

Regional Tripartite Housing Committee



Report on Workshop on Ends of Agreement (Section 95) in Quebec First Nations Communities

October 2015

Regional Tripartite Housing Committee
AFNQL – AANDC – CMHC

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Questionnaire used at the Workshop on Ends of Agreement held during the AFNQL-hosted Regional Meeting on Housing, in February 2015

SUMMARY

Over 3 000 housing units were or will be released from legal relationship with Canada Mortgage and Housing Corporation (CMHC) between 2010 and 2020. During this decade, when a unit is released, the Band Council will administer this unit according to its needs and its planning. It can maintain the status of rental housing unit or take the opportunity to transfer the property to the occupant. This is an issue of prime importance for the First Nations.

The Regional Tripartite Housing Committee (RTHC) took advantage of the Regional Meeting on First Nations Housing to hold a workshop on Section 95 ends of agreement, and ownership transfer. This issue is identified in the RTHC Action Plan.

Highlights

- The majority of First Nations have in their housing stock some homes that were built under Section 95 Program.
- Some agreements with CMHC have expired, or will be coming to an end over the next five years, in most communities.
- Almost three quarters of units whose agreement with CMHC has expired or will be coming to an end over the next five years, require renovation works.
- Ownership of housing, whose agreement with CMHC has expired, is transferred to the occupant in just over half of the cases.
- Currently, there would be at least 1 000 occupants who are able to take responsibility for their house following a transfer of ownership.
- First Nations representatives see in the transfer of ownership of units at end of agreement, advantages for both the local administration (band council) and the individuals.
- The bad condition of the unit and the occupant's lack of capability to take on owner's responsibilities are the main obstacles that the First Nations will encounter in converting Section 95 housing into private ownership.
- The vast majority of First Nations representatives who participated in the workshop feel that the conversion of a Section 95 unit into private ownership must absolutely be accompanied by a financial incentive to support the renovation of the housing unit.
- People's empowerment and clarity of roles and responsibilities are essential elements to succeed the implementation of a program to convert Section 95 housing into private ownership.
- Several reasons justify an injection of supplementary funds in the conversion of Section 95 housing units at end of agreement into private ownership:
 - the scale of housing needs faced by First Nations;
 - the large number of Section 95 housing units at end of agreement;
 - it is an opportunity to lighten the burden on local administrations and increase the responsibility of occupants;
 - the current condition of these houses and the interest for the First Nations councils to make the transfer attractive and to hand over an asset in good condition;
 - The fact that a financial incentive may significantly contribute to the success of an initiative, such as the housing ownership transfer, as shown by the positive results obtained upon the implementation of the ownership transfer program within the framework of CEAP.
- Some First Nations have successfully implemented a program of ownership transfer for Section 95 units at end of agreement.

INTRODUCTION

The large number of agreements between CMHC and the First Nations that have expired or which will be coming to an end between 2010 and 2020 represent an issue of prime importance. The expiry of these agreements means that the fate of these units is at stake. Band Councils may administer these units according to their needs and planning. They may keep the status of rental housing unit. They may also take this opportunity to transfer the property to the occupant by means of a sale or an assignment.

The transfer of ownership is an option that is retaining specific attention by the RTHC, which is composed of representatives of the Assembly of First Nations of Quebec-Labrador (AFNQL), Aboriginal Affairs and Northern Development Canada (AANDC) and CMHC. This issue is identified in the Action Plan of the RTHC: *Identify actions to deal with the important issue of Section 95 units at end of agreement*. The Committee feels that the conversion in individual ownership could be an opportunity to empower the occupants, while reducing the burden borne by the Council, provided the conditions are in place for a successful transfer.

