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Chair

Mr. Blake Richards

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• (0935)

[English]

The Chair (Mr. Blake Richards (Wild Rose, CPC)): Welcome this morning to the 44th meeting of the Standing Committee on Aboriginal Affairs and Northern Development. We're continuing our study on access to capital.

We have with us today two organizations, including the Innu TakuaiKAN Uashat mak Mani-utenam. I hope I was pretty close in my pronunciation. Not even close?

Okay, from the ITUM, we have Mr. Ricky Fontaine, executive director. Also with us is the First Nations Market Housing Fund, with John Beaucage, chair; and Deborah Taylor, executive director.

I guess we'll go in the order we have on our sheet.

Monsieur Fontaine, the floor is yours for 10 minutes for opening remarks. We'll have Mr. Beaucage for the next 10 minutes, and then we'll turn to questions from members.

The floor is all yours, Mr. Fontaine.

[Translation]

Mr. Ricky Fontaine (Executive Director, Innu TakuaiKAN Uashat Mak Mani-Utenam (ITUM)): Thank you, Mr. Chair.

Kuei.

[English]

Good morning.

[Translation]

Mr. Chair and members of the committee, thank you for giving me this time to make this presentation on access to capital.

I will give you a brief description of who I am and the community I come from—which is the same as Jonathan Genest-Jourdain—its problems and its development. I will conclude by giving you a few recommendations about access to capital.

My name is Ricky Fontaine and I am an Innu from Uashat mak Mani-utenam. I have been a certified administrator since 1983. I am a member of the Aboriginal Financial Officers Association, and of the Collège des administrateurs de sociétés, whose members manage public corporations. I am also an auditor in the context of the Quebec land management program.

I began to do economic development work very early in my career. I worked on the economic development of the community at the regional level, and I also worked at the national level for many

years. My career has already lasted close to 40 years. It's sad to say, but we don't get any younger.

We have faced a series of problems with regard to access to capital, and this will be the topic of my presentation.

In the beginning of the 1970s, Uashat mak Mani-utenam was a band registry agent, a secretary and a first registration program for Indians from the community of Uashat mak Mani-utenam. In 2016, it has a budget of \$70 million, \$58 million of which are for government services offered to the population of 4,500 souls who reside in Uashat mak Mani-utenam, close to Sept-Îles. This \$70 million is made up of \$58 million in transfer funds for government services, and \$12 million in independent revenue.

The community also owns 14 different businesses in the construction, fisheries, real estate, services and processing sectors. All of this was done within the framework of the Indian Act, as it remains the only way to bring about development. The problems are great and the delays are long. Opportunities arise and disappear. The Indian Act is totally inadequate.

In 1974, we built a shopping mall. It was the first major project for the community; it cost \$8 million. At the time, the financial structure was as follows: \$300,000 in equity, and \$7,700,000 in loans. That was a good recipe for disaster, all the more so since the iron ore sector took a nose dive after that.

But the mall is still active. It has been renovated and expanded. The company opened another supermarket across the way. The mall covers 250,000 square feet, and we have developed an additional 60,000 square feet in rental space just across from it. Last week, we opened a 60-room hotel. I would say that access to capital is a weekly issue.

I said that we have \$12 million in independent revenue. What has happened in the course of the last few years? We signed five impact and benefit agreements with mining companies. This brought in additional capital, but by the same token, the income derived from that is much riskier than income from federal and provincial agreements. Because two mining companies filed for bankruptcy, the community lost \$6 million in operating income, which caused major problems.

• (0940)

That is something else we are dealing with currently.

Uashat mak Mani-utenam is to some degree the regional service centre for the Innu nation, since Sept-Îles, which is right next door, is the regional service centre for the region. Government services are present in Sept-Îles, so everyone goes there.

In the near future, we will be dealing with some major investments for a third rail line, a \$1.8-billion project. We have proposals for participation in equity and funding. We are talking about mining projects, getting involved in the supply chain, and accelerating things in order to be able to leverage the impacts and benefits from impact and benefit agreements.

Of course up until now, the negotiation model has been one where royalties were paid according to production, which meant that the impacts were immediate and the revenue highly precarious. This has caused major problems. Several major projects are in the pipeline, and funding remains an issue.

As I was saying regarding access to capital, the Indian Act is a major issue. The operations of the community have changed a great deal and that also is a factor. The level of risk has changed, governance has not followed the evolution of the various files, and the constraints are growing.

The size of projects has changed a lot as well. In 1976, a major project was an \$8-million one. Now a major project is a \$1.8-billion one. Even with a normal financial structure, the participation of the community in these projects, even on the order of 5%, may represent tens of millions of dollars, and the tools are not there.

The timelines for these projects are generally very long for the private partners, but short for the community stakeholders. The various Canadian government programs at this time apply criteria that are extremely difficult to meet for any community whatsoever. We are talking of course about national institutions that are quite far away. And so we have to find new ways of solving the problems that this causes.

