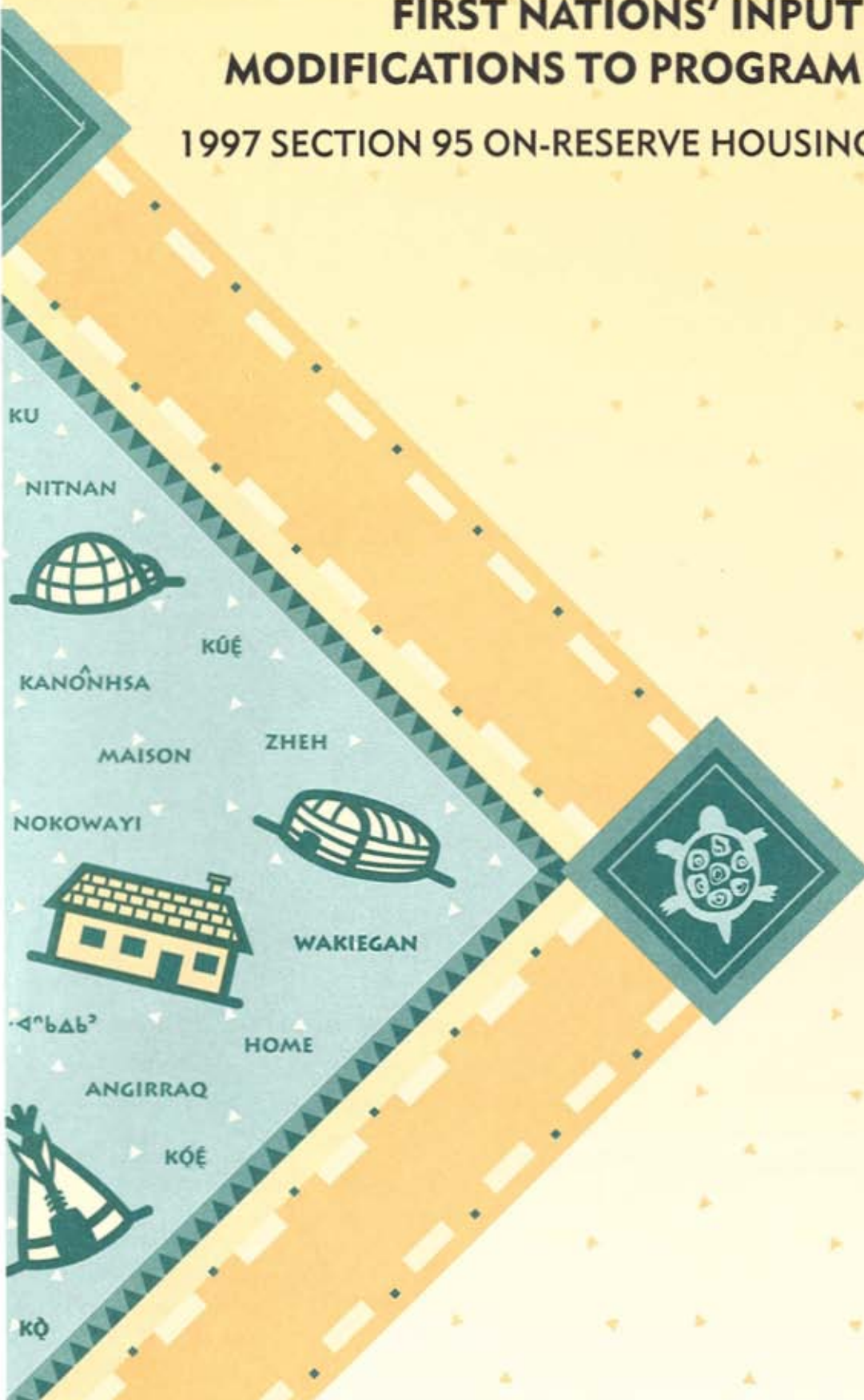


FIRST NATIONS' INPUT MODIFICATIONS TO PROGRAM DESIGN

1997 SECTION 95 ON-RESERVE HOUSING PROGRAM



Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call (613) 748-2367

La Société canadienne d'hypothèques et de logement souscrit à la politique du gouvernement fédéral sur l'accès des personnes handicapées à l'information. Si vous désirez obtenir la présente publication sur des médias substituts, composez le (613) 748-2367.