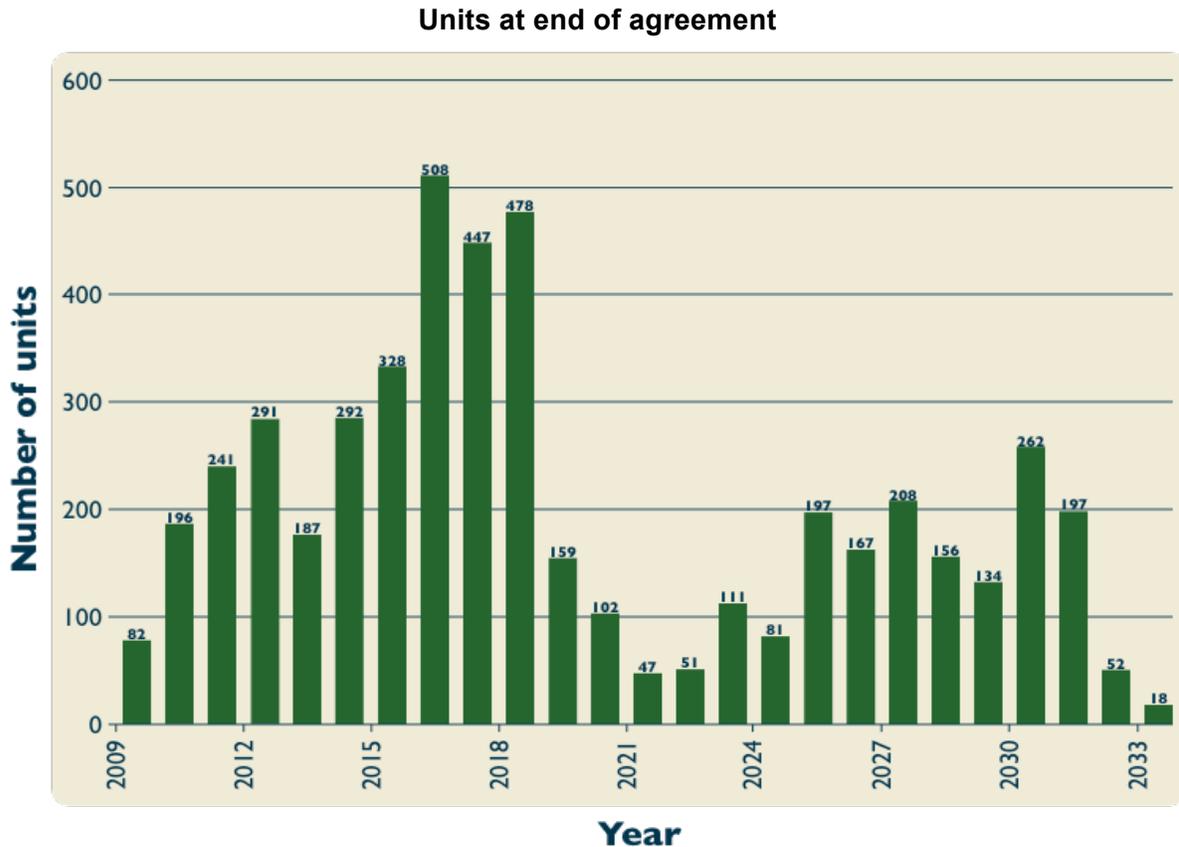
The RTHC took the opportunity of the Regional Meeting on First Nations Housing to hold a workshop on Section 95 units at end of agreement, and on the transfer of ownership. Hosted by the AFNQL, the meeting took place on February 24 and 25, 2015. Close to 65 First Nations representatives took part in the meeting. CMHC introduced the subject and gave an overview of the issues and some insights for reflection. Subsequently, 2 First Nations which have implemented a program of transfer of ownership of Section 95 units at end of agreement shared their experience, notably the successes and the challenges faced in the application of their program. The workshop was then held in two stages: the participants were asked to answer a series of individual questions, and they were then invited to discuss another series of questions in small groups. The objectives pursued by the RTHC were as follows:

- inform and equip the communities;
- collect relevant information to document a project proposal that would bring the federal government to invest supplementary funds in the renovation and conversion of Section 95 housing units into private ownership housing.

The first section of this report contains quantitative data on units at end of agreement. The perception, by the First Nations, of issues related to the transfer of ownership of units at end of agreement is addressed in the second section. The third section presents the arguments in favour of the injection of funding specifically earmarked for the conversion of Section 95 units at end of agreement into private ownership.

1. UNITS AT END OF AGREEMENT, 2010-2020

Several agreements under Section 95 will be expiring over the next five years in Quebec First Nations communities. Therefore, 1 920 housing units will be released from legal relationship with CMHC. They are added to the 1 207 units whose agreements have already expired over the past 5 years. The following chart shows that, during the period of 2010 to 2020, a large number of agreements under Section 95 have expired. It directly involves 3 127 housing units.



