FIRST NATIONS OF QUEBEC
AND LABRADOR ECONOMIC
DEVELOPMENT COMMISSION

PAVING THE WAY

TO A NEW WAY OF FINANCING A RANGE OF FIRST NATIONS HOUSING SOLUTIONS

Funding: Component 2 of the Regional Strategy
on Housing and Infrastructure

INNOVATIVE FINANCING SOLUTIONS TO SUPPORT A HOUSING BACK-LOG
ELIMINATION EFFORT FOR FIRSTS NATIONS IN QUEBEC AND LABRADOR

June 2020

Report presented to the Regional Tripartite Housing Committee in June 2020 by the First Nations of Quebec and Labrador Economic Development Commission.

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1. EXECUTIVE SUMMARY

The Tripartite Housing Committee is seeking guidance with respect to the amount of investment and the types of financial instruments and levers needed to address the First Nations housing backlog in Quebec. This report provides part one of our response. Before calculating investment needs and recommending financial levers, we first need to set out the preconditions for their use. Without these, they will only increase community indebtedness without reaching their intended goals.

Of course, the needs, priorities and degree of readiness to use financial levers vary greatly from community to community. For this reason, while providing an overview of potential causes and solutions for consideration in laying the foundations of a new approach to housing finance, we make no attempt at a one-size-fits-all diagnostic or solution. The only element common to all is the urgent need to do better and to do more, because housing is critical to the future of our communities, our cultures and our occupation of the land. **This overview is thus intended to be customizable, flexible and adaptable.** It is up to each community to choose and adapt what applies to them, and to adjust the findings on the basis of their circumstances.

What we are proposing is largely inspired by the success of a few communities, including some in Quebec, which have successfully made the transition from deficit community housing dependent on councils to a diversified continuum of public and private housing solutions. A transition made possible, accelerated and supported in each case by the use of innovative financial levers and tools, most of them under Indigenous control. A key idea that the First Nations of Quebec and Labrador Economic Development Commission (FNQLEDC) has observed clearly in the economic development area also applies here: community effort and private initiative, far from being opposed, can and must be combined for the common good.

A first finding appeared from the outset: the deficit-inducing community housing approach, a legacy from times when everything was under government control, is no longer viable. We did the math for three communities and found that with each new home, their housing deficit goes up, even with 100% rent collection. A spreadsheet with instructions is appended for communities wanting to make their own calculations.

Second finding: when all is said and done, access to all currently available housing contribution and guarantee programs is in effect driven by the financial situation and resources of the communities. Even better-off communities have insufficient means to fully address housing backlogs. Less fortunate communities and their members, with little or no access to financial levers, risk being shut out of backlog elimination initiatives.

This brings us to the conclusion that the community housing approach needs to be fundamentally overhauled. That we have to reconsider current ways of doing things and move towards a balance, which will be different from nation to nation, between public and private housing efforts. Exclusive government responsibility for housing outcomes has to make way for shared responsibility solutions involving all stakeholders—individuals, lenders, borrowers, suppliers and governments. The federal government’s support and its guarantee programs must be redesigned so that community member access to housing no longer depends on the wealth of their community, and so that the effort required for individuals and for communities does not exceed what is required elsewhere in Canada for comparable benefits.

To understand how this shift can be achieved, the report explores two key areas in some detail.

The first area deals with the constraints of modern housing and home finance and why mainstream home finance instruments are unable to respond to the needs and circumstances of First Nations. Specific obstacles are identified, as critical as Indian Act restrictions, such as the small size and the remoteness of communities or the unconventional nature of economic patterns in First Nations. Potential solutions in response to these are identified.

The second area deals with private homeownership motivation and disincentives, financial and non-financial, and with the motives and the sources of resistance to the transformation of current ways of managing housing, since they appear to reinforce disincentives to increased personal responsibility for housing outcomes. Key factors include an economic environment where prices are unrelated to actual costs, where benefits are unrelated to the efforts, and where all financial levers are under the control of governments. This overview identifies untapped energies, resources and resilience factors that can be harnessed to transform housing. Transforming it from the administrative government nightmare it is today to the generational opportunity it could be to reinvent our communities, to reverse the brain drain, to maintain our presence on our lands, to revive our economies and to promote nation-building. A transformation also needed to take full advantage of innovative financial instruments with a view to eliminate housing backlogs with quality homes that reflect needs, efforts and capacities, rather than basic shelter solutions.

This exploration includes an in-depth review of potential causes and solutions that combine in different ways for each First Nation. Each community will need to identify what is relevant and useful to them, given their circumstances and constraints. The main focus is on what communities and their members can do now, concretely, in the context of the transfer of care and control for housing. But federal responsibilities remains crucial, especially in terms of financing tools, guarantees and financial levers.

In conclusion, the report stresses an important lesson learned by First Nations that have achieved the transition. Successful change takes time and happens by incremental steps as mindsets evolve and informed membership support grows. Efforts need to be insulated from short-term political and administrative pressure because visible benefits that set the stage for the next step always take more time to appear than frustration over lack of immediate results.

Specific considerations—rather than formal recommendations—are addressed to the federal government, including the establishment of tools to stimulate, support and accelerate transformation of housing; a funding approach based on communities charting their own way out of the crisis; regular, predictable and sufficient equalization-type funding; the reengineering of guarantee instruments; and need to rethink infrastructure finance, an essential part of housing backlog remediation.

A number of considerations and avenues for concrete solutions are presented to the communities themselves in order to address the main disincentives; to lay the foundations for an internal housing market; to review the roles and responsibilities of stakeholders; and to unleash the resilience and innovation strengths of Indigenous civil society.

The report concludes with a practical suggestion for part two of our response to the Tripartite Housing Committee's original question about the amount of investment and the innovative tools and financial levers needed to address First Nations housing backlogs. We suggest a two-pronged approach, with the quantification of investments needed and identification of appropriate instruments driven by concrete field work with a number of interested communities to lay the foundation for successful use of these investments and levers.

2. INTRODUCTION

Funding is one of the main challenges for the establishment of a housing back-log elimination effort by First Nations. Yet, the current practices, the financial tools in place and the extraordinary budgets of recent years barely manage to slow down the increase in the gap between housing supply and demand. Also, the Draft Regional Strategy on Housing and Infrastructure prepared by the Regional Tripartite Housing Committee (RTHC) and supported by the Chiefs of the Assembly of First Nations Quebec-Labrador (AFNQL) prioritizes the identification of innovative financial tools to launch a housing back-log elimination effort. It is now clear to everyone that ***we are not going to change things ... with more of the same***. The mandate to explore these funding solutions was entrusted to the First Nations of Quebec and Labrador Economic Development Commission (FNQLEDC).

This report is the first part of the FNQLEDC's response to the question asked by the Regional Tripartite Housing Committee: what innovative financial investments, tools and levers should be put in place to supply affordable capital for a housing back-log elimination effort intended for First Nations in Quebec?

The first part because, ***before quantifying the required investments and proposing specific financial levers, we must first ensure that the conditions are in place for them to have the desired impacts. This is because financial levers are powerful tools that are capable of achieving in a few years what current funding cannot do in a generation, but are capable also, in a few years, of increasing deficits and indebtedness to the point where nothing more can be undertaken for a generation***.

Indeed, modern housing and its funding involve, both among First Nations and elsewhere, constraints, ways of doing things and complex incentive structures involving a shared responsibility between individuals, suppliers, lenders and governments, which must be well established for additional investments to bear fruit.

Our report therefore focuses on the foundations that must be put in place or solidified in order to derive the greatest possible benefit from additional investments and from the multiplier effects of innovative financial levers.

To do things differently is first of all to think of them differently. Funding for housing is usually considered according to a government management logic, in terms of funding programs, contributions required, guarantees offered, rent collection, housing affordability and housing targets on construction and maintenance. This way of thinking is often perceived as opposed to that of market forces, driven by profit and at the expense of the public good. ***Drawing on its First Nations economic development experience with both public and private entrepreneurs, the FNQLEDC brings to the issue of housing and its funding a different perspective, one where market and government logic, far from being opposed, can come together for the common good***. Not only can these logics coexist, each correcting the excesses of the other, but they must do so to activate the financial levers linked to market capital. To fully understand what is in a way a new paradigm, we are proposing what might seem like a long detour to fully understand the causes of the current housing crisis and its financing in our communities.

Our objective is to identify possible solutions, while keeping in mind that they will have to be adjustable to the specific circumstances of each community and also keeping in mind that there is no magic or instant solution and that we must first pave the way with concrete means, approaches and strategies, to be implemented immediately, to launch, activate or accelerate the renewal of housing with a view to the optimal use of the financial levers that are essential for a real back-log elimination effort.

These solutions are largely inspired by the successes of a few First Nations in Canada, including some in Quebec, that have successfully made the ***transition from community housing deficits covered by councils to a housing system with a broad continuum of public and private housing*** *options, a transition made possible, accelerated and supported in every case by the use of innovative financial tools and levers under Indigenous control.*

At the heart of the paradigm that we are proposing is the conviction that housing and its revival are more than a simple matter of housing units to be financed, built and managed. Housing is first and foremost what matters most to each of us: a "home". This is the basis of any improvement in health, safety, education and family and social well-being indicators. It is a source of individual prosperity and, potentially, one of the most powerful economic driving forces for the community. ***Success in housing will result in revitalizing our communities, reviving our economies, and transforming the housing "problem" into an economic opportunity for our development as peoples, ensuring the survival of our languages, our cultures and our occupation of the land.***

3. OVERVIEW AND PRELIMINARY FINDINGS

3.1 COMMUNITY HOUSING: AN APPROACH AT THE END OF ITS ROPE

We will not go over in detail what is amply documented elsewhere as to the volumes and characteristics of capital needs and insufficiency.

A quick reminder: by 2031, for Canada as a whole, 130,000 units will be required in addition to major renovations to 60% of the housing inventory according to AFN estimates.[i] Clatworthy identifies similar needs in the 2016 update of a 2011 study based on census and government data, and estimated the required investment to be $20.0 billion by 2036.[ii]

The AFNQL has produced what is most likely the most complete and reliable quantitative and longitudinal overview of the situation, the only one based on data from each of the communities, an overview that has been updated every six years since 2000. The last update in 2018[iii] identifies a need for 10,435 additional units within 15 years, an increase of 3,728 units since 2000, and an increase of more than 65% compared to the stock of existing housing (more than half of which will need to be renovated). At the current rate of some 230 homes per year, the gap continues to widen, with no light at the end of the tunnel. With construction costs rising faster than inflation, **the capital required to eliminate housing backlogs and address demand up has grown from $1 billion in 2000 to almost $4 billion in 2018.**

It should be noted that the gap between supply and demand is most pronounced in remote communities (James Bay, Haute-Mauricie, Basse-Côte-Nord) where the birth rate and construction costs are the highest, where community housing provided by local governments is the main option; these communities account for more than half of the total needs identified. This suggest a smaller gap, and in some cases real progress, in more accessible communities, with low birth rates, where construction costs are lower, where there is a wider range of housing choices, from public to private, with elements of solutions to the housing crisis including the use of certain financial tools and levers that are adapted to their needs and circumstances.

Since the community housing model appears to be most prevalent in high-need communities, we sought to measure the capacity of that model to absorb accelerated investments.

Calculations were made on the basis of real data from three nations that are representative of the most frequently observed situations, from community housing as the only option to mixed community and private regimes.

Results for :	Community 1		Community 2		Community 3	
	before additions	after additions	before additions	after additions	before additions	after additions
Rental units	66	120	275	512	61	25
Monthly deficit per unit	40,00 $	550,00 $	89,00 $	545,00 $	99,00 $	198,00 $
Annual deficit per unit	480,00 $	6 600,00 $	1 068,00 $	6 540,00 $	1 188,00 $	2 346,00 $
Total monthly deficit	2 640,00 $	65 970,00 $	24 475,00 $	278 957,00 $	6 039,00 $	17 030,00 $
Total annual deficit	31 680,00 $	791 650,00 $	293 700,00 $	3 347 484,00 $	72 468,00 $	204 357,00 $

Details and results can be found in Appendix 2.

What these calculations show is that, ***unless things are done differently, any additional investments in housing will immediately cause an increase in the housing deficit***, not to mention additional deficits linked to the establishment and maintenance of community infrastructure.

Is this the case for your community? Appendix 1 provides a blank spreadsheet with a description of the procedure for readers interested in doing this calculation for themselves.

Will improved rent collection be sufficient to eliminate deficits? Our projections indicate that it will not: current rents, even when collected at a rate of 100%, are not enough to cover the deficits. Furthermore, rent increases high enough to stem the deficits would be difficult to implement, especially in the absence of a significant improvement in the quality of housing, and would risk compromising the affordability of housing for more modest income earners.