I gave the clerk my brief, and so I am going to speak to my main recommendations.

The first recommendation is to encourage the development of financial know-how. You have heard about financial literacy. This isn't just lip service, it is an obligation. The community environment has changed a great deal and the governance has not evolved very much. We absolutely have to increase financial literacy.

Secondly, as for access to capital, I strongly suggest that you chart the products and services offered to aboriginal people, that you identify areas of overlap and ensure that financial activities are coordinated and that you support projects that reach communities that really need help. Just about all of the private sector businesses will head for the low-lying fruit and will collect those, but everyone will go to the communities that do not have an acute need for these services. Capacity development is an essential element, and I consider it the government's responsibility to facilitate entry into the market for the communities that have the greatest needs.

The third recommendation is to support the development of indigenous financial institutions and the efficient use of the resources at their disposal, and encourage the ones with a development plan that allows the largest number of aboriginal persons to participate.

Put simply, there are a lot of players and everyone seems to want to play in the same service areas. Please—we need someone to coordinate the projects. The Government of Canada will be called upon to invest in all of these projects.

• (0945)

And so I strongly urge you to ensure coordination in the delivery of programs and services, to specify who does what, and if these people function efficiently, to continue to support them on condition that they have a development plan that involves as many aboriginal persons as possible.

Fourthly, you must ensure that the delivery of services is adapted to Quebec and takes the legal environment into account—the Civil Code seems to be a very serious deterrent for almost all of the national institutions—as well as aboriginal languages and French, and I ask that you be mindful of the large distances that separate the nations or even the communities of a single first nation.

To go from Montreal to Sept-Îles costs \$1,250. If you want to go to Schefferville you must add \$1,250. What this means is that if you set up the head office of a national institution in Toronto or Vancouver, you will not have any visitors.

The fifth recommendation is to give priority to aboriginal bodies that are the closest to the communities for the delivery of services. There are networks; tribal councils are one example. In this era of computers and electronics, I think it is possible to ensure local delivery of services, even from a distance.

The sixth and final recommendation is to ensure that government bodies whose mandate is to support local governments are present and develop an appropriate strategy for aboriginals. The Government of Canada has a fiduciary responsibility in aboriginal matters, and not just Aboriginal Affairs and Northern Development.

Because I worked at Industry Canada, I know that this department has tools that are sometimes better adapted to intervene in particular projects than those of other departments. And so, please, review the mandates of everyone involved and ensure that their service offer is appropriate.

Thank you.

The Chair: Thank you, Mr. Fontaine.

[English]

Now we have the First Nations Market Housing Fund. Mr. Beaucage, the 10 minutes are for you.

Mr. John Beaucage (Chair, First Nations Market Housing Fund): Thank you very much, Mr. Chairman. It is a pleasure to be before the committee today as it continues its study on access to capital.

When it comes to capital for housing, the situation across the country is far from uniform. Many remote communities are facing housing crises that are intrinsically linked to poverty and have no history of accessing capital from the market to build homes, while other nations are moving forward on housing improvements as they benefit from the significant economic development on or near their territory.

The fund works with first nations from across this spectrum. We partner with any and all first nations that see market housing as a part of the solution to their housing situation—communities that believe that their citizens should pay for their homes—and we help communities of all types get results on their terms. But simply providing access to capital alone is not enough. I will illustrate with my comments today the important steps that must be taken before access to capital is gained if it is to lead to long-term success.

When we put together these steps to make a path to market housing—a process that includes all the spade work that is necessary before a home is built in a community—the first step is that a first nation decides to become a partner with the fund.

I am pleased to say that 183 first nations have chosen to partner with the First Nations Market Housing Fund. This is nearly a third of all first nations across Canada, a number that is impressive given the voluntary nature of the fund and the amount of work that goes into each partnership. Our partner first nations can be found in every region of the country from the west coast to the east coast, from southern Ontario to the Yukon and Northwest Territories. They are communities that have populations as low as 100 and as large as 9,000. They are located in urban, rural, and remote locations.

Our partnerships with first nations move forward with the pace and timing that each individual first nation chooses. We have no deadlines for submissions and, should other more important or urgent matters arise with the first nation, they can easily pause and then later restart their work with us.

In our process, the first major step is an assessment of the first nation and how we work with them. We determine what their path forward will look like, what capacity development initiatives are needed, and whether or not the first nation is ready to access capital through our credit enhancement program. Right now, 58 first nations are in the assessment process of partnership with us.

In capacity development, which is the third major step, to date more than 85 first nations have participated in more than 800 capacity development initiatives supported by the fund. This includes an estimated 2,700 individuals who have participated in training supported by the First Nations Market Housing Fund. Capacity development helps strengthen the management and governance of communities that we think go beyond the housing file.

