. Although the various options presented in the following sections do not always provide specific reference to economic community and human development it is assumed, that where feasible, they are automatically included as factors for consideration in the development of any of the following options.

Affordability

In discussion of methods to overcome barriers for Aboriginal home ownership and focusing specifically on the current Gignul tenants and the Gignul Waiting List (Figures 17 and 18), the issue comes down to affordability given the household incomes and the nature of the Ottawa-Hull housing market. Assuming that Canada's commitment to ensure the provision of adequate housing to its residents remains intact, when income is insufficient, a subsidy of some sort has to be provided to supplement income. Efforts to ensure access to affordable adequate housing has often resulted in dual subsidization – direct CMHC subsidy through social housing programs and the provision of shelter allowances incorporated in social assistance formulas.

This section of the study presents an analysis of the cost and feasibility of home ownership at various income levels. Income levels below \$15,000 and above \$30,000 are not included. As discussed previously, the Ottawa-Hull Region provides limited opportunity for home ownership to low-income households due to the cost of housing in its various forms. Households with incomes above \$30,000 have reasonable access to the lower price range of existing housing stock in today's housing market.

In developing Table 5, Housing Affordability for Selected Incomes, the following assumptions are made. When calculating affordable mortgage payments, the GDS²⁸ ratio of 32% is used. Variable loan to value ratios are used, as indicated. In calculating mortgage payments, a 25 year amortization period is assumed at a constant 7% interest rate. Cash costs associated with home ownership such as

²⁸ GDS – Gross Debt Service
GDS examines the relationship between monthly mortgage payments, taxes and heating in relation to gross monthly income.

land transfer tax and other closing costs are ignored in this analysis. In the initial discussion it is assumed that the home purchaser has the necessary down payment. The available theoretical down payment is used to enhance or decrease the buying power of the home buyer.

Housing Affordability²⁹
Selected Incomes and Down payment Variable

Gross Income-Annual	\$15,000	\$20,000	\$25,000	\$30,000
Gross Income-Monthly	\$ 1,200	\$ 1,667	\$ 2,083	\$ 2,500
Mortgage Payments plus Property Tax and Heat (GDS = 32%)	\$ 400	\$ 533	\$ 667	\$ 800
Affordable Mortgage	\$39,200	\$54,500	\$70,000	\$85,500
Affordable Housing - Selected Down payment Variables				
25% Down payment	\$52,267	\$72,650	\$93,333	\$114,000
10% Down payment	\$43,556	\$60,556	\$77,778	\$ 95,000
5% Down payment	\$41,260	\$57,300	\$73,700	\$ 90,000
0% Down payment	\$39,200	\$54,500	\$70,000	\$ 85,500

Table 5

Based on these assumptions, Table 5 indicates that a buyer can assume a mortgage equal to between 2.6 and 2.85 times the household income when a GDS ratio of 32% of gross income is utilized. This provides a home price range of \$39,200 to \$52,267 depending on the percentage of down payment available for a household with an income of \$15,000. When household income is doubled to \$30,000, affordable home price range increases to between \$85,500 and \$114,000 depending on the down payment variable.

Each \$5,000 increase in gross income, increases the amount of a household assumable mortgage by approximately \$15,000 when the down payment provided is zero – \$15,000 gross income = \$39,200 mortgage, and \$20,000 income = \$54,500 mortgage. When a 25% down payment is utilized, each \$5,000 increase in gross income increases the assumable mortgage by approximately \$20,000 – \$15,000 income = \$52,267 mortgage, \$20,000 income = \$72,650 mortgage. Increasing the down payment by 25% (0% to 25%) has less impact on affordability than increasing income by \$5,000 – \$15,000 income = \$39,200 when zero down payment is assumed, while \$15,000 income = \$52,267 when 25% down payment is utilized, an increase of approximately \$13,000. Assuming zero down payment, increasing gross income from \$15,000 to \$20,000 results in a household's ability to assume a mortgage of \$54,500, an increase of \$15,300, or approximately \$2,200 greater than when utilizing the 25% down payment factor.

²⁹ Source: Author's Calculations.

Supplementing total family income by \$5,000 annually over a 25 year period amounts to \$125,000. Given the parameters of the study, pursuing this approach would not achieve the desired goal. Investigating methods to overcome the down payment barrier in combination with other factors can be more beneficial.

The following table, Housing Affordability – Selected Incomes and other Variables, presents various methods of increasing access to affordable housing for low and moderate income families. Interest rate, non-Amortized Second Mortgage and monthly income support variables are presented. In addition, analysis also refers to the previous Table 5 – Selected Incomes and Down payment Variables.

**Housing Affordability
Selected Incomes and Other Variables
Assumptions – 25 years Amortization – 32% GDS**

Annual Income	\$15,000	\$20,000	\$ 25,000	\$ 30,000
1. Interest Rate Variables	Assumable Mortgage			
6%	\$44,500	\$59,500	\$ 75,000	\$ 91,000
7%	\$39,200	\$54,500	\$ 70,000	\$ 85,500
8%	\$36,500	\$51,000	\$ 65,000	\$ 80,000
9%	\$34,000	\$47,000	\$ 60,000	\$ 75,000
2. Non-Amortized Second Mortgage Variables	Assumable Mortgage @ 7% Interest Rate			
\$10,000	\$49,200	\$64,500	\$ 80,000	\$ 95,000
\$15,000	\$54,200	\$69,500	\$ 85,000	\$100,000
3. Monthly Income Support Variables				
100	\$51,000	\$66,500	\$ 82,000	\$ 97,500
150	\$56,500	\$72,500	\$ 90,000	\$103,000
200	\$62,200	\$78,000	\$105,000	\$109,000

Table 6

Part 1 of Table 6 presents interest rates ranging from 6% to 9% and examines the impact of interest rates on affordability. For a household with a gross income of \$25,000, lowering the interest rate from 8% to 7% increases the size of the serviceable mortgage by \$5,000, \$65,000 to \$70,000. Lowering the interest rate an additional full percentage increasing affordability by a similar amount. For a household at this income level, lowering interest rate by 3% increases affordability by \$15,000 accomplishing much the same effect as enhancing the household income by \$5,000 annually, from \$25,000 to \$30,000. The impact of lowering interest rates, decreases as household income decreases and increases as household income increases.

Part 2 of the table presents a non-amortized second mortgage scenario involving two variables, \$10,000 and \$15,000. In discussion of the two variables, a 7% interest rate is assumed.

The impact of using the non-amortized second mortgage is quite straight forward. Assuming GDS ratio = 32%, a household with an income of \$25,000 is able to service a 25 year mortgage of \$70,000. A non-amortized mortgage enhances the home buyers purchasing power in direct proportion to the amount of the non-amortized mortgage. Utilizing a non-amortized mortgage of \$15,000 has the same impact as reducing the interest rate by 3%, and is similar in impact to supplementing household annual income by \$5,000. In all instances the households buying power is increased by approximately \$15,000.

This method of increasing accessibility to the housing market has been utilized in various ways. Municipal governments have donated developed land to qualifying home owners and housing projects – seniors and low-income families have benefited from this approach. Variations on this approach have included:

1. Outright forgiveness of the non-amortized mortgage by the municipal government with appropriate “riders” to prevent “windfall profits”.
2. Temporary non-amortized mortgages, for example 10 years, allowing the home owner to develop an equity position, then re-writing the original home mortgage to include the initial land value. The amortization period determined at the time of the re-writing could depend upon the financial realities of the home owners and the appraised property value.
3. The creation of private and public land trusts in whole or in part remove land value as a factor in determining accessibility to home ownership. Land trusts have been used in a variety of ways by municipal governments, non-profit groups, cooperatives and special interest groups to create affordable housing and home ownerships.