It must therefore be concluded that even if current rents were collected and increased, even if affordable housing back-log elimination financing were available, and even if federal housing and infrastructure subsidies were maintained at current levels for a significantly higher volume of housing starts — none of which is assured — ***the state of community housing finances, in most of the First Nations where the needs are the highest, would not allow them to participate, even in a small way, in a backlog elimination effort*** unless there is a major change in the way things are done, or unless increasingly large amounts of independent revenues are invested.

Increased participation by higher earning individuals interested in homeownership would undoubtedly reduce pressure on community finances, and may be part of the solution. A study carried out on behalf of ABSCAN identified 6,000 potential candidates for homeownership, making it an important part of this discussion. However, individuals can only access homeownership to the extent that housing policies and systems provide for it, to the extent that they are comfortable with it and to the extent that they have access to financing.

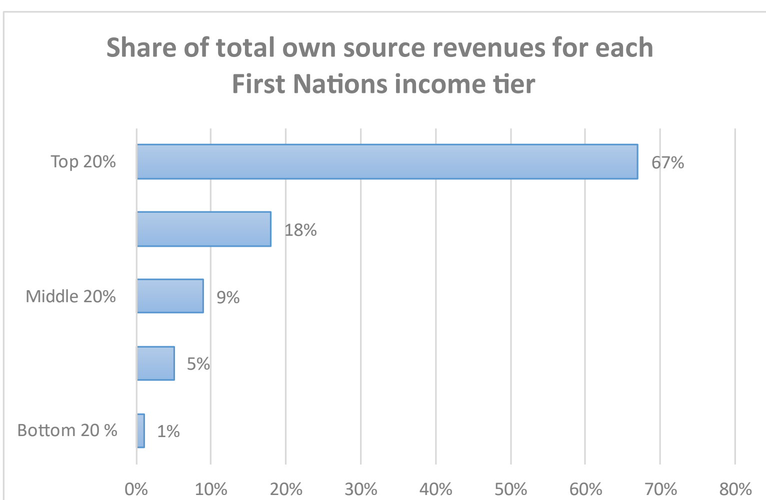
The transformation of housing systems and property regimes, and the provision of incentives for increased individual participation in housing costs is a central issue. More important, however, is the issue of access to affordable financing, currently bottlenecked by the requirement by all available guarantee programs for unconditional backstops by First Nations.

As a result, members of communities in financial difficulty, often because of housing deficits, are denied access to homeownership finance, irrespective of credit, merit and efforts. ***The issue of decoupling access to guarantees for individuals from community finances is thus at the heart of the problem.***

Indeed, few communities in Canada, even those with the highest own-source income, have sufficient financial resources to guarantee the borrowing volumes that would be required to participate in a genuine housing back-log elimination effort, whether in terms of community housing or private property.

It is important to note that the nations' own-source revenues are used in priority to fill the vacuum left in essential program funding due to *per capita* reduction in federal funding since 1999[iv] and to stimulate the economic activity of the communities — without which housing remediation is inconceivable.

In addition, many of these own-source revenues are linked to fluctuating economic cycles, which renders them unsuitable for supporting the long-term guarantees required for housing finance. In addition, they are unevenly distributed, as shown in the following graph which illustrates their distribution in Canada in 2014, by community tiers. We can see that 20% of First Nations account for 67% of the total revenues; and that 60% of them account for only 15% of the total[v]. This means that for some 60% of communities, the capacity to guarantee the level of housing finance needed for private and public housing is not there, regardless of the quality of their financial management.



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We must therefore conclude that, in a large number of communities, and especially in those where the needs are the most significant, ***the current housing system is out of steam; it is ineffective since*** *it does not allow for the potential for the autonomy of individuals to be realized; it is unfair since it penalizes members of poor communities; and it is unable to support a back-log elimination effort even with the involvement of innovative financial levers.*

We conclude that, in order to benefit from the financial levers that are needed to resolve the crisis without the risk of burying the communities in debt, we must fundamentally transform the community housing regime inherited from the colonial period; that efforts to support access to capital must be redeployed in a more equitable manner; and that housing support must be redesigned to reduce dependency and create incentives for self-reliance.

The transformation of housing aims for a ***continuum of housing solutions with an optimal balance, taking into account the circumstances of each nation, between public and private housing, with a shared responsibility of all stakeholders, and with a federal contribution ensuring that the effort required for the same benefits is no greater for a First Nations member, regardless of the wealth or poverty of their nation, than for the average Canadian for comparable benefits.***

This shared responsibility for housing also assumes the ***establishment in the communities of an efficient housing market, that is to say a market where the prices paid (rent, property, maintenance, etc.) reflect the benefits, the risks and the actual costs.*** Costs would readjust as competition is introduced between suppliers with an interest at stake. End-user costs could be adjusted as required with individual subsidies reflecting needs and universal subsidies reflecting distance and other community circumstances affecting prices.

This also assumes that support for access to housing finance is sufficient to ensure ***access to capital at affordable rates on the basis of borrower merit and needs, rather than on the basis of community finances or government program ceilings.***

3. 2 Modern housing and its funding: Constraints and those left behind

Housing has been with us forever. But ***modern housing systems, with their complex and efficient materials and financing instruments with minimal down payment obligations, are in fact very recent innovations, mostly restricted to developed countries, as is are the roles of governments with respect to housing assistance***. Historically, and still today in much of the world, it is the individuals and families who take full responsibility for their shelters with locally available materials, traditional techniques, local labour, and for all financing: savings, barter and cooperation between relatives.

In wealthy countries, housing and its financing have grown rapidly, spurred by the migration of populations to cities, a movement that peaked in Canada a hundred years ago when the modern mortgage loan and modern construction industry appeared.

The role of governments in housing had until then been limited to establishing the infrastructure, laws, regulations and registries to enable and govern interactions between individuals, providers and lenders. It was not until 1946 that the Canada Mortgage and Housing Corporation (CMHC) was created, first to house veterans, before receiving the mandate to stabilize the home loan market with mortgage insurance to extend access to home ownership, which had until then been reserved for the upper class, to all workers. And for what was expected to be a transition period, it was also tasked with meeting the needs of those the markets could not serve, a responsibility now largely delegated to the provinces and larger municipalities. It should be noted that with the exception of First Nations, no small local government is expected to ensure responsibility for housing finance and management, and much less for housing loan guarantees, an activity that requires a sufficient critical mass to diversify and balance risks.

Meanwhile, the size, quality, and cost of housing are growing faster than inflation, wages, and direct government involvement. This increase is partly due to rising land values, especially in rapidly growing large cities, to the increasing complexity of building materials and techniques, and to greater demands for comfort and safety.

A complex system of stakeholders has gradually come into being with a balance of responsibility, risks and benefits between individuals such as owners and tenants, suppliers, builders, developers, researchers, planners, lenders, insurers and governments to name just the main ones. Housing, in addition to being a solution to the need for shelter, is a form of investment and wealth creation for individuals. It constitutes an investment, since the mortgage payment consists partly of interest on the loan and partly of capital, and enrichment because of the increase in property values and the capital gain it makes possible. As an indication, CMHC estimates that the average equity share — the wealth accumulated on the basis of the repayment of capital and the increase in the value of buildings — of the properties it insures was 51.2% of the value of the buildings in 2019[vi].

Over the years, the role of governments has changed in relation to each of its three initial responsibilities, with an emphasis on the first two: overseeing the functioning of the housing market and stabilizing the mortgage market, and a relative decrease in funding directed to the third, subsidized housing. With rapidly rising costs, especially in large cities, the issue of affordability is resurfacing, however, and is now a priority for the CMHC.

One of the consequences of this evolution is the transformation of housing according to the needs and characteristics of urban environments and their populations, with ***remarkable efficiency and capacity for innovation made possible by standardization and large numbers***: high performance at affordable costs made possible by large volumes; residential complexes or developments with hundreds of units provide significant economies of scale. The same factors are also transforming financing tools.

In terms of financing, between 1970 and 1990, we witnessed the systematic replacement of the homeownership loan approved locally and financed on the basis of the capital of financial institutions, with or without government guarantees, by centralized loans, financed by the ***securitization*** of mortgages.

Securitization is the resale on the financial markets of revenues linked to pools of residential loans (referred to as RBMS, for “residential mortgage-backed securities”). Securitization allows lenders to immediately recover their capital to make new loans, and allows buyers of securities (eg pension funds and investment funds) to diversify their holdings without worrying about day-to-day loan management.

Securitization is made possible by the standardization of loans, by the high volumes which diversify the risk, by the standardization of risk measures, and by a measurement of risk on the basis of electronically available public data (such as the borrower’s credit history and real estate appraisals) and on the basis of key ratios (loan: market value; gross and total debt amortization ratios, etc.) validated on a large population with uniform characteristics. This approach decreases the risks and transaction costs and it eliminates bias, provided that the borrowers correspond to the majority demographic and economic profile.

However, this evolution has had the effect of marginalizing minorities that do not share the demographic, cultural and economic characteristics of the majority, as well as people who live in remote, low density areas.

Recent studies have shown that the systematic use of credit histories significantly penalizes minority groups (including Indigenous people) who have low financial literacy or who make less use of business credit by reducing their chances of obtaining housing or consumer loans and by increasing borrowing costs when available, in particular for vehicle loans[vii].

Remote and sparsely populated areas are particularly vulnerable due to (1) high transaction costs resulting from low volume of business, especially when transactions take place under non-standard conditions; (2) higher costs for infrastructure, transportation, materials, labour and related services; and (3) the lack of a sufficiently large and diversified housing market to ensure growth in property values and stabilization of lender risk.

As a result, housing and financing for visible or low-income minorities in urban areas, and housing in remote areas are in crisis everywhere in developed countries — except in the few localities or regions with high economic activity linked to resources or land. In isolated communities (mining villages, for example), employers typically assume part of the cost of housing.

3.3 Transforming the Housing Crisis into an Identity and Economic Project

Modern housing and its financing tools are not adjusted to the needs and circumstances of the majority of First Nations, where the two main redlining factors, non-standard demographics and remoteness, are exacerbated, and where a third factor comes into play: the housing system put into place by the federal government and perpetuated by its programs, with its disincentives to personal and private initiative.

It should be noted from the outset that the circumstances related to these three factors are different from one community to another; some are close to urban centres, others are isolated with no road access; some enjoy high incomes and high employment levels while others do not; land management and governance regimes are different; etc. It is too easy to fall into the trap of situating communities along a linear model of development with “advanced” communities on one end and “lagging” communities on the other. The transformation of housing with a view to participating in a back-log elimination effort would then be a purely mechanical question, consisting in correcting what is wrong and reproducing among the “laggers” what has worked elsewhere.

This perception, which is unfortunately very widespread, seems to us to be both false and dangerous; partly because it leads to one-size-fits-all solutions which, in fact, don’t fit anywhere, but more importantly because it ignores important strengths and sources of resilience not found in mainstream society, that can be harnessed to develop innovative solutions suited to the different needs and circumstances of Indigenous communities.

Rather than attempting a universal diagnosis and a unique solution for all, we need to listen to all of the stakeholders in each of the communities to fully understand their perceptions of the priorities, challenges, circumstances, constraints and choices available to them. Moreover, all the consultations on housing have expressed the mistrust of those concerned with respect to ready-made solutions, inflexible programs and innovations proposed by external specialists, which look good on paper but don't take community circumstances into account. This also explains why conventional statistical and financial analyses have proven to be of limited use in understanding the challenge of housing remediation for First Nations. The same applies to calculating the amount of investment required and the preconditions for the use of financial levers: these calculations assume a uniformity of circumstances, values, motives, costs and benefits, real or perceived, that does not exist on the ground.

However, a few general observations, related to the three factors mentioned above, can be useful to set the table, to broaden the debate, to prepare for deep listening, and to highlight elements of common strengths and resilience which are often overlooked by efforts to modernize First Nation housing.

If one only considers First Nations housing as an administrative and financial responsibility of governments to provide affordable shelter in remote locations for the least cost, it is easily given up as hopeless, and the closure of the more remote communities, drained of their vital forces, considered inevitable: this is indeed what has happened to most remote non-Indigenous communities. Efforts to increase the cost-efficiency of government housing systems with no real change to the way things are done now only elicit mistrust, resistance and passivity in communities that consider provision of housing as a government responsibility.

But when First Nations housing is considered as the opportunity for the whole community — individuals, the private sector, civil society, artists, political leaders, etc. — to reinvent life on our lands and assert our cultural heritage, housing becomes an economic and a nations-building priority tied to survival as a people, and an effort that engages every sector of First Nation society. Such a shift in housing how to address housing was indeed achieved in a small number of First Nations and is underway in many others. It unleashed fresh energies and activated local solutions, strengthened by innovative financing instruments tailored to their needs and circumstances. It should be noted that this is not strictly an "Indigenous" issue: everywhere in the world, and this was in fact the case in Quebec at the turn of the last century, minority populations, attached to their territory and their culture, are faced with the challenge to build innovative financial levers to modernize their communities without losing their identity; a challenge taken up in Quebec by the Desjardins movement and by a series of financial tools that are unique in Canada.

