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# Summary Report

# EVALUATION OF THE RURAL AND NATIVE HOUSING PROGRAMS

THE RURAL AND NATIVE HOUSING PROGRAMS EVALUATION REPORT

# SUMMARY REPORT

The following provincial and territorial housing agencies contributed to the costs of external data collection and provided advice during the planning, analysis, and write-up stages of the evaluation:

Newfoundland and Labrador Housing Corporation
New Brunswick Housing Corporation
Société d'habitation du Québec
Ontario Ministry of Housing
Manitoba Department of Housing
Saskatchewan Housing Corporation
Alberta Municipal Affairs
Northwest Territories Housing Corporation

Program Evaluation Division
Canada Mortgage and Housing Corporation

February 1992

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Ce rapport est aussi disponible en français auprès de la Division de l'évaluation de programme.

## 1.0 INTRODUCTION

This report summarises the major findings of the Evaluation of the Rural and Native Housing (RNH) Programs undertaken by Canada Mortgage and Housing Corporation (CMHC) with the co-operation and financial support of those provinces/territories which cost-share the programs.[1]

The RNH programs were selected to be evaluated for two reasons. The last comprehensive review of these programs was conducted in 1980. Also, a Demonstration program, to test client assembly of housing "kits", was introduced in 1986 on a five-year trial basis. The government wished to consider whether this approach represents a viable alternative to the Regular Rural and Native Housing programs to meet rural housing needs.

This evaluation determined if there is a continued need for the programs, how well the programs have achieved their objectives, and whether there are more cost-effective ways of achieving the programs' objectives. The findings of the RNH evaluation provided input to the subsequent national public consultation and policy development process about future directions for the RNH programs.

### 1.1 Description of the RNH Programs

Since 1965, the Federal government has provided a range of programs to address the housing needs of low-income Native and non-Native households living in off-reserve rural areas of Canada. Beginning in 1974, the first separate Rural and Native Housing program was introduced under the National Housing Act (NHA). The program was implemented in co-operation with provincial and territorial governments and some program costs were shared. Native organisations were actively involved in the delivery of the program. Beginning in 1982, a specific portion of the units delivered under the RNH programs were targeted to Native households.

In 1986, two important developments occurred. First, a new strategy for Rural and Native Housing was put in place, including the initiation of a five-year Demonstration program to test whether client construction of housing "kits" was a viable alternative to the Regular Homeowner and Rental programs, the introduction of a lease-purchase arrangement to complement the ownership and rental options and the initiation of targeting of rural housing assistance to households in need with incomes below a specific threshold. Secondly, with the

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[1] The detailed analysis and results can be found in the main report, Evaluation of the Rural and Native Housing Programs, Program Evaluation Division, CMHC, February 1992.

inclusion of the Regular RNH programs under the terms of the newly instituted Federal/Provincial Global Agreements for social housing programs, those provinces willing to share their costs were given the opportunity to assume delivery responsibilities.

The nature of and legislative authority for each of the RNH programs are as follows:

- RNH Regular (Homeownership, Rental, Lease-Purchase) Programs (Sections 57, 58, 79, 92 and 95)

  - provides loans and subsidy assistance for the construction, acquisition and/or rehabilitation of dwellings for low-income households in rural areas.

- Emergency Repair Program (ERP) (Section 54)

  - provides one-time grants to finance emergency repairs to dwellings occupied by rural low-income households.

- Rural Residential Rehabilitation Assistance Program (Rural RRAP) (Sections 51, 52, 53)

  - provides partly forgivable loans to low-income occupants of substandard dwellings to assist them with the repair of their dwellings.

- RNH Demonstration Program (Part IX)

  - provides a forgivable loan for the construction of owner-built housing for low-income households in rural areas, on a five-year test basis (1986-90).

- RNH Training Programs (Part IX, Section 74)

  Native Cadre Program

  - provides on-the-job work experience at CMHC or with provincial/territorial housing agencies or Native Delivery Groups in RNH program administration.

  Secondment Program

  - provides for the temporary placement of a housing professional with a Native delivery organisation to help with specific administrative or technical projects.

  Client Training Program

  - provides financial reimbursements to RNH Delivery Groups to provide or attend seminars, courses or workshops on RNH program developments as well as methods for enhancing their operations.

- Project Development Funds (Part IX, Section 76)
  - provides loans to local housing groups to assist them in developing housing proposals.
- Homeownership Assistance Program (HAP) (Section 92)
  - available in the Northwest Territories only, the program provides a one-time forgivable loan to low-income residents building their own home.
- Basic Shelter Program (BSP) (Section 92)
  - available in New Brunswick only, the program is equivalent to the RNH Regular Homeowner program.

## 1.2 Program Achievements

Between 1974 and the end of 1989, over 23,000 housing units were provided in rural areas under the Regular Rural and Native Housing programs. Approximately 19,500 units were under administration as of December 31, 1988, with approximately 3,100 under construction.

In addition, nearly 400 dwellings (of the 500 unit target for the five-year program) have been funded under the self-help Demonstration program between 1986 and 1989. Some 21,000 grants have been made under the Emergency Repair Program (ERP) since 1974 to finance urgent repairs of existing housing that are a threat to occupants' health or safety. The Residential Rehabilitation Assistance Program (RRAP) in rural areas has provided substantial repair assistance. Since 1974, more than 163,000 loans for repairs to rural owner-occupied dwellings have been made under the rural RRAP provisions.[1]

The percentage distribution of occupied dwelling units funded through the RNH programs as of the end of 1989 is shown in Table 1. Sixty-nine per cent of the dwellings are homeownership units funded under the regular RNH program, and 27 per cent are rental RNH units (nearly 90 per cent of the rental units are located in Manitoba, Saskatchewan, Quebec, and the Northwest Territories). The 400 units completed under the Demonstration Program, not included in this table, equal approximately 2 per cent of the total.

Table 1 shows that the bulk of homeowner units were provided under the original terms of the programs. Since the signing of the cost-sharing agreements with the provinces, however,

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[1] Rural RRAP is not included in this study since an evaluation of RRAP was completed in 1986.

the emphasis has changed to the provision of rental and lease-purchase tenure forms.