Part 3 of the above table, presents three housing allowance variables and discusses the impact of the principle in general. Basic assumptions used are as described in the table. A 7% interest rate is assumed in the following discussion. A household with a gross income of \$25,000 can service a \$70,000 mortgage assuming GDS ratio = 32%. Provision of a housing allowance increases net disposable annual income by \$1,200, \$1,800, and \$2,400 depending upon the variable used, increasing direct mortgage serviceability from \$70,000 to \$82,000, \$90,000, and \$105,000 respectively.

For a low-income family earning \$15,000 annually, the income supplement is the same, but the overall impact is greater. Provision of a direct home purchasing income supplement of \$2,400 annually allows the household to make payments on a \$62,000 mortgage versus a \$39,200 mortgage without provision of the income supplement, an increase of 59%. An income supplement, directly applied to home purchasing, has a larger impact than manipulating interest rates or providing a non-amortizing mortgage.

Continuing with the example of a household with an income of \$25,000 and the same basic assumptions regarding affordability, reducing the interest rate by 3%, utilizing a non-amortizing mortgage of \$15,000, or providing a theoretical \$5,000 increase to gross income all have similar impact on a household's ability to make mortgage payments. Providing a household purchase supplement of \$2,400 annually allows the same household to service a \$94,000 mortgage, producing a greater impact of \$9,000 above those produced by the other three scenarios.

Relating to the suggested parameters of the study, with specific reference to the restriction “___ without on-going subsidy assistance from the Federal Government”, developing options by which Aboriginal households can be assisted to access home ownership that include housing income supplements, and interest rate reduction would suggest that these options may be outside the scope of this study. In view of the current realities this is not the case. Considering that approximately 3 million Canadians, or 11% of the population are receiving social assistance, and that a shelter allowance is a significant proportion of the total social assistance allocated, a large number of households are currently receiving a form of subsidy that allows access to affordable shelter. In addition, at this point in time, the Federal Government is involved either directly or indirectly in providing mortgage subsidies to a large number of social housing units through out the country. With the foregoing in mind and considering the Federal Government's commitment to the provision of adequate shelter to all its citizens, options such as those previously discussed and/or variations of the options presented are a necessary part of the discussions. Subsidization in some form will remain as a fiscal reality for the government if the provision of adequate housing remains as part of social policy.

In analysing the variables used above, it is clear that all approaches have a positive impact in terms of increasing access to home ownership and that the direct \$200 monthly home purchasing allowance has the most significant impact. Combining the three approaches further increases access.

The following examples illustrate the impact of a combination of the above three factors at both the \$25,000 and \$15,000 household income levels.

Assumption: Basic Interest rate = 7%
GDS ratio = 32%

The following formula is used to illustrate the impact of utilizing the variables included in the above table.

Initial Mortgage + Non-Amortized 2nd Mortgage + 1% interest rate reduction + \$100 Monthly Housing Allowance = serviceable mortgage.

Household Income = \$25,000

\$70,000 + \$10,000 + \$5,000 + \$12,000 = \$97,000

Household Income = \$15,000

$$\$39,000 + \$10,000 + \$2,700 + 11,800 = \$63,700$$

Up-front costs such as down payment and closing costs are not considered in this section of the study and are addressed in the next section.

Prior to moving on to the next section it must be re-iterated that low-income families operate on very thin economic margins. Home ownership can prove to be a mixed blessing. Without some form of interest rate protection, the number of long-term successful options that increase access to home ownership will be limited. This factor presents a different problem and must be dealt with separately.

In addition, even with a combination of variables presented above, low-income households are able to access homes at the lower end of the housing spectrum which generally means older existing units that may be in need of repairs or could require substantial repairs within relatively short periods of time in relation to a 25 year mortgage. The cost of regular maintenance could present problems for some low-income families. The cost of major repairs could be catastrophic unless some form of RRAP program is resurrected. One method of dealing with this problem would be to increase the size of the non-amortized mortgage to cover the cost of major renovations and rehabilitation prior to occupancy, thus increasing the overall value of the residence and increasing the habitable life expectancy of the unit.

Financing Variables

In this section of the study, the impact of various financing scenarios are analysed for two household income levels of \$15,000 and \$30,000. The effect of two different interest rates are explored. The primary purpose of this section is to focus on ways and means of dealing with “up-front costs” normally associated with home purchasing.

Simulating Affordability
Variable Interest Rates at 95% - 100% - 105% Financing
Household Income at \$30,000

A. Variables						
Household Incomes	30,000	30,000	30,000	30,000	30,000	30,000
Housing Expenses/Income	32%	32%	32%	32%	32%	32%
Loan/Value Ratio	95%	100%	105%	95%	100%	105%
Term of Loan	25 years	25 years	25 years	25 years	25 years	25 years
Interest Rate	8%	8%	8%	7%	7%	7%
Closing Costs	1%	1%	1%	1%	1%	1%
Land Transfer Tax	1% - \$275	1% - \$275	1% - \$275	1% - \$275	1% - \$275	1% - \$275
Mortgage Loan Insurance	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
B. Price & Mortgage Costs						
House Price	84,200	80,000	76,675	90,000	85,500	82,000
Loan Amount	80,000	80,000	80,000	85,500	85,500	85,500
Cash Required at Closure	7,567	3,325	--	8,150	3,573	--
Down payment	4,200	--	--	4,500	--	--
Closing Costs	842	800	--	900	855	--
Mortgage Loan Insurance	2,000	--	--	2,133	2,138	--
Land Transfer Tax	525	--	--	625	580	--
Total Monthly Payments	809	800	800	806	802	802
Principal & Interest	611	611	611	599	599	519
Property Tax & Heat	198	191	189	207	203	203

Table 7

Simulating Affordability
Variable Interest Rates at 95% - 100% - 105% Financing
Household Income at \$15,000

A. Variables						
Household Incomes	15,000	15,000	15,000	15,000	15,000	15,000
Housing Expenses/Income	32%	32%	32%	32%	32%	32%
Loan/Value Ratio	95%	100%	105%	95%	100%	105%
Term of Loan	25 years	25 years	25 years	25 years	25 years	25 yrs
Interest Rate	8%	8%	8%	7%	7%	7%
Closing Costs	1%	1%	1%	1%	1%	1%
Land Transfer Tax	1% - \$275	1% - \$275	1% - \$275	1% - \$275	1% - \$275	1% - \$275
Mortgage Loan Insurance	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
B. Price & Mortgage Costs						
House Price	38,325	36,500	36,500	41,160	39,200	39,200
Loan Amount	36,500	36,500	38,325	39,200	39,200	41,160
Cash Required at Closure	3,313	1,488	--	3,558	1,598	--
Down payment	1,825	--	--	1,960	--	--
Closing Costs	383	365	--	412	392	--
Mortgage Loan Insurance	913	913	--	980	980	--
Land Transfer Tax	192	183	--	206	196	--
Total Monthly Payments	403	400	413	405	402	414
Principal & Interest	279	279	292	276	276	288
Property Tax & Heat	124	121	121	129	126	126

Table 8

The basic assumptions made in this section are generally consistent with those presented previously. For example GDS ratio = 32%. The items listed under A, Variables remain constant except in the interest rate category where two different rates are used for comparison sake. As has been discussed, lowering interest rates enhances affordability and accessibility. In addition the loan/value ratio graduates from 95% to 105%. In Part B, Price and Mortgage Costs, Mortgage Loan Insurance premiums are dealt with as part of the "up-front costs", and are not included as part of the mortgage except when the 105% financing scenario is presented. The variation in total monthly payments, apparent in Part C, is due to either increased home value causing a slight increase in Property taxes or increased principal and interest payments due to the increased mortgage loan. These factors inflate the GDS ratio by a small amount. Rather than manipulate the home purchase price and maintain the 32% GDS ratio, this approach is used to provide a more accurate comparison of the impact of the change in the loan-to-value ratio.