As examples of this training, 157 individuals from 27 first nations have completed an Aboriginal Financial Officers Association course; 154 individuals from 12 first nations have taken a course on project management training; and 6 individuals from 5 first nations have gained their National Aboriginal Lands Managers Association certification.

Some of the key outcomes from our capacity development are that 39 of our partner first nations have now developed a housing policy; 16 of our partner first nations have developed land use plans, land use bylaws, and zoning bylaws; and 15 of our partner first nations have developed new financial policies, bylaws, or laws.

Turning to credit enhancement, when the right set of policies and human infrastructure is in place, first nations can then take the fourth step on the path, which is credit enhancement. This is where the fund provides qualified first nations with a 10% backstop for housing loans, which are also guaranteed by the first nation. The approval of the fund provides financial leverage to negotiate with lenders that result in lower interest rates, reduced program access fees, risk-sharing opportunities, and administrative arrangements that are favourable to each first nation.

● (0950)

Currently 79 first nations are approved for credit enhancement with the fund. Three of these first nations started out at the capacity development process only with the fund, and because of the work they have done with the fund, they are now eligible for credit enhancement. We anticipate that many more first nations will make this type of progress in the next few years.

Right now the 79 first nations that have been approved for credit enhancement have been approved for over \$725 million in credit to build new homes. This total of \$725 million in credit can be used to build or purchase approximately 4,650 homes. We have some 14 partner financial institutions offering these loans to qualified first nations, and these partners are selected because they are responsible lenders, providing good value and terms that are clearly understood by the borrowers.

As of today we have 99 new homes that have been built, purchased, or renovated using loans backed by the credit enhancement the fund offers. Though the number of total homes built is low, the rate of growth is promising. The first few years of the fund's work were the hardest and real change is now coming. Many of the communities are now ready to start building homes. More and more first nations members are aware that buying a home is a real possibility.

There are no shortcuts to the market housing experience. It should not be surprising that change is occurring on a longer timeframe than was originally anticipated. Of course, we are anxious to get more homes financed and built, and while we want more first nations and their members to travel more quickly down the path to owning a home, we will never take shortcuts. We want to make sure that we are setting first nations up to succeed, not to fail. This means that for many first nations the path to market housing could take years to travel.

When they start partnering with us many first nations lack management rules in areas like land. Many first nations have limited experience or access to the necessary expertise to implement market housing. Some have never contributed to the cost of their housing, a step that needs to be embraced before you can contemplate taking on a loan program. Members often have had little opportunity to learn necessary financial literacy skills like personal budgeting or saving for a down payment. Our job is to make sure they have the financial and management capacity necessary to successfully introduce or expand and sustain market housing for their community. It is incredibly important that we do this job right the first time.

In essence the fund is a financial institution and must hold itself to the same high standards as other financial institutions. The one-time investment of \$300 million dollars by the federal government remains in trust. In fact, the value of the trust has now grown to \$344 million.

Our operations are wholly funded by the interest generated by this trust. The unspent principal allows us to backstop all of our credit enhancement activities. It was always intended that the trust would remain intact to provide that collateral security equivalent for land that others who are living off reserve use when they borrow for a home loan.

We continue to take our financial trust and, more figuratively, the government's trust and the public's trust, very seriously. We were never meant to be a short-term fix that just made a small dent in the problem then disappear from view.

The financial trust of the fund remains fully preserved and growing because that is the only way we can consistently increase the activities we support and be a meaningful part of a long-term solution.

As we look into the future we see that there is no one solution to the housing challenges faced by first nations. But market housing and the work of the fund is an important part of the mix of solutions necessary to provide access to capital, build homes, strengthen communities, and empower individuals across Canada.

•(0955)

I welcome any questions that you may have.

Chi Meegwetch. Thank you very much.

The Chair: Thank you, Mr. Beaucage.

Now we're going to move to questions from members.

In our first round, in our first seven minutes, we have Ms. Ashton.

Ms. Niki Ashton (Churchill, NDP): Thank you very much.

Thank you to all of our witnesses for being here today, *un grand merci.*

I do want to direct my questions to the First Nations Market Housing Fund. Thank you for joining us today. Yesterday the CBC broke some shocking news, I would say, about the amount of money that exists in the First Nations Market Housing Fund and the fact only 99 homes have been built. Mr. Beaucage, you know the reality of housing insecurity in first nations first hand, and I'd like to say that all I heard from my constituents was outrage.

The levels of housing insecurity that exist in northern Manitoba and other regions across the country can only be classified as third world. I was in Opaskwayak Cree Nation last week and the number one concern I heard was housing. I heard from people who were willing to pay some sort of amount, but only in return for seeing change in their community. I spoke to leaders who have no money to build new housing. In fact, they're looking to buy homes in an urban centre because they have no other solutions for their own people. I've been to communities where there's a housing waiting list of 300 homes; in homes where there are 17 people living; in homes that are mould infested that don't have windows but only plastic coverings; and in homes that don't have running water, no sinks, and only a toilet outside. We are talking about a third world in our own country. To hear that there's \$344 million sitting in a fund that is to be spent on housing for first nations people, the people who need that money the most, and that \$3.6 million is spent annually on administrative costs is cause for outrage. That outrage is palpable, based on what we're hearing from folks on the ground and what's being shared by Reuters, as well in response to the news that was broken.