Three common challenges

Generally speaking, and even if they are expressed differently depending on the circumstances, First Nations housing and its financing face three main types of difficulties:

(1) The first challenge shared by almost all communities is that modern housing and its financing are not designed for remote communities with small populations, far away from services, regardless of who lives in them and who finances them. The greater the distance, the lower the construction volume, and the lower the incomes, the greater these obstacles are.

Today, many experts regard the closure of small remote communities, which are dependent on central governments for their infrastructure costs, as inevitable.[viii] The establishment of First Nations communities on near traditional territories was made possible with funding from governments: market forces, left to themselves, would not have sufficed. However, government support did not provide for a transition to a system capable of growing according to the needs of the population.

(2) The second challenge relates to the non-standard demographic, cultural, economic and legal characteristics of First Nations, including Indian Act provisions concerning governance, housing, land, property and taxation, that, together, make access to conventional financial tools difficult.

In this regard, the exemption from seizure of reserve lands and property under the Indian Act, intended to protect the integrity of the territory, serves as an easy pretext to justify the refusal of commercial lenders and governments to give Indigenous individuals the right to the same access to financing and loan insurance.

Yet, — more on this later — solutions have been devised within the current legal environment; they are not perfect, but have enabled change, some over two generations. And it is not clear that abolition Indian Act restrictions on seizure, or privatization of reserve lands would dramatically increase access to affordable housing loans except in the small number of communities located on high market value lands that are willing to forego territorial integrity. The land designation mechanism, which allows for removing Indian Act restrictions, has so far only served to facilitate leasing and financing to non-Indigenous residents and businesses on high-value land.

The central issue is not so much the non-seizability of land, but rather the difficulty of modern finance to assess and manage lending risk in remote, non-standard settings, distant from open markets.

(3) The third challenge is associated with ***the perverse heritage, in terms of mentalities, values, expectations, roles, incentives and land and property management regimes, which continues to be perpetuated after a hundred years of colonial housing management, where all levers, powers and budgets for housing are under government control, often to the complete exclusion of individuals***

and the market. This system is characterized in particular by an environment where prices are unrelated to costs, where no interest is at stake ("no skin in the game"), and where the lack of resources is a constant invitation to political intervention.

Common strengths and sources of resilience

These three factors combine in different ways depending on the circumstances of the communities, resulting in many variations of the housing crisis. ***Careful examinations of these challenges and the examples of communities that have overcome them, however, reveal unsuspected strengths and sources of resilience that are often overlooked in housing transformation efforts***, and which correspond to the three challenges identified earlier.

(1) Remoteness and small numbers: the intermediation strategy

If computerization has enabled market mechanisms operating on large numbers and uniformity, it also allows for innovative approaches by pooling the strengths and needs of minority groups that are separated by distance. The First Nations Finance Authority (FNFA), for example, brings together the modest borrowing needs of small communities that are located far away from each other, none of which would be able to access financial markets directly, in an innovative framework that provides for a sufficient critical mass to access the financial markets and secure capital at the same cost as provincial governments.

Across Canada, there are increasingly frequent consolidations of technical services, training, management and financing tools that aim to achieve economies of scale and build the critical mass to make solutions viable without compromising the autonomy of the communities. These voluntary groups, inspired by the desire to do better and find common solutions to common problems such as energy efficiency in northern environments[ix], the design of modular units that can be assembled locally, or the financing of housing for external workers, are set to multiply.

What they have in common is an intermediation strategy, led by Indigenous institutions in direct contact with the communities which provides the critical mass and bridges the gap between the specific, small-scale needs of individual communities and the uniformity and volume requirements of markets. This strategy also makes it possible to overcome certain elements of the second challenge, exceptional demographics.

(2) Exceptional characteristics; an opportunity to support local solutions

The non-standard characteristics of Indigenous populations and communities cut them off from access to modern housing finance systems that manage risk on the basis of standard metrics. But this can be turned into an opportunity. It creates the space for Indigenous financial instruments, adjusted to local needs, with risk management based on local knowledge and presence, sheltered from external competition.

Three examples: small business loans, offered in Canada since the 1990s by the network of Indigenous capital corporations, five of them in Quebec; homeownership loans offered by some twenty revolving loan funds managed by First Nations, including, in Quebec, Wendake, Kahnawake and Kitigan Zibi; and the housing loans provided by a few Indigenous Caisses populaires such as Mashteuiatsh or Kahnawake.

These institutions have demonstrated the credit and loan discipline potential of "old-fashioned" place-based lending based on knowing the client and on local presence, an approach abandoned by commercial banks, but shown to be viable still in First Nations.

Some revolving housing loan funds have reduced their losses to near zero in a few nations where data is available[x]; the Aboriginal Savings Corporation of Canada (ABSCAN) reports a zero-loss rate over 15 years. Aboriginal Capital Corporations (ACC) incur less than 3% losses for small business lending (Canada's Indigenous business loan fund losses were in the 20% range as ACCs were established); ACCs have achieved over $2.5 billion in loans with assets of less than $400 million since 1985. These observations point to the vital forces on which the housing renewal can build.

It should also be noted that land, property and housing regimes, over which communities have significant control, can prove to be important levers to support local solutions and curb land speculation, one of the main sources of the housing affordability crisis in Canada.

The desire to live and work "at home" in one's language, in one's cultural universe and on one's territory — which requires having a home — constitutes a key factor of stability, skill retention and economic dynamism which is largely absent from communities in regions which are gradually emptying everywhere else.

(3) Local powers and local solutions, at the outer edge of conventional market logic

The politicization of housing management is largely the result of the delegation of administrative responsibility over government-designed housing programs, but without the levers, the powers and the budgets to adjust them to local needs and priorities. The announced and long-awaited transfer of responsibility, levers and budgets for care and control of housing makes it possible to envisage a gradual adjustment of the policies and the available budgets to support housing self-sufficiency and empower personal and market responsibility for housing outcomes.

Strong local government powers make innovative solutions possible that would be difficult for mainstream local communities to implement; land codes, for example, can be designed to control land speculation, a goal possible under land trusts in the mainstream, but not under the purview of local authorities. The creation of revolving housing loan funds that launched private property in some First Nations in Quebec was made possible by the power of the communities to reassign a portion of their housing budgets from subsidies to capitalization of a loan fund.

The Cree Nation Government in Quebec is moving rapidly towards an ambitious overhaul of housing support to encourage increased personal and market responsibility for housing outcomes, building on financial levers under its control[xi].

Housing transformation factors

Several communities have successfully completed the transformation and a significant number of communities are engaged in it. A successful transformation is characterized by:

- A growing balance between public and private housing;
- A greater choice of housing options based on the needs, capacities and efforts of community members;
- The emergence of local housing markets with home value increases;
- The depoliticization of the management of social housing;
- Partial or complete privatization of community housing;
- Housing support programs that balance incentives, make private property affordable and adjust social housing to needs and income;
- Sound public finances, quality infrastructure and a healthy economy.

This transformation has often been achieved thanks to favourable circumstances, which are not always replicable, but the lessons learned are important for everyone, especially with regard to the financial tools used and the initiatives that made it possible to pave the way in terms of financial literacy, shifts in mindset, transforming roles, reshaping property regimes and correcting disincentives. Not everything has been resolved: waiting lists still exist, and access to affordable capital based on merit rather than the guarantee capacity of nations remains a challenge.

It is therefore important to clearly identify the factors of change over which communities and their members have possible control. While we can do nothing with regard to remoteness, climate or — in the short term — the provisions of the Indian Act, certain levers for change are more accessible: better information, training of stakeholders or housing policies that make it possible to activate the resilience potential of Indigenous individuals and businesses.

The following section of the report, extracted from a work-in-progress research by the ABSCAN, provides an overview of these elements and the possible solutions that flow from them and on which the transformation efforts can build in order to pave the way for a housing back-log elimination effort.

3.4 Obstacles, incentives and disincentives to housing transformation

A detailed analysis of the obstacles to the transformation of housing resulting from the knowledge, motivation and incentives factors for each of the stakeholders involved would go much beyond the scope of this research. Moreover, each community, as previously mentioned, presents its own profile of circumstances: the following findings therefore do not claim to describe any particular community, and even less to present a picture that would be valid for all. Rather, what follows is a brief summary of the themes heard most frequently in nations where community housing is the preferred or only housing tool.

What follows [xii] is a summary of findings to date, from an ongoing research conducted by the ABSCAN in parallel with our own consultations, on the factors of motivation and resistance most often encountered with respect to private homeownership, supplemented by a review of perceptions from key stakeholder groups with respect to the modernization of First Nations housing. Possible solutions are briefly explored.

These findings remain to be adjusted as our research continues in the field. They do not apply to all: each community has its own circumstances and must find its own way. At best, local and regional forces interested in the transformation of housing will be able to find some lines of thought and avenues for solutions, to be adjusted according to their needs, in the promising context of the long-awaited transfer of housing tools and budgets to the First Nations, since they will finally have the means and the authority to redefine their role, to bring together the efforts that best serve them, and to open the door to the private sector and the social economy in order to respond to the social projects carried by their civil society.

Motivation and disincentives for private homeownership

1. Non-financial motivations and disincentives

It is not surprising to observe in the communities the usual motivations in favour of access to home ownership, including the desire to be truly at home, in a house that reflects who you are, that you can decorate, remodel, renovate, rent or bequeath, when you want, as you want, without permission or controls by governments, just as Canadians do everywhere else, and as do community members who live off-reserve when they have the means to do so. The main incentive encountered is being able to enjoy these benefits without having to move away from one's family, linguistic universe, cultural landmarks and ancestral territory and without having to resign yourself to raising your children away from their roots. Being both at home and the master of your own home is a personal project that echoes a social project, constantly recalled by leaders and elders, for whom the improvement of housing is a condition for the maintenance of culture, language and relationship to the land.

The other motivations expressed are also quite unsurprising: the need to escape the endless waiting lists, the narrow range of housing choices, and the often-questionable quality of community housing, which is in permanent financial distress. For exiled members who wish to return to the community, and for professionals, entrepreneurs and regular employees who are increasingly numerous, homeownership means independence from community housing management, which is never far removed from local politics.

Significant obstacles have been identified related to values, mentalities, habits, expectations, the absence of models and resources, remoteness and isolation, the small size of communities and land and property management regimes.

Often heard: the widespread conviction that housing provided and maintained by the State is a right, in compensation for the loss of land, and, consequently, a matter that must be sorted out between governments and local elected officials who hold the budgets, powers and levers.

This “right” to housing, which is often quoted as a reason for non-payment of rent, is interpreted in various ways: the right to free housing, guaranteed by treaties or promises, according to some; heavily subsidized housing below cost for all, regardless of income, according to others; or affordable housing, with adjustments for those who need it, based on needs. This latter interpretation is based on the perception that the communities were created at the initiative of the Government of Canada, on lands of its choice, most often on lands then considered worthless and still today out of reach of the markets, while traditional lands, rich in resources, were confiscated; for this reasons, communities would be entitled to demand from Canada a permanent contribution for housing and infrastructure in sufficient amount to ensure adequate housing conditions for all, at an affordable cost or, at the very least, comparable to that of Canadians.

Due to the lack of models and examples, the lack of access to decision-making levers and funding, and the lack of financial and housing literacy, individuals do not feel empowered to address their housing needs; homeownership is not on the radar in terms of life plan or savings; among the few for whom it is, are business people, professionals and young women.

And yet, even in communities without a housing market, against all odds and against all financial logic, there are a few early adopters who self-finance, build or renovate the council houses they live in: this indicates that powerful non-financial motivations are at work and could be harnessed once mindsets are changed, the path is mapped out by early adopters and access to affordable financing is assured.

2. Financial motivations and disincentives

The financial disincentives to property on-reserve arise from two main factors. On the one hand: the higher costs of ownership in proportion to benefits than elsewhere in Canada. On the other hand: the distorting effect of practices, policies, programs, loan support mechanisms and subsidies, both visible and invisible, on the costs, prices and benefits of housing in favour of community housing and to the detriment of homeownership.

Based on full, genuine and long-term costs, ownership is undoubtedly more financially advantageous on reserve than renting, as it is everywhere else. This is also true in First Nations that have found a balance between public and private housing, where a housing market has formed over the years and where the affordability of social housing is ensured by assistance based on needs and income. However, the reverse is observed in communities where this balance remains to be struck, especially in remote communities with rapid population growth, where the needs are greatest.

The use of subsidies clearly favours community rental to the detriment of ownership, in a proportion which varies according to the policies and financial resources of the nations. In some parts of Canada, community housing is provided free or almost free until community debt and the weight of guarantees put the brakes on any further construction. Other regions, including the Quebec region, have accepted the principle of financial participation by users, according to policies that vary from one community to another, and with an increasing rent collection rate which has made it possible to reduce — but not eliminate — housing deficits and slowly continue housing starts. In general, community rents are set much under real costs (land, services, construction, financing, management, maintenance, renovations, etc.) and much under the actual expenditures of communities after subsidies, which are rarely documented. We have observed monthly community rents of 50 to 25%, and sometimes less, of homeownership costs, for the same home.