The "up-front" costs normally associated with home purchasing have proven to be a major barrier confronting Aboriginal low, moderate and middle income households. CMHC's raising of the Mortgage Loan Insurance levels to 95% was a result of governments recognition that this was a major barrier to a significant proportion of the Canadian population. The major impact of increasing insurability to 100% of appraised value is to remove the down payment factor as a barrier when attempting to access home ownership. Increasing the loan/value ratio to 105% increases accessibility by providing funds that cover the total costs of closing.

Assuming gross annual income of \$30,000, a household can service an \$80,000 mortgage loan. At a loan-to-value ratio of 95%, a household would require approximately \$7,000 cash or other securable assets at closing. Increasing the loan/value ratio to 100%, and decreasing the home purchase price to the loan value results in a break-even position and removes \$4,000 from "closing costs". Cash required at closing is reduced to approximately \$3,600. Increasing the loan amount to 105% of the home purchase price theoretically removes the remaining financial barrier, and increases annual principal and interest payments by \$36. GDS ratio is increased to 33¼%.

Interest rate reduction of 1% enables a household to service an increased mortgage loan, while the variation in the loan-to-value ratio remains the same.

In analysing the impact of this approach upon a household with a gross annual income of \$15,000, the impact is similar in proportion.

Two of the items included in "Cash Required at Closing", Mortgage Loan Insurance premium and Land Transfer Tax are controlled by CMHC and the Ontario Provincial Government. In addition, fees associated with closing such as title searches, etc. are controlled by both the provincial and municipal governments. There are various approaches that could be utilized in order to

lower the costs normally associated home acquisition. Suggested methods of removing or alleviating the impact of "closing costs" are as follows:

1. Waiving or deferring payment of premiums or fees for households identified as low and moderate incomes.
2. Provision of a direct First-time Home Buyers grant, to cover closing costs associated with home purchase. Household incomes and house purchase price could be used as determining factors to insure that recipients are in the target group.
3. Cross-subsidization – small increases in premiums, taxes, and fees to higher income groups or upon higher priced residential and commercial transactions to off-set the costs identified as barriers to home ownership.
4. Waiving or rebating GST and PST using the criteria cited above.

Mortgage Companies, conventional lenders, and the various levels of government have the ability to individually and cooperatively develop initiatives that will increase home ownership accessibility to low and moderate income families.

CMHC is currently providing mortgage loan insurance to qualifying First-Time Home Buyers at the level of 95% of appraised value. Increasing mortgage loan insurance to 100% or 105% of the appraised value of a home is not regarded as a "quantum leap". Figures published by the Real Estate Board of Ottawa-Carleton indicates that in the Ottawa-Carleton Region the average sale price of existing homes in 1995 was below the 1991 level and approximately \$5,000 lower than the 1993 average. In the Hull-CMHC District 1995 existing home resale values was approximately \$2,000 lower than the 1993 average. Statistics ratios published by the Real Estate Board of Ottawa-Carleton show that in the 10 years prior to 1994, the average sale price for existing units increased by over 45%, or an average of 4.5% annually.

During a period of stagnant or regressive existing home prices, developing options that increase mortgage loan insurance levels is worthwhile exploring and is a viable option to be utilized for assisting Aboriginal households to access home ownership. It can be hypothesized with relative certainty that within a short period of time home prices in the Ottawa-Hull region will recover and gradually increase in price. At this point in time increasing the level of Mortgage Loan Insurance to 100% or 105% is a viable option. It is further suggested that income level restrictions be considered for this option and that it be designed to assist low-income families.

Alternative Financing Vendor Take Back or Second Mortgage

As has been discussed earlier, down payment and closing costs associated with home purchase provide a barrier to low-income households. The development of options for assisting Aboriginal households to access home ownership must include methods of addressing these problems. As has been suggested above the provision of 100% and 105% financing directly from CMHC or the extension of CMHC Mortgage Loan Insurance to the same levels are methods of removing these barriers and therefore increasing access. The Vendor Take Back or Second Mortgage approaches the same problem of up-front-costs, from a different angle.

The Canadian population, as a whole, is aging. As the population ages, the need, appropriateness, and desire for single-family dwellings dissipates. Other forms of housing such as apartments and condominiums can provide more suitable forms of accommodation. Of home owners aged 45-64, 63% have their mortgages paid off. In the age group exceeding 65 years, 91% own their own home free and clear of any encumbrances.³⁰ Home owners in this age category require access to the equity accumulated in their years of home ownership not only as a "right" but to be used to acquire a different form of housing. The following table provides a basis for discussion that includes meeting the needs of home owners wishing to sell their home and at the same time assisting Aboriginal households to access home ownership.

Alternative Financing Vendor Take Back or Second Mortgage

Assumption: All Scenarios

Annual Household Income: \$30,000
 Monthly Household Income: \$ 2,500
 GDS = 32%
 PITH: \$ 802

Home Purchase Price = \$80,000
 Interest Rate = 8%
 Closing Costs = 1%
 Land Transfer Tax = 1% - \$275
 Mortgage Loan Insurance = 2.5%
 Annual Municipal Property Taxes = \$1,536
 Annual Heating Costs = \$756

Scenario A – Assumes 100% Financing – Vendor Take Back Mortgage = 50%

	Amount Borrowed - Lender	Balance Vendor Take-Back	Monthly Required P & I - Lender	Annual Required P & I - Lender	Purchaser Payments	Annual Residual	Theoretical Accum- Residual
Year 1	\$40,000	\$40,000	\$305	\$3,660	\$7,332	\$3,672	
Year 2	\$50,000	\$30,000	\$382	\$4,584	\$7,332	\$2,748	\$3,672
Year 3	\$60,000	\$20,000	\$458	\$5,496	\$7,332	\$1,836	\$6,420
Year 4	\$70,000	\$10,000	\$534	\$6,408	\$7,332	\$ 924	\$8,256
Year 5	\$80,000	--	\$611	\$7,332	\$7,332	--	\$9,180

Table 9

Scenario B – Assumes 105% Financing – Vendor Take Back = 50% of Purchase Price

Year 1	\$44,000	\$40,000	\$336	\$4,030	\$7,332	\$3,302	\$3,302
Year 2	\$54,000	\$30,000	\$412	\$4,936	\$7,332	\$2,386	\$5,688
Year 3	\$64,000	\$20,000	\$488	\$5,861	\$7,332	\$1,471	\$7,159
Year 4	\$74,000	\$10,000	\$565	\$6,777	\$7,332	\$ 555	\$7,714
Year 5	\$80,000	--	\$611	\$7,372	\$7,332	--	--

Table 10

Alternative Financing Vendor Take Back or Second Mortgage

Assumption: All Scenarios

Annual Household Income: \$30,000
 Monthly Household Income: \$ 2,500
 GDS = 32%
 PITH: \$ 802

Home Purchase Price = \$80,000
 Interest Rate = 8%
 Closing Costs = 1%
 Land Transfer Tax = 1% - \$275
 Mortgage Loan Insurance = 2.5%
 Annual Municipal Property Taxes = \$1,536
 Annual Heating Costs = \$756

**Scenario C – Assumes 100% Financing – Vendor Take Back = 50%
 Vendor paid 5% simple interest on diminishing balance**

	Amount Borrowed - Lender	Balance Vendor Take-Back	Annual Required P & I - Lender	Annual Required Interest Lender/ CMHC	Purchaser Payments	Annual Residual	Theoretical Accum- Residual
Year 1	\$40,000	\$40,000	\$3,660	--	\$7,332	\$1,672	--
Year 2	\$50,000	\$30,000	\$4,584	\$2,000	\$7,332	\$1,248	\$1,672
Year 3	\$60,000	\$20,000	\$5,496	\$1,500	\$7,332	\$ 836	\$2,920
Year 4	\$70,000	\$10,000	\$6,408	\$1,000	\$7,332	\$ 424	\$3,756
Year 5	\$80,000	--	\$7,332	\$ 500	\$7,332	--	\$4,180

