



ADDRESSING **YOUR** **HOUSING** **NEEDS**

How can we help you better?

SECTION 1

PURPOSE:

This paper is about government efforts to meet the shelter needs of rural low-income off-reserve Native and non-Native households.¹ The purpose of the paper is to ask interested parties specific questions concerning rural housing assistance, in order to provide a

sound basis upon which future policy and programs in this area can be developed. Canada Mortgage and Housing Corporation (CMHC) is undertaking this process on behalf of the federal government. This process will ultimately lead to a presentation to government. ■

1

¹ For the purposes of this paper, the term Native refers to Status and Non-Status Indians, Métis, Innu and Inuit. In addition, on-reserve Native housing will not be addressed. Questions surrounding on-reserve housing are being addressed through a parallel consultation process being undertaken by Indian and Northern Affairs Canada (INAC).

INTRODUCTION

2

In 1974, the federal government introduced the Rural and Native Housing (RNH) Program which is designed to address the shelter needs of rural low-income off-reserve Native and non-Native households (a brief description of the current package of program components is provided in the Annex). Capital costs and operating losses under these programs are generally shared by the federal and provincial or territorial governments. As of the end of 1989 about 25,000 housing units had been committed under the regular RNH Program. In addition, more than 20,000 households have received repair assistance under the Emergency Repair Program (ERP) and another 160,000 or so have received renovation assistance under the rural Residential Rehabilitation Assistance Program (RRAP).

Despite this effort, rural and Native people continue to face housing problems. Best estimates place some 15 per cent of all rural households and over 44 per cent of rural Native households in core housing need — unable to find non-crowded and physically adequate accommodation without having to pay more than 30 per cent of their income towards basic shelter costs. Problems exist even among those households receiving government housing assistance. While there is a high level of client satisfaction and those receiving assistance report that their living conditions are much better than before they received assistance, more than half of these households pay more than 30 per cent of their income towards shelter, arrears under

the programs are close to 25 per cent and just under 13 per cent of the portfolio (about the same as the non-assisted housing stock) is in need of major repair (i.e. having serious deficiencies in the structure or plumbing, electrical or heating systems).

As a first step in determining what can be done to improve the effectiveness of governments' efforts in this regard, a comprehensive national evaluation of the current RNH programs was undertaken in conjunction with, and with the financial support of, eight provincial/territorial governments (Newfoundland, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, Alberta and the Northwest Territories). The Evaluation is nearing completion and provides a good understanding of the extent to which these programs have achieved their objectives and where problems exist. A draft summary of the Evaluation's findings is available upon request.

With the evaluation nearing completion, CMHC is now soliciting the views of interested parties in order to encourage a full discussion of the key issues which need to be addressed before changes to the current package of program components can be considered. The latitude exists to undertake a major overhaul of the current RNH Program. However, in light of the current environment of fiscal restraint, no additional spending can realistically be expected. In addition, the federal government is committed to targeting social housing programs to those in core housing need. ■

CONSULTATION PROCESS

The consultation process begins with the distribution of this paper, along with an invitation for written comments by June 15, 1990. The consultation team will also begin a series of cross-country meetings in a few weeks to provide an additional opportunity for groups to raise their concerns and make suggestions.

Based on the written comments received and the input provided during meetings, a paper discussing where consensus is emerging will be written and distributed to those providing written comments on the consultation paper. This paper, together with the final evaluation report, will then serve as the basis for discussion at a national workshop in the fall. The consultation team will also meet with individual provincial and territorial housing officials. A proposal to the federal government will then be written and submitted, based on the

written replies to the consultation paper, the input received during the cross-country meetings, workshop and provincial/territorial meetings, as well as the evaluation findings.

CMHC recognizes the importance of submitting any recommendations which may result from this consultation to the federal government for its consideration as quickly as possible. As the proposed schedule indicates, the consultation time-frame has been squeezed as tightly as possible while still providing interested parties with the time necessary to provide their input. It is essential to an effective and productive consultation that all interested parties are given an opportunity to contribute their insights and experiences. It must be appreciated, therefore, that changes cannot be made overnight — actual implementation of any program changes is unlikely until 1991. ■

SECTION 4

ISSUES FOR CONSULTATION

4

In each of the ten issue sections to follow, issues which have been identified during the evaluation process are briefly outlined, arguments in favour and against various options are highlighted along with any relevant data or experience and then specific questions are asked to determine what the reader's views are. The 10 issues discussed include: 1) the appropriateness of rental and ownership tenures; 2) client contribution requirements;

3) client selection; 4) Native targets; 5) client involvement in construction; 6) building and servicing standards; 7) emergency repair assistance; 8) program delivery and administration; 9) location policy; and 10) problems within the existing stock.

As the issues raised are by no means exhaustive, the reader is encouraged to raise any additional issues and concerns as they see fit. ■

APPROPRIATENESS OF RENTAL AND OWNERSHIP TENURES:

In recent years, the RNH Program has emphasized offering tenure options which match individual client's needs and abilities. While ownership tenure received priority in the past, it was recognized that some individuals required support to be able to take on the responsibilities of ownership (e.g. maintenance and repair work), while others might never be capable or willing to take on such responsibilities. Hence, although ownership remains a major component, more rental stock has been acquired and a Lease-To-Purchase option introduced (see the Annex for a brief description). What tenure options and when and where they should be offered within rural off-reserve Native and non-Native housing assistance has, however, always been a contentious issue.

RESPONSIBILITY AND CONTROL:

Proponents of ownership tenure argue that ownership offers clients more control over their environment and a stake in their community which, in turn, may promote social stability. Rental tenure, however, has the advantage that clients generally bear little financial responsibility for the maintenance and repair of their units. Thus rental tenure provides those who are unable or financially incapable of taking on these responsibilities a housing option. As a consequence, government can also more easily ensure that objectives concerning the physical condition of the stock are met as this does not depend on clients' willingness and financial ability.