**FIRST NATIONS' INPUT
MODIFICATIONS TO PROGRAM DESIGN**

1997 SECTION 95 ON-RESERVE HOUSING PROGRAM

This report summarizes comments received from First Nations representatives regarding changes to the Section 95 On-Reserve Housing Program for 1997 and beyond.

CONTENTS

Section 1	
BACKGROUND	2
 Section 2	
PARTICIPANTS' COMMENTS	
2.1 Full Subsidy Approach	4
2.2 Lending/Finance	5
2.3 Client Selection	6
2.4 Unit/Project Costs	7
2.5 Client Contribution Requirements	9
2.6 Building and Servicing Standards	11
2.7 Maintenance and Repair	12
2.8 Existing Portfolio	14
2.9 Capacity Development	16
2.10 Other	18
 Section 3	
WHERE WE GO FROM HERE	20
 Appendix "A"	
LISTING OF MEETINGS	21

Section 1

BACKGROUND

2

On July 25, 1996 the Federal government announced changes to its on-reserve housing policy. The new approach is to be built on increasing First Nation control and accountability; enhancing First Nation expertise in housing delivery and administration; encouraging the sharing of responsibilities; and, increasing First Nations' access to private investment.

While the Department of Indian Affairs and Northern Development (DIAND) is the lead federal agency for on-reserve housing, CMHC will continue to provide assistance through specialized programs such as the Section 95 On-Reserve Housing Program and the On-Reserve Residential Rehabilitation Assistance Program.

The purpose of this paper is to provide a broad overview of the comments and suggestions provided to Canada Mortgage and Housing Corporation (CMHC) by First Nations housing representatives, to assist in the development of the program design details for the new Section 95 On-Reserve Housing Program for 1997 and beyond.

As part of the announcement on changes to the on-reserve housing policy, the Federal government approved modifying the Section 95 program to a deep or full-subsidy approach. This means that subsidies will be provided to cover the difference between project operating costs and project revenues. This change will allow First Nations to assist more low income households without negatively impacting the financial viability of their projects.

This policy change also provides the opportunity to review and change the Section 95 program design and guidelines to meet the overall intent of the On-Reserve Housing Policy. In order to obtain input from First Nation representatives on such changes, CMHC met with a number of First Nations' representative organizations and individuals with experience in delivering and administering the Section 95 program.

This process began with a meeting with the Assembly of First Nations (AFN) Housing Task Force sub-committee which was set up with CMHC and DIAND to deal with the implementation of the new On-Reserve Housing Policy. This was followed by discussions with selected First Nations housing staff who have experience working with the Section 95 On-Reserve Housing Program.

3 BACKGROUND (cont'd)

In Section 2, we provide a compilation of comments heard from participants on topics related to changes to the Section 95 housing program. While we have grouped the comments under specific topics, we have not omitted comments which may contradict those made by others. This serves to illustrate that there are areas where there is no clear agreement.

While the issue of allocating Section 95 resources is separate from the actual program design, it is an area of concern and is therefore dealt with in Section 2.10. OTHER.

Section 3 provides an overview of the next steps to be undertaken to finalize the new Section 95 program design.

Finally, Appendix "A" provides the dates, participants and locations of meetings held with First Nations representatives to obtain their views on various program design issues.