Table 11

**Scenario D – Assumes 100% Financing - 50% Conventional lender
 - 50% CMHC Direct Lending @ 5.5%
 on Diminishing Balance**

Year 1	\$40,000	\$40,000	\$3,660	--	\$7,332	\$ 739	--
Year 2	\$50,000	\$30,000	\$4,584	\$2,933	\$7,332	\$ 548	\$ 739
Year 3	\$60,000	\$20,000	\$5,496	\$2,200	\$7,332	\$ 370	\$1,287
Year 4	\$70,000	\$10,000	\$6,408	\$1,466	\$7,332	\$ 191	\$1,657
Year 5	\$80,000	--	\$7,332	\$ 733	\$7,332	--	\$1,848

Table 12

The following discussion revolves around the basic concept of the Vendor or some agency assuming a diminishing balance second mortgage. For discussion purposes the terms, Vendor Take Back mortgage or Second Mortgage is used. In some of scenarios presented the term “silent mortgage” is applicable.

Basic Concept Premises:

- purchaser borrows from a lender equivalent to one-half the agreed upon purchase price.
- assuming a GDS of 32%, the purchaser makes monthly payments equal to 100% of the home purchase price, creating a reserve or residual, which in turn is used to provide the down payment and closing cost funds.
- Vendor or other agency retains or assumes a second mortgage equal to the remaining one-half the purchase price.
- CMHC Mortgage Loan Insurance premiums and Land Transfer Taxes are deferred until the residual created can service the debt. Other closing costs are either advanced by increasing the percentage of mortgage funds made available or are deferred until sufficient residual funds are available.
- Vendor or other agency is advanced the balance of funds by the lender in equal annual installments over a period of five years and the residual created annually is reduced to zero over the same period.
- Total residual created is equivalent or greater than the funds required to service usual “cash costs” associated with conventional home ownership programs.
- an interest factor is not assigned to “cash costs”, although in all scenarios presented, some interest costs could be absorbed by the residual fund created.

As indicated in all above scenarios the payments made by the purchaser are consistent through out, based on a GDS ratio of 32%. On the basis of assumptions presented in Scenario A the total residual accumulated at the end of the period in which the Vendor is involved would be able to cover the approximate up-front-costs normally associated with home purchasing.

Funds can be disbursed at any time to what ever agency or group according to a pre-arranged formula.

Scenario B assumes 105% financing and also the home purchase price increases to \$84,000, the residual created approximately covers the up-front-costs involved in completing the transaction. Monthly required Principal and Interest payments to the lender increase from \$305 (Scenario A) to \$336 in year one of Scenario B.

Scenario C differs from the previous two, in that the Vendor is paid 5% simple interest on the diminishing balance. Payments to the Vendor totals \$5,000 over the five year period and the accumulated residual is reduced by the same amount. Assuming 100% financing, the residual is adequate to cover other up-front-costs.

Scenario D replaces the Vendor with CMHC. CMHC provides direct lending to the purchaser on a diminishing balance basis at a subsequent interest rate of 5.5%. The second mortgage is theoretically serviced by the residual, reducing the amount accumulated over the five year period to approximately \$1,850. This amount of money would allow for the payment of land transfer tax to the province and legal fees. Other fees would have to be forgiven or handled in some other way.

Comments:

The reception of the above concept would depend largely on the role the Federal Government and CMHC chose to play in supporting the concept. The Federal Government, CMHC, lenders, provincial government and municipal governments could support the concept through adoption of the following policies as applicable to their individual jurisdictions. The following points are not listed in any order of preference or priority:

- CMHC could provide 100% Mortgage Loan Insurance to the lender and the vendor.
- CMHC could replace the vendor in all scenarios and provide mortgage funds at its cost or at below cost on a diminishing balance. This approach would remove the Federal Government from its involvement in the on-going subsidy to specific housing units or housing projects.
- by waiving application fees and Mortgage Loan Insurance premiums, CMHC would reduce the need for the creation of a residual.
- by raising Mortgage Loan Insurance to 105% of the appraised value of units, "up-front-costs" are included.
- Federal Government cooperation in the development of a tax rebate or tax credit recognizing the short-fall of income to the vendor created by receiving total payment over five years and 0% or a reduced interest margin would provide compensation to the vendor. A tax credit foregoes revenue rather than requiring an expenditure of Federal funds.
- lenders, who are currently involved in the collection of property taxes, would broaden their services by sorting accumulated residuals as per pre-arranged agreements. Electronic processing makes this an efficient and cheap method of allocating residuals.

-
- provincial government would be involved in processing paperwork at no charge and deferring or waiving land transfer tax for selected income groups.
 - municipal governments would be requested to participate by waiving or deferring transaction fees associated with property transfer. In addition, as discussed above, foregoing property tax for selected income groups for a specific period of time could assist in the growth of the theoretically accumulated-residual.
 - counselling components of Gignul Non-Profit Corporation and other such organizations would work in partnership with owner/occupants, lenders and the various government agencies as necessary.

Section Summary

At this point in time there are probably not “better” options or the “best” option that can be utilized in the development of effective mechanisms to address the need for adequate housing for all low-income Aboriginal households. In the absence of deep subsidies of some form, low-income Aboriginal households cannot access home ownership in the current Ottawa-Carleton and Hull area. The options discussed above provide low-income Aboriginal households with increased access to home ownership. Accessibility for Aboriginal households with incomes below the 30th percentile (approximately \$36,000) can be increased by removing the down-payment barrier through increasing CMHC mortgage loan insurance to 100% from 95% for selected income groups. Increasing mortgage loan insurance to 105% and thus providing additional security to lenders, further increases accessibility.

Each of the options presented above increases accessibility to some degree. The current affordability realities in the region and the perceived willingness by developers, lenders, builders and the various levels of government suggest that new innovative options will be well received. It is suggested that all of the options above will increase accessibility to home ownership for Aboriginal households. Combining some of the options will further increase accessibility.

Certain aspects of the Urban Native Housing Program can be incorporated in an Urban Aboriginal Home ownership Program (UAHP) without on going subsidy assistance from the Federal Government. As a direct lender, CMHC can provide mortgage funds to Aboriginal home owners at less cost than those obtained from conventional lenders. As a direct lender CMHC assumes the risk which could remove the requirements for Mortgage Loan Insurance premiums. As indicated previously, CMHC has the ability to provide mortgage financing as a “break-even” lender, approximately 1–1.5% below the posted mortgage loan interest rates of conventional lenders.

CMHC, as a direct lender, can also serve as a “buffer” in times of interest rate fluctuations. CMHC borrows and offers bonds in excess of 5 years (61-64 months is common).

Assuming that individual home owners or project sponsors exhibit both short and long-term viability, the UAHP would operate at no cost to the Federal Government. Providing 100% financing as a direct lender and/or providing Mortgage Loan Insurance to the 100% level will increase accessibility to affordable home ownership.

Under the terms of the Urban Native Housing Program, CMHC reserved the right to purchase land required for eligible housing projects. Incorporating this concept as an option to assist in the development of a program to assist Aboriginal households to access home ownership lends itself to a wide variety of possibilities that include (1) the creation of land trusts; (2) partnerships with provincial and municipal governments; (3) private and public charitable organizations; and (4) profit and non-profit corporations.

A land trust concept allows for involvement of the Federal Government without on-going subsidy assistance. The land purchase price can be a one-time injection of funds that is forgiven, dealt with as a second mortgage in a variety of ways, or operated as a “silent” mortgage for a specific period of time and subsequently incorporated as part of an original mortgage.