Alternatively, it is often argued that a key advantage of ownership tenure is that it has the potential to remove government from much of this on-going responsibility. Experience has shown, however, that government has not been able to leave responsibility for the physical condition of the stock solely in the hands of ownership clients. As the use of Remedial Repair funding indicates, some government involvement has been retained². Further, even with this limited repair assistance, the

evaluation found that 20 per cent of pre-1981 ownership units were in need of major repair compared to less than 10 per cent of rentals built prior to 1981. Hence, government is now faced with a repair problem despite the fact that the physical condition of the unit is technically the owner's responsibility.

One possible explanation for this result is clients not being aware of their tenure responsibilities. Another suggested explanation is that some Homeowner clients cannot afford to do routine maintenance and make necessary repairs. If these are indeed explanations then the current failure may not be inherent in the tenure choice, but may be a program design and/or information problem instead.

USE OF EXISTING PRIVATE STOCK:

One advantage of rental tenure is that it enables government to make use of Rent Supplement assistance whereby units for clients are leased by government on a long-term basis from private landlords and subsequently rented to clients on a rent-g geared-to-income basis. The advantage of Rent Supplement assistance is that it makes use of available private sector units, thus avoiding the more expensive capital expenditures required in the construction or purchase of new units and hence allows more households to be assisted within a given budget. When vacancies exist and the available stock meets clients' needs, this option may be a cost-effective means of addressing housing need. The downside of Rent Supplement assistance is that the units are not permanently added to the social housing portfolio and hence, payments made to the private landlord, and therefore program costs, will rise over time.

COMMUNITY RESISTANCE AND PROFIT POTENTIAL:

It is also argued that the use of rental tenure may serve to lessen community resistance to housing assistance programs. It is sometimes difficult for community residents to accept that

² Remedial Repair funds are available to undertake major repairs and servicing (e.g. sewer and water hook-ups). The program is funded by using dollars which would have otherwise gone to new commitments and is used on a limited basis.

low-income, perhaps non-working residents, can purchase their own home under the program for a modest sum, while some non-assisted taxpayers cannot afford to purchase a similar quality home. This may be particularly true where a resale market exists and the homeowner client is perceived to have an opportunity to make a profit.

In examining the potential for such profit making, the critical calculation is whether the market value of the dwelling is greater than the outstanding mortgage balance. Many argue that this amount (the outstanding balance) often exceeds the market value and hence the resale of the unit would not represent a profit for the client. Hard evidence on market values is, however, difficult to come by in rural and remote locations.

The evaluation found that homeowners in remote areas are much more likely to feel that their house had decreased in value or that it could not be sold than those living in non-remote areas. Notwithstanding, almost half of all homeowner clients felt that their home had increased in value since it was purchased and only three per cent indicated that they could not sell their house because “no one would be interested in buying it”.

This suggests that some clients might potentially make a profit on the sale of their unit, depending on the resale market in their particular area. Notwithstanding, whether or not such a profit can be made, at the end of the mortgage period, ownership clients will have acquired an asset, whereas rental clients will not. 🏠

QUESTIONS:

- ? *Should rental tenure be offered under the RNH Programs? Under what circumstances/with what restrictions?*
 - ? *Should ownership tenure be offered under the RNH Programs? Under what circumstances/with what restrictions?*
-

CLIENT CONTRIBUTION REQUIREMENTS:

The current client contribution required under the RNH Program is determined on the basis of a client's income. The approach is based on the principle that as income increases so too does the client's ability to pay. In general, clients are to pay 25 per cent of their income towards eligible shelter costs. However, the payment scale does recognize that for very low income clients the 25 per cent payment may still be unaffordable. Hence the federal scale currently begins at 16.7 per cent of income for clients earning \$192 or less in adjusted income per month and is graduated up to the 25 per cent for those earning \$404 or more per month.

Eligible shelter costs covered under Homeowner are defined as principal, interest, taxes and a set heating allowance, while for Rental they are defined with respect to a fully serviced unit, excluding electricity costs not related to heating. Clients therefore have some shelter costs which they are responsible for, in addition to their payments-geared-to-income. Owners cover operating costs in excess of a set heating allowance and on-going maintenance and repairs costs, while renters must pay electrical costs not related to heat.

APPROPRIATENESS OF REQUIREMENTS:

The appropriateness of the current contribution requirements has been questioned. It has been argued that they are too high and have resulted in some families being unable to pay their rents or mortgages and properly maintain their units. The fact that more than half of those households currently receiving assistance under the program pay more than 30 per cent of their income towards shelter is seen as an illustration of the extent of the problem.

Whether or not the current contribution requirements are appropriate is, however, difficult to know. High utility costs appear to be the primary reason why some clients are paying more than 30 per cent of their income towards shelter. It has therefore been suggested that additional adjustments should be introduced which more fully recognize the utility costs faced by clients (e.g. changing the heating allowance).

It must be recognized, however, that such

adjustments would result in fewer households being assisted since they would deepen the current level of assistance. Further, the evaluation found that there was a high level of client satisfaction with the current program and those receiving assistance reported that their standard of living was much better than before they received assistance, thus weakening the argument that a reduction in client contributions is needed. In fact, some may argue that current contribution requirements are more than adequate and should actually be increased. Government clearly has the difficult task of balancing the different considerations (i.e. depth of assistance, number of households assisted, individual responsibility).