**TABLE 1**
**PERCENTAGE DISTRIBUTION OF OCCUPIED REGULAR RURAL AND NATIVE HOUSING UNITS, 1974-1989**

| | HOMEOWNER % | RENTAL % | LEASE-PURCHASE % | ALL % |
|---|---|---|---|---|
| Pre-1986 | 59.7 | 13.4 | .5 | 73.6 |
| Post-1985 | 9.4 | 14.1 | 2.9 | 26.4 |
| TOTAL | 69.1 | 27.5 | 3.4 | 100.0 |

Expenditures under the RNH Training and the PDF programs are summarised in Table 2 for the period 1974-1989. Approximately 250 Native persons have participated in the Native Cadre program, about 15 per year since it began. A total of 20 housing professionals were loaned to Native Delivery Groups under the RNH Secondment program. Much of the activity under the Client Training program occurred in the earlier years, reflecting the greater start-up requirements at that time. And, although the dollar amounts reported are higher in the latter years of the PDF program, this is more a reflection of the fact that figures after 1983 are capital commitments rather than actual budgetary expenditures.

**TABLE 2**
**RNH FUNDING FOR PROJECT AND STAFF DEVELOPMENT ANNUAL EXPENDITURES 1974-1988**
**($000)**

| YEAR | NATIVE CADRE $ | SECONDMENT $ | CLIENT TRAINING AND MATERIALS $ | PROJECT DEVELOPMENT FUNDS $ |
|---|---|---|---|---|
| 1974-1977 | 781.4 | 454.9 | 907.0 | 160.2 |
| 1978-1981 | 1,956.0 | 998.6 | 432.7 | 381.2 |
| 1982-1985 | 2,590.0 | 831.0 | 549.1 | 581.0 |
| 1986-1989 | 3,440.4 | 401.5 | 264.5 | 1,872.0 |
| TOTAL | 8,767.8 | 2,686.0 | 2,153.3 | 2,994.4 |

### 1.3 Study Approach and Method

Under the terms of arrangements with provincial and territorial governments, the RNH evaluation was conducted with the assistance from the housing agencies in Newfoundland, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, Alberta and the Northwest Territories. These agencies contributed funds to help defray the costs of data collection for the study, and they were consulted during the design of the study and field work for the surveys. These provinces also reviewed the first drafts of the evaluation. During the study planning and drafting stages, CMHC also consulted many Native housing groups including those organisations involved in delivering the programs, provincial and territorial Native housing groups and the Native Council of Canada, as well as northern municipal associations in Manitoba and Saskatchewan.

A detailed examination was carried out of issues related to the achievement of RNH program objectives, other impacts on clients and communities, and the effectiveness of program design and delivery. The undertaking of this comprehensive approach required obtaining current information on RNH client characteristics and perceptions as well as the physical condition of their dwellings. It also necessitated surveying representative community residents for their views about government-assisted housing, interviewing members of Native RNH delivery organisations, requesting RNH staff who administer the programs to document their experiences, and asking current and former Native cadres and RNH secondees to describe their involvement in RNH training.

## 2.0 FINDINGS OF THE EVALUATION

The evaluation addressed five questions about the performance of the RNH programs across Canada:

- Is there still a need for housing assistance in rural areas?
- Have the Regular RNH programs achieved their objectives?
- Are the Regular RNH programs being delivered effectively?
- What are the Regular RNH programs' costs to government and how cost-effective are the Regular RNH programs compared to the alternatives?
- Is the Demonstration program a viable alternative to the Regular RNH programs?

## 2.1 Is There Still a Need for Housing Assistance in Rural Areas?

Despite a lower population and some improvement in average incomes, there is still a substantial unmet need for housing assistance among rural households.

Since the RNH programs were introduced, the number of persons living in rural areas and the percentage of rural families with low incomes have both declined, suggesting that the need for housing assistance may have diminished. But, the population reduction has not translated into fewer households, only smaller ones, since the average size has dropped from 4 to 3 persons between 1971 and 1986. And, rural families are still larger than their urban counterparts, with considerably lower average incomes.

The magnitude of the need for housing assistance is shown in the following 1981 Census results[1]:

- 15 per cent of rural households (over 211,000 households in 1981) were identified as being in core housing need (that is, households who cannot obtain adequate and suitable housing in the market without having to pay 30 per cent or more of their income and who are now paying 30 per cent or more of their income for their accommodation and/or occupying a housing unit that is in need of major repairs and/or is crowded).

- 95 per cent of rural core housing need was comprised of non-Native households and 5 per cent was Native households. The incidence of housing need was higher among Native households, 44 per cent of whom were identified as being in core need, than among the non-Native households.

- About 82 per cent of rural housing need was in Prince Edward Island, Nova Scotia, New Brunswick and the sourthern areas of the other provinces and 18 per cent in the Territories and northern areas of the provinces. The incidence of households in core need was higher in the Territories and the northern areas of the provinces (19 per cent) than in southern areas.

- the characteristics of households in need differed between Native and non-Native rural households. Among rural Natives, 70 per cent of the need was among families

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[1] The definition of rural for this analysis of the 1981 Census is not comparable to the definition of rural used under the RNH program, as it excludes incorporated towns and villages under 2,500 in population.

compared with 53 per cent for all rural core need households. Non-family households comprised 16 per cent of rural Native core need households and 21 per cent of all rural core need households, and seniors made up 14 per cent of rural Native core need households and 26 per cent of all rural core need;

- the type of housing problem also differed between Native and non-Native households. Affordability was the major problem among all rural core need households (comprising 50 per cent of the need). Affordability represented only 16 per cent of rural Native housing needs. That is, rural Native households were more likely than rural non-Native households to occupy housing that needed major repairs or to be replaced than to occupy housing which costs more than they could afford.

More recent data from the 1988 Household Income Facilities and Equipment Survey (HIFE) by Statistics Canada showed that 144,000 rural households were in core housing need in 1988.[1] The incidence of rural core housing need was 10 per cent and the rural share of core housing need was 11 per cent. These data indicate that there is still a sizable number of households in rural areas with housing problems who do not have sufficient income to find more suitable, adequate or affordable housing.

## 2.2 Have the Programs Achieved their Objectives?

Under the post-1985 RNH programs, CMHC is to provide housing assistance to rural core need households. Those eligible to benefit under the programs are to be provided with affordable, suitable and adequate housing.[2] Implicitly, the assistance is to improve the housing conditions of recipients. Fifty per cent of activity is to be provided to Native households in order to redress the higher incidence of housing problems among Native households than among non-Native households.