The Urban Native Housing policy allowed CMHC to absorb net “soft costs”. Methods of dealing with up-front costs have been proposed in some of the options discussed above. If there is a political will, an administrative ability can be developed to assist in the development of programs that effectively remove barriers to home ownership.

CMHC has the ability to serve as a direct lender to social housing projects and as a lender of “last resort” in some instances. In addition, CMHC has functioned as a direct lender to specific programs such as RRAP. The role of CMHC as direct lender to the Aboriginal community should be further explored.

The following section provides not an option, but an approach to assisting Aboriginal households to access home ownership.

Section VII: Developing A New Option:

Discussion regarding the provision of housing for low-income families has focused on the people experiencing the condition rather than on the conditions that have resulted in the creation of the problem. Directing focus to the conditions that create the problems associated with lack of accessibility to affordable housing provides a different perspective. It also allows for the involvement of those experiencing the problem to become part of the solution-seeking process. If it is assumed that Aboriginal low-income families do not have access to housing because of the lack of affordable housing and lack of income, three questions arise: Can the cost of housing be lowered? Can the incomes of Aboriginal households be increased? Can ways and means be developed to address the two problems in concert?

Krause (1993) states "Economic development has two complimentary aspects: affordable housing initiatives create jobs in the construction and related industries; and increasing the supply of affordable housing attracts investment and encourages companies to locate in the host community".³¹ If we include Aboriginal people into the statement "participation of an Aboriginal work force in the creation of affordable housing", we begin to work toward combining the concepts of housing, and economic development. Traditionally, governments have combined the two activities, but have failed to incorporate social development as part of the equation. Housing has usually been an activity carried on by the housing industry. House construction is usually done by someone for someone else. In the past when houses were required or the economy need a "jump start", the housing industry was mobilized to provide the product. In an era when affordability was not a problem and buyers were available, the housing industry served as a "quick response team". Housing was built quickly and according to industry standard, cost efficiently. There is no question, that mass production, utilizing a trained work force will produce cost effective housing when measured in standard economic terms. Community Economic Development (CED) is an initiative, that recognizes economic development as one factor to be considered, weighed, and incorporated as part of a CED strategy.

Community economic development recognizes that when initiating an activity, groups experiencing a problem are central to the solving of the problem and that community and social development are equally important. Successful long-term solutions can be found to long-term problems.

The following discussion focuses upon Community Economic Development (CED), as a holistic approach to the development of an effective housing strategy. As there is a wide variety of literature dealing with community development, economic development, and social development, as well as an increasing supply of community economic development related studies,

³¹ Krause, Deborah, Municipal Initiatives in Affordable Housing. A Report prepared for CMHC and CHRA, May 1993(ii).

discussion is limited to arriving at a workable definition of CED rather than explaining the concept in detail. Some of the problems of incorporating a workable CED strategy are pointed out. In addition, requirements for the success of CED are outlined. Discussion then moves to the local community and the environment present that is viewed as being conducive to the success of a CED initiative.

Community Economic Development As An Option

Krause (1993) points out that "In the case of community and economic development, the literature review indicates that housing has often been overlooked as a way to achieve economic development".³²

Governments, communities and community groups have also overlooked incorporating housing as a tool to be used in social and economic development.

The challenge confronting everyone involved, governments, their agencies, private enterprise, and the Aboriginal and non-Aboriginal community is three-fold:

1. develop a working relation recognizing that housing can be a tool to achieve economic development;
2. develop strategies with the Aboriginal community to incorporate housing as a major component of an Aboriginal social and economic development strategy.
3. develop methods to implement the strategies in a long-term comprehensive plan.

Community Economic Development (CED) is a concept that brings together the three concepts of community development, economic development and human development.

The term community can be defined in a variety of ways. Traditionally the term, community, referred to a geographic location or spatial concept. Community as used in this discussion refers to a collection of people with similar cultural and socio-economic backgrounds.

The following discussion works toward a definition and understanding of Community Economic Development. Dykeman³³ provides the following definition of community development:

³² Krause, 1983, p. 12.

³³ IN CED. Perspectives Pol. & Resources.
Community Economic Development. Perspectives

“Community development is the process by which the efforts of people themselves are united with those of governmental authorities to improve the economic, social, and cultural conditions of communities, to integrate the communities into the life of the nation, and to enable them to contribute fully to national progress. This complex of processes is, therefore, made up of two essential elements: the participation by the people themselves in efforts to improve their level of living, with as much reliance as possible on their own initiative; and the provision of technical and other services in ways which encourage initiative, self-help and mutual help and make these effective.”³⁴

One of the important points in the above definition is that Dykeman recognizes the partnership that must exist if significant strategies are to be developed and implemented. It is suggested that the partnership approach should be extended to a wider sector of the population. The point can also be made that if people contribute to their own community economic and human development, contribution to the national level is a natural outgrowth of the process.

In defining economic development, O’Niel makes three relevant points about the meaning of economic development:

1. Economic growth (as measured by a few primary indicators such as income, employment, and production) is distinguished from economic development which includes economic growth but adds to its change in structure of the economy
2. Economic development is frequently argued to involve more than improvement in economic elements but extends to a variety of social components
3. ... the process by which economic development is achieved is as important as the end result.

The points made by O’Niel regarding the meaning of economic development underline the problem of incorporating housing policy, traditionally used as part of economic policy, as an intricate part of social policy to work in conjunction with economic policy. Theoretically, combining social and economic goals, policy, and initiatives should be a relatively simple matter, but in reality, the manner in which our governments, government departments, businesses, and Canadian society is structured creates a situation which makes the matter quite complex. Quantitative rather than qualitative measuring sticks are used when measuring success.

Economic initiatives can be measured by using universally recognized economic indicators. When measuring the impact of social programming, social indicators

³⁴ Dykeman, 1990, p. 11.

are used. As O'Niel states "Merging of economic and social indicators is not straight forward and easy."³⁵

To take the discussion one step further, merging of economic and social programs, policies, and funds is not an easy process. For example, social assistance is still regarded as a social program rather than a bridging transitory mechanism. Social assistance, Urban Native Housing Programs and other such programs exist for a specific reason – because of the social conditions. As mentioned above focusing on the people experiencing the condition rather than on the condition that has resulted in the creation of the problem does little to change the situation.

The following definition of Community Economic Development presented by Nutter and McKnight recognizes the use of economic tools to develop sustainable community resources:

(CED is ...) "A strategy for dealing with the problems of poor people, powerless people, and under developed-communities. As an intervention strategy in an under-developed community, CED does not seek to make the existing conditions in the community more bearable. Instead, CED seeks to change the structure of the community and build permanent institutions within the community. As a result, the community begins to play a more active role vis-à-vis the institutions outside the community, and the residents of the community become more active in the control of the community resources."³⁶

The above definition of community economic development identifies a number of important points:

1. CED is a pro-active development strategy.
2. CED seeks to change conditions.
3. CED is sustainable.
4. CED focuses both within the community and outside the community.
5. CED includes involvement in the control of the community resources.

Community economic development is a strategy that can assist Aboriginal people to devise methods to becoming self-reliant, self-sufficient, and independent. The Government "Redbook" commits to helping create an environment that facilitates community economic development.

There is a wide range of literature dealing with the subject of "development" in a community context. There appears to be general agreement by all authors on the requirements for the successful implementation of any form of community

³⁵ O'Niel, T.J., In.Galaway & Hudson, p. 61.