Section 2.1

FULL SUBSIDY APPROACH

4

- full subsidy is not the answer to address waiting lists, more money is needed. The full subsidy approach will use more money on less units;
- the deep subsidy approach should be available to existing projects, or at least a portion of it;
- it should be left to the Band to decide whether they wish to put in Band equity up-front and how much;
- the program design should permit conversion to homeownership, perhaps through a lease-to-purchase approach, since many First Nations wish to support homeownership;

Section 2.2

5 LENDING/FINANCE

- Bands should have the ability to choose any lender they wish so long as the lender is on the approved lenders' list;
- generally, Bands expressed a concern with long-term debts and the Band's ability to pay in the future (if interest rates climb);
- the new approach is built on putting First Nations in debt. What about those already in debt and not able to get Ministerial Guarantees? Will they be able to access funds under the new Section 95 Program?
- there has been minimal interest in CMHC's Direct Lending in the past because a higher interest rate under the 2% approach provided more subsidy for the project. However, most Bands said that they will reconsider Direct Lending under the new approach;
- there was substantial interest in CMHC's Direct Lending ability, but participants felt that Ministerial Guarantees should not be required;
- CMHC should work with Bands to consolidate existing housing loans, savings would be realized from the reduced administration;
- based on the 2% write-down approach, there is no incentive to use strategies to lower interest rates on the existing portfolio (since this may increase difficulties with project viability);
- many participants suggested that Direct Lending funds should be made available for Aboriginal households on-reserve who do not need subsidies (unassisted) but wish to purchase or build their own house;

Section 2.3

CLIENT SELECTION

6

- Band Councils must make the final decision on client selection; client selection criteria must be acceptable to Band Councils;
- housing is a Treaty right for ALL First Nations members, not just those in need;
- income level alone is not an acceptable criteria; Guidelines should suggest selection criteria but First Nations should make final decision on how criteria is used;
- each community should have the flexibility to determine who benefits from the program; a needs-based selection criteria might include the following: household size; overcrowding; condition of existing unit; length of residency on-reserve; type of accommodation needed; number of Band members in household;
- the current program in the Atlantic is directed mainly to social assistance clients (approx. 80%);
- some Bands allocate units "for life", with the units staying in the extended family regardless of changes in household composition;
- client selection criteria for new program should be consistent with the criteria for the existing portfolio.
- CMHC should not beat around the bush; if the program is to be targeted to low income, then say so and define low income;
- "what are the options for those with incomes above low income? Are you expecting them to quit working so they can get a house?"

Section 2.4

7 UNIT/PROJECT COSTS

- MUP should be guide for cost control but allow flexibility;
- MUP must allow for additional costs related to enhancing the material specifications for durability, longevity of the unit; Such enhancements may increase initial cost of construction but will reduce on-going operating costs;
- for northern communities, the shipping cost for materials is a significant part of the overall costs; these communities must be able to take advantage of the shipping season (barge) or winter roads, as this will help keep costs down;
- modesty should be defined in a narrative form, not prescriptive. Community norm standard may be inappropriate; don't let modesty requirements conflict with durability; modest should not mean cheap;
- over-housing or under-housing continues to be a concern;
- while CMHC views Section 95 as a rental program (families should move on if unit gets too small), many Bands view it as homeownership (family stay in one unit through all stages); As a result, Bands want the flexibility to built or renovate the units to accomodate the household's composition in various stages;
- row housing is less expensive to build, but members interested in homeownership prefer single detached units;
- units could be more or less modest depending on the ability of the client to provide equity and make payments;
- insurance costs are very high, due to many claims in some areas. No single insurance company is willing to cover the whole area, therefore a pooled approach is used;

- most Bands manage the construction of projects and maximize the amount of Band (local) labour;
- building standards are not always appropriate (e.g. driveways, landscaping, etc.) Funds could be put to better use;
- Bands feel that they should be allowed to retain any surplus if the project comes in less than the commitment amount, using the funds for the existing portfolio or towards the following year's allocation;
- self-help and sweat equity are rarely taken advantage of, as Bands choose to maximize employment opportunities from housing activities;

