



Final Report

First Nations Market Housing Fund Evaluation of the Broader Policy Implications for Housing On-Reserve

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Evaluation, Performance Measurement,
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List of Acronyms

AANDC	Aboriginal Affairs and Northern Development
AFN	Assembly of First Nations
BCR	Band Council Resolution
CEF	Credit Enhancement Facility
CMHC	Canada Mortgage and Housing Corporation
EPMRB	Evaluation, Performance Measurement and Review Branch
FNHI	First Nation Housing Institute
FNMHF	First Nations Market Housing Fund
ICNGD	International Centre for Northern Governance and Development
KHA	Kahnawake Housing Authority
MLG	Ministerial Loan Guarantee
RLF	Revolving Loan Fund

Executive Summary

This document constitutes the Evaluation of the Broader Policy Implications of the First Nations Market Housing Fund (FNMHF) on the Government of Canada's approach to housing on reserve. This study is intended to compliment the evaluation of relevance and performance conducted simultaneously by the Canada Mortgage and Housing Corporation (CMHC).

The FNMHF is a \$300 million dollar credit enhancement mechanism first implemented in 2008 that is designed to facilitate mortgage acquisition for eligible communities and individuals in order to circumvent restrictions posed by Section 89(1) of the *Indian Act*, which prevents seizure of property by a non-First Nation. It also invests net income from Fund investments for capacity development initiatives. The Fund is controlled by a Board of nine Trustees from First Nations, the Government of Canada and the financial community, and is managed by CMHC on a fee for service basis.

The Aboriginal Affairs and Northern Development Canada (AANDC) evaluation entailed the triangulation of key-informant interviews and case studies conducted by Styles Associates; a synopsis of existing literature conducted by LeClair InfoCom in partnership with the University of Saskatchewan's International Centre for Northern Governance and Development; as well as document and policy analysis. The final report was completed by AANDC's Evaluation, Performance Measurement and Review Branch.

In its assessment of relevance, this review found that while there is a demonstrable need for market-based housing initiatives on reserve, there is no definitive evidence that there is a need for a fund explicitly designed for this form of credit enhancement, and no evidence that this fund in particular will meet its stated objectives of increasing homeownership and reducing reliance on federal assistance for social housing. As homeownership and market-based housing are viewed as key approaches to improving housing quality and sustainability, however, it is clear that support for market-based initiatives generally is consistent with the Government of Canada's priorities, and AANDC should continue to play an integral role in this regard.

In its assessment of performance, this review found that there is no evidence of tangible results to date as only two homes have been constructed using the Fund's credit enhancement mechanism, and there has been no verification of clear impacts stemming from the Fund's capacity building initiatives.

In its assessment of design, this review found that there is a need to prioritize capacity-building aspects of the Fund, and to revisit expectations in terms of the use of credit enhancement.

The assessment of broader policy implications further suggests that there are existing options for housing on-reserve. Specifically:

- While issues of land rights stemming from the *Indian Act* pose significant challenges to homeownership and market-based housing, these challenges are not insurmountable, and many communities have used innovative means of addressing these barriers.

- While there is potential for the Fund to address some housing needs in the longer term, its credit enhancement mechanisms may not necessarily be the preferred option for market-based housing, and capacity development is likely the key to facilitating homeownership in the long-term.

This review also suggests that there are several preconditions and assumptions inherent in the uptake of credit enhancement options that, when considered against the current reality in most First Nation communities, suggest the need to reframe the strategy as more long-term and less as a means to address immediate housing needs.

In the short-term, there should be no reasonable expectation that credit enhancement itself will necessarily reduce reliance on federal funding for housing on reserve. The evidence in this review found that capacity development, governance and community and individual interest in homeownership are key to addressing housing needs, and that transitional mechanisms to prepare willing communities for homeownership and reduce the reliance on social housing need particular emphasis in short-term policy planning for longer-term results.

1. Introduction

1.1 Overview

This document constitutes the final report of the Evaluation of the Broader Policy Impacts of the First Nation Market Housing Fund (FNMHF). This evaluation is intended to complement the performance evaluation of the FNMHF conducted during the same period by the Canada Mortgage and Housing Corporation (CMHC). The Aboriginal Affairs and Northern Development Canada (AANDC) study is intended to assess the potential impacts of the FNMHF, and of market-based housing in general, on the Department's approach to housing on reserve, as well as broader policy and program implications. It also addressed standard Treasury Board evaluation questions.

The FNMHF is designed to help First Nation communities gain access to private financing to facilitate homeownership, specifically through its Credit Enhancement Facility (CEF). The CEF is designed to back mortgages in lieu of traditional credit mechanisms and stems from restrictions imposed by Section 89(1) of the *Indian Act*. The Fund also has a Capacity¹ Development Program, which supports the provision of training, advice and coaching focussing on developing and/or expanding the capacity of communities to facilitate market-based housing (for example, the ability to acquire good suppliers and contractors, manage infrastructure projects and finances, etc.). The credit enhancement capital of the Fund is \$300 million dollars, which is controlled by a Board of Trustees and managed by CMHC on a fee for service basis.

The evaluation was conducted by the Evaluation, Performance Measurement and Review Branch (EPMRB) with the assistance of the consulting firm LeClair Infocom, which conducted the evaluation's literature review in partnership with the University of Saskatchewan's International Centre for Northern Governance and Development (ICNGD). The evaluation was also supported by Stiles Associates who conducted the key informant interviews and two case studies.