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[1] The HIFE definition of a rural area is not comparable to the definition of rural used under the RNH program, as it excludes communities having a population between 1,000 and 2,500.

[2] Affordability being housing costing less than 30 per cent of household income, adequacy being housing which does not need major repairs, and suitability being housing with sufficient bedrooms for the size and composition of the household.

The objectives of the pre-1986 RNH programs were slightly different. Housing assistance was targeted on the basis of household size, income and housing condition. The housing provided under the programs was to meet established residential building standards.

The evaluation has applied the same measures of objectives' achievement to the pre-1986 RNH programs as to the post-1985 programs in order to facilitate comparison of program impacts between the two eras. For example, the degree to which low-income households have been served under the pre- and post-1985 programs is measured by the percentage of clients with incomes below the current Core Need Income Thresholds. Also, measures of affordability, suitablity, and adequacy, are applied to units developed under both the pre- and post-1985 RNH programs.

The RNH programs were successful in serving rural households in need of assistance and in improving their housing situation, especially in terms of being provided with physically adequate accommodation. The programs were less successful in targeting assistance to Native households in core need and in reducing their shelter affordability and suitability problems, however. Typically, RNH clients tend to be relatively large, low-income families whose major source of income is from employment. The RNH population differs from the rural core need population in that there is a higher percentage of which are families and a lower percentage of which are elderly.

Based on the four primary objectives of the programs, the evaluation found that:

<u>The Rural and Native Housing programs are serving households with insufficient income to acquire suitable and adequate housing. Over three-quarters of all RNH clients, and about 90 per cent of those who entered the program since 1986, have incomes below the current Core Need Income Thresholds.</u>

The average income of an RNH household was $15,900. The average for single-person households was $9,500 and for couples with children was $19,100. These incomes compare to the average income of $34,700 for all rural households, $16,100 for rural single households, and $43,000 for rural couples with children, demonstrating that RNH clients are definitely being selected from the low-income population. However, the very lowest-income households are not well served, as evidenced by the average income for rural core need households being $10,300, for singles being $8,100, and for couples with children being $13,000.

The 50 per cent Native target established by the Federal government for the RNH Regular programs has not been met, but there have been significant improvements since 1985 in meeting this goal.

Although only 30 per cent of RNH Regular units were occupied by households with at least one member who is Status Indian, non-Status Indian, Inuit or Métis, almost all housing provided in the Northwest Territories and two-thirds of RNH Demonstration dwellings housed Native people. Also, between 1985 and 1989 the percentage of units committed for Native households increased from 30 to 48 per cent.

Occupants of RNH housing report high levels of satisfaction with their dwelling and most find that their living conditions have improved compared to their previous accommodation.

Overall satisfaction levels were high for the programs, reaching almost 90 per cent. Satisfaction levels were highest for location, followed by living space and unit design. People were least satisfied with the amount of storage space provided.

Four out of five RNH households reported that their living conditions had improved as a result of obtaining assistance under the programs. The percentage ranged from 70 per cent of renters to over 90 per cent of clients in the Lease-Purchase, Demonstration, Basic Shelter (New Brunswick) and Homeownership Assistance (Northwest Territories) programs.

Affordability problems persist among RNH clients, most particularly among homeowners and less among RNH renters.

Fifty-five per cent of the households living in RNH units in 1988 were paying 30 per cent or more of their income for shelter. This is less than the 64 per cent of rural core need households who were experiencing an affordability problem.

The incidence of households spending 30 per cent or more was higher among those receiving homeownership assistance; 57 per cent of RNH owners and 58 per cent of lease-purchase clients were spending 30 per cent or more compared with 37 per cent of renters and only 6 per cent of demonstration clients. Affordability problems are lower for occupants of the newer units, largely as a result of a shift in program delivery to rental tenure. In part, owners' shelter cost/income ratios are a result of the program design itself, as owners are fully responsible for home operating, maintenance and repair costs, in addition to paying up to 25 per cent of their income for mortgage and property taxes (less an allowance for heating cost). Rental affordability problems are partly due to tenants paying for non-heating electricity costs and partly to the inadequate compensation for their heating costs. The cost of eliminating

affordability problems among RNH households in the existing portfolio would be approximately $13 million per year.

Most of the housing provided under the RNH programs met established standards for adequate housing in that they had indoor plumbing and were not in need of major repairs.

Three per cent of the Regular RNH units and 13 per cent of the demonstration units did not have running water or bathroom facilities. The finding of a relatively high percentage of demonstration units lacking basic facilities is due to the tendency to locate demonstration units in communities which do not provide basic facilities and in which soil conditions prevent the installation of septic tanks and/or wells. Dwellings in remote areas, as well as older RNH housing, were more likely to not have these facilities. These percentages compare to the 11 per cent of all rural core need households lacking basic facilities.

Twelve per cent of Regular RNH units and 8 per cent of demonstration units were assessed by professional inspectors to be in need of major repair. Fourteen per cent of all Regular RNH ownership units need major repairs compared to fewer than 4 per cent of RNH rental units. For RNH housing built after 1985, however, owner-occupied units are the least likely to be in need of major repairs, at under 2 per cent of units, followed by rental (4.5 per cent) and lease-purchase units (6.2 per cent).

Twenty-nine per cent of all RNH clients rated their unit in need of major repairs, compared to 37 per cent of all rural core need households who rated their unit as needing major repairs.

Combining the two indices (need for major repairs and absence of basic facilities), 14 per cent of all Regular RNH units and 21 per cent of demonstration units were found to be inadequate. The highest rates of inadequate housing among the Regular RNH stock, as defined in the 1986 agreements, were found in the Homeowner program (16 per cent), followed by the Rental program (8 per cent). The Lease-Purchase program had the lowest rate of inadequate housing at 9 per cent. Overall, 21 per cent of RNH housing in remote areas was inadequate compared with 12 per cent of RNH housing in non-remote areas.