Clearly this is not working. You've been given a mandate and I understand that. My issue is with the fact that when we do raise the housing issue with government leaders in the House of Commons, we hear about the First Nations Market Housing Fund. How can one possibly say this is working when it clearly isn't? Should that \$344 million not be redirected immediately to begin addressing the huge housing backlog that exists on first nations, rather than sitting on it, not meeting any of the targets, and recognizing this is a egregious gap that first nations people face in our country?

•(1000)

Mr. John Beaucage: Thank you very much for the question.

I too have seen many of the housing situations in the communities across Canada. When we started discussions about the market housing fund back in the early 2000s, we had members from various first nations across Canada in a think tank to talk about the housing crisis and the need to look at different options for housing. The market housing fund is one option for housing. We do need more social housing. We do need more of other types of housing that we termed at the time "affordable housing"—not necessarily the deep subsidy.

There are many options that we talked about. The market housing fund was just one. While we could just say use the \$300 million to build 3,000 homes, it would be there and gone. The market housing fund is meant to last a long time and to look after the emerging middle class in many first nations.

Right now, as I said in my speech, we have credit outstanding of \$725 million with some 79 first nations across the country who believe in market housing. This is \$725 million that is not coming out of the public purse. It is more than double the size of our fund. We're looking at this fund lasting for many years to create a process whereby people can get loans easily in our communities.

I'll even point to the situation of my daughter, who's a teacher, who built a house next door to where I live on a reserve. She had to wait for a whole year to get a ministerial guarantee to build her house. My community, Wasauksing First Nation, is working with the fund. We just finished approving our housing policy and we hope to have credit enhancement available for us within the next year. She wasn't able to get access to the fund yet because the community wasn't ready. We can multiply this situation innumerable times across the country. I don't mind talking about my community not being ready. It wasn't. But it will be ready and many communities will be ready to partake in market housing.

It's one option. In many communities, people have moved out of social housing. In northern Quebec we had families move out of social housing into market housing, leaving that social housing unit open for somebody who couldn't afford anything else.

Ms. Niki Ashton: Thank you very much.

So we're talking about 99 homes having been built. That's way off the 25,000 goal. I appreciate some of the success stories, but the reality is that there are 99 homes only. What would you say to the first nations across the country who are saying this is a failure? Housing needs to be built in their communities right now. What should we be taking away from this as leaders?

Mr. John Beaucage: I would only point to the 183 communities that very much believe in market housing. When the CBC story was run, they went and talked to many of these leaders and they could not get a negative comment from a chief. You won't see comments from a chief who is involved in the fund. They believe in it and they will continue believing in it.

The Chair: Thank you very much.

We'll now move to Mr. Strahl for seven minutes.

Mr. Mark Strahl (Chilliwack—Fraser Canyon, CPC): Thank you very much for your testimony here today. I'm also going to focus on the First Nations Market Housing Fund.

Mr. Beaucage, I think what you've described here is as my father would say, that there are many ways to skin a cat. I'm not sure if that's considered politically correct anymore, but we need to look at the housing crisis from many different angles. Some of it requires direct government investment, and certainly that has been done. But I think it's also important that we talk about what the fund was established to do in Budget 2007, in which a \$300-million First Nations Market Housing Fund was set up to enhance access to private financing arrangements for on-reserve housing by providing a backstop to private sector loans. This wasn't meant to, as you say, build 3,000 homes. This was meant, essentially, to backstop a much greater number than that.

Your vision statement says that "Every First Nation family has the opportunity to have a home on their own land in a strong community." I think certainly the government supports that vision,

and that's one we share with you. You mentioned the first nations that have taken this up. One of them is in my riding, the Seabird Island Band, where Chief Clem Seymour said, "The Seabird Island Band is looking forward to working with the First Nations Market Housing Fund on another avenue for housing. It has been needed for a long time."

So the chief in my riding who's participating in this says this is another avenue and that we need to look at other solutions than the status quo. But, again, we are looking at results. We have to look at the results. You said that the rate of growth is promising. When you appeared before the Senate committee you said there were 3,700 housing units. That's a couple of years ago now, or a year and a half ago. Commitments had been made for 3,700 homes. Is that number still accurate? Where are we at in terms of our commitments at this point?

• (1005)

Mr. John Beaucage: The number of commitments is 4,650 units. I guess, to be clear about that, it is credit available to the first nation and the first nation members, who then have to go to the bank and establish a loan. We found that we've had to do a lot of coaching in financial literacy: how to go to get a housing loan, and what happens when you have bruised credit, etc. There are a number of challenges that we didn't foresee when the first targets were set—and I'll readily admit, the first targets were overly optimistic, but I don't think the concept is a bad concept. I think it's a good concept; it just needs time to grow.