³⁶ Nutter and McKnight, In Community Economic Development Galaway & Hudson, Eds. 1994, p. 95.

and economic development. There are eight essential requirements for success in the development of economic initiatives focusing upon housing:

1. The recognition by all parties involved in the CED process of the natural linkages that exist between housing and all other facets of a community-economic, social, and cultural. (The adequacy of a community's housing is a reflection of its priorities.)
2. A commitment by all necessary participants involved in the process to develop a comprehensive housing policy that can become central to the development of economic initiatives directed toward accomplishing goals compatible with, and complimentary to the articulated housing policy.
3. An appreciation by all necessary parties involved of the complexities of the problems associated with a major initiative such as addressing housing affordability and increasing incomes as a dual goal.
4. An environment conducive to developing a cooperative approach to problem-solving. This usually occurs when a number of sectors realize that there is a problem and if solutions are not developed that will deal with the problem, the problem will exacerbate.
5. An understanding of and commitment to the CED process by all parties concerned.
6. Availability of resources (human, financial, land, materials).
7. A commitment by all parties involved to the concept of local control and ownership of the economic activity associated with the CED activity.
8. An identifiable group prepared to undertake the initial coordination, administration, and management of a CED project and work towards mobilizing the primary benefactors of the CED activity.

As mentioned above, the development of a comprehensive housing policy is central to the development of a CED approach to combining housing and economic initiatives in a social context. The following definition, although focusing on the role of government, lends itself to wider applicability:

“Comprehension” implies that (a) the nature and scope of government housing policies and programs are wide ranging; (b) the objectives and principles of government policy in terms of commitment to equity and a national minimum are clearly spelled out; (c) the wide range of groups and classes served by government policy – whether directly through subsidies and loans or indirectly through tax expenditures – is recognized, and various policy interventions are considered in relation to one another; (d) a wide range of auspices – public, private, and third sector – is employed in the delivery of housing in order to realize policy objectives more effectively; and (e) government role in housing is seen as “institutional” rather than “residual”

that is, as a normal front-line function, rather than as a temporary or makeshift involvement in order to solve specific problem".³⁷

Leadership in the development of a comprehensive housing policy must originate with the Federal Government and Canada Mortgage and Housing Corporation. "Conditions are right" for the development of a comprehensive innovative CED approach incorporating housing policy as part of major social and economic initiatives.

Addressing the particular needs of low-income Aboriginal people are within the mandates of several federal departments, provincial and municipal governments, public and private profit and non-profit corporations, and charitable organizations. These needs include skill development, employment training, alternative or new economic development, sustainable development, improving housing conditions, enhanced educational opportunities, and general improvement of socio-economic conditions. The advantages of a coordinated effort on the part of all government departments, agencies and institutions referred to above is self-evident. Achieving coordination is much more complex. The following unsourced quotes may assist in moving in this direction:

"Necessity is the mother of Invention".
"Everything is connected to everything".
A Mohawk Saying.

The following discussion relates to Community Economic Development as an option to be developed and aggressively pursued as a multi-faceted approach to assisting Aboriginal households to access home ownership.

As the Federal Government has recognized, housing, can be used as a force to drive the "economic engine". A first step towards acceptance of a Community Economic Development approach as a significant option to be pursued, is the acknowledgement by all parties concerned that **Housing, Economic Development, Land-Use Controls, Social Services** and **Income Security** are inherently linked.

There are obstacles to developing an effective long range Community Economic Development approach as a method for assisting Aboriginal households to access home ownership. Some are as follows:

1. CMHC's mandate is to assist in the development of new or improved housing, not community or social development, per se.
2. Compartmentalizing is a mixed blessing in our society. Compartmentalizing lends itself to efficiencies, often eases access, creates expedience and allows for quantitative measurement. Traditionally, governments have organized along departmental lines. The mandates are usually quite distinct

³⁷ Mistra, R. , 1990, In. Fallis & Murray (Eds) Housing the homeless and the Poor, p. 103.

and the goals, policies, and initiatives are related to the specific mandate. Each department's "raison d'être" is separate and unique. The budgeting process and method of allocating government resources often places the different government departments in competition with one another. If government departments lose their distinctiveness from one another, they usually are merged or combined.

Coordination of government department activities is not easy at the best of times. In an era of devolution and diminishing departmental financial capability, increased obstacles may exist.

3. In a time of contraction of government departments and diminishing resources, little flexibility exists in terms of ability to re-allocate budgetary items. On-going, long-term commitments account for the major portion of government expenditures. The term "claw back" is being used much more often than "top up".
4. Devolution of government programming and funding to lower levels of government and other groups is resulting in a diminishing Federal Government mandate, responsibility, ability to coordinate activities, and allocate resources.
5. Data presented by the Canadian Housing and Renewal Association to the Standing Committee on Human Resources Development in 1994, shows that various levels of government contributed \$5.2 billion to housing through social assistance. An additional \$4.1 billion was spent on housing through social housing programs. CMHC's contribution amounted to approximately \$2.1 billion as its share of social housing program costs. The 1994-95 budget estimates indicate that of the total CMHC budget directed to Social Housing, \$94.8 million was targeted to the Urban Native Housing Program. The questions that arise when viewing the above statistics are: Is it possible to develop policy, programs and initiatives that can address the reasons for the expenditures in a more beneficial manner? Can a partnership approach be developed among the various levels of government and government departments, the private and public sectors and the Aboriginal people?

In terms of Federal Government expenditures, 1994-95 budget estimates indicate that 10 separate government departments budgeted approximately 188 million dollars for expenditures directed to Aboriginal peoples off a land base. The majority of expenditures were in the budgets of three departments: CMHC 94.8 million – Human Resource Development Canada - 52.6 million and Canadian Heritage - 37 million. In addition, over the past 5 years an estimated 64.3 million has been allocated to Urban Aboriginal groups and individuals by Industry Canada under two programs; the Aboriginal Business Development and Joint Venture Program; and the Aboriginal Capital Corporation Initiative.

There is a danger that Federal and Provincial Government initiatives to increase accessibility and affordability to low-income families will be focused on disposing of existing social housing units. Governments have a tendency at times to a

narrow view approach to problem solving. The expenditure required to maintain the current Urban Native Housing Program is approximately 95 million dollars. CMHC is currently spending 2 billion dollars to subsidize social housing programs at a national level. There could be a tendency on the part of the Federal Government "to make the problem go away" as a Federal concern and responsibility by Transferring authority for all social housing to lower levels of government and focus the energy and financial resources of CMHC on devising initiatives that in turn allow lower levels of government to divest themselves of the social housing portfolios. As part of a long range, multi-faceted plan to increase home ownership access to low-income families, this approach does not necessarily present a problem. As an interim Government strategy, operating in isolation, ignoring the needs of low-income households who do not currently have access to social housing, this approach would be ill-timed and inappropriate and would do nothing but create a situation of "SHORT TERM GAIN FOR LONG TERM PAIN".

Prior to exiting from the arena of social housing, all levels of government should recognize the difference between perpetual public ownership and subsidy and use of public ownership and subsidy as a transactional and transitional mechanism providing a public facilitator for development of integrated social and economic initiatives that will lead to a stronger private market place.

Properly used, as part of a fully integrated approach to increasing accessibility of home ownership to low-income families, the existing social housing stock can serve as an important tool in facilitating home ownership. At this point in time, all levels of governments should realize and publicly state that very-low and low-income families do not have access to adequate shelter in the absence of subsidy in some form. Any combination of mortgage instruments in the absence of deep subsidy will not provide low-income Aboriginal families with realistic long-term home ownership.

The existing social housing program is currently in "place" and the existing housing stock is being utilized by those in need. Vacancy rates in publicly assisted (government subsidized) projects in the Ottawa region have traditionally been less than one percent. Integrating the existing social housing stock as part of a long-term housing strategy will create long-term benefits for all concerned.

Urban Self-Government

The historical relationship between the Federal Government and Aboriginal peoples is important. Emphasis must be placed upon maintaining a coordinated approach by utilizing existing Federal Government funds to create leverage and develop partnerships of equality with other levels of government and private and public corporations and organizations. The progress towards self-government will proceed slowly due to the complexities involved.