Estimates of the cost of repairs by inspectors conducting the survey suggest that an average of $2,860 per unit in repairs was needed. Two-thirds of this repair need was for units built prior to 1981 and over 80 per cent was for homeowner units. Dwellings in need of major repairs require $8,800 on average in repairs to bring them up to standard. To bring the stock in need of major repairs up to standard would require almost $17 million.

Over 80 per cent of the RNH units were found suitable for their occupants in that the number of rooms and bedrooms matched the size and composition of the families occupying the units.

Seventeen per cent of Regular RNH dwellings were crowded. This compares to only 11 per cent of all rural core need households living in crowded accommodation, although rural core need couples with children and single parents had an incidence of crowding of closer to 20 per cent. The highest rates of crowding problems were found in rental units (23 per cent were crowded). The Demonstration program had a similar incidence of crowding problems. The lowest rates of crowding occurred in the lease-purchase units (10 per cent) and the regular owner units (16 per cent).

It was estimated that the cost of eliminating crowding problems within the RNH portfolio by adding the necessary bedrooms would be between $35 and $60 million, depending on the type of footings used for the additions. The costs could be lower if rooms were instead added to the basement, if one were present.

Problems of affordability persist among most of those assisted, and the programs do not appear to be becoming more successful in delivering affordable, adequate and suitable housing according to the standards defined in the existing program delivery agreements.

Sixty-seven per cent of Regular RNH households still have some sort of housing problem, be it affordability, adequacy, suitability or some combination thereof. Further, 59 per cent of the clients are still in core housing need, having both insufficient income to find alternative housing which is affordable, suitable and adequate, and also experiencing a problem with their current accommodation.

Among the programs, the Demonstration program has the lowest proportion of clients in continuing core housing need (32 per cent), compared with 54 per cent of rental clients and 60 per cent of owners. The incidence of ongoing housing need among program clients was higher in remote areas where 65 per cent of RNH clients were facing high shelter/income ratios and/or inadequate housing conditions.

Comparison of the portfolio of dwellings built since 1985 with the earlier housing suggests there has been little improvement in this situation. Fifty-nine per cent of post-1985 Regular RNH clients are in core need. While the incidence of renters in core need for units built after 1985 is 48 per cent, the incidence of homeowners in core need for units built after 1985 is 67 per cent.

Emergency repair assistance is well-targeted, but does not provide adequate housing.

The Emergency Repair Program helps those who would otherwise qualify for RNH assistance. Almost 90 per cent of ERP clients had incomes below the entry level for the RNH programs. Approximately 58 per cent of households served under the Emergency Repair Program (ERP) still live in units requiring major repair work, compared to 37 per cent of the rural core need population as a whole. Eight per cent of ERP clients had an affordability problem versus over 50 per cent of all rural households in core need.

## 2.3 Are the Programs Being Delivered Effectively?

Delivery is defined as the process by which NHA funds are converted into units operated as RNH social housing. It entails three phases, including planning, client and unit selection, project development and portfolio administration. The evaluation considered how effective program delivery was in each of these areas.

The evaluation found that:

The Tripartite Management Committees (TMC's) have proven to be effective RNH program planning forums.

Members of TMC's in most areas (i.e. groups comprised of a CMHC, provincial/territorial and Native representative in each province/territory) felt that the approach was generally useful and effective and that the co-ordination of the RNH programs based on the four criteria used to assess the TMC's was satisfactory, namely, frequency of meetings, representativeness of committee membership, consistency of the Committees' work with their mandate and improvements in RNH planning/co-ordination/delivery. A review of the number of occasions TMC's met and the responsibilities of those in attendance confirmed these participant views. A general match of the 1988 program delivery targets to actual activity supports the views of TMC members regarding the effectiveness of the TMC's in meeting their goals.

Better training in client counselling is required by Native Delivery Groups according to their members as well as RNH government staff.

The Native Delivery Groups interviewed for the evaluation felt that their staff were sufficiently skilled to undertake their RNH program delivery work. However, there were a number of areas where the groups reported the need for continued assistance, including the upgrading of staff skills, and training in operations planning and budgeting, and RNH program promotion. A common request was for better financial (mortgage-related) and client counselling education.

Government staff assessed a need for further training in program operations, and financial and personnel management. Most government staff recommended more counselling related training for Delivery Groups. Persons seconded to assist the Delivery Groups noted the groups needed training mainly in program operations and technical areas as well as financial management. They also noted that they were least effective in advising the groups about client counselling.

The Native Cadre program has been effective in targeting good quality training to Native persons with the appropriate personal and professional background, although some improvements are desirable in conveying technical information, and seeking ways to retain cadres in the housing field over the long term.

Instituted in 1974 to provide on-the-job experience to Native people in administering RNH programs, approximately 250 persons have been involved in the Native Cadre program since its inception. Virtually all participants met the entry criteria for the program (ethnicity, education, aptitude, knowledge about housing, communication and organisation skills). Virtually all of the trainees perceived the program as having been somewhat to very helpful for increasing their knowledge about RNH programs and for improving their housing development skills. Supervisor feedback and participatory types of training such as workshops were especially effective in enhancing cadre housing skills. Trainees expressed preferences for a longer training period. According to Delivery Group staff and RNH government staff, the training programs were most successful in training for managerial, human relations and problem-solving skills. Improvements could be made in training regarding technical skills, however.

A majority of the trainees found work in housing immediately after their training. However, only 36 per cent were still working in the housing field at the time of the survey, mainly with Native Delivery Groups or in government. Ability to find work in the housing field was associated with prior employment and referral to the program by a Native group or individual, as well as a personal desire to improve housing skills.

Although participants were positive about the training they received, the program was less successful in increasing the pool of housing delivery expertise over the long term since two out of three trainees did not continue to work in the housing field. Still, in Native RNH Delivery Groups today, the majority have cadre-trained personnel directly involved in RNH program operations.

The RNH Secondment program has provided valuable, specialised assistance to Native Delivery Groups although secondees themselves felt that they could have been more effective in advising on client counselling.

There have been less than 20 housing professionals seconded to Native Delivery Groups since 1974, with most of these temporary placements taking place before 1985. The program is currently inactive. The majority of secondees provided assistance to Delivery Groups in the areas of program planning and administration rather than in technical areas.