Ownership appears all the less advantageous in that it requires an initial down payment and the ability to absorb variations in disbursements that are difficult to predict (repairs, renovations, variation in loan rates during loan renewals), and because its main financial benefits, free housing once home finance is paid off and capital gain prospects, do not materialize for many years. These benefits are also lower in proportion to the costs than for off-reserve property because of higher costs (land, infrastructure, construction, financing, maintenance) and lower prospects for added value, especially in small and remote communities. This imbalance can in part be remedied: a critical mass of construction activity would indeed make it possible to make viable products that are better suited to needs, more durable and energy efficient, driving total costs downwards. However, some factors are difficult to mitigate such as remoteness, climatic requirements, and slower value appreciation due to the limited resale market.

The way things are done now, the gap between the visible costs and the immediate or expected benefits of homeownership is the single most important financial disincentive to home ownership.

A more in-depth analysis of the distortions is all the more necessary since these distortions are also the main cause of the housing deficits of the communities which directly assume a large part of the housing subsidies and whose financial resource limits constitute the main obstacle to the prospects of a housing back-log elimination effort. Because the communities are under pressure to build quickly and inexpensively to address housing shortages and to retain their members, this is also the main cause of health and safety issues related to housing conditions, not to mention the many problems associated with the forced exile of members who can no longer find a place to live in their community.

3. Policies, subsidies and distortions of costs, prices and benefits: avenues for analysis

In the absence of a calculation based on actual costs, which are not documented, rents, including increases and penalties for non-payment, are set and periodically reviewed according to policies that seek a balance between the requirements of funding sources, deficit control, and local pressures: housing generally, rent and rent increases, waiting lists and the quality of housing are indeed frequent electoral issues.

The collection of rents, which has been increasing rapidly over the last ten years, continues to be faced with the refusal to pay by certain people, sometimes even elected officials, whether for lack of means, on principle, or out of opportunism. There is a fundamental misunderstanding over the rationale for housing subsidies that makes it difficult to transition from subsidized community housing to social housing subsidized on the basis of needs.

Governments see subsidized housing as a temporary solution to ensure access to basic housing in communities devoid of jobs and a local economy, while part of the population still views free housing (or subsidized much under actual costs) as a right, in compensation for lost land, in a manner unrelated to their income. Yet, over time, government subsidies have gradually declined in proportion to total costs, which are increasing rapidly along with population size and housing quality requirements. Local councils, caught between these opposing pressures, are forced to make up for lost revenue, arrears of rents and losses on local loan guarantees with their own-source revenues when they have them; or find themselves in a deficit situation — and, as a result, deprived of access to certain forms of government assistance (including ministerial guarantees).

The lack of clear data on the actual costs, the financial situations of community housing and the sources of funding makes informed public debate difficult. Few members, for example, know that their rents are below cost, or that the deficits, part of which result from the non-payment of rents, are absorbed by collective revenues that could be spent on economic development or new constructions so that, in effect, those who are waiting for housing are actually subsidizing those who have a home. A participatory housing budget process could serve as a starting point to reignite the discussion.

While the “invisible” subsidy to community housing is beneficial — to the point where in some communities the privatization of free community housing is deemed unattractive because the maintenance and renovations to be done would be more expensive than the rent currently charged — property subsidies tend to be more visible and lower priority since they seem to favour those who are better-off to the detriment of those in need who are awaiting housing from the community. These subsidies, depending on the communities and their resources, may include the following: down payment participation (often according to a formula inherited from Indian Affairs programs); direct loans without interest, or at low rates for part of the costs; land, utilities, transaction, inspection and survey costs borne by councils or billed below actual costs; loan guarantees at no cost in return for risks and monitoring costs; subsidies for the costs of insurance, renovation, sanitation, etc.

Home ownership programs or home savings programs that have played an important role for Canadians are absent or inoperative as are the provincial home ownership programs or intermediate solutions between community housing and ownership, such as support for housing cooperatives. Some western provincial governments, such as British Columbia, have begun to support on-reserve housing, considering that this would reduce the significant costs of addressing urban Indigenous housing needs; to date, there has been no sign of this from Quebec.

Private rentals could help drive home prices down given owner interest in better control of costs; however local policies and the disincentives described above tend to limit their participation. We have, however, observed in a few communities where private property has taken hold, the coexistence of community and private rental, with private rents that are harmonized with off-reserve conditions.

Due to a lack of sufficient funds to meet demand, home ownership assistance is most often granted randomly or on the basis of waiting lists, sometimes with a point system for priorities, with a degree of discretionary power for local decision-makers to deal with unforeseen situations. In communities with clear, up-to-date, and well-understood housing policies, the separation of political and administrative responsibility is possible, though fragile, even with an independent housing authority. Yet even in these cases, access to subsidized housing and to homeownership support are not determined by the needs, merit or efforts but by the financial capacity of the community.

The same is true of federal housing loan guarantees for which access is determined not on the merit of borrowers, but on the financial situation of the community which take on the real risk. The low interest rates on these secured loans reflect neither the actual risk, nor even the perceived risk, but only the strength of the guarantees without which no commercial loan is provided. Consequently, housing loans are limited by guarantee capacity where it is present, and well below the needs for a genuine housing backlog elimination effort.

4. Possible solutions

It is important to note that these disincentives have been lifted in a few communities that are equipped with their own financial instruments, most often social economy financial institutions (Caisse Populaire, revolving housing loan fund, ABSCAN) which have been successful, without formal guarantees from governments or communities, to initiate ownership, establish lending discipline, and support the transition from community housing to a balance between public and private housing, while controlling losses to levels comparable to those of CMHC for all of Canada.

ABSCAN has undertaken to replicate this model in communities where the needs are the most pressing. Its approach, based on the financing of early home ownership adopters, on the financing of the privatization of community housing, and on the densification of social housing, in tandem with an effort to support communities and borrowers, seeks to achieve in less than ten years what model communities have taken a generation or two to succeed through trial and error, without access to market capital.

Our findings enrich, extend and confirm the relevance of the recommendations made by ABSCAN to the governments in 2016[xiii] on the following points :

- Financial literacy and housing effort;
- Densification of social housing;
- Privatization and renovation of community housing;
- Creation of regional housing authorities with the critical mass to achieve economies of scale in the management of social housing;
- Setting rents on the basis of actual costs, with subsidies, increasingly adjusted to needs and income, to ensure affordability;
- Establishment of a network of residences for external workers;
- Support program for communities wishing to review their land and property management regimes;
- Refocusing the role of the community in terms of housing while prioritizing the establishment of a housing continuum and the supervision of an internal housing market;
- Predictable and sufficient federal funding to support affordability;
- And an innovative, fair and responsible approach to guaranteeing home loans to individuals that does not depend on the financial situation of their communities.

These solutions for access to home ownership all start with a fundamental transformation of the housing regime and the search for an optimal balance between public and private housing. But this is easier said than done. Mindsets take a long time to change; locally acceptable alternatives are difficult to formulate; government programs take a long time to adjust; and the coordination of efforts is impossible without access to decision-making levers.

We therefore deemed it necessary to extend the analysis of the disincentives to home ownership to the disincentives to the transformation of housing management not only among individuals, owners and tenants, but for each of the stakeholders: politicians and administrators, local and federal, private sector, social economy, lenders, and civil society.

Motivations and disincentives with respect to transformation of housing systems

1. Individuals: homeowner occupants and tenants

There is no shortage of reasons for wanting housing systems reform among members of the communities: for exiled members, it is a condition for their eventual return; for tenants, the prospect of better housing conditions; for large families, a solution to overcrowding; for the rapidly growing middle class, the desire to make their own choices; for persons on the waiting lists, the prospect of quick solutions; and for the community itself, eliminating deficits and stimulating the economy.

Even if there is agreement on the problem, there is no consensus on the remedies. Potential solutions are complex, often from outside, and raise serious issues: impact on culture and community of amendments to land and property regimes; prospects of rent increases without improved housing conditions in return; risk of losing the battle for the recognition of the right to free housing. In addition, individuals — and even local governments — are poorly informed about the true extent and root causes of the housing crisis. More often than not, it is thought to simply be a matter of improving rent collection, changing leaders or pressuring Canada for things to improve. Moreover, even if the intervals are getting longer, special housing budgets appear from time to time, and new houses are built under the same conditions as before: why change things? Family budgets are organized around subsidized rents, and own-sources revenues cover the deficits: why not let governments whose business it is deal with housing?

2. The governments

The governments, which are busy on too many fronts at the same time, need visible results within short timeframes. However, efforts to transform housing systems are costly, complex, slow to generate clear benefits and easy to postpone with short-term expedients. The federal government focuses mainly on its obligations with respect to assisted housing, to the detriment of the support that would be necessary for communities to launch and supervise a diversified local housing market. Significant innovations granting increased powers over land management and the establishment of fiscal institutions have enabled new models to be introduced; these are better suited to high-revenue urban communities where land has significant rental value. But in remote or isolated communities where the needs are often the most pressing, the lack of models that are adapted to the needs and the local resistances makes transformation more difficult. Unless there is stable and enlightened leadership — the First Nations of Quebec have many examples of this — resolve only emerges when overcrowding, health issues or housing deficits, which increase with each new construction start, reach crisis proportions.

Efforts for joint activity to achieve the critical mass for economies of scale (design, materials, construction, financing, insurance, social housing management, etc.) or a diversification of risks (individual loan guarantees) come up against significant resistance from communities because of mistrust of outsiders, desire to keep control over things, and fear of losing local benefits. It is not easy to give up what little we have today for possible benefits tomorrow: significant incentives must be devised to make collaboration attractive.

The current training of housing workers employed by the communities is essentially focused on the public management of housing (and federal subsidy programs) as if the model inherited from the past was unavoidable and as if it was only important to improve local delivery capacity. It would be important to add to these efforts capacity-building in areas such as financial and housing literacy efforts; housing systems change with emphasis on land tenure, property titles, mechanisms to avoid speculation, collective but non-governmental housing options (housing cooperatives, for example), and establishment of local housing markets — in short, on the possible roles of the communities in terms of supervising market activity rather than replacing it.

3. Private sector, social economy and housing loans

One of the characteristics of successful transition is the increased involvement of the private sector and the social economy, both geared towards financial sustainability. Three concerns arise here: (1) Creating a favourable investment climate inviting more active competition from suppliers; (2) Building up a critical mass of demand sufficient to lower actual costs and ensure the viability of innovative solutions, whether private or non-profit (for the design of appropriate housing solutions or the regional organization of housing solutions for groups with special needs, for example); and (3) Broad risk pooling to ensure access to affordable capital based on the quality of loan applications and actual risk, rather than the guarantee capacity of individual communities.

The establishment of mechanisms for access to market capital independent of the fortunes of the communities, the urgency of which is increasingly felt, could provide an opportunity to implement incentives to promote the consolidation of the efforts needed for an increased participation of the private sector and the social economy. Such a mechanism is needed: like the non-Indigenous communities in Canada, the First Nations individually do not have the size to balance the guarantee risks nor sufficient financial capacity to guarantee all the mortgages that would be required to resolve the housing crisis. A housing back-log elimination effort in Quebec alone would represent more than $4 billion in investments over 15 years (including the servicing of lots) not to mention infrastructure projects for water purification, access road construction and, in many cases, acquisition of land for community expansion.

4. Civil society

Often overlooked and unheard in debates on First Nations housing are institutions (health, childhood, education, research, social reintegration, etc.), organizations (foundations, cooperatives, NPOs, etc.), media, professional groups and associations, influencers, social innovators and creators of all kinds. Their input could inject the energy and the values needed for a dynamic transformation of housing. Solutions are needed to ensure their active participation.

4. PAVING THE WAY FOR THE USE OF FINANCIAL LEVERS

Let's recap. We started from the observation that the financing of a housing back-log elimination effort using financial levers, if it is to avoid irresponsible debt, requires a major overhaul of the way we think about and manage housing, especially with respect to prices, that should reflect real costs; with respect to responsibility for housing outcomes, which should be shared by all stakeholder; and with respect to housing options, which should offer a continuum of solutions, with an optimal balance between public and private housing given the circumstances of each nation.

Some First Nations are already there — and have developed approaches and tools, some of which may be appropriate elsewhere; their challenge is to consolidate their situation and to secure access to affordable capital in sufficient volume to meet the demand.

Most First Nations have engaged the transformation of housing and are looking for tools to accelerate change and increase housing activity.

Some communities, often those faced with the most significant challenges due to factors that are difficult to control such as remoteness, high birth rates, or low personal and collective income, are still looking for suitable solutions that are appropriate for their circumstances.