UP-FRONT GRANTS:

Another suggested option is to provide up-front grant assistance (whether financial or in kind) to acquire a unit while leaving responsibility for operating and on-going maintenance and repairs to the client. It is argued that such an approach could significantly reduce administration costs by eliminating arrears and the need for such activities as ongoing monitoring of incomes. In addition, it would eliminate a client's on-going mortgage contribution and, in turn, could lessen affordability problems.

When one looks at the RNH Demonstration Program which provides such upfront grants (covers all capital cost), the argument appears to have some validity. The present value of current administration costs over the 25 year mortgage period are substantially less for the Demonstration Program than those of on-going subsidy based programs. Of course, since the Demonstration Program has only been in place a few years, these lifetime administration cost estimates are not based on actual experience and hence must be used with caution.

With regard to the affordability question, less than six per cent of Demonstration Program clients pay in excess of 30 per cent towards shelter. This is despite the fact that the average income of these clients is marginally less than those of owners under the RNH ownership component (\$15,400 compared to \$16,400) and that these clients are also responsible for

operating and on-going maintenance and repair of the units. Again, however, caution must be used when drawing conclusions based on these results. It must be recognized that the Demonstration units are all relatively new and hence it is difficult to predict what maintenance and repair expenditures they will face in the future.

It should also be appreciated that up-front grant assistance does not in general permit adjustments in assistance levels should client circumstances change. Clients who enjoy a significant increase in income at some future date will receive a relative benefit since it may be difficult to make adjustments to the grant after the fact. Similarly, for any clients who later faced affordability problems, despite the original up-front assistance, contributions to shelter could not be easily adjusted to reflect this.

Use of up-front grant assistance may also reduce community acceptance since it has more of an appearance of a government “hand-out” than on-going assistance and may reduce long-term

accountability of the money spent. The use of sweat equity (i.e. self help) may contribute to offset this appearance as the community can see evidence of the contribution of the household. In addition, depending on the size of any associated downpayment requirements (sweat equity or cash), the provision of up-front grants may deepen the assistance provided to each household thus reducing the overall number of households who can be assisted within a given budget.

Whether or not a client can or will effectively cope with the on-going responsibilities of their home is also a factor to be considered. The evaluation found that there is little difference in the incidence of maintenance and repair activities between Demonstration clients and regular ownership clients in dwellings of the same age. Consequently, government may be faced with the same problem it has today with regard to some Regular Homeowner clients—units falling into disrepair. Unfortunately, it is difficult to predict how extensive this potential future problem may be. ■

QUESTION:

? *What adjustments should be made to the current contribution approach?*

NATIVE TARGETS:

In 1982, the federal government expressly stipulated that a proportion of the social housing units delivered in each province or territory, which serve the needs of off-reserve Natives (includes RNH Homeowner, Rental and Lease-To-Purchase Program, Emergency Repair Program, the rural component of the Residential Rehabilitation Assistance Program and the Urban Native Program³), be targeted to eligible off-reserve Native households. The overall Native target was set at 50 per cent of activity, with specific targets set for each province and territory adjusted to reflect the local demographic composition of the rural client group.

Native families have greater social and economic disadvantages to overcome in securing a decent living than do non-Native families. The needs data indicated that the incidence of rural Native need (i.e. the number in need as a percentage of the total rural Native population) was well above that of rural non-Native need — over 44 per cent for Natives compared to around 15 per cent for non-Natives. It was in recognition of these wide differences in the incidence of need, that the federal government set the 50 per cent Native target.

TARGET ACHIEVEMENT:

While significant progress has been made since

the targets were first implemented, the 50 per cent national Native target has yet to be fully achieved. Some have argued that this is because the number of Natives in need relative to non-Natives is simply too low to ever expect targets to be achieved. The Base Line Needs Data which is based on 1981 Census data is currently our best source of national Native housing need information. This data indicates that rural Native households in need represent less than five per cent of all rural households in need. It has been strongly argued, however, that this data substantially understates Native need due to difficulties in properly identifying Native households during the survey. It should also be appreciated that the Native targets were never intended to be quantitatively justifiable.

Alternatively, it has been argued that it is only with respect to rural RRAP that there is a real target achievement problem — the other programs are approaching their targets. Further, the difficulty encountered with rural RRAP target achievement is not, it is argued, due to a lack of eligible Native households in need but rather a program design issue which makes it difficult for Natives to make use of the program. It is argued that the cost of repairs for the units occupied by Natives is often greater than current forgiveness levels. 🏠

QUESTION:

? *Is the current Native target appropriate, if not, what should the target be?*

³ Under the Urban Native Program, project development funding and mortgage insurance is provided to urban-based rental project sponsors and rent-g geared-to-income assistance is provided to tenants.

CLIENT SELECTION:

Under the RNH Program, when demand exceeds availability of budgets, current guidelines indicate that eligible applicants should be served according to the share of core need their particular client group (e.g. seniors, families etc) represents. For example, if 40 per cent of those in core housing need in a given area are seniors then approximately 40 per cent of available assistance is targeted to seniors. This approach of mixing client groups was adopted to ensure that all client groups would be served under the program.

10

Income mixing within core housing need has also been a consideration in order to avoid the creation of very low income ghettos. It has been argued, however, that in rural Canada the concern over housing ghettos is limited given the relatively small scale of housing projects built in such areas. Consequently, rural housing assistance should be delivered, it is argued, on the basis of worst first — ensuring that the most pressing and severe cases are addressed first. This argument may have some validity, however, it remains that such an approach could result in certain client groups

within core need (those in a relatively more fortunate position) finding themselves largely excluded from the program.

A further issue relates to how eligible clients within a given client group can be prioritized. Within the various client group categories (e.g. singles, seniors etc.), if demand exceeds available resources, clients are placed on waiting lists on the basis of greatest need. While the guidelines make suggestions as to what factors should be considered when determining who is in greatest need (e.g. lowest income, availability of housing options), what emphasis to place on the various factors is left to the discretion of the Active Party and Delivery Agent involved.

