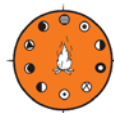


**REGIONAL TRIPARTITE COMMITTEE ON HOUSING**

ALLOCATION WORKING GROUP

**ALLOCATION OF FEDERAL  
HOUSING PROGRAM  
FUNDS TO QUEBEC'S  
FIRST NATION COMMUNITIES**

February 2015



Assembly of  
First Nations  
Quebec-Labrador



Aboriginal Affairs and  
Northern Development Canada



CMHC SCHL

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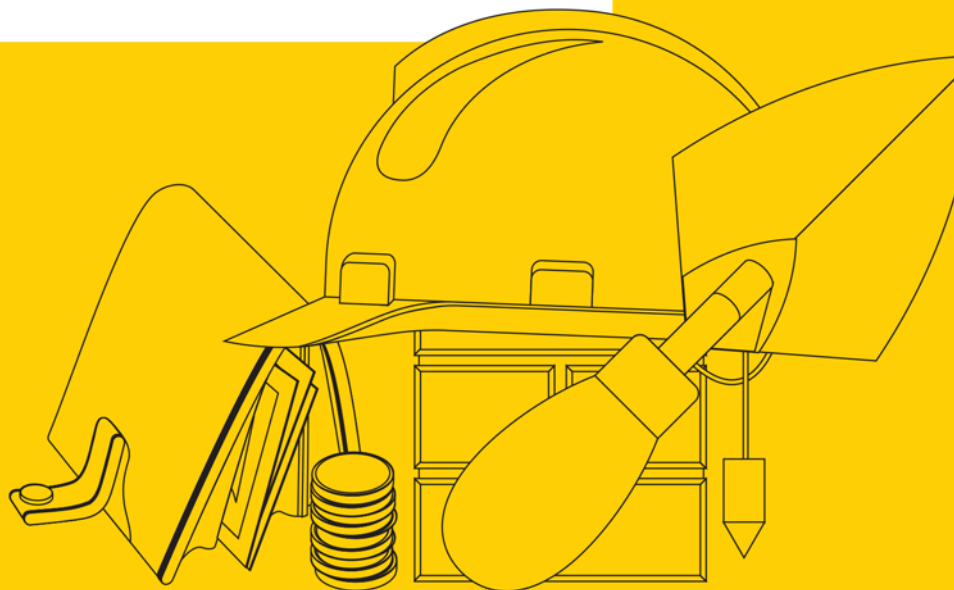
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## Introduction

The allocation of housing funds, which is under the responsibility of government agencies, is one of the issues discussed by the Regional Tripartite Committee on Housing (RTCH), a committee composed of representatives from the Assembly of First Nations of Quebec and Labrador (AFNQL), Aboriginal Affairs and Northern Development Canada (AANDC) and Canada Mortgage and Housing Corporation (CMHC). In its Action Plan, the RTCH has committed to **“produce a document describing the national and regional processes for housing fund allocation and relay it to FNs.”** The goal is to ensure that First Nations have access to information on the objectives of the programs and the methods used to determine housing allocations.

To that end, a tripartite working group was formed. Although the AFNQL does not participate in making decisions concerning the allocation of funds to First Nations, it has contributed to the exercise by providing its technical expertise and sharing its housing databases. The working group has also relied on official documents, various working documents and the expertise of stakeholders who have been working in the housing sector for several years.

This document comprises four sections. The two main sections describe the allocation methods used by CMHC and AANDC to allocate housing funds to First Nation communities. The national method, that is, the approach used to allocate funds from the central administrations to the regions, is outlined for each of the programs. The regional model, which pertains to the allocation of funds from the AANDC and CMHC regional offices to First Nations, is described in greater detail for each program. Another section deals specifically with the method recommended to allocate funds from special housing initiatives. The document concludes by identifying useful addresses for people wishing to obtain additional information on the subject.



# Canada Mortgage and Housing Corporation (CMHC) programs



## Social Housing Program, Section 95

The CMHC Non-Profit Housing Program, also called the “Section 95 program” in reference to the **National Housing Act**, grants First Nations financial assistance to build or rehabilitate affordable rental housing on-reserve. This program has been in place since the late 1970s.

### National allocation model

Since 2005, the allocation method has been based on core housing need, with the objective of directing more program resources to the regions with the greatest housing needs. According to this approach, a household is in core need if its housing does not meet quality (physical condition) and/or size (number of bedrooms) standards and if its income is below the reference threshold (adapted to the on-reserve context). Although the Assembly of First Nations (AFN), AANDC and CMHC participated in the development of various allocation scenarios, AANDC and CMHC were responsible for the current model.