We have found that for a large number of communities where community housing is the rule, housing deficits are such that, unless they have exceptionally high own-source revenues, their participation in a housing back-log elimination effort, with or without financial levers, with or without federal subsidies at the current levels, is out of reach: for them, the current system is at the end of its rope.

As for the other communities, we have found that requiring communities to guarantee housing loans is not only inequitable, but unsuitable to support the volumes of housing starts that would be required for any real elimination of backlog to occur. This is therefore a broken system which must be redesigned to be able to move forward.

Community housing without a shared responsibility model was a temporary solution that was put in place by the federal government when remote, sometimes inaccessible, communities were first established, with no immediate prospects for jobs or local economies, and where market solutions were inconceivable. Since then, economies have been activated and jobs are more numerous. But the prospects for a way out of the housing crisis are increasingly difficult to imagine because of the accelerated transformation of modern housing and housing finance systems, which are designed only for urban centres, populations with conventional demographic characteristics and environments that lend themselves to standardized risk measures.

In addition, roles, mindsets and expectations regarding housing, perpetuated by ways of doing things inherited from the past, have become embedded; and an artificial economic environment has taken hold where prices are irrelevant to costs, creating powerful disincentives to the taking of responsibility, personal property and the transformation of ways of doing things.

How to move forward in this context?

An important lesson to be learned from the experience of nations that have made a successful transition: it must be done slowly, gradually, at the same pace as the changes in mindsets, with the informed support of the population, and sheltered from political and administrative pressures in the short term, so that the benefits, which take longer to manifest than the inevitable discontent of the more impatient, can become clear and set the stage for the next step. In a way, the housing transformation process needs to be "immune" to the myopia and opportunism of short-sighted policies.

We did not want to make recommendations on these steps: they will not be the same for everyone as the circumstances are different from one community to another. What follows is rather a series of questions and avenues for reflection that seem essential to us, to which solutions must be found that are adapted to the circumstances and priorities of the interested parties, before considering the use of financial levers in the context of a housing back-log elimination effort.

A first series of considerations is addressed to the federal government and a second series is addressed to First Nations governments. These are ***complex issues, requiring long-term solutions and must not be sacrificed or undermined by other, more immediate initiatives, that are also needed to alleviate the most pressing needs.***

But what can be done today to prepare for the changes to come? We followed these considerations with a series of concrete and immediate ideas to engage change now.

4.1 Considerations addressed to the federal government

The changes required to renew First Nations housing and to appropriately use the financial levers to accelerate participation in a housing back-log elimination effort are demanding. They are demanding for the members, who are asked to make a greater effort in view of tangible benefits that will take time to be visible; and demanding for the leaders of the communities, who are elected for short terms, and who have to face discontent, which is always quicker to appear than results.

We believe that the federal government must first identify and correct all aspects of current and special programs, including those needed to alleviate immediate pressure, that delay the transformation; that fuel the disincentives to change; and that pass on to local leaders the odious and political cost of difficult decisions needed to correct a situation for which the federal government bears a major part of the responsibility.

Secondly, we believe that the government must actively support change efforts, and not require more of Indigenous communities and their members than what is required from Canadians communities and their citizens. How? By providing access to affordable credit; by providing generous incentives to early adopters to seed local models for transition; and by agreeing to finance the cost of a slow and gradual transition, since there is no instant solution: you cannot change in a few months a situation that has been perpetuated for generations.

A housing back-log elimination effort, supported by financial levers which can in theory increase investments tenfold, supposes above all the stability and predictability of revenues, and supposes clear and consistent rules regarding the sharing of responsibilities between individuals and governments over a long period. Engaging in long-term borrowing to accelerate the development of an adequate housing stock and engaging in a shift in mindsets about responsibility for housing without this stability is inconceivable. Engaging in a policy of taking responsibility where individuals agree to carry a greater weight is doomed to fail if the federal partner changes course along the way to require additional efforts or, conversely, if, for reasons of political expediency, they distribute funds without consideration of the disincentives perpetuated.

Since the partial housing program reform thirty years ago, federal intervention has been characterized by two opposing philosophies. On the one hand, there is a desire to transfer decision-making powers and responsibility to the First Nations with regard to the local management of infrastructure and housing. On the other hand, program conditions have tightened with regards to access to and use of available funds, with increased requirements regarding the collection of rents, the densification of social housing, openness to ownership, etc. These requirements are not inherently bad; their purpose is to direct available funds to the most pressing needs and to accelerate the emergence of a continuum of housing solutions. But they result in shifting the onus of hard decisions and responsibility for the crisis on local decision-makers without transferring the initiative, the tools and the required budgets to them.

This way of doing things has also been accompanied, for twenty years, by the decrease in basic housing budgets in proportion to total housing costs, forcing communities to bear a greater share of the weight of housing; with the ineligibility of communities in financial difficulty to ministerial guarantees, this has had the effect of penalizing members of low-income communities, which are often those where the needs are the most pressing. As a result, some communities that are in the news for their unacceptable housing conditions have been denied housing finance for periods of five to ten years.

It is true that basic housing budgets have been supplemented, in unpredictable ways and for short periods, with special budgets distributed in haste, favouring high-income communities that are better able to seize opportunities. The last round of exceptional financing resulted, here and there in 2019, in the allocation of 100% subsidized, homes, validating the widespread perception that housing is an exclusive federal responsibility and reviving expectations for full federal funding for the elimination of housing backlog.

We believe that the federal government must agree to share and perhaps even bear most of the onus for the hard decisions needed to reform housing and prepare the groundwork to engage in an effort to eliminate the backlog. This could be achieved through conditions for supplementary funding, over and above regular base housing budgets, for the purpose of (1) laying the foundations and accelerating the housing transformation; and (2) increasing the capacity of communities to participate in housing backlog remediation. Among the elements to be considered in this context:

(1) The implementation of tools to stimulate, support and accelerate transformation

- Mobile clinics for financial literacy, credit history repair, financial planning and housing literacy (maintenance, minor repairs, financing, construction, etc.) until a sufficient number of early adopters can serve as local role models;

- Funding of a depository of best practices, tools, arguments, documentaries and models in partnership with regional economic and social organizations in order to drive the increased participation of the private sector, NPOs and social enterprises in housing;
- Support for the establishment of shared administrative and financial services (back room), remunerated on the basis of the volumes processed to ensure cost-efficient management of activities related to housing over which the communities would retain decision-making power, but where local management would be too costly given the low volumes (examples: management of revolving loan funds of less than $5 million, housing inventories, maintenance planning, ordering of parts and equipment, registration of property, etc.);
- Support for private sector and social enterprise initiatives for increased participation in housing; contributions for research projects and development of solutions tailored to needs; support for access to affordable capital for business projects;
- Exceptional funding for homes for workers, seniors' residences, women's shelters, housing cooperatives, shared equity programs, solutions for clients with special needs, etc., sponsored by communities, groups of communities or social or non-profit enterprises;
- Support for access to affordable market capital for Indigenous financial intermediaries that are likely to revive the densification of social housing, the privatization of community housing, private rental, private property, and innovative solutions to housing, through a loan and support program designed to create lending discipline, a home loan history, and the establishment of local housing markets.

(2) This supplementary funding could be delivered through ***community outcome contracts*** with incentives for communities or groups of communities wishing to stimulate accelerated transformation of housing. These contracts, negotiated with the communities on the basis of their circumstances, would spell out constraints and goals in terms of successful long-term outcomes. Among possible constraints: the elimination of 100% housing financing; the compulsory densification of social housing (no more new detached houses); a plan for the transition to social housing management on the basis of actual costs with subsidies granted on the basis of needs;

the commitment to establish land and property management regimes allowing for private property and the creation of local housing markets, etc.

Some finance-related considerations to be kept in mind in such negotiations:

- Examples of possible outcomes: social housing densification objectives; community housing privatization targets; private property growth targets; targets relating to the establishment of a housing continuum with a public — private distribution with local readjustment of incentives; targets for reducing the rates of overcrowding, domestic violence, etc.; targets for the gradual readjustment of social and community housing rents on the basis of actual costs, with subsidies determined according to need; rent arrears reduction targets; leverage effect targets for contributions received; targets for local economic participation by the private sector in the housing sector, etc.;
- Examples of financing elements: cost of materials for public debate purposes (e.g. calculation of actual housing costs) and the cost of these debates (with participatory budgets or other methods deemed appropriate by the community); cost of incremental policy adjustment, including review and establishment of land management regimes and title deeds; support for transition solutions; incentives for early adopters; additional incentives to consolidate efforts to build the critical mass necessary for the viability of solutions tailored to needs; improvement of the basic financing with additional contributions to reduce housing costs in order to constitute a cohort of early adopters that are likely to accelerate the establishment of an internal housing market.

(3) Adjustment of the calculation of basic financing so as to provide for the establishment of equalization-type financing that is regular, predictable, sufficient and adjusted to the circumstances of each nation, reflecting the costs relative to remoteness, small population size, and the non-standard nature of communities, intended to bridge the gap between the situations

of average Canadians and those relating to the survival of communities located on the fringes of development hubs served by conventional market tools.

This funding should be available to public and private housing in the same proportions and reduce costs to an affordable level. It should be noted that the current practice of adjusting financing to account for remoteness is a step in this direction. However, remoteness is only one of the factors that increases the real cost of housing and financing on reserve.

(4) Redeployment of financing tools and, above all, of loan guarantees programs, to ensure universality access to housing finance for members of all First Nations on the basis of actual risk (credit strength of borrowers, value of assets) rather than on the basis of the financial health of their community — as is the case with all other Canadians.

Among the tools to be reviewed, Ministerial Loan Guarantees (MLGs) and the First Nations Market Housing Fund (FNMHF), which are both based on guarantees by the communities, and both of which exclude creditworthy individual members of poor communities; an approach somewhat perplexing in the case of the FNMHF since, unlike MLGs, which are mainly used for borrowing by the communities themselves, the FNMHF was created to facilitate access to market housing funding for creditworthy individuals, not for government managed public housing. Considering the limited impact of guarantees programs to increase availability of commercial housing loans after more than 50 years of activity, this redeployment should be done in a way that allows access to affordable capital by Indigenous financial intermediaries who have demonstrated their capacity to launch property and establish local loan discipline (revolving loan funds, local Caisses Populaires, ABSCAN). A strategy in this direction is essential to the success of a housing back-log elimination effort.

(5) Re-examination of the financing mechanisms to support the infrastructure requirements for housing back-log elimination. A few institutional solutions exist, notably the First Nations Finance

Authority (FNFA); but access is currently limited to First Nations in good financial standing. Monetization of federal infrastructure commitments by FNFA or commercial lenders should be examined. With respect to FNFA, the requirement for First Nations Financial Management Board (FNFMB) qualification of borrower Nations on the basis of their financial management capacity could be waived for the monetization of infrastructure loans given Canada guarantee of payments, if a mechanism provided for direct transfer of payments to the FNFA. This would enable all First Nations to participate in the housing back-log elimination effort, including those with minimal own-source revenues and those in financial difficulties, often as a result of housing-related deficits.

4.2 Considerations addressed to First Nations

If the federal government must agree to carry a greater share of the funding and onus for unpopular decisions needed to resolve the housing crisis, it is the First Nations themselves who must take the initiative, provide the leadership, identify what needs to be done and accept responsibility for outcomes. The community outcome contract mechanism described above is one possible approach to optimally combine federal responsibility with the fundamental principle of leaving the initiative for change to First Nations themselves, based on their circumstances and their priorities.

It is no longer a question of managing budgets and programs designed from outside, or even of managing the housing stock more effectively, but of redefining the roles of individuals, the private sector, Indigenous institutions and their governments with respect to the housing crisis, with sustainable and long-term solutions. In terms of financing, it is about paving the way to maximize the capacity to absorb additional investments and to use innovative financial levers to participate in the housing catch-up work.

For the nations, it is therefore a matter of initiating, accelerating or optimizing, according to their circumstances, the transformation of community housing to make way for a shared responsibility between individuals, markets and governments, by acting on all the levers of change that are under their control.

In terms of training, this involves broadening the scope of current efforts which are often limited to training in community housing management. A major effort is required to train resources in relation to (1) financial literacy and housing literacy for individuals, including best practices for informing, raising awareness and changing the mindsets of members regarding housing; (2) the ways to foster the increased participation of a wider range of market stakeholders (suppliers, contractors, developers, insurers, lenders, etc.); (3) best practices related to land and title management, creating a healthy investment climate, setting up the premises for a housing market, solutions to address concerns, which are often very legitimate, of members regarding the risks tied to market approaches (e.g. speculation) and of housing policies, assisted housing and access to private property. In short, this is a matter of preparing individuals, contractors, lenders and especially First Nations governments themselves for the shift from a system of exclusive government responsibility to a system of shared responsibility.