The advantage of this approach is that those who have first hand awareness of the problems have the flexibility to decide who is in most need. Rigid selection criteria will not always result in the best choice—every situation is slightly different. This flexibility, however, can lead to decisions which are perceived by some as unfair or inappropriate. 🏠

QUESTION:

? On what basis should clients be selected from the overall core need population when demand exceeds budget?

⁴ The level of RRAP forgiveness is an issue currently being addressed by the Renovation Consultation.

CLIENT INVOLVEMENT IN CONSTRUCTION:

Experience with programs such as the RNH Demonstration has served to highlight the potential of direct client involvement in the construction and repair of units within an assisted housing environment. Many have argued that the self-help approach used in the Demonstration Program should become an integral part of the rural housing programs.

COST EFFECTIVENESS:

Experience has shown that significant cost savings can be achieved from the use of volunteer labour. The evaluation findings support this view. When comparing the Demonstration Program to the regular RNH Program cost savings arising from the use of volunteer labour were identified.

COMMUNITY REACTION:

It has also been argued that a sweat equity contribution from the client may heighten community acceptance since, although government assistance is provided, clients get visibly involved rather than appearing to just wait for a government "hand out". The evaluation found that there was little difference in community acceptance in areas served by either the regular program and the Demonstration Program. Some caution is required in applying this finding nationally given the small number of communities served by the Demonstration Program.

MAINTENANCE PRACTICES:

Another benefit which is commonly attributed to the self-help approach is an improvement in the basic skill level of the client and enhanced awareness of maintenance and repair requirements which, it is hoped, may result in better maintained dwellings. In addition, individuals involved in self-help activities are likely to acquire a well earned sense of accomplishment and pride in ownership, which may also result in better maintained dwellings. Although the RNH evaluation did find that skills were enhanced and awareness of maintenance and repair responsibilities was indeed heightened for those involved in self-help, it found that this did not necessarily translate into better maintained dwellings.

CMHC inspector assessments of the Demonstration units revealed that 8 per cent showed poor maintenance practices (the same proportion as for RNH Homeowner units of the same age). On the other hand, 88 per cent of the Demonstration clients said that they know how to do repairs, compared to 60 per cent of the RNH Homeowner clients. It has been suggested that factors unrelated to clients' willingness and skill levels have played a role in why so little difference was observed between the maintenance and repair practices of self-help clients and Regular Homeowner clients. These include factors such as clients' limited disposable income and the remoteness of communities which make accessing materials difficult and costly.

DEMANDS ON CLIENT:

From the client's perspective, self-help activity is also very time consuming, often physically demanding and not every client is willing or able to make the effort. As a consequence, programs incorporating sweat equity must recognize the additional effort made by clients in order to provide an incentive for clients to put in the additional time and effort. The heavy time demands also make this approach less feasible for clients with regular employment. Those who are unemployed or seasonally employed are likely to be better able to find the time to participate in such an approach.

HOUSING QUALITY:

It should also be appreciated that motivational and technical support (someone to motivate and teach clients the skills they require to construct their own home), often plays a critical role in the self-help approach. Without this support, the number of clients who could construct their own homes would likely be quite limited. Consequently, any move to expand this type of approach would have to consider the availability of competent construction managers. Even with this technical support, the Evaluation found almost 7 per cent of Demonstration units to be in need of major repair. Another 45 per cent were found to be in need of minor repair (i.e. non-structural items

such as missing shingles, cracks in interior walls, broken windows etc.). This compares to less than 2 per cent in need of major repairs and 21 per cent in need of minor repairs for similar aged Regular Homeowner units. Some see this as an indication that housing quality may suffer when clients are directly involved in construction.

On the other hand, it has been argued that much of the repair needs for the Demonstration units is due to slow or poor completions of the units.

Because self-help work tends to be slower, units may not always be fully completed by the time the construction manager leaves. With little follow-up — less than five per cent of Demonstration Program clients received any counseling within the last year and no formal follow-up currently provided with regard to completion issues — it has been argued that it is unrealistic to expect clients to fully appreciate what work still has to be done as well as the importance of completing this work. ▲

QUESTION:

12

? *Should a self-help construction approach be offered under the RNH Programs? Under what circumstances/ with what restrictions?*

BUILDING AND SERVICING STANDARDS:

Under the current RNH Program guidelines, assisted housing must meet certain minimum standards — it must not require major repairs (e.g. have defective wiring, structural problems) and basic facilities should be in keeping with community norms. These guidelines recognize the need for flexibility with regard to basic facilities.

Some communities have either no servicing or the servicing which is available would not meet urban standards (e.g. daily water delivery rather than running water). Consequently, it is argued that if the same requirements for basic facilities were imposed as in urban locations (e.g. running water, indoor toilet), some rural and remote communities would be excluded from the programs. About three-quarters of the RNH units examined by CMHC inspectors during the Evaluation were rated as having the same standard (facilities, size, style, quality) as housing found elsewhere in the community. Around 16 per cent were rated as above the community norm and the remaining 9 per cent

were rated below community norms.