Section 2.5

9 CLIENT CONTRIBUTION REQUIREMENT

- elders (seniors) should not be charged for housing;
- contributions should come from either the occupant or Band funds on behalf of the occupant family. Guidelines should allow for these two types of arrangements;
- any increase in rent levels should be phased in;
- some Bands are introducing a monthly housing surcharge on units which have received major repairs;
- there is a lot of dissatisfaction with the current LEM approach. Most reserves do not have a rental "market";
- discussions resulted in a number of suggestions for determining rent levels, including:
 - ° Rents on units of varying size (i.e. number of bedrooms) should not be the same but should reflect the difference in cost to provide the unit;
 - ° fixed community wide rent levels set in relation to the units (size; age; condition; cost) and occupants not being income-tested. Very few members have consistent incomes throughout the year;
 - ° rent levels set on the shelter component of social assistance as a minimum or maximum;
- establishing rent levels based on social assistance benefits may be impacted by the type of (DIAND) funding agreement the Band is under (MFA, AFA, FTA);
- most Bands do not want to use a rent calculation system which requires ongoing monitoring and adjusting, such as the RGI (rent-geared-to-income) approach. Since incomes on-reserve are always changing (S.A, seasonal work, etc.) this approach creates a lot of administration;
- changes in subsidy do not keep up with changes in income, which creates cash flow and viability problems;
- unit size could determine maximum rent with household income setting actual rent;

- rental payments over the years should be recognized as equity which could be passed on to family members;
- the shelter component of welfare (SCW) for reserves in Ontario is set by the province in agreement with DIAND. Recent provincial cutbacks in SA payments will result in higher subsidy payments, ultimately effecting the number of units that can be generated under the new program.
- the variation in rents resulting from different government initiatives causes administrative and political problems.
- households living on northern reserves had been eligible for a power subsidy to defray utility costs, but this has been eliminated, causing problems for many household;
- rent levels should not penalize the working poor;
- some Bands make use of client self-help or sweat equity but this is often difficult to work in with the desire to support local employment in housing construction;

Section 2.6

11 BUILDING AND SERVICING STANDARDS/CODES

- there was general agreement that the National Building Code (NBC) or an equivalent First Nations' code is necessary;
- Section 95 is of good quality and Bands do not have trouble meeting the NBC;
- in some northern areas, the NBC is augmented by higher standards of construction to deal with the harsher weather conditions; CMHC should not allow modesty guidelines to limit durability features (modesty should not mean cheap quality);
- CMHC should get away from a design review and stick to a codes/standards review;
- some reserves are using the R2000 standard for Section 95; CMHC should evaluate the cost/benefit over time related to the incremental cost at construction;
- in the Atlantic Region, most Section 95 contractors are registered with the Atlantic New Home Warranty Program;
- some spoke in favour of using log construction while others were against. However, one common problem identified was the apparent lack of a standardized method for grading logs;
- some Bands are using their engineers or architects to carry out inspections on their projects and then CMHC still comes to inspect, resulting in some projects being inspected twice;

Section 2.7

MAINTENANCE AND REPAIR

12

- on most reserves, most occupants currently have no responsibility for maintenance and repairs, with Bands virtually carrying out all such activities;
- occupants would take greater care of their unit if they had some equity in it. It was suggested that all occupants should be required to provide either cash equity or sweat equity when getting a unit;
- a "transitional or move up process" was proposed where an occupant would first be moved into an older unit and then after demonstrating that he can properly care for the unit, be moved up to a new unit. Another new occupant would then take over the old unit;
- most clients call the Band to fix even the most basic problems, feeling that it is someone else's responsibility and cost, not theirs; clients seem to think that the Band has unlimited resources to fix houses that are damaged;
- some Bands have made occupants responsible for maintenance with the incentive that if they do not care properly for their existing unit, they will not be considered for future new housing;
- there should be a preventative maintenance regime built into the program, permitting a percentage of the Replacement Reserve to be used on an annual basis to carry out preventative maintenance not being done by the occupants;
- some Bands are not sure when to use operating funds or replacement reserves for repairs;
- some Bands feel that CMHC exercises too much control over the use of the replacement reserves. Bands know what repairs are needed and should be able to use the funds accordingly;
- Slow service from CMHC was cited, having to wait for an inspector to travel to the reserve to assess standard repairs was not seen as efficient;