Source : *Section 95 : end of agreements, a new path. Presentation of CMHC at the AFNQL Regional Meeting on Housing, February 2015*

The participation of First Nations representatives in the ends of agreement workshop held at the AFNQL-hosted Regional Meeting on Housing in February 2015 enabled the collection of relevant information on this subject. Participants were invited to complete an individual questionnaire. Close to 65 participants took part in the regional meeting. They completed 35 questionnaires which shed some light, as a first step, on:

- the number of First Nations affected by ends of agreement;
- the number of units affected;
- the condition of these houses;
- the First Nations' current approach to ends of agreement;
- the ability of occupants to take care of their house following a transfer of ownership.

1.1. First Nations facing end of agreements with CMHC

Virtually all consulted First Nations communities have in their housing stock, houses that were built under Section 95 Program.

Q1: Are there any houses that have been built under CMHC's Section 95 Program (formerly 56.1) in the housing stock of your community?

Yes		33 respondents	94%
1 - 49 units	3		
50 - 99 units	4		
100 units & +	16		
Don't know	10		
No		2 respondents	6%
Total		35 respondents	100%

Agreements with CMHC have expired in most (82%) of the communities consulted, which have, in their housing stock, houses that were built under Section 95 Program.

Q2 : If you answered yes to question 1, are there any agreements with CMHC that have come to an end for some of these houses?

Yes		27 respondents	82%
1 - 24 units	10		
25 - 49 units	3		
50 units & +	7		
Don't know	7		
No		2 respondents	6%
Don't know		4 respondents	12%
Total		33 respondents	100%

Agreements with CMHC will be coming to an end over the next 5 years in most (82%) communities consulted, which have, in their housing stock, houses that have been built under Section 95 Program.

Q3 : If you answered yes to question 1, are there any agreements with CMHC for some of these houses that will be coming to an end over the next 5 years?

Yes		27 respondents	82%
1 - 24 units	5		
25 - 49 units	6		
50 units & +	6		
Don't know	10		
No		2 respondents	6%
Don't know		4 respondents	12%
Total		33 respondents	100%

1.2. Condition of units at end of agreement

Close to three quarters (73%) of units, for which the agreement with CMHC has ended or will be coming to an end over the next 5 years, require renovation works according to the First Nations consulted.

Q4: If you answered yes to question 2 or question 3, what is the condition of these units in your opinion?

Good (normal maintenance, some repairs needed)	4 respondents	12%
Medium (partial renovation required)	6 respondents	18%
Poor (major renovation required)	18 respondents	55%
Don't know and no answer	5 respondents	15%
Total	33 respondents	100%

Considering that in Quebec, based on CMHC data, 3 127 housing units under Section 95 Program are or will be at end of agreement between 2010 and 2020, we can say, based on the information collected from the First Nations consulted, that approximately 2 283 units require renovation works, and more specifically major works for 1 720 of them.

1.3. The First Nations' current policy on units at end of agreement

The ownership of units for which the agreement with CMHC has expired is transferred to the occupant in just over half of the cases (55%) amongst the First Nations consulted.

Q5 : If you answered yes to question 2 or question 3, what is the policy of your community regarding these housing units?

Remains a rental housing unit	2 respondents	6%
Ownership is transferred to the occupant	18 respondents	55%
No policy on this topic	6 respondents	18%
Don't know and no answer	7 respondents	21%
Total	33 respondents	100%

1.4. Ability of occupants to take responsibility for the house following a transfer of ownership

Just over half (45%) of the First Nations consulted evaluate to at least 25% the proportion of occupants who would be able to take care of their house following a transfer of ownership.

Q6 : If you answered yes to question 2 or question 3, in your opinion, what is the proportion of occupants who would be able to take responsibility for the house following a transfer of ownership? This implies amongst others taking care of the maintenance, repairs and insurance for the property.

Less than 25%	8 respondents	24%
Between 25% and 50%	9 respondents	27%
More than 50%	6 respondents	18%
Don't know and no answer	10 respondents	31%
Total	33 respondents	100%

By analyzing the CMHC data (3 127 units at end of agreement between 2010 and 2020) and the information collected from the First Nations consulted, there would be at least 1 000 occupants at present who would be able to take responsibility for their house after a transfer of ownership.