Mr. Mark Strahl: So, is the goal still 25,000 homes in 10 years, as where things were set out initially? Is that still a realistic expectation, or have we moved away from talking about x number of homes in x number of years, and now we just talk about what we actually have?

Mr. John Beaucage: Well, it is not a realistic expectation and we see that now. Certainly all of the trustees at the beginning were pretty adamant that we had to do it. We pushed, we cajoled, we bullied, and we did everything we could at the very beginning, but now we see the challenges. As I mentioned earlier, we have the 4,650 homes that are currently committed for credit. I'm thinking that if we can get those on the ground within that 2018 timeframe, I would be very happy.

Then for the next 5,000, I think, we're going to be looking at a shorter time period. Within the next 10 years, I think 10,000 to 15,000 units is probably more realistic.

Mr. Mark Strahl: In terms of the First Nations Land Management Act, are you finding there's a correlation between communities that are in that regime and those that take up the opportunity to access the market housing fund?

Mr. John Beaucage: No, there's not a strong correlation. From my experience in working with a number of first nations on other projects, the First Nations Land Management Act helps greatly with capital and economic development. The First Nations Market Housing Fund was set up so that there doesn't necessarily have to be any kind of pledge of land or a requirement that that the first nation must have lands management. Our backstop replaces the aspect of pledging land.

•(1010)

Mr. Mark Strahl: So, just to be clear about some of the news stories from the last couple of days, \$300 million hasn't been expended to build 99 homes. The money is still there. You're financing the administration of the fund, and the associated cost is all funded from the interest on the initial investment.

Mr. John Beaucage: That is correct.

Mr. Mark Strahl: Is there anything specifically in terms of government policy or any changes in the regulations that you see as necessary, now that we know we went into this a bit overly optimistic. I think that is how we can categorize it. Now that we have seven or eight years of experience, is there anything that should be changed? I know we just brought in some amendments to financial management in the recent Bill C-59, the budget implementation act, because there were a few things seen along the way that could be tweaked to make that better.

Do you have any recommendations for the committee or the department that would allow the First Nations Market Housing Fund to overcome some of the obstacles?

Mr. John Beaucage: I think probably getting involved with infrastructure for first nations would help us.

You need land. You need servicing of land to build houses. We have, on a peripheral basis, talked about being involved in infrastructure, but that hasn't happened yet. It's not part of our mandate, as yet.

The Chair: Thank you.

We'll now move to Ms. Bennett, for seven minutes.

Hon. Carolyn Bennett (St. Paul's, Lib.): Thank you.

[*Translation*]

Excuse me, Mr. Fontaine, but we have to focus on the situation in the media.

[*English*]

I hear you Mr. Beaucage. I also hear that a lot of the chiefs understand the importance of having this back-up, and yet lots of people don't understand the ministerial approach to this and why this new organization's warranted given the time delays. But in any of these things to do with government, managing expectations is a hugely important thing. When somebody says that they're going to build 25,000 houses, particularly when the internal departmental documents say that 25,000 to 35,000 is the urgent need, it seems ridiculous and really harmful to set a goal that's just not realistic.

At what time were you able to explain that you were not going to reach it? When you were here at committee a couple of years ago, when they had built 55 homes, you were expressing some concern about the unrealistic nature of the goal and that it was going to take more time. You've said that you think you can get 10,000 to 15,000 homes by 2018?

Mr. John Beaucage: No, I said that it's realistic to look at 10,000 to 15,000 homes within the next 10 years, not by 2018.

Hon. Carolyn Bennett: Okay, I asked because the article on the CBC website certainly suggested that you said 10,000 to 15,000 homes could be built by 2018, the fund's 10th anniversary.

Mr. John Beaucage: Actually, I did say clearly that it would be within the next 10 years.

Hon. Carolyn Bennett: Okay.

I ask because I think it's important that that be corrected because most people think that, based on the track record, you don't have a magic wand.

Mr. John Beaucage: No, no. And far be it from me to, all of a sudden, wave this magic wand and get all those houses.

You're right, honourable member, that certainly we need to be realistic. There was some over-enthusiasm at the very beginning because it was something new. It was something that many first nation members, during the consultations, had a lot of good thoughts about. The realistic, on-the-ground approach showed that it was overly optimistic.

•(1015)

Hon. Carolyn Bennett: What are Canadians to think? What's your pitch in terms of what Ms. Ashton said? How do you explain that it is really important to have this fund? You work on this and the administrative costs are paid from the interest, but we aren't getting any homes right now, or very few.