13 MAINTENANCE AND REPAIR (cont'd)

- some are using their replacement reserves and finding they are not enough, that annual needs exceed annual contributions; while others are not using them and feel that too much is being set aside;
- there is a need to clarify DIAND's policy on funding repairs for units occupied by SA clients;
- some methods to reduce maintenance cost were discussed, including: occupant counselling; assigning certain maintenance functions as occupant responsibility; move-in and move-out inspections and records to track maintenance problems; damage caused by occupant to be billed to the occupant; repairs defined as major and minor, with minor billed to the occupant and major to the Band;
- where the Band rents the unit to a household under a lease-to-purchase understanding, the maintenance of the unit is usually shared;
- one Band requires a security deposit of one month's rent and conducts two physical inspections per year;
- improvements to the units should be continued to be allowed at the occupants' expense;
- the role of Tribal Councils in providing property management assistance to Bands should be explored and promoted. This could be particularly helpful to those Bands with smaller portfolios where the economies of scale is a barrier to producing efficiencies;

Section 2.8

EXISTING PORTFOLIO

14

- under the 2% approach, Bands have to select higher income earners, and have, on exception, "loaded" the subsidy calculation with non-existent eligible capital costs or uses higher interest rates so as to maintain project viability. This has included assessing the project a pro-rata share of infrastructure and land costs;
- some Bands have had to inject a considerable amount of Band funds into the existing portfolio to keep it afloat (viable);
- Bands should be permitted to use new allocations/dollars for difficulties with the existing portfolio;
- Bands expressed the desire to see the existing program (portfolio) harmonized with the new approach to ease the administrative burden;
- "procedures have to change to meet realities" (comment made in regards to the need for greater flexibility for Bands to manage their portfolios);
- Project Operating Agreements should be revised to be more of "mutual" benefit and reflect the responsibilities of both parties, not just Band compliance requirements;
- participants asked for more flexibility in administration and expressed that the Operating Agreements are too restrictive; they should only reflect the minimum requirements;
- most Bands would prefer one Master Operating Agreement rather than individual Project Operating Agreements for each project. This would simplify administration and financial accounting and auditing procedures, reduce viability problems and lead to more efficient property management;
- to simplify accounting, some Bands have told suppliers and contractors that if the invoice does not have a project number or unit address - it won't be paid;
- Bands want the ability to sell Section 95 units to occupants or out of the program and to retain the remaining subsidy towards new or existing units;
- the solution to viability problems could be to lengthen the amortization periods;

15 **EXISTING PORTFOLIO (cont'd)**

- most participants do not like the use of LEMs for setting "rent" levels on-reserve, and questioned whether they will be retained;
- most suggested that reporting requirements for the existing projects be reduced;
- some clients want to assume ownership of their units, this will need to be addressed;
- audit requirements should be on a portfolio basis, not a project basis;

Section 2.9

CAPACITY DEVELOPMENT

16

- CMHC should change its image from "policeman" on operating agreements, to being the agency to contact for advice and help;
- there is strong agreement that there is need for client counselling as part of the Section 95 program; especially on client responsibilities and how to operate and maintain their units. This will reduce ongoing operating costs and extend the life of the units;
- there is a need for an information session on maintenance involving best practices and who is responsible for what. A best practices document and workshops to exchange ideas would be useful.
- it would be very helpful for First Nations to have a client information data base to help them analyse housing requirements and determine the need for various types and sizes of units;
- Bands do not have a good understanding of Project Operating Agreements. They need to be better explained to Bands before they are asked to sign;
- there is a need for some form of a start-up kit on property management and an overview of the responsibilities of the Band and CMHC;
- the role of Tribal Councils in providing property management assistance to Bands should be explored and promoted; this would be particularly helpful to those Bands with smaller portfolios creating a barrier to producing efficiencies through economies of scale;
- the use of pilot projects to test scenarios should be encouraged;
- some Bands have qualified inspectors, but CMHC has not agreed to negotiate the transfer of inspection services. The Bands want action on this;
- it was strongly suggested that a Best Practices Guide is needed to recommend the best construction materials and methods for on-reserve housing;