2. FIRST NATIONS' PERCEPTION OF ISSUES RELATED TO THE TRANSFER OF OWNERSHIP

The First Nations representatives present at the workshop on ends of agreement held at the AFNQL-hosted Regional Meeting on Housing in February 2015 were asked to share their views on the issues related to the transfer of ownership of units at end of agreement. Six groups comprising in average 6 persons each discussed the following topics:

- the advantages;
- the obstacles;
- the opportunity for a financial incentive;
- essential conditions for a successful outcome.

The six groups answered open questions and completed 12 questionnaires.

2.1. The advantages of converting a Section 95 unit into private property

The First Nations representatives see in the transfer of ownership of units at end of agreement, advantages for both the local administration (band council) and the individuals. In general, they feel that a transfer of ownership means less administrative responsibilities and less expenses on the part of the band council, while for the individual, it is an opportunity to proudly assume new responsibilities, while at the same time acquiring a personnel asset.

Advantages for the Band Council

- a burden taken off their shoulders: fewer expenses for maintenance, management and replacement reserve fund, etc.
- no rent collection.
- potential income if the sale of units to individuals is subject to payment.

Advantages for the individual

- The individual owns the house; he holds a property title and builds a personal asset which he will be able to hand over to his children.
- Empowerment of the individual, pride of moving from the status of tenant to homeowner, development of a sense of belonging, motivation to work and upkeep the house (autonomy), elimination of the cycle of dependency towards the Council.
- More flexibility to adapt the house to personal taste.
- Creation of a private housing market; possibility of property being resold.

2.2. Obstacles to be encountered by the First Nation when converting a Section 95 housing unit into private ownership

The poor condition of the house and the lack of ability on the part of the occupant to execute his responsibilities of homeowner are the main obstacles that a First Nation will encounter when converting a house under the program of Section 95 into private ownership. The absence of a housing market and the recovery of rental arrears are other significant barriers often mentioned by First Nations representatives.

The poor condition of the house

- the poor condition of the house, the lifespan of materials (roof, roof covering products, openings), lack of PAREL funding and the problem of access to funding to refurbish the house (credit rating).

The lack of capacity on the part of occupants

- the lack of capacity (financial and other) of the occupant to take on the responsibilities of homeowner (maintenance, insurance, etc.). Individual responsibility goes against the habits created over the years, and translates into a sense of dependency towards the band council.

Peculiarities of the property and land context

- The absence of a housing market, the market value of the property.
- The establishment of a fair market price.
- Land management and legality of the property title.
- The house's exact location in certain cases.

Difficulty in collecting the amounts owing

- The recovery of rental arrears and the collection of service charges for municipal services.

Other obstacles

- The possibility that the member to whom the house is transferred, decides to sell it.
- The lack of long-tenure occupants. Some housing units at end of agreement are currently occupied by tenants who have been living in it for a short time (ex. 1 year).
- Some occupants could oppose to such a transfer.

2.3. Opportunity for a financial incentive to support the renovation of the house

The vast majority of First Nations representatives who took part in the workshop feel that the conversion of a house under Section 95 into private ownership must absolutely be accompanied by a financial incentive to support the renovation of the unit. It should be noted that the question did not specify the origin of the incentive (band council or government)! The groups in favour consider that a new home occupancy is an important stage in a person's life; in the present circumstances, such form of support is a key element of success. Some insist on adding that this represents a burden for the council. (replacement reserve funds and other funds); to achieve this, an injection of government funding is required. Those who do not believe that the financial incentive is necessary, plead notably for individual responsibility at the outset. One group pointed out that restoration is foreseen in the program of Section 95, provided the replacement reserve has appropriate liquidity.

The participants justified their answer.

Conversion **must** absolutely be accompanied by a financial incentive

10 questionnaires out of 12 were completed by the groups.

- In order to transfer the house in good condition when major works are required, notably the key components (roof, openings, exterior siding), avoid transferring a financial burden to the occupant (ex. house with mould) and prolong the lifespan of the house.
- To help the occupant who is at an important stage of his life, this form of support fosters the pride of being a homeowner and gives him a head start.
- To assist low-income households.