The Quebec region receives just over 7 per cent of the national Section 95 program budget. The base budget allows Quebec’s First Nations to produce between 40 and 50 units per year.

### Regional allocation model

This is where the CMHC and AANDC regional offices come in. Using the AANDC housing needs formula, which was approved by both organizations, CMHC determines, in collaboration with AANDC, the allocations to First Nations, in a two-step process. It should be noted that some inputs into the regional allocation model are based on the AFNQL’s Housing Needs Study updated in 2014 (2012 data). The AFNQL updates the data of its study every five or six years.

Following the latest update of the study, which identified a need for 9,252 new housing units, CMHC and AANDC jointly decided to make changes to the delivery methodology that would maximize the use of the regional budget and thereby increase the construction of new units. These changes, which will prioritize residential intensification, will take effect for the 2015/2016 fiscal year. The changes will apply only to the delivery of construction projects.

# 1 First step

The first step is to allocate the budget between the communities under agreements (Cree and Naskapi) and the other First Nations. Many factors are considered in the allocation process, including the current and projected resident population, the off-reserve population, and the existing housing stock. These data are used to determine housing need, to which an average construction cost is applied to generate the **financial requirement (FR)** of each First Nation.



**FR = HOUSING NEED (OVERCROWDING + POPULATION GROWTH + MIGRATION) X AVERAGE COST**  
**FIRST NATION'S SHARE = FIRST NATION'S FR / REGIONAL FR**

The relative shares are calculated as follows:

- First Nations not under agreements 64 per cent
- Cree First Nations under agreements 32 per cent
- Naskapi First Nation under agreement 4 per cent

# 2 Second step

Each First Nation's budget is then determined. The Cree Regional Authority has the mandate to distribute the budget among the nine James Bay communities. CMHC determines the budgets of the other communities using an allocation formula that considers the resident population by age group, the housing stock and the social assistance dependency rate. A **social housing need (SHN)** is thereby generated for each Abenaki, Algonquin, Atikamekw, Huron-Wendat, Mi'kmaq, Mohawk and Innu First Nation.



**SHN = HOUSING NEED (OVERCROWDING + POPULATION GROWTH + REPLACEMENT) X SOCIAL ASSISTANCE RATE**  
**FIRST NATION'S SHARE = FIRST NATION'S SHN / REGIONAL SHN**

From the outset, First Nations that do not have access to Ministerial Loan Guarantees (MLGs), and for which it is not anticipated that access to the MLG program will be reactivated before budget allocation, will not be provided with a budget for the current year, unless they can provide an acceptable guarantee to a lending institution.

Following this second step, efforts to maximize the budget in order to prioritize the increase in the number of new housing units will be applied; here is an example:

The benchmark costs for the maintenance and replacement reserve items will be determined according to the type of construction. The benchmark costs required by CMHC will depend on the type of construction. For example, the benchmark costs for maintenance expenses and the replacement reserve contribution will be lower per unit for a multi-unit housing construction than for a single-family home construction.

## **Budgetary reserve**

A budgetary reserve equivalent to a few housing units is created at the beginning of each year from the budget for First Nations not under agreements, to take into account the special needs of communities to which the model does not allocate funding on account of their size or their lower social assistance dependency rate. This reserve also serves to meet the special needs of First Nations that do not systematically want new units under Section 95 but that may express a need in a given year. Lastly, a portion of this reserve is used to enhance higher-density construction projects in order to maximize the impact of the regional budget.

## **Reallocation process**

Once the budgetary allocations have been forwarded to the First Nations, they have a deadline to provide CMHC with all the information and documentation required for the final funding commitment. If CMHC deems that the final commitment cannot be undertaken within the prescribed deadlines, or if a First Nation loses its MLG eligibility, CMHC may withdraw its initial budgetary allocation and reallocate the funds to another First Nation in Quebec.

If time permits, the reallocation is carried out in accordance with the housing needs formula. If the fiscal year is coming to an end, the reallocation is based on a First Nation's prior demonstrated interest and its capacity to rapidly provide a complete file to CMHC. First Nations that have not recently received an allocation will have priority. All reallocations are carried out in collaboration with AANDC.

## **Renovation programs**

The Quebec region receives, for its three renovation programs, 6.5 per cent of the national budget, representing nearly \$540,000 of the regular base budget, which can be increased to just over \$1 million under the three-year Homelessness Initiative.