Mr. John Beaucage: Well, I hate to talk about patience, but certainly patience is one of the things that we do have to talk about with this. When we are out there, we hear the good stories. It was only yesterday that we heard that the Siksika Nation nation has 12 applications they're going to be sending in to us. We've heard of another for rental housing that is coming in within the next couple of weeks.

We know that it's building up. We know that momentum is happening. We know that they're coming in. It's just that they're not coming in by the thousands; they're coming in by the fives and tens. We have to look at realistic expectations to really change the philosophy and the way of thinking with our first nations citizens and the first nations themselves.

Hon. Carolyn Bennett: So you would say that compared to what the minister used to be able to do in administering a fund that would back up a mortgage and to what CMHC used to do, the existence of your fund is necessary and that it is working. How are Canadians supposed to trust that this is going to work?

Mr. John Beaucage: It's doing a number of things. Actually, the number of houses on the ground is an important statistic, and I'll never denigrate that, but what we also have to look at is the first nations that are becoming involved in getting housing plans and policies. Social housing people are now starting to pay rent in many communities, and we have many communities across the country where no rent is being paid on CMHC social housing units.

Hon. Carolyn Bennett: Just as somebody who knows what's happening on reserve, rather than you in your present role, the idea that this was going to fix the shortage of 25,000 that was deemed to be urgent.... You are saying clearly the government still has to invest in social housing and build housing on reserve. There is a responsibility of the federal government to do that at the same time that we ramp up to the goal that was set by your organization.

Mr. John Beaucage: Poverty is slow to change on first nation communities. There are a lot of poor people who can't afford First Nation Market Housing. There's no question about it.

This is for those people I would consider middle class, who have year-round jobs and can afford their own housing. There are still a lot of people that can't afford these. You have a continuum of housing need on first nation communities.

Hon. Carolyn Bennett: In the continuum, the federal government still has a responsibility to get those homes for those 17 people living in one house with no running water. We need to get some stuff built in terms of actual government-funded infrastructure

Mr. John Beaucage: Yes.

The Chair: Thank you.

We'll move now to Mr. Seeback.

You have seven minutes.

Mr. Kyle Seeback (Brampton West, CPC): Thank you.

I think we've finally started to get some understanding at this committee table among some members about what the fund is supposed to do. The fund is not to have \$300 million to go and build houses. It's to leverage them, right? It's to allow a first nation to leverage to build certain types of houses on reserve. That's what the fund is supposed to do.

Mr. John Beaucage: That's correct.

Mr. Kyle Seeback: I'm not going to fault you for being overly ambitious about 25,000 units. I think it's important to set high goals.

One of the things I see when I look at it is the access criteria. When you say that you have 183 first nations that have partnered with the fund, does that mean they have an expression of interest? Are they saying they're interested in having access to this capital and then have to go through the three pillars in order to qualify? Or are these 183 first nations that have gone through the three pillars and have qualified?

Mr. John Beaucage: There are 183 first nation communities that have provided a band council resolution saying that they believe in market housing for their communities.

Mr. Kyle Seeback: It's like someone who is interested in getting involved in the FNLMA. They pass a band council resolution to say they would like to try to enter into the program. Is that kind of how it works?

Mr. John Beaucage: It is kind of how it works.

Mr. Kyle Seeback: That's step one.

• (1020)

Mr. John Beaucage: Yes.

Mr. Kyle Seeback: How many first nations have gone through and successfully completed the three pillars?

Mr. John Beaucage: There are 79.

Mr. Kyle Seeback: Of those 79, how many have accessed the fund to try to build housing?

Mr. John Beaucage: That 79.

Mr. Kyle Seeback: All 79?

A voice: Thirteen.

Mr. John Beaucage: Oh, 13 have built houses. Sorry.

Mr. Kyle Seeback: What's the difference between the 79 and the 13? Why is there a bunch that haven't? What's the delay for them?

Mr. John Beaucage: I'm going to ask Deborah Taylor to answer. She's more on the ground with that.

Ms. Deborah Taylor (Executive Director, First Nations Market Housing Fund): Another 47 first nations have gone through the process; they passed the band council resolution. They have participated in providing all their documentation. When we concluded our assessment, we determined they were not yet ready to safely guarantee loans, and so they are working using capacity-building to strengthen what they need.

In some cases it may be to improve their finances, but in many cases it is to improve governance aspects, including things like developing a housing policy and implementing a payment system for their current stock. It may be developing a system to give the right to someone to occupy a piece of their land. It may be some training that's necessary for their staff so they can perform their functions and provide services to the community.

So the 79 plus the 47 have completed the process, and 58 are currently in the process. As the chair said, they have passed that resolution declaring they believe in market-based housing, and they wish to get there.

Mr. Kyle Seeback: How many first nations communities are in the three pillars but have not satisfactorily met the test you've set?

Ms. Deborah Taylor: Forty-seven.

Mr. Kyle Seeback: What happens to those 47?