From an alternative perspective, it can be argued that one standard of housing for urban locations and one for rural or remote locations, represents a two-tier system. The existence of this apparent double standard might also result in the perpetuation of current community norms — community norms which may only exist out of circumstance and not by choice of the community. Current RNH policy does recognize this issue, however. Although the guidelines allow flexibility, this does not imply that all units are built to community norms regardless of what that norm may be. What is built is to be safe, structurally sound, complete (e.g. weatherproof) and of appropriate design for the needs of the occupants. To illustrate, the Evaluation found that in remote areas, where one might anticipate that community norms may be relatively poor, 30 per cent of the RNH housing provided was above community norms. 🏠

QUESTION:

? *What building and servicing standards should be employed under the Program?*

EMERGENCY REPAIR ASSISTANCE:

The Emergency Repair Program (ERP) was originally designed to respond to urgent repair requirements on a short-term basis, pending implementation of more extensive rehabilitation or the supply of replacement housing under the RNH Programs. The current objective of ERP makes no reference to this linkage to other program components. The program's objective now is to assist households in core housing need in rural areas by providing assistance for the urgent repair of existing housing that is a threat to occupants' health or safety.

This change was made in recognition of the fact that some households prefer to remain in their current unit despite any offer to relocate them to a replacement unit. Client attachment to their current unit and a reluctance to be locked into RGI payments may be factors in why some refuse relocation. At the same time, many of these units are too dilapidated to repair cost-effectively. The immediate health and safety of the occupant nonetheless is at risk. This being the case, the original requirement for ERP assistance, which forced occupants to relocate to a RNH unit at a future date (generally within a year) if their unit could not be cost-effectively brought up to acceptable standards under the RRAP program, was dropped.

APPROPRIATENESS OF ASSISTANCE:

Some may question the appropriateness of such a change. For that matter, some may question the appropriateness of any ERP-like assistance. It can be argued that spending thousands of dollars to repair a unit only up to a barely habitable level does not represent a cost-effective use of limited resources. The money would be better spent on other programs which fully address the client's housing problems. Alternatively, some would argue that regardless of the incomplete nature of the repairs, in situations where the health and safety of the occupant is at risk, the money is well spent. The program fills a necessary gap by being able to respond to serious health and safety threats.

QUESTIONS:

- ? *Should there be an emergency based repair assistance program, and if so, what should its objective be?*
- ? *Should the flexibility exist to allow repeat assistance under such program and if so, under what circumstances?*
- ? *Should emergency repairs assistance be available for non-primary residences used by the occupant to earn an income?*

SUFFICIENCY OF THE GRANT:

The sufficiency of the grant has also been questioned, particularly now that residency in the unit may be long-term. The evaluation found that over 50 per cent of ERP clients reported that their unit was still in need of major repair after ERP repair work was completed. However, when surveyed for the Evaluation, government program officers generally felt that grant levels were adequate. This contrasts with the views of Native Delivery Groups where less than 25 per cent of the groups perceived the grants as suitable for meeting the objective of the program.

Whether or not the amount of grant available is indeed a problem, will clearly depend on what the program's objective should be. Once this is determined, assistance levels could be adjusted to meet these objectives. It must be appreciated, however, that should grant levels be increased, fewer clients could be served within a set budget.

REPEAT ASSISTANCE:

Another outstanding issue is multiple applications. Current policy does not allow repeat assistance, however, in situations where a suitable social housing unit is not found in a relatively short period of time, or the occupants refuse to be relocated, further emergency repairs may be required to keep the unit safe to inhabit.

ASSISTANCE FOR SECOND RESIDENCES

Yet another issue relates to the use of emergency assistance to repair units which are not the occupant's primary place of residence. In rural Canada, there is a sub-section of the population involved in activities such as trapping and fishing which requires them to live a large period of the year away from their primary residence (e.g. at a trapper's cabin). These secondary residences can be equally in need of emergency repair, however, current national policy does not encourage the use of ERP assistance for such purposes. ■

PROGRAM DELIVERY AND ADMINISTRATION:

Under the RNH Program, within a province or territory, once units are allocated to planning areas on the basis of need, the Active Party (CMHC or the province or territory), or Tripartite Management Committee (TMC)⁵ in the case of Native clients, selects communities within planning areas and a delivery agent, who is paid on a fee-for-service basis, then seeks community support and identifies eligible clients. With the assistance of the delivery agents, clients then submit their applications, successful clients are selected and a decision is made with regard to what program option to use (e.g. Rental, Homeowner).

If rental accommodation is recommended, government develops a rental project and subsequently operates and manages it. With homeowner tenure, government administers the mortgages. Some exceptions to this basic approach do, however, exist. For example, Local Housing Authorities are used to deliver and administer the Rental Program in the Northwest Territories. Nevertheless, there is generally little in the way of local involvement in the delivery and on-going management of rural housing assistance programs.

CURRENT APPROACH:

The evaluation found evidence to suggest that this basic approach has had some success. Overall, two-thirds of delivery groups responding to the evaluation survey felt they were “somewhat” to “very” effective in increasing local awareness. Further, the delivery groups rated themselves high in attracting applicants who would match RNH client selection criteria. A high level of support generally toward government assisted housing at the community level was also found. Whether or not this can be attributed entirely to delivery agent involvement is difficult to know. The fact that current guidelines require the Active party (either CMHC or the province or territory) to meet with local groups/ government which have an interest/ jurisdiction in housing (e.g. municipal council) may also play a role in the high awareness level. Nevertheless, some would suggest that

improvements can be made. For example, the percentage of Homeowner clients who indicated that they had ever received counseling/ information was very low (11 to 20 per cent depending on the type of counseling information). The extent of counseling being provided under Rental was even lower. This is despite the fact that counseling, in areas such as budgeting, is a requirement under the programs. Fees-for-service have also been criticized—some have argued that they introduce some undesired incentives. For example, fees differ for different programs, consequently certain programs may be more profitable to deliver than others, thus resulting in a potential bias in what is emphasized when it comes to delivery.