The secondees felt they had improved Delivery Group management and monitoring skills to a greater extent than delivery and counselling. All felt that Delivery Groups' ability to operate independently and performance in undertaking their responsibilities was improved as a result of the secondment. The Delivery Groups which had assistance from the secondment program felt they benefited more in the areas of management, delivery and monitoring than in counselling. A number of groups currently expressed the desire to obtain a secondee.

The RNH Client Training program has had mixed success and has become less popular over time with the Native Delivery Groups as an educational vehicle.

The Client Training program, established in 1974, has provided $2.1 million dollars for workshops, briefings, training materials, specialised courses and program promotion, to develop the knowledge and skills of Native Delivery Group staff involved in the RNH programs. Annual expenditures under the Client Training program have declined in the last four years from approximately $160,000 per year to approximately $65,000 per year.

The evaluation found that the funds have most often been used for workshops and briefings to acquaint groups with RNH program changes and to interpret guidelines. Business-related training is not as frequently funded under this program.

The groups surveyed were divided on their satisfaction with the program, with almost half of the respondents indicating dissatisfaction and none indicating themselves as being very satisfied. There were many suggestions for improving the administration and content of the program and the level of funding under the program. Several indicated the better integration of training with the ongoing operation of the groups as a way of minimising the time spent away from their daily business activities.

There is a moderately high level of awareness and support for government housing programs in communities where RNH dwellings have been developed.

Two-thirds of the Delivery Groups felt they were effective in increasing local awareness and attracting eligible clients. Less than one-half thought they were effective in gaining community acceptance however. Over one-half of community representatives said that their community's residents were aware of the availability of government funding for housing; however, two-thirds or more of representatives of RNH communities said that residents were in favour of assisted housing. While only a minority of local representatives stated that meetings with the delivery agents took place once, or more than once, in the past year, this would be consistent with guidelines requiring consultation only in areas where new units were being delivered. Finally, RNH staff rated the Delivery Groups as fair to good in responding to the housing needs and priorities of local communities.

Native delivery organisations have been more effective in identifying clients eligible for the program than in undertaking client counselling.

The fact that RNH program clients have characteristics similar to the rural core housing need population suggests that the delivery agents have contributed to the effectiveness of the programs in meeting their targeting objectives. However, the fact that percentages of RNH clients as low as 6 per cent reported having been counselled on budgeting and maintenance practices implies that a greater level of effort is warranted regarding pre- and post-occupancy visits.

The Native Delivery Groups are financially viable operations, although assessments of the adequacy of delivery fees are mixed.

Most of the Delivery Groups felt that agency fees were adequate, but those having a low unit allocation and operating in a sparsely populated area were dissatisfied. Provincial government staff in one-half of the provinces rated delivery fees as inadequate while CMHC staff were more inclined to say that the fees were more than adequate. The majority of all RNH program officers felt the overall financial viability of the Delivery Groups was good.

Client counselling has not been undertaken to a great extent, although the counselling done is being directed to those who require it.

With respect to the rental portfolio, the evaluation found a very low percentage of clients who recall having ever been counselled on budgeting (6 per cent), and making rental payments (14 per cent). About 21 per cent of renters are in

arrears. Those clients in arrears are more likely to recall having been recently counselled (7 per cent) than others (2 per cent).

The evaluation found that only about 20 per cent of homeowner clients reported ever being counselled on such matters as home maintenance, making home repairs, budgeting, making payments, and home insurance, and that only about 4 or 5 per cent report having been counselled recently on home upkeep, budgeting and making payments. Arrears rates among RNH homeowners are in the 27 per cent range. However, those in arrears are only slightly more likely to report having been counselled on budgeting matters recently than those not in arrears.

While CMHC and the provinces/territories are not responsible for undertaking home maintenance and repair, they do have the mandate to inform homeowners about their units' condition and to counsel them on how to maintain or repair their units. Thirty-six per cent of RNH homeowners report a recent visit by a government staff person to check the condition of their unit. However, those occupying units in need of major repairs were just slightly more likely than others to report having been recently contacted by a housing officer or housing association staff member to discuss home upkeep.

In the Lease-Purchase program introduced in 1986, there is more emphasis on preparing occupants for homeownership. About 40 per cent of lease-purchase clients reported receiving counselling on home maintenance, home repair, making payments and house insurance, but only 25 per cent said they had received budgeting advice. Only 15 per cent said they had received counselling in the past year. Most clients rated the information they received as very useful.

RNH staff provided their rating of the suitability of the frequency of counselling required and the timing of making contact with clients by stage of delivery. Opinions were divided, with some saying that current counselling practices were not suitable, while others being more supportive of current practices. Some of the staff thought there was a need for more staff, more counselling training among staff, and more planning in deciding how and when counselling is to be undertaken. Others indicated that post-occupancy counselling was rarely completed and that clients do not always attend counselling workshops.

<u>The rental stock is in good condition, and there are relatively high percentages of homeowners and renters reporting recent contacts for payment review purposes.</u>

Only 12 per cent of renters reported that they had their incomes verified within the last 12 months, although almost 79

per cent said that their rent payments had been reviewed within the last 12 months, a process which requires a review of income as well.

Clients' responses indicate that government is reasonably conscientious in its property management practices, with 49 per cent of RNH tenants saying that their unit's condition had been recently checked. About 55 per cent of tenants are satisfied with their landlord's property management services such as making repairs, providing security, and handling requests quickly, although those in remote locations were less satisfied than those in non-remote locations.

Over 90 per cent of RNH homeowners report having recently been contacted by government staff for payment review purposes.

<u>RNH ownership housing in good condition is more a reflection of occupants' personal ability to do repairs than of government efforts in counselling, inspections or undertaking repair work.</u>

While 14 per cent of RNH homeowner units require major repairs, this is about the same as the percentage of rural housing units of the same age being in need of major repairs. This suggests that the deterioration rates of RNH units are not unduly high.

A multivariate statistical analysis of the relationship between various environmental, perceptual, social, economic and program design factors and the cost of repairs of RNH units showed that the following characteristics were significantly and positively associated with lower repair costs of the dwelling:

- occupant acknowledgement of responsibility for repairs,
- income coming from employment,
- client satisfaction with the dwelling and surrounding area,
- client involvement in the design or construction of the unit, and
- occupant perception that it is easy to get help with home repairs,
- occupants reporting having been visited by a housing official to check the condition of the house, and
- occupants stating that they need more information about house repairs.