Ms. Deborah Taylor: Those 47 are currently working on improving, strengthening the areas that we determined together with them were in deficit, that for whatever reason caused them not to be able to safely guarantee loans.

Mr. Kyle Seeback: Do you help them build that capacity?

Ms. Deborah Taylor: Yes, we do. We use part of our interest income to be able to fund those capacity development initiatives and to have experts work with them to be able to increase their skill.

Mr. Kyle Seeback: How long do you see for those 47 first nations to develop that capacity? Do you have a timeline or timeframes for them?

Ms. Deborah Taylor: Our target timeframe is to accomplish that within a three-year period. For some first nations it's taking longer. We have the example of three that have already gone through that process, so they were approved for capacity development only and since then have advanced to credit enhancement.

It's very difficult for some of them to get through the process when they never paid for their housing previously. You're talking about establishing a system where people begin to pay something, where they are informed about the need to contribute something from their own resources to take care of the housing, and then to be able to expand that to the point where the members who do qualify would have the opportunity to get their own loan.

We don't want to create a system in which a first nations borrower fails, or the first nation itself fails, and it's also not our goal to have the first nation chief and council pay all the loans in a community.

Some first nations certainly have the wealth and the capacity to do that, but the idea was to try to create a system akin to what exists in an off-reserve environment where people have that opportunity to go to the bank and be able to borrow for their own housing.

Mr. Kyle Seeback: I would think building that capacity issues has spinoffs for other aspects of management, so there's a positive I think in general that comes from this in addition to the positive of being able to access the fund for building homes.

Ms. Deborah Taylor: Absolutely. There are linkages with economic development in communities. We have success stories where communities have been able to access capital for other reasons, or non-residential interests. We have first nations as well that we have helped support to qualify through the First Nations Financial Management Board process to create their financial administration law and to build those policies. So we have worked with the FNFMB in several communities to try to complement their work too.

It's about strengthening the community in a holistic way. You want people to want to invest in their community, so they they need to know that they have have a strong, stable government—a strong, stable administration, with schools and businesses and other aspects that people would take for granted in an off-reserve environment.

• (1025)

Mr. Kyle Seeback: I know funding is always an issue, but do you find that the funds you have are enabling you to move people along that spectrum in capacity-building as quickly as possible, or do you think you need more funds to do more capacity-building for these first nations?

Mr. John Beaucage: Our request for capacity development is growing. We're now having to start to budget very carefully on how capacity development dollars are spent.

The Chair: Thank you very much.

We'll now move to our second round. In that round we have five minutes per each member.

We'll start with Ms. Hughes.

Mrs. Carol Hughes (Algoma—Manitoulin—Kapuskasing, NDP): Thank you very much.

[*Translation*]

Mr. Fontaine, I must say that your presentation was probably one of the better ones we have heard in the course of our study. I very much appreciate the suggestions you have made to improve the situation for aboriginal people.

Can you tell us more about the work that is being done to improve financial literacy? According to what you have said, the government should invest more in that area.

Mr. Ricky Fontaine: Over the past 40 years, all of the first nations of Canada have evolved. Before that everything was quite simple: we managed the programs the federal government transferred to us. The communities have changed and their portfolios are completely different, whether we are talking about housing, economic development, relationships with various sectors, or natural resources. The companies work in completely different markets. The context communities live in has also changed completely. However, governance in most first nations is still based on the Indian Act or on electoral rules based on their customs.

Very few communities have concluded comprehensive land claim agreements that took governance to another level. The people are like the communities in that they have very little knowledge of financial matters. We manage \$70 million a year and we have 500 permanent employees. In the summer that number climbs to 900. And that is without counting the 14 or 15 businesses that belong to us and employ 150 people who live in a completely different context.

The risk analysis for each one of these dossiers is important, and the human resources are extremely limited. Most of the people on the council resemble their community and have very limited financial knowledge. Some major efforts have to be made to improve that knowledge.

Everyone submits new projects to us. We received a project for a third rail line in the Labrador Trough region. We see projects for diversification or secondary or tertiary processing in fisheries. We see projects for extraction of natural resources. A \$600-million, 200 mw wind farm project was submitted to us, and we asked to be the owners of it. All of that cannot be accomplished without a minimum of financial knowledge.

The communities and the environment are changing as time goes by. So we have to do a lot of work on a country-wide scale. Proximity means that just about anyone can get elected tomorrow morning. In our community there are 4,500 people. Communities of 100 people are lucky if they have someone among them who knows how to manage the sums that are transferred to us.

Mrs. Carol Hughes: Thank you very much.

[*English*]

My next question is for Mr. Beaucage.

Thank you very much. I know that you know the first nations communities quite well, because of your experience, even as the Ontario regional chief.

I did visit quite a few of the communities in Minister Rickford's riding, and what I heard over and over again from a lot of those communities is that they would love to build housing, but they can't because they don't have the infrastructure. You talked about the ministerial approval, and I think that's quite important as well.