Another concern which has been raised about the current approach is that by generally using only one provincial delivery agent, other equally competent groups may be excluded from the process. Given that fees and training expenditures are attractive benefits for any group involved in the process, government can also find itself embroiled in arguments over who should be the delivery agent for a particular area. This can lead to resentment and conflict which does little to help governments meet their housing objectives.

COMMUNITY-BASED:

One approach which is often suggested as an alternative is community-based delivery—the use of community-based groups to sponsor, develop, administer and manage projects. It is argued that a delivery agent who covers a wide territory cannot compete with a locally-based group when it comes to knowing where the housing need is. Nor are agents as accessible to the client and the community since they are not permanently located there. Local involvement would therefore, it is argued, better facilitate client follow-up and counseling which in turn may reduce arrears and result in better maintained dwellings. It is also argued that housing is a key source of economic stimulus and consequently, minimizing unnecessary sharing of potential benefits to non-resident

⁵ TMCs plan delivery strategies, identify areas of greatest need and monitor progress. Each TMC includes a representative from CMHC, the provincial or territorial Housing Authority and the Native Delivery Group.

delivery agents would be an important benefit of a community-based delivery approach.

Experience with this type of local involvement has, however, been mixed. For example, Local Housing Associations and Authorities (LHA) in the Northwest Territories (NWT) have the responsibility of administering RNH Rental Housing. They undertake the rental, maintenance and repair of the units as well as contribute to the planning and other duties. A majority of NWT Housing Corporation Staff viewed the LHA's as having a fair to good knowledge of the RNH Programs and of being fairly well-skilled in the business operations and the technical aspects of their work, although some training needs were identified.

16

However, the evaluation documented several instances of community involvement in other regions in the delivery and actual construction of RNH units in more informal arrangements, which resulted in substantial cost overruns due to local inexperience and/or poor central monitoring and control.

It is often argued that the amount of time, training and funding required to develop and sustain a delivery group in every community would simply not be cost-effective. The number of units allocated to a given community, perhaps only one or two a year does not merit the on-going training and staffing costs of a permanent locally-based organization.

In addition, the level of organization and competency of such local groups will likely vary considerably from one community to the next. As a consequence, some communities may be well served by such an approach while other communities may find the opposite.

On the other hand, it is argued that a local housing agency, run as part of the local government structure and therefore not requiring any substantive additions to the bureaucracy, could take over many of the on-going delivery and portfolio management duties and thus replace government management of the widely scattered portfolio and possibly eliminate the need for delivery agents. In addition, even if the new allocation of units in a given year is minimal, the on-going responsibilities of administering and managing the existing portfolio of RNH units could be sufficient to merit the on-going training and

staffing costs associated with the approach.

It should be appreciated, however, that this type of decentralization, while perhaps decreasing government bureaucracy on one level (e.g. direct management), would involve an increase on another level — planning, monitoring and reporting. To counter this argument, those suggesting the switch to a community-based approach would argue that even if the cost of this type of delivery turned out to be a little higher than the current approach, the product (client access, better understanding of local needs, etc) is better and hence worth the extra cost.

ECONOMIC DEVELOPMENT:

Another change sometimes suggested is to use housing assistance to promote local economic development. Housing has often been cited as a potential vehicle through which broader economic and social goals can be achieved. It is argued that if government is going to spend money on housing, it is important that the assistance be provided so as to maximize spin-off benefits to the client community.

For example, by training clients to build or repair their own units, clients acquire certain construction skills which can be used not only in maintaining their own homes but perhaps also to create employment opportunities for them. As long as the additional training and employment opportunities do not add to program costs and the end housing product is similar to that which is provided under more traditional approaches, few object to this form of economic development. Disagreements begin to arise, however, when the economic development objective is seen as competing with the housing objective.

Some have argue that mechanisms such as giving priority and training support to Native construction companies or imposing local labour or material supply restrictions should be adopted under the program. In this way the local community would be able to take advantage of all the spin-off benefits arising from the housing expenditures, instead of these benefits going to non-local contractors and suppliers. If this were done, local residents could acquire new skills, and some community members would find employment, at least while the housing funds were being spent.

On the other hand, it is argued that housing programs should first and foremost be designed to address housing problems. By placing restrictions on the competition for contracts to produce or repair housing under the programs, it is argued that almost by definition, costs will be higher. This is because if meeting these restrictions did not cost more there would be no need to impose them in the first place. To effectively achieve both objectives (i.e. housing and economic development), special training, supervision and financial controls are, it is argued required; all of which cost money — money which comes at the expense of the housing objective.

It is argued that to use housing dollars to achieve non-housing related objectives, at the expense of housing achievements, would be depriving those who depend on government to address their housing problems. There are Federal and Provincial agencies in place to specifically address the economic development concerns of these communities. Consequently, while coordinating activities between various government agencies is clearly desirable, it is argued that already limited housing funds should not be used in this way. It is also pointed out that the spin-off benefits arising as a

result of housing expenditures are not sustainable. While some members of the community may well acquire new skills, if there are no real employment opportunities within the community where these skills can be put to use, the potential return on the training investment may not be sufficient to justify the expenditure.

The question of whether or not mobile homes should be an option under the program helps illustrate the argument. Adopting an objective of economic development within housing programs would rule out the possibility of using mobile homes since they are generally prefabricated outside the client's community. This rejection of an approach which some would argue is the optimal housing solution in certain circumstances—offers mobility of units which addresses concerns about vacant units in small communities as needs change, addresses concerns over short building seasons and shortages of skilled labour and may be less costly — would be based solely on non-housing related criteria. Those opposed to the adoption of an economic development objective would argue that the resulting loss of flexibility in finding housing solutions cannot be justified. ▲

QUESTION:

- ?** *Is there a need to alter the current delivery and administration arrangements?
If so, in what way?*
-

LOCATION POLICY:

To receive assistance under the programs, recipients must reside in a rural area, defined as having a population of 2,500 or less. The Active Party, or TMCs in regard to Native clients, has the flexibility, however, to direct up to 10 per cent of the total unit allocation in their province or territory to areas of 2,500 to 5,000 population size. It is intended that these exceptions be applied in those areas where rural (less than 2,500) need is limited, the need in the more populated community (2,500 - 5,000) is significant, no Urban Native allocations are likely and the proposed RNH program response has received widespread community support.