The older the dwelling, and the greater the number of people living in the dwelling, the higher dwelling repair costs are likely to be. Units occupied by households who had previously owned a house and who did their own maintenance work tended to have higher repair costs. Lastly, units occupied by Native households, units in remote areas, and units with initial design or construction problems require more of an expenditure to repair.

The characteristics which were not significantly related to the repair needs of the dwelling included:

- the occupants ever receiving advice on home maintenance or repairs,
- income, and
- the ratio of total shelter costs-to-income.

Arrears rates have remained high at 25 per cent despite the introduction of a rental program, a homeowner heating subsidy and client counselling.

The evaluation tested whether various government attempts to address the arrears problem, including counselling, a heating subsidy and a rental program, had been effective. A number of other variables were used in the analysis to account for environmental, social, and economic factors.

The variation in homeowner arrears rates explained by these factors was very low, suggesting there would be a low probability of success for policy decisions made on the basis of this model. Of those factors which were included in the model, the repair cost of the unit, the number of people in the household, location in an area where it is hard to make a living, having an income from employment, having contributed labour to the construction of the unit, having income recently verified, expressing a desire for more information on making shelter payments, and the age of the unit were among the variables significantly and positively related to homeowner arrears rates. Having a fixed income (e.g., welfare), level of education, or having someone with full-time employment were among the variables significantly and negatively related to homeowner arrears rates. The level of income and previous ownership experience were among the variables having no significant relationship with homeowner arrears rates. Having been counselled on budgeting did have a negative impact on the probability of being in arrears. However, a large increase in counselling activity would have only the slightest impact on arrears rates.

The explanation for the propensity of renters to be in arrears was more successful in terms of the amount of variation explained by the social, economic, environmental and program design factors used in the analysis. Location in a remote area, and dwelling age were positively and significantly related to arrears rates while the education level of the household head, reliance on pension or employment income and being Native were negatively and significantly related to arrears rates. Having been counselled on budgeting expenses was also negatively related to the probability of a RNH tenant being in arrears. Income and the shelter cost-to-income ratio were among the factors found to have no statistically significant impact on rental arrears rates.

The locally-based RNH delivery experience was mixed.

While some local non-profit housing groups involved in the construction of RNH projects were successful, others experienced serious cost overruns and delivery problems. In the latter case, the groups were often inexperienced, lacked adequate site supervision, and had poor accounting and financial control practices. However, not all of their problems were due to their inexperience, as many had been set up quickly and adequate controls could not be assured.

With respect to effectiveness in other (non-construction) aspects of housing development and management, the evaluation rated the performance of the locally-based delivery and management system in the Northwest Territories fairly high. The number of rental clients reporting every having received counselling on budgeting, making rent payments and contents insurance was higher than the average. Frequency of counselling was also better in the Northwest Territories with more tenants reporting having been counselled on budgeting within the last year than the average. Tenants were more satisfied in the Northwest Territories than the average with the property management practices of making repairs, providing security and handling requests quickly. However, the Northwest Territories rental housing stock is not in as good condition overall as the total RNH rental stock.

In Nova Scotia, where local community-based groups throughout the province help deliver the programs, RNH homeowners were more likely to be counselled on such subjects as home maintenance, home repair, budgeting, house payments and house insurance than elsewhere. Further, the percentage of RNH homeowners recently contacted by government staff, or agents for government, for such reasons as checking building condition and verifying income was higher in Nova Scotia than the average. Maintenance practices among Nova Scotia clients were generally better than elsewhere and only 13 per cent of the units were in arrears compared to 19 per cent in other non-remote areas. However, the frequency of counselling on home upkeep and budgeting and making payments was not as good as the average.

The Rental program directs more of its budget to low-income households than the Regular Homeowner or Demonstration programs.

The distribution of the budget among various income categories of clients is a function of the design of the program (i.e., how much subsidy is provided to each household according to the income of the household) and of delivery practices (i.e., what percentage of the units are delivered to the lowest-income households).

The results of the analysis are shown in Table 3 for a 4-person household in a non-remote area. Similar analysis was done for remote areas, the Northwest Territories and for smaller households. The fact that the Rental program has the best targeting record is mostly due to the greater participation of the lowest-income households in the Rental program, which in turn is mainly due to the policy of streaming clients into different tenure forms depending upon their ability to afford the associated costs and their homeownership skills.

When the Regular Homeowner and Rental programs are combined and compared to the Demonstration program, it is clear that they direct more of their budget to the very lowest-income groups.

TABLE 3
DISTRIBUTION OF THE BUDGET FOR A
4-PERSON HOUSEHOLD LIVING IN A NON-REMOTE AREA

| INCOME AS PER CENT OF CNIT[1] | AVERAGE SUBSIDY $ | PERCENTAGE DISTRIBUTION OF CLIENTS % | DISTRIBUTION OF BUDGET % |
|---|---|---|---|
| REGULAR RENTAL | | | |
| 0-50 | 53,000 | 42 | 39 |
| 51-100 | 62,000 | 50 | 55 |
| 100+ | 35,000 | 8 | 6 |
| REGULAR HOMEOWNER | | | |
| 0-50 | 32,000 | 19 | 20 |
| 51-100 | 30,000 | 69 | 68 |
| 100+ | 31,000 | 12 | 12 |
| DEMONSTRATION | | | |
| 0-50 | 40,000 | 27 | 28 |
| 51-100 | 40,000 | 58 | 58 |
| 100+ | 40,000 | 14 | 14 |

NOTE: [1] The ratio of household income to the Core Need Income Threshold (CNIT).

## 2.4 What are the Programs' Costs to Government and How Cost Effective are they Compared to the Alternatives?

Because of the introduction of a rental tenure option and emphasis on new construction, RNH Program subsidy and administration costs have increased.

In 1986, total costs for CMHC for RNH program subsidies and administration were almost $70 million per year. They grew to $103 million per year in 1989, or slightly over 14 per cent per year. The growth in costs reflects more the increase in the number of units under subsidy each year than the increase in per unit cost. Per unit subsidies have grown at a rate of 6.4 per cent per year since 1986.