Conversion **does not** absolutely have to be accompanied by a financial incentive

2 questionnaires out of 12 were completed by the groups.

- Because government subsidies do not lead to the owner's empowerment.
- Because it depends on the condition of the house.

2.4. Essential conditions for a successful outcome of the implementation of a program converting Section 95 units into private ownership

Two conditions seem essential to succeed the implementation of a program converting Section 95 units into private ownership. Individual empowerment seems to be an essential condition and the clarity of the roles and responsibilities is another important condition according to the representatives of the First Nations who attended the workshop of February 23, 2015.

Therefore, there is a need, first and foremost, to fully prepare the occupants, to accompany them in their progression towards individual empowerment. Home ownership entails new responsibilities that people are sometimes not familiar with, or may be unfamiliar with its range, the latter having been assumed by the band council over the years. First Nations representatives also insist on the importance of establishing clear regulations concerning the roles and responsibilities of the occupant and of the band council. These regulations must be included in a policy on the transfer of ownership which is formally adopted by the band council and must be well understood by the future owners.

Occupants' awareness of their future responsibilities

- There is a need to educate and develop the awareness of the occupants, and prepare them to assume the responsibilities which come with home ownership. The most frequent observation was undoubtedly the maintenance of the property (preventative maintenance, etc.) and its related costs.
- Considering the above, these groups of participants even suggest that the occupants be supported in their progression towards a greater empowerment by offering them training on the management of their budget so they can prepare them in putting money aside for maintenance and repairs.
- The younger generation should be more responsible, according to a group of participants.

Roles and responsibilities that are clearly established and understood

- The roles and responsibilities of the occupant who becomes the new owner of the house, and of the band council who owned it up until the transfer, must be clearly defined in a housing policy designed specifically for transfer of ownership. Therefore, they must be clearly established, and most of all, the future owners must clearly understand that their new obligations will no longer be assumed by the band council (ex. maintenance, insurance). The transfer of ownership policy must establish, for example, regulations on mandatory insurance coverage (some suggest that the band council puts in place conditions to reduce the insurance costs in relation to the volume of homes insured by the latter).
- the transfer of ownership policy must be adapted to the local issues before being formally adopted by the band council.

Other essential conditions for a successful outcome

- The occupant must be in a position to assume the responsibilities of an owner.
- Housing units need to be renovated before proceeding with the transfer of ownership.
- The possibility, for the new owner to have access to a low-interest renovation loan directly from CMHC, without the involvement of the band council.
- Awareness of other financing programs.

2.5. Comments on the conversion of Section 95 housing units into private ownership

First Nations representatives offered some comments to complement the questions discussed in groups. The problems linked to the transfer of ownership regarding Section 95 units at end of agreement seem to be the subject of a consensus. Some even make a link with progression towards First Nations autonomy. The transfer of ownership was implemented successfully in some communities according to participants of the workshop, while others see obstacles and complications. However, all attendees were in agreement on the scope of the work that remains to be done in that area.

Suggestions of participants to promote a transfer of ownership

- The launching of a program, such as CEAP to give impetus to the transfer of ownership and thus meet the needs for affordable housing.
- Indexation of the RRAP subsidies to match the costs of living.
- Government financial assistance to those First Nations who wish to develop a policy on transfer of ownership.

3. JUSTIFICATION OF AN ADDITIONAL INVESTMENT

In light of the above, there are several reasons justifying an injection of additional funds in the conversion into private ownership of Section 95 units at end of agreement. Among those, we note:

- the scale of housing needs faced by First Nations;
- the large number of housing units under Section 95 Housing Program which were or will be at end of agreement between 2010 and 2020 (3 127);
- the opportunity represented by the expiry of agreements with CMHC to ease the financial burden of local administrations and to empower the occupants who are able to take care of their home;
- the current condition of these homes (renovations are required for the vast majority of them) and the interest, for First Nations Councils to make the transfer attractive and transfer an asset in good condition;
- the fact that a financial incentive may significantly contribute to the success of an initiative such as the ownership transfer of housing units, as evidenced by the positive results obtained in delivering the program of ownership transfer within the framework of CEAP between 2009 and 2011 (refer to report of RTHC "*The CEAP (Housing) in Quebec First Nations communities* ").