18

The population restriction was implemented to ensure that the resources available under the program were directed to rural areas which were considered to be most in need of this housing assistance, namely very small communities and remote areas. Larger communities, it was believed, were served by other assisted programs (e.g. Non-Profit Program). The appropriateness of this specific population distinction has, however, been questioned.

It has been argued that the other assisted housing options available to larger rural communities are in fact quite limited. This is because programs like the Non-Profit Housing Program, which rely on project sponsor groups, do not, it is argued, operate well in more rural locations because sponsor groups are less active in these areas. As a result there is said to be a gap in housing assistance for those households residing in small rural communities which have a population in excess of the 2,500 limit but which are not large enough to support a non-profit organization — where the allocation of one or two units may not merit the ongoing involvement of the non-profit group.

To counter this argument, it is often pointed out that while it is primarily urban based, assisted housing provided under other government programs does help address housing needs in communities with populations of between 2,500 and 5,000, as well as rural locations (less than 2,500). For example, some 18,000 Public Housing units are located in rural areas. A further 22,000 units are located in areas with a population between 2,500 and 10,000. Further, most communities have some organizational capacity already in place (e.g. municipal council) which could potentially take-on the sponsor role if such a role was encouraged.

In light of the availability of other assisted housing programs in rural areas, the argument is made that the population limit should actually be tightened, perhaps to remote locations for example, since the RNH programs are the only federal assisted housing option available in these locations. However, because of the higher costs of delivering units in small and remote communities, due for example to transportation requirements, such a move would likely result in fewer households being served.

Another issue to be considered when discussing locational questions is whether certain program components would be best offered only in certain locations. For example, some might argue that Emergency Repair Assistance should be offered only in remote areas in recognition of remote households' limited housing options. Alternatively, it could be argued that the program should be available in all locations — urban, rural and remote, since the same health and safety concerns which led to the introduction of the program in rural and remote areas are also considerations in urban locations. 🏠

QUESTION:

? *What location restrictions should be put in place under the Program?*

PROBLEMS WITHIN THE EXISTING RNH STOCK:

Nationally, the evaluation found that almost 13 per cent of the current RNH portfolio is in need of major repair and just under 40 per cent in need of minor repair. Remote areas had a higher incidence of both major and minor repair need as did Regular Homeowner units compared to Rental units. On average, each unit under the RNH Program requires an estimated \$2,860 of work. The evaluation also noted that RNH ownership housing is in about the same condition as non-assisted owner-occupied housing.

Arrears are also a concern within the existing stock. Currently almost 25 per cent of Regular Homeowner clients are in arrears, while more than 26 per cent of Rental clients are in arrears. In non-remote locations, Homeowner units were found to be three times more likely to be in arrears than rental units (21 per cent versus 6 per cent). In remote locations arrears are similar for both rental and ownership units, at more than 46 per cent. Arrears were also found to be higher for clients in older dwellings. Arrears are a problem not only because of the lost contributions which have to be made up somewhere else, but also because as clients see other clients "getting away" with not making their contributions, the incentive for clients who fully meet their obligations to continue to do so is weakened. Similarly, community acceptance of programs may be reduced if taxpayers see the program being "abused".

Several alternatives for how government should deal with these problems have been suggested in the past:

CONVERSION TO RENTAL:

One alternative is to convert problem ownership units into rental. The government would then take on the responsibility for maintenance and repairs thus ensuring the units are properly repaired. In addition, clients' contributions to shelter would be lessened since they would no longer be responsible for the operating and repair needs of their dwelling. Consequently, it is argued, clients would be better able to afford their unit and arrears should decline.

This potential solution, however, ignores the fact that arrears are a problem with rental tenure

as well. In remote areas arrears under the Rental Program are as high as Regular Homeowner arrears; thus, conversion to rental alone will not solve all the arrears problems. Further, such a change may have an impact on client equity (e.g. how would clients who have been meeting their responsibilities view these changes?). In addition, with government taking on the responsibility of repairs, it should be appreciated that the cost of such repairs would have to come from new commitment budgets. Consequently, the number of new commitments possible would decrease accordingly.

ELIMINATION OF ON-GOING CONTRIBUTIONS:

Another suggestion which has been put forward is the elimination of all on-going contribution requirements for Regular Homeowner clients. Thus, it is argued, funds would be freed-up to enable clients to take on their maintenance and repair responsibilities. In addition, the arrears problem under Homeowner would be eliminated since there would be no payments which a client could default on.

However, as with the preceding suggestion, such a move would result in fewer new commitments since the foregone client contributions would have to be made-up from new commitment budgets. Further, since maintenance and repairs would still be the responsibility of the client there would be no guarantee that needed repairs would actually be done. There would also be no impact on Rental arrears. In addition, client equity considerations could make implementation of this type of proposal difficult. Some clients have fully met their responsibilities, while others have not. Failing to recognize this would clearly be unfair. Further, the adoption of this approach would have ramifications on future delivery of assistance. It would be difficult to impose on-going client contributions under future ownership assistance if such contributions were eliminated for past clients.