So I'm just wondering whether you have come across that problem, where first nations want to get on board and can't because they can't get infrastructure projects that would allow them to build that capacity.

I would also just mention that we have been fighting for some carts for health care in Sioux Lookout, and they're sitting in a storage compartment right now, without approval to move forward.

•(1030)

The Chair: Unfortunately, Ms. Hughes, the time has now expired.

We'll move to Mr. Barlow for five minutes.

Mr. John Barlow (MacLeod, CPC): Thank you, Mr. Chair.

I'll try to fit in as much as I can here in five minutes.

Mr. Beaucage, I'll start with you. You spoke a bit about having some pretty lofty goals with this program initially. I agree with my counterpart that there's nothing wrong with setting some solid goals. But going through your information here, you built 55 homes in the first six years of the program, but in the last two, since you testified before the Senate in 2013, you've built 45. Obviously the process is going much, much more quickly quicker now and you're seeing an accelerated rate.

With those 99 homes that have been built, you have about 4,650 that are committed. Once you've made the commitment to the 4,650, what is the timeline for those to be completed? What's the process they're going through now?

Ms. Deborah Taylor: If I may, the process would be that the arrangements would get set up between the first nation and the lender partners that the chair referred to. Depending on where you are in the country, there are three national lenders that serve first nations: the Bank of Montreal, the First Nations Bank of Canada, and the Peace Hill's Trust. Again depending on where you are, you might choose to have another lender as well.

The first nation council would entertain proposals from those lenders as to what types of terms and conditions they would be willing to offer their citizens who are qualified to borrow. We would assist the first nation in setting up their process by which they would be willing to provide a guarantee to an individual member. In addition to meeting the bank's criteria, the first nation might decide it would like some other conditions, for example attending a maintenance course. If you have never maintained your own home before, you may not be aware of the things that are required, especially if you're taking on home ownership responsibilities. Some councils have asked for a will to be put in place, or for the owner to have life insurance and disability insurance, those types of things.

Once they've established that process, the first nation decides who within their administration will be responsible for performing those things and what types of homes they will permit in their community. Will they permit manufactured homes in addition to stick-built homes, for example? Can you have do-it-yourself, or do you need to hire contractors? If you have to hire contractors, are they available? Do they have to meet conditions? All of those items are factors that a first nation has to put in place to have that system.

Once that's in place and they're advertising to their members that it's available, we support them with workshops on what it is to

become a homeowner, how to work through credit, the types of down payments that you might be required to save for, and then there's a pre-approval process within the community in which someone goes to the bank and qualifies.

What we have been told by the banks is that about 50% of the people are turned down because of bruised credit, so we will help them try to fix that credit. For some people it may be a fairly short-term fix. It may require them to cut up some of their credit cards, if they received offers and thought they were great, even though they don't owe anything—which in fact that goes against you when you go to apply for a loan. In other cases, there are more difficult situations. People didn't know they were bruising their credit along the way and now they have to work out of it, and it might take them two or three years.

It really comes down to setting up that whole system within the community, that access and enabling people to go forward, then having them make the choice to go the bank to see if they qualify or not. That starts the process, as it does for anyone else who wishes to build their own home.

•(1035)

Mr. John Barlow: It's really on a case-by-case basis.

Ms. Deborah Taylor: That's right.

Mr. John Barlow: Everyone will be a little bit different.

We had the Aboriginal Financial Officers Association of Canada here the other day, with Terry Goodtrack talking about a program they have for training administrators and managers on first nations. Is this something you would work with?

It sounds like there are some other really encouraging spin-offs from this program in terms of training people on first nations. It isn't simply a case of we are coming in, we are going to build a house, and then we are going to leave. This sounds like there are going to be some lasting benefits from this, not only in terms of housing but also in terms of their financial literacy, those kinds of things. Is that what you've set up, but they're not necessarily ready to take on the financial management and the financial administration side? As part of the program, are you training financial managers and administrators to be part of that first nation, once they come under the program?

Ms. Deborah Taylor: Yes, we have several individuals who have received their certification through the Aboriginal Financial Officers Association—either their designation for accounting, or their designation for public administration—and we have also funded more than 150 people to take courses toward those designations. So we have a good working relationship with AFOA both at the individual and community levels, in supporting literacy and financial training for leadership and administration in communities across the country.

The Chair: Thank you very much.

That concludes our questioning for the day.

Mrs. Carol Hughes: Mr. Chair.

The Chair: Did you have a point of order?

Mrs. Carol Hughes: I just want to ask you if you could entertain asking Mr. Beaucage if he could send to the clerk his response on the question that I asked about the infrastructure funds. I'd like an answer.

The Chair: He is certainly welcome to send it. We do have some committee business to do so if he would like to send it, that's certainly at his discretion.

I will now just suspend the meeting briefly and we'll clear the room so we can move to a brief session of committee business.

[Proceedings continue in camera]

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