## **Residential Rehabilitation Assistance Program (RRAP)**

The Residential Rehabilitation Assistance Program (RRAP) provides financial assistance to community councils and to members of First Nations in order to help them bring their housing into compliance with minimum health and safety standards. One component of the program helps to improve housing accessibility for people with disabilities.

## **National allocation model**

The allocation method is based on core housing need, with the objective of directing more program resources to the regions with the greatest housing needs (see the definition in the section on the Section 95 program).

## Regional allocation model

The CMHC regional office, in collaboration with AANDC, determines the allocations to the communities. The allocation model follows two steps.

### 1 First step

The budget is first distributed among the Cree First Nations (22 per cent) and the other First Nations, including the Naskapi (78 per cent). The distribution formula is based on the share of housing stock, excluding houses managed under the Section 95 program.

### 2 Second step

Each First Nation's budget is then determined. The Cree Regional Authority has the mandate to distribute the budget among the nine James Bay communities. CMHC determines the budgets of the other communities using an allocation formula that considers the number of housing units not administered under the Section 95 program.<sup>1</sup> A **renovation requirement (RR)** is thereby generated for each Abenaki, Algonquin, Atikamekw, Huron-Wendat, Mi'kmaq, Mohawk, Innu and Naskapi First Nation. The renovation requirement is then weighted to ensure an equitable allocation.

This model has been applied for several years and was refined in 2008 with the introduction of a base allocation (BA) equivalent to one unit. This consideration is possible only when the base budgets for the renovation programs are increased under the above-mentioned Homelessness Initiative, for which the budget was renewed for three years in 2014/2015. CMHC and AANDC have approved this method.

**RR = NUMBER OF "NON-SECTION 95" UNITS / TOTAL NUMBER OF UNITS**  
**FIRST NATION'S SHARE = BASE ALLOCATION + ((FIRST NATION'S RR / REGIONAL RR) X RRAP BUDGET)**

It should be noted that Section 95 units are not eligible for RRAP since maintenance funds and a replacement reserve are provided under the Section 95 program. However, they are eligible for RRAP for persons with disabilities.

The budget envelope enables Quebec's First Nations to renovate about 60 units annually.

## New management framework

Once budgets are confirmed and the allocation is made based on the established formula, each eligible First Nation receives a conditional budget commitment. Two conditions must be met to make this budget commitment final:

1. The completed and signed application form must be submitted within the prescribed time frame, along with all the supporting documents requested in the initial allocation letter.
2. All RRAP commitments prior to the previous year must be completed before the end of the prescribed time frame of the current year; that is, the work must be performed and confirmed by a final inspection report.

<sup>(1)</sup> The number of "non-Section 95" housing units is determined using two inputs: total housing stock and number of Section 95 program units. The first comes from the AFNQL Housing Needs Study (2006), and the second comes from CMHC.



If either of these conditions is not met, the conditional commitment is terminated and the budget is available for reallocation. Furthermore, if a First Nation cancels all or part of a budget commitment from a prior fiscal year, its allocation for the current fiscal year will be cut by the same amount that was cancelled.

## Reallocation process

Reallocation may take place at different times throughout the year:

- on the application receipt deadline, if the communities did not submit their applications on time; and
- toward the end of the fiscal year, if additional unused funds from other regions are available.

First Nations are encouraged to submit more RRAP applications than can be covered by their initial allocations in order to benefit from additional amounts, as applicable.

## Home Adaptations for Seniors' Independence (HASI)

The Home Adaptations for Seniors' Independence (HASI) program helps homeowners and landlords pay the costs of home adaptations to facilitate low-income seniors' independence. The funds for this program are subject to a three-year approval cycle. The maximum amount that may be granted per application is \$3,500. These funds are allocated based on expressed needs. First Nations where a HASI unit was committed more than one year ago and for which the work has still not been performed may have their applications refused.

Around 6 units are renovated annually under this program in Quebec's First Nation communities.

## Shelter Enhancement Program (SEP)

The Shelter Enhancement Program (SEP) provides financial assistance to repair, rehabilitate and retrofit existing shelters for women and their children, youth, and men who are victims of family violence. The funds for this program are subject to a three-year approval cycle. This program has two components.

### Construction

This component allows for the construction of structures to meet the objectives of the program. SEP funds are used for the construction of the housing portion of the shelters and do not cover operating expenses.