The information collected at the level of the First Nations representatives who took part in the February 23 2015 workshop, within the scope of the AFNQL-hosted Regional Meeting on Housing, allows us to say that an enormous number of occupants are *at first* sight, suited for ownership responsibilities. The compiled answers reveal that close to one third of the occupants of the 3 127 units at end of agreement between 2010 and 2020 meet this criteria.

On the other hand, the essential conditions for a successful outcome of such an initiative are known: there is a need to prepare the occupants adequately, to support them in their progression towards individual responsibility; there is also a need to establish clearly the roles and responsibilities of the band council and of the occupant, while ensuring that they are well understood.

In the event the clientele is well targeted and the housing units are in a condition that satisfies the people, the greatest obstacle that remains is the unique property context of First Nations communities. The weakness of the resale market is indeed a factor that can cool down the eagerness of the occupants. Some First Nations have developed programs which counterbalance, in part, this impediment. It will be important to propose conditions of transfer that are attractive for future home owners.

APPENDIX

Questionnaire used at the Workshop on Ends of Agreement held during the AFNQL-hosted Regional Meeting on Housing, in February 2015

REGIONAL MEETING ON HOUSING OF THE ASSEMBLY OF FIRST NATIONS QUEBEC-LABRADOR

WORKSHOP ON THE END OF AGREEMENT AND TRANSFER OF OWNERSHIP

Background and Opportunity

Several agreements under Section 95 will be ending in the next 5 years. Approximately 2,000 housing units will be released from any legal relationship with CMHC. They are in addition to 1,200 units released over the past. The First Nations Councils can manage these units at will. The conversion to private property can be an opportunity to give more responsibilities to the occupants while reducing the burden on the Council, to the extent that the conditions are in place for such a transfer of ownership.

The Regional Meeting on Housing organized by the AFNQL comes at an opportune time, as many First Nations will be called upon to rule on the administration of a large number of housing units in the coming years.

Purpose

The end of the agreements with CMHC is an important topic of the Regional Meeting on Housing. The goals are:

- Inform and empower the communities;
- Collect relevant information in preparation for an eventual project proposal to bring the federal government to invest additional funds in the renovation and conversion of social housing in privately owned housing.

First Nations representatives are asked to answer the following questions in 2 stages:

1st stage ■ Individual questionnaire

2nd stage ■ Questions to answer as a group

Individual Questions (time allotted 10 minutes)

At this point, we invite you to individually answer the following questions about the context of the Section 95 houses at end of agreement in your community. The information collected will prove useful to document a possible proposal for an injection of additional funds in the renovation and the transfer of ownership.

1. Are there any houses that were built under the CMHC Section 95 program (formerly 56.1) in your community?

Yes Number of units _____ No Don't know

2. If you answered yes to question 1, are there any agreements with CMHC that have ended for some of these houses?

Yes Number of units _____ No Don't know

3. If you answered yes to question 1, are there any agreements with CMHC for some of these houses that will mature over the next 5 years?

Yes Number of units _____ No Don't know

4. If you answered yes to question 2 or question 3, what do you think the state of these houses?

- Good (normal maintenance, some repairs needed)
- Medium (partial renovation required)
- Poor (major renovation required)
- Don't know

5. If you answered yes to question 2 or question 3, what is the policy of your community about these houses?

- Remains a rental housing unit
- Ownership is transferred to the occupant
- No policy on this topic
- Other _____
- Don't know

6. If you answered yes to question 2 or question 3, what do you think is the proportion of persons who would be able to take charge of the house following a transfer of ownership? This includes taking responsibility for maintenance, repairs and insurance of the property.

- Less than 25%
- Between 25% and 50%
- More than 50%
- Don't know

Please return the completed questionnaire (1 per person)

Questions for groups (time allotted 40 minutes: 8 minutes per question)

Now please answer the following questions in consultation with the other people who form your group.

1. What are the main benefits of the conversion of a Section 95 house to private property?

2. What are the main obstacles that the First Nation will face during the conversion of a Section 95 house to private property?

3. The conversion of a Section 95 house to private property should it be absolutely accompanied by a financial incentive to support the renovation of the house?

Yes

No

Why? _____

4. In your opinion, what are the essential conditions for the successful implementation of a conversion program of Section 95 houses to private property?

5. Comments:

Please return the completed questionnaire (one per group)