17 **CAPACITY DEVELOPMENT (cont'd)**

- there is need for a First Nations Handbook on the Section 95 Program which also covers DIAND requirements related to the program. First Nations should have input into ways to improve processes before the Handbook is written;
- northern Alberta First Nations are interested in the details of the tenant counselling session(s) recently delivered by CMHC to Saskatchewan First Nations;
- there is interest in a simple, clearly-written booklet with best practice advice addressing building construction issues in cold climates, where minimum building codes are not enough;
- many participants expressed interest in regional housing conferences;
- CMHC should play a role in "spreading the word" about good practices and innovative options being pursued by First Nations;

Section 2.10

OTHER

18

At every meeting with First Nation representatives, general comments were made regarding the overall housing policy approach and the issue of allocations. While some of these comments were not specifically directed towards the changes to the Section 95 program, some participants asked that they be noted:

- a new policy without increased resources will not permit First Nations to catch up with the back-log of critical housing need on reserves;
- the program design must reflect the government's intent to increase First Nations' control;
- the policy has ignored Treaty rights;
- it was suggested that CMHC should also consult with First Nations not currently participating in Section 95 to find out why not and to see if their concerns can be resolved in the new program design;
- The On-Reserve Residential Rehabilitation Assistance Program (RRAP) should be simplified with the number and the complexity of the rules reduced;
- new Section 95 Guidelines and Procedures should be kept as simple as possible;
- the application process should be reviewed, keeping documentation to the minimum and leaving more control with First Nations;
- if forms change, the electronic 301 should also be modified;
- it was pointed out that remote reserves have no local off-reserve housing to access, therefore their housing need is often more serious than those near an outside housing market; it was suggested that the overall allocation be split between remote and non-remote (north/south), considering the local off-reserve vacancy rate and the overcrowding on-reserve;
- DIAND is moving in the direction of multi-year funding, funds for housing should be the same. All agreed that multi-year planning would be more efficient and allow Bands to maximize project size and thereby obtain better costs;

19 OTHER (cont'd)

- some felt that CMHC should be responsible for Section 95 allocations but the inability to match funding arrangements with DIAND and other Federal departments will hamper CMHC's effectiveness on-reserve (i.e. 3-5 year commitments needed);
- some felt that the dollars/units should be allocated and then the Bands should be left alone until they provide their audits. Bands need to have the flexibility to make decisions that respond to their particular circumstances;
- all Bands will likely be under FTA (block funding) agreements by the year 2000. How can CMHC's funding for Section 95 assistance be tied in to this approach?;
- generally, all felt that dollars/units should be allocated in an equitable manner; however, few suggestions were offered as to how that was to be achieved;
- one suggestion was to base provincial/regional allocations on a population and need basis, and then determine individual Band allocations through a process involving First Nations with DIAND and CMHC;
- the allocation process must be more timely (before construction season; not after); late allocations result in more expensive winter construction;
- multi-year planning/allocations would encourage Bands to cooperate better to increase the average size of projects (you take our unit(s) this year; we'll get yours next year)
- for cost efficiency and good planning, the full allocation is required; not 50% now and balance later;
- It was pointed out that DIAND's allocation process is unknown to the First Nations in Ontario;
- improved co-ordination is required between federal programs. New houses cannot be built if funds for roads, power, and sewers are not available;
- there has to be closer co-ordination between CMHC and DIAND on community housing plans and the use of Section 95.
- On-Reserve Liaison Committees should be used to determine the allocation of Section 95 units - from the provincial/regional allocation, as in the Atlantic Region;

Section 3

WHERE WE GO FROM HERE

20

CMHC completed its meetings with First Nations' representatives on October 23, 1996. The notes from these various meetings were analysed and sorted into the various topic areas as contained in this report. While doing this, comments similar in nature were eliminated. CMHC has distributed this report to all those who participated in the meetings.