At the Federal level, there appears to be a political will to work with Aboriginal peoples in the development of a form of Urban Aboriginal Self-Government. While there is general agreement that policy development and service-delivery

capacities are a necessary part of self-government, the shape, form, manner of operation, and overall mandate of urban Aboriginal self-governments and the relationships with existing urban governments remains a subject of considerable discussion and debate. In discussion of *Some Approaches To Urban Aboriginal Governance*, Donovan Young suggests the following as the basis for discussion on the issue of self-government for Aboriginal peoples:

“The emphasis should be on removing barriers to realizing positive and healthy possibilities for Aboriginal people living in cities. A key goal is to make urban environments places where Aboriginal people can experience a satisfactory quality of life in their dealings with the non-Aboriginal community and in the affirmation of Aboriginal cultures, identities, and rights”.³⁸

While it is the expressed desire of both the Federal Government and Aboriginal peoples to pursue avenues that will result in urban self-government, it does not appear, the issues to be addressed and the agreements that need to be reached amongst the various levels of government and the urban Aboriginal peoples will be quickly accomplished. Urban Aboriginal self-government will not be achieved in the immediate future. In the meantime, the urban realities confronting government and the urban Aboriginal peoples need to be addressed in a meaningful manner. The Community Economic Development approach lends itself to accomplishing a wide variety of mutually compatible and complimentary goals. Community economic development initiatives will not only meet the physical needs of Aboriginal peoples, but will provide focus in the development of Urban Aboriginal Governments with the capability of addressing the broader range of human needs required to become fully contributing members of Aboriginal and non-Aboriginal Canadian society.

The Current Economic Development Environment

- **Federal Government**

The traditional organization of government that places the various segments in competition with one another is increasingly being regarded as inappropriate if the economic and social problems confronting Canadian society are to be addressed. In an era of diminishing financial resources there is increased realization that a fresh, innovative approach is required. The development of policy, goals and initiatives that cut across departmental lines has been initiated by the government. There has been increased effort by various government departments to provide focus and coherence to Federal Government programs and services for off-reserve Aboriginal peoples.

³⁸ Young, Donovan, In: Aboriginal Self-Government in Urban Areas, Proceedings of a Workshop May 25 and 26, 1994. Evelyn J. Peters, Editor.

The government paper "Creating Opportunities" put forward similar principles by making commitments to "facilitate greater self-sufficiency and independence among the off-reserve Aboriginal population" and "explore new ways and means to improve the socio-economic status of the Aboriginal population". The Federal Government recognizes the fact that existing government departments need to be restructured or new departments and Crown Corporations established to meet its commitments and goals. There is increased government focus in government policy development on the related themes of enablement, empowerment and self-sufficiency as committed to in the "Redbook". The purpose of government efforts in this area is to increase the capacity of low-income persons to meet their own needs and, in the process, develop new skills, personal effectiveness and enhanced sense of self-worth. This approach is driven by two factors:

1. A recognition that government policy and programs have failed to satisfactorily address many of the social problems that have become inherent in Canadian Society.
2. The fiscal realities confronting the Federal Government and its people.

As a result of the above realities, the Federal Government, its departments and agencies, including CMHC, are attempting to develop ways and means to (a) coordinate delivery of complimentary department programs; (b) develop capacity to support community driven strategies designed to address community concerns and needs, in a sustainable, long-range manner. If this scenario develops, Aboriginal peoples will exercise authority for the design and delivery of Community Economic Development initiatives. The Federal Government assumes the role of facilitator, focusing upon increasing its capability to coordinate federal programs and resources, legislating required changes where necessary, and becoming a supportive partner to Community Economic Development initiatives.

Current Social Housing Program - Strengths

- **Non-Profit Housing Corporations**

Non-profit housing corporations have and can continue to play an important and effective role in the delivery of low-income housing and community development resources. Non-profit housing corporations volunteer boards serve as advocates for their low-income constituents and keep the various levels of government sensitive to community housing and income needs. Non-profit housing corporations are the only groups that have focused consistently on the housing needs of low-income families.

Non-profit housing corporations and cooperatives are the only providers of housing that have the sole goal of providing adequate affordable housing to low-income families. The profit motive has been non-existent. Due to this uniqueness in the housing industry, groups of this nature can provide for more

local community interest, involvement, and cooperation in the financing, design, construction, and operation of housing programs. The change of role of the Government agencies such as CMHC now requires the incorporation of a profit motive in certain aspects of non-profit corporations operations in order to acquire capital to lever additional housing projects.

- **Tenant Counselling Capabilities**

Tenant counselling components of non-profit housing corporations have played a beneficial role to society as a whole. In addition to assisting low-income families obtain adequate housing, tenant counsellors also function as advocates and cultural advisors. It is difficult to assess the overall benefits that accrue to the community as a result of the existence of the Tenant Counselling component. A very good case could be made for expanding the number of counsellors. It is suggested that in the development of comprehensive initiatives designed to assist Aboriginal households to access home ownership, appropriate consideration to (1) defining the support mechanisms necessary for program success of which a tenant counselling component can play a meaningful necessary role and (2) identifying funding sources to support the necessary components.

As stated above, the advantage of the Urban Native Housing Program and the social housing stock is that they are in place. The challenge confronting government and non-profit housing corporations is to utilize the existing program and housing stock as part of a long-term effective housing policy designed to meet the goals of everyone involved. The following briefly enumerates some of the apparent strengths of the existing Urban Native Housing Programs and presents discussion as to some of the advantages that can accrue from using the existing strengths. Suggestions are also made regarding strengthening what exists in order to facilitate Community Economic Development.

- **Existing Social Housing Stock**

The existing social housing stock must be viewed as an asset. Current Federal and Provincial Governments appear to be assessing only the financial costs of the program rather than the social and economic benefits that result from the program. It is suggested that social housing stock is a proven asset. The existing housing stock can be used in the following way:

1. **Transitional Housing**

As discussed previously, the Aboriginal population of the Ottawa region is increasing rapidly as the Aboriginal rural-urban population shift continues. Properly funded and maintained, the existing Gignul units can be utilized as a transitional tool, not only to provide adequate housing, but as a first phase in a program designed to assist Aboriginal households to access home ownership. A transitional framework, properly developed and incorporated as part of a long-term housing policy, will allow for a multiplier effect of two to one. By this, it is meant that for every household assisted to access home

ownership, a vacancy occurs in the social housing stock which in term can be filled by a household on the Gignul Waiting List. An overall comprehensive housing policy, that incorporates long-term programs and initiatives, combined with a strong effective tenant counselling unit can create an environment that can lead to an integrated approach to accessing home ownership.

2. Creating Home Ownership Accessibility

Tenants in existing housing can be provided with the opportunity to access home ownership through the purchase of existing social housing units. A wide variety of programs can be utilized to facilitate acquisition. A number of countries (Britain, United States and Australia, for instance) have developed a number of variations including rent-to-own. (Length of tenure in a residence has often been used as a factor in determining accessibility and the nature of specific assistance provided prospective home owners.)

Creating home ownership opportunities to access existing social housing stock should not be done in isolation. It is suggested that any program of this nature should be part of a comprehensive long-term policy and operational program. In the short-term it is suggested the basic operating principle for a program of this nature would involve a commitment by CMHC to maintain funding to Gignul Non-Profit Housing Corporation at the current levels. As a unit is moved out of existing housing stock it would be replaced with a unit of similar mortgage value.

Regional Governments

At the regional municipal government level there appears to exist a desire to develop initiatives designed to increase access to home ownership. The Regional Municipality of Ottawa-Carleton has initiated pilot projects to focus upon means of increasing accessibility and affordability. Regional policy regarding housing allocation, land supply, affordable ownership housing and affordable rental housing, indicates a CED approach, incorporating housing as a part of social and economic development strategy, would be supported in a variety of ways. The Region is also working on Alternative Development Standards with the objectives to reduce development costs, offer affordable and marketable housing, and provide safe, effective, and cost efficient servicing. A pilot project was initiated and is currently being monitored.