IMPROVED COUNSELING:

Still another alternative which has been suggested is to do more and better counseling under the programs. It is suggested that the difficulties which we now see with the portfolio could be significantly lessened if such an

approach were adopted. The evaluation found, however, that there was little difference in maintenance practices between those receiving counseling and those not. Similarly, little impact was observed with respect to arrears.

However, it is important to recognize that while current counseling appears to have been fairly ineffective, this does not necessarily imply that if changes were made, counseling could not have a positive impact in the future. The poor condition of some of the units may be due to occupants being unaware of their responsibilities. Perhaps if counseling was more effective in ensuring clients understood their responsibilities, as well as what specific repairs and maintenance tasks should be carried out, less of the stock would fall into various states of disrepair.

Additional evidence of the potential effectiveness of client counseling lies in the results related to the Lease-Purchase Program, where client counseling was provided much more extensively than under either the Rental or Regular Homeowner Programs (between 23 and 39 per cent of clients were counseled depending on the type of advice). Arrears for Lease-Purchase clients were found to be less than 5 per cent and 53 per cent had good maintenance practices compared with 10 per cent and 64 per cent for post-1985 Regular Homeowner clients. Of course, it is difficult to know if these results should be attributed to client counselling. The fact that clients are trying to gain access to ownership by proving that they are able to take-on ownership responsibilities may be a factor. ■

QUESTIONS:

- ? *How should government address the arrears and maintenance and repair problems which exist within the existing portfolio?*
 - ? *Do you believe that improved client counseling could have an impact on arrears and maintenance and repair problems? If so, what kind of counseling?*
-

CONCLUSION

This paper represents a formal invitation by Canada Mortgage and Housing Corporation to all those interested in the RNH Programs to participate in the consultation process. Your written responses to the questions raised in this paper, as well as any other concerns you may wish to raise, are requested by June 15, 1990. These comments should be sent to:

Mr. E. A. Flichel
Acting President
Canada Mortgage and Housing
Corporation
682 Montreal Road
Ottawa, Ontario
K1A 0P7

Your comments will be used to set the parameters within which program or policy changes will be made. Your input is important if we are to achieve our goal of making the most effective use of the housing funds available. We thank you in advance for your participation in this important process. ■

CURRENT PACKAGE OF PROGRAMS

At its inception, the objectives of the RNH Programs were formally stated as follows:

- to ensure adequate housing for low income persons in rural areas and small communities with a population of 2,500 or less;
- to motivate and help the program's clients to solve their housing problems through their own organization and efforts by providing the opportunity for optimum client involvement in the planning and building of the units;

The programs are delivered to residents of rural and remote areas which have a population of less than 2,500 who are in core housing need. The core housing need criterium was implemented in 1986, prior to this the criterium was low income households. In addition, since 1985 a portion of the RNH units delivered have been targeted to eligible Native households living off-reserve. The national Native target was set by the federal government at 50 per cent of annual activity (includes activity under the RNH Homeowner, Rental and Lease-To-Purchase Program, Emergency Repair Program, the rural component of the Residential Renovation Assistance Program and the Urban Native program¹).

There are several programs which make up the RNH package. Under the **RNH Homeownership Program** and **RNH Rental Program** clients pay a mortgage or rental payment which is determined according to a payment-geared-to-income scale whereby the client's contribution to eligible shelter costs varies according to their household income. Eligible shelter costs covered under Homeowner are defined as principal, interest, taxes and a set heating allowance, while for Rental they are defined with respect to a fully serviced unit, excluding electricity costs not related to heating. Homeowner clients also pay a downpayment. Client counselling is provided under the programs to prepare and support clients in their responsibilities as homeowners or renters. A significant addition to the program was made in 1986 when a **Lease-To-Purchase** option was added to allow clients to pay on a rental basis until they are able to assume full homeownership responsibilities and purchase the unit.

In 1986, as part of the New Federal Housing Directions, the federal government approved the establishment of a

five-year **RNH Demonstration Program** designed to evaluate the feasibility of "self-help" approaches to the delivery of RNH Homeownership units. Under this program, the federal government provides a fully forgivable mortgage loan, conditional on the client occupying and maintaining the dwelling, to cover the cost of building materials, services, on-the-job construction supervision, building plans and land where necessary. The client provides the volunteer labour to build the home with the support of a construction manager who supervises the work and provides training as necessary.

For those clients who own units in need of major repair, two program options are available. The **Rural Residential Rehabilitation Assistance Program (RRAP)** provides forgivable/repayable loans at current interest rates for admissible renovation costs. Although considered part of the RNH package, rural RRAP will not explicitly be addressed in this consultation as CMHC is just completing a separate renovation consultation process. The second renovation option is the **Emergency Repair Program (ERP)** which provides a grant to rural occupants to cover the costs of emergency repairs designed to make a house, too dilapidated to fully rehabilitate (as would be done under RRAP), safe to inhabit.

In addition to the programs outlined above, support programs were introduced to ensure that client groups had sufficient technical and administrative knowledge about the planning, development and on-going management of housing to ensure their full participation in the RNH program. The **RNH Native Cadre Training Program** assists selected Native persons to receive housing-related professional training through work experience and, where possible, to obtain permanent employment in the housing field. Under the **RNH Secondment Program**, RNH training funds are also used to loan professionals to Native housing groups in order to enable the group to complete specific tasks related to the delivery/ administration of RNH housing. Training funding is also provided to provincial Native RNH delivery organizations and local housing groups so that they may develop the knowledge or skills to develop and conduct their housing initiatives within the RNH program parameters. These **RNH Client Training** funds are used primarily for training sessions/workshops and course related expenses incurred by members of these groups. ■

¹ Under the Urban Native Program, project development funding and mortgage insurance is provided to urban-based rental project sponsors and rent-geared-to-income assistance is provided to tenants.