Regarding governance, the aim is to broaden the current framework of efforts which are mainly focused on local management in favour of all solutions, alliances, institutions and larger groups capable of increasing to the optimal thresholds the critical mass of activity essential to make the supply of materials, design, construction, management, maintenance and financing of housing viable with economies of scale, optimal use of specialized resources, pooling risks, independence from local politics and volumes to enter into effective partnerships with sources of technical and financial support. Local housing governance would then consist of a local presence of field experts from larger units, and local political responsibility to establish service objectives and determine the local levels of subsidies granted to users according to their needs and capacities.

It is necessary to keep in mind the capital importance of synthesized but precise information concerning the state of community housing, the actual costs, and the future prospects in order to accept the inevitable changes and depoliticize the issue. The rich international experience of the ***participatory budgeting method***[xiv] could prove useful in defining an approach that is adapted to the specific challenges of housing renewal and in eliciting the engagement of community members.

4.3 A FEW CONCRETE IDEAS FOR INITIATING CHANGE

There are no one-size-fits-all solutions; what follows is therefore a list of ideas and best practices, presented without regard to order or priority. This is not a "program" for everyone to follow: it is up to the interested parties to retain what seems relevant to them in order to increase the capacity of their community to avail themselves of financial levers with a view to a housing back-log elimination effort.

Provide information to the stakeholders regarding the housing situation in the region and in individual nations with clear and well-researched presentations that are adapted to local situations, addressing issues such as:

- The real cost of infrastructure and housing; the housing deficit as measured by the tool presented in Appendix 2; the current sources of housing and deficit financing; the weight of this financing (and the guarantees granted) on the financial health of the nation;
- The difficulty or impossibility of meeting future demand, or of participating in a housing back-log elimination effort according to the current model;
- The consequences of rents below cost and the consequences of non-payment of rents: who pays for others? Develop models for screening, intervention and gradation of aid or sanctions to counter non-payment of rent (depending on whether it is an inability or refusal to pay);
- What a transformation of the approach could mean for individuals and businesses in terms of additional efforts and benefits; the impact on those who are unwilling or unable to participate; prospects for personal and collective enrichment; the impact on health, safety, quality of life, and protection of culture and access to the territory.

Broaden participation in forums and consultations on housing, which is often limited to government players, to include the participation of the market sector (housing sector businesses, active or interested developers, Indigenous lenders and financial intermediaries such as Caisses Desjardins, ABSCAN and revolving housing loan funds) as well as representatives of civil society such as artists, communicators, local influencers, business personalities, citizens' groups, housing associations, religious groups, people in charge of health, education, young people and retirees, universities, foundations, etc., not to mention members who were exiled from their communities due to lack of access to housing.

Offer personalized and on-site financial literacy workshops focused on solutions to debt burden, repairing credit history, saving and preparing for retirement, and preparing for home ownership; offer workshops on housing literacy: choice of housing, plans and specifications, savings for down payment, home loan requirements, owner's responsibilities, sources of information and materials for maintenance, etc. It is important to note that online literacy tools have little or no impact in communities where the needs are greatest and that literacy assistance is most effective when it is done to address specific issues or to plan a specific decision.

Make visible the real cost of housing, its financing and its maintenance for each member, with the share calculations for the subsidies granted by Canada and the nation. This could be done through a quarterly statement sent to each member indicating the total costs for their housing, the share of rent and the share of federal and local subsidy applied to these costs, payments received during the period, arrears and fines accrued, and the cost of repairs and renovations carried out during the period covered. The same statement could be used to convey information related to financial and housing literacy. Eventually, the leases could be adjusted to reflect actual costs, perhaps even including the amount of the subsidy granted; this provision would prevent challenges to rent increases in the case of individuals whose changed circumstances modify the need for the subsidy. There could also be a system of invoicing maintenance costs to users for one-off and annual services, even if it means issuing a subsidy in the same amount or establishing a user fee system for a transitional period. Invoicing for repairs due to damage caused by negligence or misuse of the premises by tenants should be instituted (several housing policies already contain provisions to this effect).

Establish preparatory measures for access to home ownership:

- Encourage early adopters with ad hoc assistance;
- Promote pilot projects to create examples and models or explore new ways of doing things (e.g. titles of ownership, private rental development, private management of social rental, etc.);
- Impose a moratorium on decisions that may reinforce disincentives, in particular policies of free privatization of community housing and the construction of non-densified social housing;
- Explore models of privatization of maintenance, renovations, and even management of social housing, with multi-nation entities when critical mass cannot be achieved locally;
- Foster the efforts of Indigenous financial intermediaries that are operated in such a way as to create loan discipline to launch a generation of early adopters; encourage local housing funds that are too small or lack lending discipline to rationalize their operations to avoid hampering the creation of lending discipline; among the possible solutions: the merging of funds to generate economies of scale and better distribute the risk, or the outsourcing of portfolio management to an Indigenous financial institution;
- Encourage nations that guarantee home loans for their members to charge an insurance premium to offset the risk assumed and the cost of guarantee-related activities; this practice, inspired by that of the CMHC and other guarantee programs, is common in many First Nations outside Quebec and aims to ensure that the rate charged to its members reflects the actual cost of capital including the risk assumed by the nation; "Subsidizing" members' borrowing costs may have an advantage during a transition period, but sets a

difficult-to-control precedent that risks perpetuating the need for guarantees, and once guarantee capacity is exhausted, drying up loan sources.

Foster the discussion of possible alliances with a view to shared services and group purchases that could potentially lead to regional or multi-nation housing companies and centralized management of title registration and transactions; promote the development of specialized turnkey housing models, offered in a number of nations and benefiting from economies of scale for construction and maintenance, but managed locally, in the form of franchises, by individuals (housing for seniors, apartments for young couples, rental of spaces for seasonal workers, etc.); the housing cooperative is a solution offering a similar balance of depoliticized local control and regional technical supervision that may be more appropriate for community housing.

Build a regional solution, leveraging existing institutions or portals wherever possible, at least for a transitional period, to support communities that want to engage in accelerated housing transformation, with capacity for accompaniment, sharing of best practices, research and development of viable financial solutions building on the experiences of communities that have overcome their housing crisis using institutions and innovative solutions. This transformation support effort could provide supervision for local housing transformation efforts with communication materials and arguments to launch and fuel the debate. Faced with the imminent establishment of national institutions currently being developed for infrastructure and housing, a regional solution is needed, both as a partner and, when it comes to highlighting specific regional particularities, as a counterweight.

5. CONCLUSION

The human, social and financial costs of the housing crisis become more and more acute everuy day. As we speak, three hundred members of Manawan First Nation, living in forced exile in Joliette, are unable to send their children to a school where their language is taught and where they would not be treated as strangers; they are waiting, in dire circumstances that all of Canada has seen on the evening news, for housing options to open up in their community. Occasional budgets and special programs to let off steam every now and then while communities continue to lose their members are no solutions to this crisis.

We believe the use of financial levers to multiply the impact of increased investments is a valid and promising strategy to eliminate housing backlogs. But only to the extent that conditions are in place for their efficient use. Our report contains a number of solutions to that effect.

With respect to the second part of our response to the tripartite committee's original question about levels of investments and the type of financial levers needed to eliminate housing backlogs, we think that theoretical projections and lists of innovative financial instruments would be of limited use. The calculation of investments needed and the choice of an appropriate lever can only be done on the basis of an individual First Nation's circumstances, capacity and member ability to participate to housing costs; there are no one-size-fits all answers. Incentive structures have a major impact on this participation: they too need to be taken into account. Failure to do so results in unrealistic goals, such as the FNMHF's forecast of 25,000 homes funded over ten years (less than 250 on the ground after 12 years). We cannot overemphasize enough the importance of laying the groundwork and finding the remedies to address the disincentives left behind by old ways of doing things before venturing projections, raising expectations, or engaging communities in debt.

We suggest, then that this is a time for action, not theory. As a result, we propose that part two of our response take the form of a concrete process, on the ground, with three overlapping initiatives.

The first involves stimulating public debate over the solutions put forward in this report. We propose the production of simple, hard-hitting communication materials pointing to ways forward, prepared in view of wide distribution including community and government decision-makers and stakeholders to engage discussion over immediate and concrete actions to engage change. We propose to participate in a number of these discussions, and to adjust and improve materials on the basis of feedback; this activity could be combined with that of an itinerant housing and financial literacy clinic offered by the Commission in partnership with ABSCAN.

The second initiative is aimed at generating a clear financial picture of the actual state of community housing in support of renewal efforts. It was a conclusion of this report that current community financial statements did not provide a sufficient fact base to support a diagnostic of the challenges. We propose to work with a number of interested communities to document the financial state of affairs of their current housing situation and needs, and, on that basis, to revisit current policies, examine potential solutions, and lay the groundwork to eliminate the housing backlog in a way that reflects their circumstances.

The third initiative consists in providing a mix of tools and advice to engage change. Tools such as financial levers and change strategies from which communities can pick, choose or adjust what is relevant to them; financial models, benchmarks, and roadmaps to assist communities in the design of their own housing backlog elimination strategy, understanding that each community needs to create its own path and identify its own goals on the basis of its circumstances, needs, priorities and constraints.

To conclude, there is no magic bullet solution, but there is a path forward, and a roadmap to success; we hope this report has been useful in identifying portions of it. And once the groundwork for their use has been laid, there are powerful financial levers, some of them under Indigenous control, that will accelerate the pace of change. It will be a long journey, but we are convinced that our communities have the resources and the resilience to face the challenge.

6. REFERENCES

[i] AFN National First Nations Housing Strategy; http://www.afn.ca/uploads/files/housing/afn_national_housing_strategy.pdf.

[ii] 2016 Aboriginal Housing Conditions and Needs On Reserve: 2011 Update – Detailed Report prepared for Indigenous and Northern Affairs Canada by Stewart Clatworthy, Four Directions Project Consultants.

[iii] AFNQL (2018) – The Housing Needs of First Nations in Quebec and Labrador, update.

[iv] The 2% ceiling of budget increases implemented in 1999 had the effect of reducing the funding of communities significantly; in 2006, the progress report of the Auditor General of Canada reported that for the period between 1999 and 2006, funding for First Nations, after inflation, increased by only 1.6% while the population increased by 11.2%, based on data cited by the report of the Standing Senate Committee on housing in 2015 in support of its recommendation to lift this cap which was still in effect at that time. The shortfall in program funding has largely been made up by own-source revenues in the communities that have access to it.

[v] First Nations and Inuit Access to Capital for economic development, business and infrastructure: a quantitative assessment of the access and the gaps; Waterstone Strategies & ATC Innovators, April 2017.

[vi] For the entire portfolio of loans insured on the basis of the loan / value ratio adjusted for the increase in the value of buildings; CMHC Canada Mortgage Bond Investor Presentation, June 2019.

[vii] See on this subject: 2014 Consumer Credit on American Indian Reservations by Valentina Dimitrova-Grajzl, Peter Grajzl, A. Joseph Guse, and Richard M. Todd available online at: http://ssrn.com/abstract=2408747; and How Reveal identified lending disparities in federal mortgage data by Emmanuel Martinez and Aaron Glantz which demonstrated in 2018 a higher mortgage rejection percentage for visible minorities in the United States; electronic document available at: https://s3-us-west-2.amazonaws.com/revealnews.org/uploads/lending_disparities_whitepaper_180214.pdf.

[viii] Harry Kitchen, in 2006 A State of Disrepair: How to fix the financing of Municipal Infrastructure in Canada, CD Howe Institute commentary.

[ix] Indigenous Clean Energy, for example, which provides First Nations with tools and training to control their energy costs.

[x] Wendake, Kahnawake and Six Nations; for comparison purposes: the CMHC reports a current rate of .3%, down from the maximum of .6% reached in 1991 on a nationally diversified portfolio; CMHC Canada Mortgage Bond Investor Presentation, June 2019.

[xi] https://www.cbc.ca/news/canada/north/housing-cree-strategy-private-home-ownership-1.5438379

[xii] This section, enriched by our own observations and consultations, reproduces almost verbatim the preliminary version of a summary of an ongoing research that the Aboriginal Savings Corporation of Canada (ABSCAN) has accepted to share with us; we thank them.

[xiii] ABSCAN, opinion document on housing renewal, 2016

[xiv] See https://en.wikipedia.org/wiki/Participatory_budgeting for an overview of this methodology.

APPENDIX 1

Housing and public finances – Spreadsheet

When the mandate to prepare a series of recommendations to finance the housing backlog elimination project in Quebec was entrusted to the FNQLEDC, we initially hypothesized that the current First Nations housing system could, through the interactions of innovative financial tools, public funding and modest reforms, serve as a springboard for the housing backlog elimination project. However, we observed that the calculation of the total costs and revenues of community housing for First Nations, rarely carried out because it involves data recorded under different financial line items, led to the conclusion that any additional investment in housing would result immediately in an increase in the housing deficit. It was by analyzing the three communities whose results appear in Appendix 2 below that this observation was made. Indeed, the current financial structure of the housing of these three communities is not able to support the necessary additions without a substantial injection of additional funds, failing which, the communities would experience recurring deficits that could have catastrophic consequences for the financial health of these nations.