Average per unit subsidy costs on a present value basis are higher for rental units ($144,000) than homeowner units ($55,000). The average subsidy costs of a demonstration unit lies between $40,000 and $44,000. The delivery and administration costs of the programs were also documented. The most expensive program to deliver and administer is the Regular Rental program followed by the Regular Homeowner program. The Demonstration program is less expensive mainly because of the reliance on a forgivable loan, which is much less expensive to administer than a subsidised mortgage.

The total of subsidy, delivery and administration costs, in present value terms, was highest for the Rental program ($177,145 per unit), followed by the Homeowner program ($79,255 per unit). A unit under the Demonstration program costs about $54,000. A significant contributor to the costs of the programs was their delivery and administration (32 per cent of the total for the Homeowner program, 19 per cent of the total for the Rental programs and 26 per cent of the total for the Demonstration program).

The RNH Demonstration program's self-help approach to building and operating housing in rural areas yields the most housing services for the least amount of materials, labour and land.

The principal alternative to the Regular RNH programs under consideration is the Demonstration program. The Demonstration program differs from the RNH Regular programs in one key way - it requires the client's involvement. The Demonstration program and the Regular Homeowner program also differ from the Rental program in that the client is responsible for operating his own unit. Other alternatives for providing RNH housing include manufactured housing, using the existing privately-owned stock, and rehabilitation of existing units.

The analysis examined the total cost to society of building and operating a 3-bedroom unit in a rural area based on survey

data as well as imputed estimates of the value of volunteer labour and donated land. The results of the analysis are shown in Table 4.

**TABLE 4**
**COST-EFFECTIVENESS OF RNH PROGRAMS**
**SINGLE-DETACHED, 3-BEDROOM UNITS**
**(10 PER CENT REAL DISCOUNT RATE)**

| | REMOTE $ | NON-REMOTE $ | N.W.T. $ |
|---|---|---|---|
| Homeowner | 138,100 | 121,675 | - |
| Rental | 148,450 | 123,625 | 231,640 |
| Demonstration | 113,155 | 102,355 | 165,655 |

The present value of the capital and operating cost of the existing private rental stock (3-bedroom units) was calculated to be $37,000 per unit. A formal analysis of the costs of manufactured housing was not conducted. However, preliminary comparisons of the capital cost with on-site, professionally-built houses shows the potential for savings. This is an area that needs to be further researched. An analysis of the cost-effectiveness of rehabilitation versus new construction was not done. However, other evaluation studies have conclusively demonstrated renovation to be more cost-effective than new construction.

### 2.5 Is the Demonstration Program a Viable Alternative to the Regular RNH Programs?

Involvement in construction is higher among clients of RNH self-help programs.

The RNH programs explicitly provide for opportunities for the first occupants of the homes to be involved in the design and/or construction of their houses. Almost 35 per cent of people living in dwellings funded under the Regular RNH program reported that they had participated in some way while 95 per cent of the people in the Demonstration program and 85 per cent of people in the Northwest Territories HAP program reported carrying out most of the work under one or more major construction activities. Interior and exterior finishing, framing, insulation and roofing were the activities most often performed by the occupants.

Construction supervisors were effective as technical advisors in the provision of RNH housing.

The RNH Demonstration program provides for use of construction supervisors to oversee and advise clients on the building of homes. Nearly 90 per cent of RNH Demonstration owners reported increased knowledge about construction and improved building skills which they attributed mainly to the construction manager/supervisor. Whereas the construction manager was helpful in technical areas, CMHC staff were rated more highly in providing overall help and support to clients.

Experience under the RNH Demonstration program has been very positive on several dimensions and in comparison with the Regular RNH programs.

The Demonstration program was on schedule for delivering 100 units per year over 5 years, with almost 400 units having been built by 1989.

Like the Regular RNH owner program, the Demonstration program serves mainly families with children (nearly 80 per cent of clients in both the Regular and Demonstration programs). However, the Demonstration program has tended to serve larger families (the average household size was 4.3 persons compared with 3.9 persons in the Regular owner program), and somewhat higher-income families. Demonstration clients had average incomes of $15,400 compared with $15,000 for post-1985 owners and $13,000 for post-1985 renters. A much higher proportion of Demonstration program clients were Natives, 65 per cent compared with 35 per cent in the Regular RNH programs.

The evaluation findings suggest that physical ability and time are not generally a constraint to self-help or volunteer construction, although in some specific circumstances they may be. The RNH Demonstration program served singles as well as the Regular Homeowner programs but not as well as the Rental program. It served single parents as well as both the Homeowner and Rental programs. In terms of physical abilities, almost 16 per cent of Demonstration households had a disabled member compared to 22 per cent of Regular RNH Homeowner households and 15 per cent of rental clients. In terms of the availability of time to self build, only 33 per cent of demonstration households had full-time workers compared to 52 per cent of Regular homeowners. On the other hand, 82 per cent of HAP households had full-time workers.

The Demonstration program had the lowest proportion of clients spending over 30 per cent of their income on shelter (only 6 per cent). However, almost 8 per cent of the units were in need of major repairs compared to 3 per cent of the post-1985 Regular RNH program units, and 23 per cent of the units were crowded, second only to the Rental program which had 27 per cent crowded units. Over 13 per cent of the Demonstration

units lacked basic facilities, the highest percentage of any of the post-1985 programs covered by the evaluation. This is attributable to the tendency to place demonstration units in areas without local provision of services and with poor soil conditions. Overall, 32 per cent of demonstration clients were defined as still being in core housing need (compared with 67 per cent in the owner program), the lowest of the programs, mainly because of the low incidence of affordability problems. Client satisfaction rates were high, even higher than in the Regular RNH programs, and a higher percentage of demonstration clients than of post-1985 Regular RNH clients felt they had improved their housing conditions.

While over 13 per cent of the demonstration units lacked basic facilities, the evaluation found that a key contributing factor was that communities with demonstration units were more likely than communities with Regular RNH units to be less well served in terms of having piped water and sewage treatment. The lack of such facilities is acceptable under the RNH Demonstration guidelines, but does not meet the current adequacy requirements for units,under the F/P/T Agreements. Virtually all demonstration units, however, were deemed to be equal to, or above, the community norm in terms of condition.