CMHC will now begin the process of reviewing existing Section 95 guidelines and revising them to reflect the new policy directions and, where appropriate, the advice received from meeting participants. Once these guidelines are drafted, they will be made available to the AFN Housing Task Force sub-committee members who will review and comment on them.

The Section 95 On-Reserve Housing Program Guidelines will then be finalized and a Guide to the New Section 95 On-Reserve Housing Program will be developed, along with materials for training and information sessions.

CMHC will then deliver regional/provincial training and information sessions, for CMHC and First Nations Housing staff, between January and April 1997.

APPENDIX "A"

21 LISTING OF MEETINGS

Date	Group	Location
July 25	Housing Task Force Assembly of First Nations	Ottawa, Ont.
Aug. 8-9	Housing Task Force Assembly of First Nations	Ottawa, Ont.
Sept. 2-4	Housing Sub-Committee AFN Housing Task Force participants from Sask. and FSIN First Nations	Regina, Sask.
Sept. 17-19	Ontario First Nations Tech. Services Corp.(OFNTSC) (150 First Nations reps.)	Orillia, Ont.
Sept. 19	Fisher River First Nation Cross Lake First Nation Oak Lake First Nation Opaskwayaka Cree Nation Long Plain First Nation Keewatin Tribal Council	Winnipeg, Man.
Sept. 20	Assembly of Manitoba Chiefs	Winnipeg, Man.
Sept. 23	Cowichan First Nation Tsawout First Nation North Thompson First Nation Sto:lo Tribal Council	Duncan, B.C.
Sept. 24	Blood First Nation Siksika First Nation T'suu Tina First Nations	Calgary, Alta.
Sept. 24	Confederation of Mainland Micmacs Shubenacadie First Nation Wagmatcook First Nation Union of N.S. Indians Millbrook First Nation	Truro, N.B.
Sept. 25	Union of N.B. Indians Indian Island First Nation Kingsclear First Nation	Kingsclear, N.B.

LISTING OF CONSULTATION MEETINGS (cont'd)

22

Sept. 25	<p>Lesser Slave Lake Indian Regional Council Montana First Nation Alexander First Nations Athabasca Chipewyan First Nation Mikisew Cree First Nation Dene Tha Band Sturgeon Lake First Nation</p>	Edmonton, Alta.
Sept. 30	<p>Grand Council of the Crees of Quebec</p>	Ottawa, Ont.
Oct. 2	Tyendinaga First Nation	Tyendinaga, Ont.
Oct. 3	Waskaganish First Nation	Waskaganish, QC.
Oct. 7/8	<p>Serpent River First Nation Moose Cree Nation Wikwemikong First Nation Ont. FN Tech. Services Corp.</p>	Sudbury, Ont.
Oct. 9	<p>Walpole Island First Nation Six Nations Chippewas of Sarnia Kettle and Stoney Point Ont. FN Tech. Services Corp.</p>	London, Ont.
Oct. 9	Mamuitun Tribal Council	Baie Comeau, QC.
Oct. 10	<p>Lake Simon First Nation Abitibiwininni First Nation</p>	Lac Simon, QC.
Oct. 16	<p>Windigo First Nations Council Independent FN Alliance Shibogama Tribal Council Northern Chiefs Tribal Council Eagle Lake First Nation Bearskin First Nation Ont. Tech. Services Corp.</p>	Sioux Lookout, Ont.

23 LISTING OF CONSULTATION MEETINGS (cont'd)

Oct. 17	Cree of Quebec Housing Managers Grand Council of the Cree	Val D'Or, QC.
Oct. 22	Akwesasne First Nation	Akwesasne, Ont.