In order to proceed with the analysis of the financial management of a community's housing stock, we used the method developed by Gaston St-Pierre et associés for the presentation of the data. Instead of going with a global presentation of annual results, this method opts instead for a presentation of monthly averages per unit of results. The advantage of this method is that it gives managers a clear idea of the level of rent, or revenue per unit, to ensure the sustainability of the housing stock. The breakdown of the revenues and expenses also makes it possible to identify the items over which the community has control in order to be able to develop strategies that will make it possible to correct the deficiencies in the financial management of the housing stock. Preparing the table will be an interesting exercise for any manager wishing to know if the sustainability of their community's housing stock is in jeopardy. In addition, the inability to obtain certain data will allow the manager to put in place measures that will ensure the production of all the data necessary for the informed financial management of the housing stock. Indeed, before making any decision on housing, it is necessary to have a clear idea of the effect it will have on the entire housing stock. Without an accurate picture of the situation, any decision becomes hazardous.

Here, then, is the table that we used as well as instructions to obtain the data necessary to complete it. Note that unless the financial management of the housing stock is fully independent of that of the local government, the housing manager will need the help of the finance sector to complete the table.

	Average monthly results per unit		
	Average monthly revenue per unit		
①	Rent	225,00 $	49,9%
②	CMHC	186,00 $	41,2%
③	ISC	0,00 $	0,0%
	total	411,00 $	100,0%
	Average monthly expenses per unit		
④	Administration	29,00 $	6,4%
⑤	Insurance	59,00 $	13,1%
⑥	Maintenance	33,00 $	7,3%
⑦	Public services	15,00 $	3,3%
⑧	Replacement reserve	38,00 $	8,4%
⑨	Legal and accounting audit	13,00 $	2,9%
⑩	Bad debt allowance	68,00 $	15,1%
⑪	Interest and banking fees	1,00 $	0,2%
⑫	Capital and interest	195,00 $	43,2%
	total	451,00 $	100,0%
⑬	***Average Monthly Surplus (Deficit) per unit***	(40,00) $	
⑭	***Total monthly surplus (deficit)***	(2 640,00) $	
⑮	***Total annual surplus (deficit)***	(31 680,00) $	

Average monthly results / unit

The results shown in this table are on a monthly per unit basis. It is therefore a matter of obtaining, for each of the lower financial line items, the annual results and dividing them by 12 (number of months in the year) and by the number of housing units currently held by the community. Note that vacant housing units must also be included because, although they do not bring in any revenues, they still generate expenses.

Average monthly revenue / unit

This involves reporting all the revenues generated by the building stock. In general, only three sources of revenue are available to the communities: rents and transfers from ISC and CMHC. However, some communities may have access to sources of revenue other than those identified in the table. We recommend isolating this source of revenue by adding a revenue line item to the table. Also note that we strongly recommend only calculating recurring revenues in order to obtain a reliable long-term portrait of the situation. For example, a one-time transfer from any level of government aimed at temporarily stabilizing the housing situation in the community should not be added to the revenues.

1- Here it is necessary to report the expected rents and not those collected. In principle, these should end up on the community's rent roll for the current fiscal year.

2- These are revenues from CMHC housing subsidy programs. Some of these programs cover all or part of the total expenses associated with a given housing unit (or apartment building). Others only support the debt service associated with a housing unit (or apartment building). More rarely, some funding may support expenses associated with the administration of the housing sector, however, it is possible that this funding is temporary, so it is important to ensure its recurrence before reporting it. Therefore, this is a matter of adding up all the subsidies from CMHC and converting them into a monthly per unit basis.

3- ISC annually transfers a budget dedicated to housing administration, and this amount must be reported here. It is also possible that other ISC funding will be made available to the housing sector (for example, to carry out emergency repairs). Once again, recurrence of funding is the primary criteria to apply when deciding whether to add to this item.

Average monthly expenses / unit

This section of the table reports all the expenses generated by the housing stock. The expenses are those related to the normal operation of the stock. Thus, some expenses included in this table are not necessarily disbursed immediately (for example, expenses related to replacement reserves), but it must absolutely be planned to set them aside in the near future in order to have the necessary sums in hand when the need arises. Even if the sums must not be disbursed immediately to remedy it, the gradual wear and tear associated with the use of a home is very real, and even visible. This is why it is important to enter an amount each month, because keeping the stock in acceptable condition will inevitably require expenses. When filling in the expenses, we recommend that you consider at least a share of the expenses related to the shared services of the local government that the housing sector uses, because the idea here is to obtain an estimate of the actual cost of the housing stock for the community. Any informed decision will have to be made on the basis of the real costs.

4- Report here the expenses associated with the administration of the housing stock. Generally speaking, these are salary expenses and expenses necessary for administrative work (office equipment, software, rent for administrative premises, etc.).

5- As communities generally have insurance policies covering the entire housing stock in the community (and even more), it will be important here to estimate the share of housing in the policy. Help from the community's finance sector will be needed and help from the insurance broker or insurer may also be needed in order to be as accurate as possible.

6- Two options are available to the manager for the expense item related to maintenance. On the one hand, using the historical average of salary and material expenses incurred. This option is to be preferred if the current stock is in good condition and if the replacement reserves are established and sufficient to carry out the planned repairs and renovations. If this is not the case, it is because the ordinary maintenance expenses of the stock are insufficient. This is probably attributable to the current use of the stock which requires more expenses than those actually made by the community, so it will be necessary to go for the other option which is based on a forecast of maintenance expenses. The CMHC proposes standardized expenses for the housing stock maintenance item, but these may be insufficient in situations of general overcrowding. The CMHC scales are based on Canadian average densities, while many First Nations communities in Quebec are experiencing problems with remoteness and overcrowding of housing, which greatly increase their costs. In fact, the report of the Standing Senate Committee on Aboriginal Peoples indicated in 2017 annual maintenance costs greater than $20,000 per housing unit in Inuit territory[1]. It is therefore important to think carefully about the amount per unit to provide, because an amount that is too low will lead to premature wear and tear on the housing which will be difficult to manage if the reserves are not sufficient to carry out the necessary repairs. The amounts in major repairs required declared in "The Housing Needs of the First Nations of Quebec and Labrador" lead us to believe that this expense item is often underestimated, more due to underfunding than due to negligence. If you have difficulty estimating the amount needed, we recommend seeking professional assistance to properly plan the amount needed per unit.

7- Local governments are in charge of offering many public services to their residents (e.g. running water, waste collection, snow removal, etc.). Unlike municipalities, First Nations communities generally do not collect taxes to finance the provision of these services. In addition, connections to utilities such as water and sewage are generally the responsibility of local governments. ISC finances part of these services, but sometimes the transferred budgets are insufficient. It is therefore important here to reduce the unfunded costs that are generated by the housing stock to a minimum.

8- Replacement reserves are established in order to have funds available to pay for foreseeable repairs in the short, medium and long term. While some parts of a home can be kept in acceptable condition in the very long term through regular maintenance, other parts, such as the roof, will need to be completely replaced or other major issues jeopardizing the safe occupancy of the home may appear. This is why building up reserves is so important, it avoids problems that would lead to premature housing obsolescence. It is recommended to enter a fixed amount per year for each housing unit. The determination of this amount must be guided by climatic conditions and replacement costs. A remote community exposed to a harsh climate should budget more per housing unit than an urban community because climate takes a toll on buildings and their construction costs are higher.

[1] We Can Do Better: Housing in Inuit Nunangat, http://www.northernpublicaffairs.ca/index/volume-5-issue-1/we-can-do-better-housing-in-inuit-nunangat/

9- As reflected by the name, these are the legal and accounting audit costs associated with the housing stock. In principle, the financial audit is done for all of the local government at the same time, so this is a matter of establishing the relative share of the housing sector in the costs related to the audit. Legal costs are those generated by the housing sector, such as legal fees associated with disputes regarding unpaid rents.

10- The bad debt allowance is taken in order to anticipate in advance the amounts of rent that will be impossible to recover. It must be in keeping with the objective of the community rent collection rate. For example, if the community has a 90% rent collection rate as a target, it would be wise to set aside a 10% bad debt allowance.

11- Bank charges associated with the housing sector (account maintenance fees, annual credit review fees, credit institution fees, etc.) are reported here. The interests referred to here are those related to temporary credit facilities (construction loan).

12- The capital and interest associated with loans that were used to build the rental units must be reported here. If you haven't done so already, this is a great opportunity to take an inventory of the home loans and prepare a follow-up folder for these loans. Note that here, the capital partly replaces the expense related to depreciation. Since this is a real expense that must be planned, it provides a more accurate picture of the financial situation of the housing stock. Usually, the accounting depreciation period for housing will be longer than the amortization period for loans. Thus, the capital payment will be higher than the depreciation expense.

Results

13- The average operating deficit or surplus is calculated (revenues minus expenses) using the items entered above. This is a very useful decision variable, as it makes it possible to determine whether the current financial management of the housing stock is sustainable or whether adjustments need to be made. If the housing stock generates a monthly loss per unit, corrections will have to be made or injections of funds from other sources of community revenues will have to be planned each year.

14- This calculated value is the result of multiplying the previous one by the number of rental units in the community.

15- This calculated value is the result of multiplying the previous one by 12.

Projections and impacts of needs

In order to get an idea of the financial impact on the communities that meeting the declared housing needs would have, we have developed an Excel spreadsheet that only requires a few entries. Here we present the spreadsheet along with the assumptions and data sources on which the numbers we entered are based. The “Average monthly rental results / unit” table has been further described, but it is important to note that the values it contains are used for the calculations of the “Results with additions” table.

Average monthly results per unit		
Average monthly revenue per unit		
Rent	225,00 $	49,9%
CMHC	186,00 $	41,2%
ISC	0,00 $	0,0%
total	411,00 $	100,0%
Average monthly expenses per unit		
Administration	29,00 $	6,4%
Insurance	59,00 $	13,1%
Maintenance	33,00 $	7,3%
Public services	15,00 $	3,3%
Replacement reserve	38,00 $	8,4%
Legal and accounting audit	13,00 $	2,9%
Bad debt allowance	68,00 $	15,1%
Interest and banking fees	1,00 $	0,2%
Capital and interest	195,00 $	43,2%
total	451,00 $	100,0%
Average Monthly Surplus (Deficit) per unit	(40,00) $	
Total monthly surplus (deficit)	(2 640,00) $	
Total annual surplus (deficit)	(31 680,00) $	

	Current housing distribution	Number	Proportion
1	Private	0	0,0%
2	Rental	66	100,0%
	Total	**66**	**100,0%**

3	**Rental units needed**	32

	Costs and subsudies	
4	Average unit cost	283 301,59 $
5	Average unit subsudy	40 000,00 $
6	Total cost	9 065 650,88 $
7	Total subsidized cost	7 785 650,88 $
8	Down payment	
9	Amount to finance	7 785 650,88 $

	Financing	
10	Amortization (years)	25
11	Annual interest rate	4,00%
12	Avg. monthly Cap. and Int. per new unit	1 284,24 $
13	Avg. monthly Cap. and Int. per unit	550,67 $

	Results with additions	
14	***Average Monthly Surplus (Deficit) per unit***	(395,67) $
15	***Monthly surplus (deficit)***	(38 775,53) $
16	***Annual surplus (deficit)***	(465 306,40) $

Current housing distribution

This table shows the current distribution of private and rental housing in the community.

1- Number of private housing units in the community.

2- Number of rental units in the community.

3- Number of rental units needed in the community.

Costs and subsidies

This table is used to indicate the costs that the community faces if it wishes to carry out the construction of rental units. It is possible that the costs of preparing the land and connecting to services incurred by the community are fundable, so you can add them to the costs of building the unit if this is relevant. The table also makes it possible to indicate the subsidies available to the community and the amount of funds that the community could inject into the project.

4- Average cost of the units to be built in the community. This is the sum of the construction costs divided by the number of units to be built.

5- The value of this field is obtained by dividing the total subsidies available for construction by the number of units to be built.

6- This calculated field is obtained by multiplying the number of units to be built (field no. 3) by the average unit cost.

7- This calculated field is obtained by subtracting the total subsidy (field no. 5 multiplied by the number of units to be built) from the total cost.

8- This is to enter the amount that the community could inject into the project using its own funds. Note that this field is not mandatory.

9- The value of this field is obtained by subtracting the down payment from the total subsidized cost.

Financing

This table is used to calculate the payments associated with new units as well as the impact on the average payment in capital and interest per unit of the construction project.

10- The number of years over which the construction loan will be amortized.

11- The interest rate at which you think you can borrow.

12- This calculated field indicates the monthly payment that will be associated with each new unit.

13- This calculated field indicates the new average amount per unit in capital and interest. It is obtained by calculating a weighted average of the current capital and interest payments and the capital and interest payments associated with the new units.