Formation of the Alternative Development Working Group in 1995 is another indication that conditions are favourable for the formation of a CED Strategy. The working group, which included representatives from CMHC, City of Ottawa, Regional Municipality of Carleton, non-profit housing groups and the private sector, was formed for the expressed purpose of identifying innovative ways of developing affordable housing. Kraus, in summarizing discussion, remarked:

“There seemed to be strong support for the community to continue to work together collectively to find ways to provide housing.”³⁹

Public/Private Partnerships

The development of public/private partnerships will play an important part of a Community Economic Development strategy. The Federal Government recognized the importance and necessity of the public/private partnership approach to developing affordable, accessible housing with the creation of the Canadian Centre for Public-Private Partnerships in Housing, under the direction of CMHC. With proper planning, effective partnerships can be developed that will benefit all sectors of the housing industry. An effective sustainable CED strategy will require the involvement of all sectors of the housing industry. The primary focus will be on the development of accessible affordable housing as the tool that creates social and economic development, implemented and controlled by the Aboriginal community. To successfully achieve this goal, the Aboriginal community will require the participation and cooperation of the non-Aboriginal community. The expertise and financial resources of the greater community in both the private and public sector will need to be utilized if a comprehensive sustainable CED strategy is to be implemented.

Funding CED

Community Economic Development (CED) initiatives require funding. Currently 42% of the Aboriginal population is in urban centres and receiving an estimated 4%-5% of Federal funds directed to the total Aboriginal population. It is therefore important that the financial resources currently targeted to the urban Aboriginal population remain at current levels, and at the Federal level. This point has been discussed previously. CED strategies allow these funds to be used as economic leverage in developing public/private partnerships.

The funding of a Community Economic Development initiative is in itself complex. Sources of funds are the public and private business sectors, charitable organizations, and the various levels of government. Sourcing funds and expertise is an important part of the CED process. Comments regarding funding as part of the discussion is restricted to start-up funds. The development phase of a CED initiative is the most important and therefore, at times, the most difficult to fund. CMHC and/or HRDC are regarded as the two logical sources for start-up funding. The CED community must develop focus and define its requirements for success. When the needs assessment phase has been completed, the initiatives agreed upon will necessitate funding. Sources of funds, methods of obtaining them, and the partnerships necessary to achieve sustainable CED are an outgrowth of the process.

³⁹ Krause, D. In: Workshop on Alternative Approaches to Developing Affordable Housing, November 22, 1995. Summary of Proceedings.

In many ways, the current conditions suggest that funding is a surmountable hurdle. Optimism is based on the following observation: (1) the government "Redbook" commitments; (2) the direction government departments are going in terms of developing a cooperative approach to addressing community needs; (3) the current lack of activity by businesses associated with the housing industry. These factors suggest that if a sustainable CED strategy is formulated that involves representation from those affected by the initiatives, financial resources can be obtained.

The following outlines a number of additional conditions present in the Aboriginal and non-Aboriginal community that will assist in the establishment of a successful CED strategy in the community:

- There is a large Aboriginal population in the Region.
- Housing accessibility and affordability is recognized as a barrier for many low-income Aboriginal and non-Aboriginal households.
- There is a large pool of Aboriginal professionals in the Region who's expertise can be drawn upon.
- Home building creates jobs, jobs create income, adequate income creates conditions for a better family life.

Everything is related to Everything.

Community economic development "is a value-based approach which emphasizes developments from within the community as a whole and the empowerment of its marginalized members. It seeks to build partnerships among various sectors and to create local capacity to achieve greater long-term local self-reliance."

Summary

A holistic approach is required to the development of an effective housing strategy designed to assist Aboriginal households to access home ownership.

The Community Economic Development approach can be an effective way of creating adequate, accessible, affordable housing for all low-income households over a period of time. A holistic approach to the development of an effective housing program will assist in the development of Aboriginal businesses and assist Aboriginal peoples in taking advantage of employment opportunities. As has been pointed out, the main reason for failing to incorporate socio-economic policies as part of an effective long-range housing and economic development strategy is due largely to its complexity. Linking housing construction, rehabilitation and renovation of housing, training and economic development, will achieve not only new and improved housing but will provide employment, new skills at all levels, and business growth to an Aboriginal people.

The above approach takes time, commitment, planning, coordination, patience and resources – both human and financial. A major step in developing a Community Economic Development approach is a firm commitment by the Federal Government to incorporating housing as part of a concrete housing, social, and economic policy.

Community Economic Development provides all sectors, government public and private corporations, charitable organizations and the Aboriginal Community with the opportunity to strategically intervene in the market-place. The coordination of social and economic development initiatives that focus on the provision of accessible, affordable housing creates the possibility to accomplish a variety of compatible goals. The role of the Federal Government initially is to facilitate the development of CED organizations coordinating existing manpower and financial capability in a manner that complements CED initiatives and eases access to government resources.

Overall Summary and Conclusions

At the beginning of this study, the role of the Federal Government and Canada Mortgage Housing Corporation were briefly discussed. The promotion of home ownership and social housing have been the two primary thrusts of Canadian housing policy in the last few decades.

Recent initiatives presented by the Federal Government and CMHC indicate that there is a concerted attempt to accelerate the promotion of home ownership and reduce social housing commitments. Recognizing that the need for adequate housing still exists, CMHC along with other sectors of the housing industry are attempting to develop options by which low-income households both in social housing and private rental stock can be assisted to access home ownership. The Aboriginal population form a significant percentage of the low-income Canadian population. In terms of Federal Government and CMHC programming, the Aboriginal population differs from other low-income Canadians, in that specific Housing programs have been targeted to Aboriginal households, both on and off reserve. Aboriginal people consider that this precedent is one that should be recognized, maintained, and serve as a building block in the development of options by which Aboriginal households can be assisted to access home ownership.

The population projection data presented in Section I, indicate that 42% of the current Aboriginal population live off-reserve and that larger urban centres are the main Aboriginal population growth centres. The need to develop options to assist Aboriginal households to access home ownership in large urban centres is increasing.

The options presented above are not meant to be restrictive. It is suggested that at this point there is not enough definitive information available on any of the options presented, currently being developed and investigated by other sources, or being tried on a trial basis by other groups, to suggest that any one option can be pursued that will provide long-term viability without ongoing subsidy assistance from some source.

The problem of affordability, in relation to home ownership, is complex. There are a number of barriers to be overcome if accessibility to affordable housing is to be increased. Describing the economic factors that serve as barriers to accessing home ownership does little to address the problems that create the conditions.

Addressing economic barriers can serve as a starting point. Accessing home ownership is a different problem than maintaining home ownership. For everyone concerned, government, lenders, CMHC, and prospective home owners, long-term viability is a primary consideration. Other than the Community Economic Development approach, the options presented above, those discussed or referred to briefly as innovations by others, have to be assessed in terms of their applicability to specific income groups.

For a specific segment of the Aboriginal population, a down payment requirement may be the largest barrier to be dealt with. This obstacle can be dealt with satisfactorily. For an additional segment of the Aboriginal population, the “up-front” costs are an additional factor. This obstacle and the down payment obstacle can be overcome. In effect if the overall problem of affordability is dealt with in degrees, specific options can be developed and put in place to assist Aboriginal households to access home ownership.

The Community Economic Development approach provides an opportunity to develop strategies that do more than address the specific problems associated with becoming a home owner. CED provides a partnership approach, in which the conditions that create problems associated with determining access to affordable housing, are identified and solved by the Aboriginal people affected by the social, economic and human conditions.

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