### Renovation

The renovation component allows for a maximum budget of \$24,000 per unit. Eligibility for this program is only possible once every 15 years, unless the maximum limit of \$24,000 per unit has not been reached, in which case a project could be accepted by considering the difference between the funds invested to date and the \$24,000 limit.

We invite First Nations to discuss their SEP project in advance with CMHC's advisors and, depending on the budget funds available for reallocation, we could consider the possibility of committing new budget funds.

# Aboriginal Affairs and Northern Development Canada (AANDC) programs



## Capital Facilities and Maintenance (CFM) program

AANDC collaborates with First Nation communities on housing development through the Capital Facilities and Maintenance (CFM) program. AANDC's new housing approach was introduced in 1996. It provides First Nations with some flexibility in the use of their base capital budget envelope, from which funds may be used to build and renovate homes.

### Regional allocation model

Before 1996, housing funds were usually allocated to First Nations on a piecemeal basis, depending on expressed and recognized needs. They varied from one year to the next for the same community. Since 1996, a new approach provides First Nations with an overall capital project envelope (base budget) determined by funding formulas. A community's base capital budget is composed of the following allocations: base, housing construction, housing renovation, infrastructure and maintenance of non-residential assets.

Two housing components are therefore included among base budget items (new housing construction and existing unit renovation). In general, housing is the main component of a First Nation's base capital budget.

The base budget for housing was initially (1996) around \$11.4 million and is one of the sources that contribute to the funding of 200 to 300 housing units built on average every year in Quebec's First Nation communities, including the Cree and Naskapi communities. Several communities use this budget to help fund their community housing projects, including Section 95 units, and to subsidize the construction of individual dwellings.

The formula (1996) used to determine the "new unit" component considers the population by age group, the housing stock, the units to be replaced and the non-resident population. These data are used to determine a housing need, which is weighted to take into account average household size, before being multiplied by the subsidy amount per unit of the community. Each First Nation's **financial requirement (FR)** is thereby generated.



**FR = HOUSING NEED (OVERCROWDING + POPULATION GROWTH + MIGRATION + REPLACEMENTS) X WEIGHTING X SUBSIDY**  
**FIRST NATION'S SHARE = FIRST NATION'S FR / REGIONAL FR**

The formula (1996) used to determine the "renovation" component takes into account the housing stock and the subsidy amount per unit of the community. Each First Nation's financial requirement is thereby generated.

It should be noted that the inputs into this regional allocation model are drawn from AANDC's 1996 data banks.

#### Clarifications

- In 1998, the base budgets for housing for the Cree and Naskapi communities in the Quebec region (communities under agreements) were included in their overall subsidy, and the communities ensure the management and administration of these budgets in accordance with their local needs and realities.
- Today, the overall base budget envelope to fund capital projects for communities that are not under agreements in the region is around \$21.9 million annually. A portion of this budget, that is, nearly 42 per cent (\$9.2 million), is invested in housing each year.

# Special initiatives

## Rules observed in allocating special initiative funds

Where permitted by the management framework, the allocation of funds from special housing initiatives is usually done using the regular budget allocation models. However, it may happen that an initiative has a series of allocation criteria established for all regions or adapted to the local needs of a region.

The recommended approach for allocating housing funds from special housing initiatives depends on the framework for these initiatives. For transparency, CMHC and AANDC communicate this information to the First Nations.

## For more information

### Contacts and useful links

If you would like more details about the allocation of housing funds to First Nation communities, please feel free to contact the AANDC and CMHC regional offices.

#### Aboriginal Affairs and Northern Development Canada

320 Saint-Joseph St. East, Suite 400, Québec, Quebec G1K 9J2

Telephone: 418-648-3595

Fax: 418-648-4075

<http://www.aandc-aadnc.gc.ca/eng/1100100010715>

#### Canada Mortgage and Housing Corporation

##### Quebec Business Centre

1100 René-Lévesque Blvd. West, 1<sup>st</sup> Floor, Montréal, Quebec H3B 5J7

Telephone: 514-283-2222

Fax: 514-496-9521

##### Québec office

2590 Laurier Blvd., Suite 900, Québec, Quebec G1V 4M6

Telephone: 418-649-8080

Fax: 418-649-8099

<http://www.cmhc.ca/en/ab/index.cfm>

We also invite you to visit the Regional Tripartite Committee on Housing page on the AFNQL website at:

<http://www.apnql-afnql.com/en/dossiers/logement-schl.php>