Results with additions

This table contains only calculated fields, but it is certainly the table that will provide the most information regarding the impact on the community of the rapid realization of the backlog elimination work for rental units. Note that, in order to be able to quickly compare the before and after, the fields in this table are aligned with the corresponding fields in the “Average monthly rental results / unit” table.

14- This calculated field indicates the average monthly surplus or deficit per unit resulting from the addition of new rental units.

15- This amount is calculated by multiplying the previous value by the new total number of units (current rental units added to the rental unit needs).

16- This amount is obtained by multiplying the previous one by 12.

APPENDIX 2

HOUSING AND PUBLIC FINANCES – RESULTS

Here is a quick analysis of the latest results in community housing for three First Nations, as well as the financial impact that the addition of the necessary rental units would have on them under the current conditions of rents and private and public financing.

In order to estimate this financial impact, we made the following assumptions:

- The current average rent for the community would be maintained for the new units;
- All average subsidies per unit would be maintained;
- Each community would receive an additional grant of $40,000 per new unit (which is observed on average in the field);
- No other down payment would be made;
- Bank financing would be at an interest rate of 3% and it would be amortized over a period of 25 years;
- All the average expenses per unit would be maintained;
- The distribution between private and community housing would be maintained. Consequently, the new rental units required were obtained by applying the relative share of rental units in the current stock to the needs declared by these communities in the last update on the housing needs of the First Nations in Quebec.

The idea here is not to get a reliable prediction, but rather to have a high level of confidence in the direction the finances of the housing sector would take if the backlog elimination project were to proceed immediately under current conditions. For this reason, it was especially important to ensure that the assumptions made were conservative if not exact. Thus, we believe that the end result could be worse, but unlikely better. Indeed, considering the current average household income levels in these communities, we do not see much leeway for a substantial increase in rents. Simply put, households can hardly afford to pay more, plus it would be political suicide to drastically increase rents to allow the community housing sector to at least cover its costs. In addition, maintaining the average subsidies and spending per unit is certainly not realistic. Rather, we believe that it would be more likely that the average subsidy per unit would decrease and that the average expense per unit would increase as a result of the addition of a significant number of new units. In short, under current conditions, it would be difficult to do better than what we are presenting and rather easy to do worse.

Community 1

Average monthly results per unit		
Average monthly revenue per unit		
Rent	225,00 $	49,9%
CMHC	186,00 $	41,2%
ISC	0,00 $	0,0%
total	411,00 $	100,0%
Average monthly expenses per unit		
Administration	29,00 $	6,4%
Insurance	59,00 $	13,1%
Maintenance	33,00 $	7,3%
Public services	15,00 $	3,3%
Replacement reserve	38,00 $	8,4%
Legal and accounting audit	13,00 $	2,9%
Bad debt allowance	68,00 $	15,1%
Interest and banking fees	1,00 $	0,2%
Capital and interest	195,00 $	43,2%
total	451,00 $	100,0%
Average Monthly Surplus (Deficit) per unit	(40,00) $	
Total monthly surplus (deficit)	(2 640,00) $	
Total annual surplus (deficit)	(31 680,00) $	

Costs and subsudies	
Average unit cost	320 000,00 $
Average unit subsudy	40 000,00 $
Total cost	17 280 000,00 $
Total subsidized cost	15 120 000,00 $
Down payment	
Amount to finance	15 120 000,00 $

Financing	
Amortization (years)	25
Annual interest rate	3,00%
Avg. monthly Cap. and Int. per new unit	1 327,79 $
Avg. monthly Cap. and Int. per unit	704,76 $

Results with additions	
Average Monthly Surplus (Deficit) per unit	(549,76) $
Monthly surplus (deficit)	(65 970,75) $
Annual surplus (deficit)	(791 649,01) $

Current housing distribution	Number	Proportion
Private	0	0,0%
Rental	66	100,0%
Total	**66**	**100,0%**

Rental units needed	54

Analysis

We are dealing here with an isolated community with a small population. The local economy is therefore small, but isolation leads to above-average construction costs. All of the housing stock is owned by the council.

The financial situation of the housing sector in this community is in deficit, but manageable. Most communities can sustain a deficit of this magnitude and it can even go unnoticed if the community's finances are not well compartmentalized. However, adding more rental units under current conditions would be catastrophic. The projected *monthly* deficit would be more than twice as high as the current *annual* deficit. It must also be noted that this deficit is calculated by maintaining the subsidy of $186.00 per unit from CMHC, which is unlikely to happen. The deficit could therefore be even more pronounced.

The total debt of the community would also be more than doubled, which would greatly affect its ability to take out loans to develop the community's economy or add infrastructure. In order to reduce the negative impact on the community, a rent increase could be considered, but with an average monthly deficit per unit of $549.76 following the additions, the slope is very steep if not impossible to climb in the short term, especially since it is unrealistic to hope to obtain the consent of current tenants to a substantial rent increase to add new units while the current units remain in the same condition. And that's without even considering the very ability of households to cope with such a rent increase. Indeed, household incomes in isolated regions are generally lower than in urban or semi-isolated regions and unemployment rates are higher.

Community 2

Average monthly results per unit		
Average monthly revenue per unit		
Rent	296,00 $	64,2%
CMHC	70,00 $	15,2%
ISC	6,00 $	1,3%
total	372,00 $	100,0%
Average monthly expenses per unit		
Administration	36,00 $	7,8%
Insurance	49,00 $	10,6%
Maintenance	83,00 $	18,0%
Public services	20,00 $	4,3%
Replacement reserve	67,00 $	14,5%
Legal and accounting audit	14,00 $	3,0%
Bad debt allowance	22,00 $	4,8%
Interest and banking fees	1,00 $	0,2%
Capital and interest	169,00 $	36,7%
total	461,00 $	100,0%
Average Monthly Surplus (Deficit) per unit	(89,00) $	
Total monthly surplus (deficit)	(24 475,00) $	
Total annual surplus (deficit)	(293 700,00) $	

Current housing distribution	Number	Proportion
Private	20	6,8%
Rental	275	93,2%
Total	**295**	**100,0%**

Rental units needed	237

Costs and subsudies	
Average unit cost	283 301,59 $
Average unit subsudy	40 000,00 $
Total cost	67 142 476,83 $
Total subsidized cost	57 662 476,83 $
Down payment	
Amount to finance	57 662 476,83 $

Financing	
Amortization (years)	25
Annual interest rate	3,00%
Avg. monthly Cap. and Int. per new unit	1 153,76 $
Avg. monthly Cap. and Int. per unit	624,84 $

Results with additions	
Average Monthly Surplus (Deficit) per unit	(544,84) $
Monthly surplus (deficit)	(278 956,99) $
Annual surplus (deficit)	(3 347 483,87) $

Analysis

This community is located in a semi-isolated area and is accessible by a logging road. It is more populated than the previous community, but its economy remains modest all the same. Construction costs are also lower, but still high. There are a number of residents who own their homes, but the vast majority of the housing stock is owned by the council.

The housing situation is already a cause for concern with an annual deficit of over $293,000. Adding the necessary rental units while maintaining the same revenue and expense conditions (apart from the charge related to new bank loans) appears to be impossible. First, the amount of debt that this addition would require could not be borne by the community without affecting very negatively the rest of its regular operations, assuming that a financial institution would agree to invest so much in the community, which is far from certain. Indeed, the resulting annual deficit (more than $3.3 million) would be impossible to manage with the current sources of revenue. It is also interesting to note that even if the construction of all the new units was free (*see the tables below where we have added a down payment equal to the total subsidized cost*), the expenses related to the management and maintenance of the building stock would still cause the housing sector to be in deficit. The problem of increasing rents arises in the same way as for the previous community. In short, this community cannot, under current conditions, apply the traditional recipe to meet the housing needs of its members. An in-depth reform of the housing management is unavoidable.

Average monthly results per unit		
Average monthly revenue per unit		
Rent	296,00 $	64,2%
CMHC	70,00 $	15,2%
ISC	6,00 $	1,3%
total	372,00 $	100,0%
Average monthly expenses per unit		
Administration	36,00 $	7,8%
Insurance	49,00 $	10,6%
Maintenance	83,00 $	18,0%
Public services	20,00 $	4,3%
Replacement reserve	67,00 $	14,5%
Legal and accounting audit	14,00 $	3,0%
Bad debt allowance	22,00 $	4,8%
Interest and banking fees	1,00 $	0,2%
Capital and interest	169,00 $	36,7%
total	461,00 $	100,0%
Average Monthly Surplus (Deficit) per unit	(89,00) $	
Total monthly surplus (deficit)	(24 475,00) $	
Total annual surplus (deficit)	(293 700,00) $	

Current housing distribution	Number	Proportion
Private	20	6,8%
Rental	275	93,2%
Total	**295**	**100,0%**

Rental units needed	237

Costs and subsudies	
Average unit cost	283 301,59 $
Average unit subsudy	40 000,00 $
Total cost	67 142 476,83 $
Total subsidized cost	57 662 476,83 $
Down payment	57 662 476,83 $
Amount to finance	0,00 $

Financing	
Amortization (years)	25
Annual interest rate	3,00%
Avg. monthly Cap. and Int. per new unit	0,00 $
Avg. monthly Cap. and Int. per unit	90,77 $

Results with additions	
Average Monthly Surplus (Deficit) per unit	(10,77) $
Monthly surplus (deficit)	(5 515,00) $
Annual surplus (deficit)	(66 180,00) $

Community 3

Average monthly results per unit		
Average monthly revenue per unit		
Rent	309,00 $	50,8%
CMHC	163,00 $	26,8%
ISC	37,00 $	6,1%
total	509,00 $	100,0%
Average monthly expenses per unit		
Administration	109,00 $	17,9%
Insurance	36,00 $	5,9%
Maintenance	103,00 $	16,9%
Public services	29,00 $	4,8%
Replacement reserve	100,00 $	16,4%
Legal and accounting audit	17,00 $	2,8%
Bad debt allowance	29,00 $	4,8%
Interest and banking fees	4,00 $	0,7%
Capital and interest	181,00 $	29,8%
total	608,00 $	100,0%
Average Monthly Surplus (Deficit) per unit	(99,00) $	
Total monthly surplus (deficit)	(6 039,00) $	
Total annual surplus (deficit)	(72 468,00) $	

Costs and subsudies	
Average unit cost	150 000,00 $
Average unit subsudy	40 000,00 $
Total cost	3 750 000,00 $
Total subsidized cost	2 750 000,00 $
Down payment	
Amount to finance	2 750 000,00 $

Financing	
Amortization (years)	25
Annual interest rate	3,00%
Avg. monthly Cap. and Int. per new unit	521,63 $
Avg. monthly Cap. and Int. per unit	280,02 $

Results with additions	
Average Monthly Surplus (Deficit) per unit	(198,02) $
Monthly surplus (deficit)	(17 029,81) $
Annual surplus (deficit)	(204 357,73) $

Current housing distribution	Number	Proportion
Private	153	71,5%
Rental	61	28,5%
Total	**214**	**100,0%**

Rental units needed	25

Analysis

This last community is located in a rural area but surrounded by a small town. Given this proximity, the economic possibilities are better. Construction costs are significantly lower than those of the other two communities. However, this can also perhaps be explained by the type of housing that the community advocates. For example, if the community advocates densified housing, it is normal for the costs to be lower. Contrarily to the other two communities, this community has many more private residences than community housing units.

The financial results of the community housing are in deficit. The deficit is not catastrophic, but it can still have an impact on the regular maintenance of the community stock. Adding more units has the effect of multiplying this deficit almost by three. Some communities with stable and recurring independent revenues can deal with such a deficit, but the fact remains that such a recurring deficit, regardless of whether or not it can be financed, can have long-term consequences on the financial health of a small community. With an average deficit per unit increasing by just over $100.00, the rent increase needed to stabilize finances seems to be within reach. However, without public education and awareness of the potential consequences of recurring deficits, it will be difficult to convince the population of the merits of such action. Political consequences would be inevitable. Therefore, even for a community with a manageable situation, certain recommendations in this report could be very helpful.

Conclusion

The examination of these three communities with different geographical and economic situations highlights certain common weaknesses that must be addressed in order to set in motion a housing backlog elimination project. First, the revenues from community housing stock do not allow for an expansion of the housing stock using traditional funding methods without creating large deficits. Second, the current deficits undoubtedly have an impact on maintaining the current stock in acceptable condition. The great needs for minor and major renovations reported in the document entitled "The Housing Needs of the First Nations of Quebec and Labrador" confirm this. While not demonstrated in this appendix, the amount of debt necessary to carry out the housing backlog elimination project appears to us to be difficult to bear for many communities in Quebec. In addition, we suspect that the members of the communities with the greatest needs do not have the capacity to support the rent increases that would bring financial stability to the housing sector of their communities. We were obviously not able to carry out the same exercise for all the First Nations in Quebec, but we assume that where the needs are the most pressing, the same mechanisms are at work, because they are the result of the same colonial policies. These are therefore the findings that led us to adopt the approach proposed in this document.