More of the demonstration clients than Regular RNH clients felt they had gained knowledge and skills which they had been able to use since completing their homes and that they knew how to make repairs. Seventy-five per cent of demonstration clients acknowledged their responsibility for major repairs, compared to only 50 per cent of Regular RNH homeowners. Only 8 per cent of demonstration units were judged to have been affected by poor maintenance practices, similar to the percentage of Regular RNH homeowner units, although higher than the percentage of Regular rental units judged to have been affected by poor maintenance practices.

The cost-effectiveness analysis showed that reliance on volunteer labour in the construction and operation of the unit had the potential to significantly reduce costs.

The analysis showed that the Demonstration program did not give as much assistance to low-income households as the Rental programs, with the consequence that it was not as well targeted to low-income households. The implication is that if a self-help approach is to be followed, additional assistance may have to be provided to enable very low-income households to participate.

## 3.0 MAJOR CONCLUSIONS FROM THE EVALUATION STUDY

### 3.1 Overall Conclusions

Although there is still substantial outstanding need for social housing assistance in rural areas of Canada, the

evaluation shows that RNH programs have performed well in that they are viewed very positively at a community and individual client level. Community representatives feel the programs have played an important role in addressing the serious housing problems in rural communities. The families assisted under the programs are very satisfied with the housing provided and report significant improvements in their housing situations as a result of the programs. Client involvement, self-help and skills training aspects of the programs have generally been effective.

Less positively, the evaluation identifies concerns about the performance of the programs with regard to the quality and affordability of the housing delivered and the effectiveness of client counselling in remedying repair and arrears problems. The evaluation raises the issue of appropriate and acceptable standards for rural housing programs, particularly given the absence of basic water and sewer services in many smaller and remote communities. The general issue to be addressed is whether it is sufficient that RNH programs improve rural housing conditions even though the standards of the housing sometimes fall short of the norms adopted in government housing policies.

There is no question that the RNH programs have made an important contribution to the improvement of rural housing conditions in many communities across Canada.

### 3.2 Implications

Given the findings from the evaluation, the study considered whether there are more effective ways of meeting rural and Native housing needs. The major implications are highlighted below for consideration in the ensuing policy and program development process. Ten major issues were examined.

**The Application of the Social Housing Standards to Rural Areas**

With respect to the evaluation findings that almost 70 per cent of the RNH households are experiencing housing problems, the issue is whether the standards of affordability, suitability and adequacy should be enforced through program redesign or whether they should be relaxed. The resolution of this issue depends on how much society is willing to reduce the number of low-income households served in order to maintain these housing standards.

**Lessons from the Demonstration Programs: Self-Help and Volunteer Labour**

The evaluation found that reliance on self-help and volunteer labour in the construction and management of the units is cost-effective and viable. The Demonstration program performed well in most of the other areas examined. One

possible exception is the ability of the owners to maintain their units. An issue which also needs to be addressed is how to avoid problems related to incomplete units or poor quality construction.

**Lessons from the Demonstration Program: Construction Grants Versus Loan Repayment and Operation Subsidies**

The evaluation findings suggest that consideration be given to a front-end grant approach rather than an ongoing mortgage subsidy approach. The economic costs are certainly lower. However, there are some social reasons favouring an ongoing subsidy approach which should be considered also.

**Delivery and Portfolio Management**

With respect to delivery and management issues, centralised delivery and management of the portfolio has been reasonably successful but some delivery and management practices need to be improved. Community-based delivery systems promote a different approach. In assessing the relative merits of each, the indicators of current delivery and management performance, past and current experience with locally-based Delivery Groups, and the time and costs of implementing locally-based delivery in areas where direct delivery now occurs should be considered.

**The Potential for a "Rent Supplement" Type of Assistance in Rural Areas**

With respect to rural market conditions and housing needs, there is still a requirement to respond to needs by subsidising the construction of new housing. However, consideration could be given to introducing a rent supplement type of assistance in rural areas to allow the use of existing privately-owned rental units in the resolution of rural housing needs.

**The Streaming of Clients into Different Tenure Options**

The policy of streaming clients into different tenures based on their ability to afford the payments and on their homeownership skills needs to be reviewed given that 52 per cent of rental clients would prefer homeownership. A sound rationale is needed if the practice is to be retained. Otherwise the alternative of offering only one tenure, be it homeowner or rental, should be considered. The choice between the two depends on the merits each has that government believes are more important to promote.

**Targeting to Natives**

The evidence gathered in the evaluation indicates that the Native targets can be justified as an affirmative action

program. According to the 1981 Census, Native people are generally worse-off in their housing than other Canadians. However only secondary evidence is available now on whether the targets should be increased, remain unchanged, or decreased. This is that the Natives being served under the RNH programs have lower incomes than the non-Natives being served. This suggests that the current target levels are not jeopardising overall program objectives and therefore are appropriate. But the only way to definitively address this issue in the longer term is to conduct a special survey of rural housing focusing on the Native/non-Native background of the occupants.

**Economic Development**

The RNH programs have been used in some instances to foster economic development although this is not a program objective. Factors which should be considered if this is to be discussed as an option in the future include the costs in terms of foregone social housing units, the potential of trainees being able to use the housing skills they have so acquired, and economic development programs offered by other government agencies.

**Arrears and Unit Deterioration**

There are two long standing problems in the existing RNH stock. First, there is a high rate of deterioration of some homeowner units and a wide variation in the maintenance/repair habits of RNH homeowner clients. Counselling does not appear to improve this situation although client involvement in design or construction does. The condition of the stock might be improved in the long run through good construction and careful client selection. But the analysis done here suggests other factors may predominate, thus swamping the effects of these initiatives. A repair program or a conversion to rental program are among the options which could be considered if government has a concern about the continued adequacy of the RNH housing stock.

Second, arrears rates are high for both homeowners and renters. The arrears problem for homeowner clients has proven difficult to explain. The two possible avenues for improving homeowner arrears rates in the long term is through client selection and unit repairs. Counselling on budgeting for expenses will have a marginal, albeit positive impact. However, there are many factors affecting homeowner arrears rates that are not known, which means that the success of these strategies is uncertain. The arrears problem for the rental stock might be addressed through careful client selection and through budgeting counselling.

**Training and Counselling**

The most effective training is on-the-job or self-help, with positive direction from an experienced and motivated supervisor, whether the training is for Native Delivery Groups or for clients.

**Copies of the main report (564 pages) are available from the:**

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