1.2 Program Profile

1.2.1 Background and Description

Section 89(1) of the *Indian Act* does not permit seizure of property on reserve except by a First Nation community or its members. This, along with the unique land tenure regime on reserve, permitted uses of land, and the remote location of many of these communities, acts as a barrier to standard homeownership and market-based housing as that observed off reserve. The FNMHF, established 2008, was designed to address these barriers; specifically by enhancing loan security and administrative capacity in order to construct and maintain sustainable housing stock. The program was developed in consultation with stakeholders from 630 First Nation Chiefs and Council from across Canada, the Assembly of First Nations (AFN), CMHC, AANDC, and other organizations related to housing and finance.

¹ Capacity in this paper refers to the knowledge, skills and resources necessary to ensure quality housing construction and management.

According to data from the 2006 Canadian Census, nearly 42 percent of homes on reserve were identified as in need of major repairs² and more than 12 percent of homes were identified as over-crowded,³ compared to seven percent and one percent, respectively, off reserve. AANDC estimates the housing backlog⁴ to be between 20,000 and 35,000 units, with the backlog growing at the rate of 2,200 units per year. Poor housing leads to poor economic and social outcomes and contributes to the gap in quality of life experienced by Aboriginal people as compared to non-Aboriginal Canadians.

The Government of Canada has been supporting on-reserve housing since 1960 by providing financial and other support to First Nations for safe and affordable on-reserve housing. In 2011-12, its annual support for on-reserve housing totaled \$296 million, with support funded through AANDC (\$146 million) and CMHC (\$150 million). AANDC supports the construction, renovation, management and the maintenance of new homes, while CMHC supports the construction of new social housing units, the rehabilitation of existing units, ongoing subsidies for a portfolio of over 29,600 social housing units (representing approximately a quarter of all housing units on reserve), First Nation capacity development and other housing-related activities. This spending supports the construction of 1,750 new housing units and the repair of 3,100 existing units each year. In the 2005 federal budget, a further \$295 million was approved to be spent over a five year period. Of this \$295 million, \$192 million was allocated to AANDC for new construction, lot servicing and renovation. A summary of AANDC and CMHC housing programs is shown in Table 1.1.

² Major repairs refer to the repair of defective plumbing or electrical wiring, structural repairs to walls, floors or ceilings and the like.

³ Crowded is defined as having more than one occupant per room (including bedrooms, living areas, etc.).

⁴ Referring to houses needing to be constructed to meet needs.

Table 1.1: Summary of AANDC and CMHC programs, which support on-reserve housing

AANDC Program	Purpose
<i>On-reserve Non-profit Housing Program, Capital Facilities and Maintenance, Community Infrastructure Branch</i>	Provide funding and other supports for new housing unit construction, renovation/repair, lot servicing and capacity building related to on-reserve housing
<i>Ministerial Loan Guarantee (MLG)</i>	Assist First Nations in accessing Loans for housing on reserve
<i>Shelter Allowance</i>	An allowance paid to assist with the costs of rental housing and utilities, paid to income assistance recipients, at rates largely established by provincial governments
CMHC program	Purpose
<i>On-reserve Non-profit Rental Housing Program (Section 95)</i>	This program assists First Nations in the construction, purchase and rehabilitation, and administration of suitable, adequate and affordable rental housing on-reserve. CMHC provides a subsidy to the project to assist with its financing and operation, for a period of up to 25 years CMHC delivers the program and may provide direct loans for First Nations to construct, purchase and rehabilitate projects. These loans, for up to 100 per cent of the total eligible capital cost of a project, are insured under <i>the National Housing Act</i> and are guaranteed by the Minister of AANDC.
<i>Residential Rehabilitation Assistance Program</i>	Financial assistance is provided in the form of a forgivable loan to repair substandard homes to a minimum level of health and safety and to improve the accessibility of housing for disabled persons.
<i>Home Adaptations for Seniors' Independence</i>	Financial assistance is provided in the form of a forgivable loan to undertake minor home modification for seniors
<i>Shelter Enhancement Program</i>	Financial assistance is provided in the form of a forgivable loan for the renovation or construction/acquisition for shelters for victims of family violence
<i>Aboriginal Capacity Development</i>	Aboriginal Capacity Development facilitates the acquisition of tools in terms of knowledge, skills, training and resources that will allow First Nations to work towards self-sufficiency in housing and take on more responsibility for the functioning of their community. Assistance is provided to First Nations housing institutions and individual housing providers to acquire the skills and knowledge to design, build, inspect and manage housing on reserve such as: <ul style="list-style-type: none"> • Training sessions on Client Counseling, Property Management Planning, Home Maintenance, Arrears Management and Indoor Air Quality. • Access to inspector training for First Nations individuals through provincial building official associations and through community colleges
<i>First Nations Market Housing Fund</i>	2007 Budget set aside \$300 million for fund. Serves as financial security for eligible First Nation members to obtain home ownership, rental and renovations loans while leaving reserve land in communal ownership

In 2007, the Government announced a \$300 million investment into the FNMHF with the intention of helping create a housing market on reserve to support the development of individual property ownership on reserve, encouraging lending for private housing, and increasing accountability, both institutional and personal.

It was estimated during the inception of the Fund that 10 to 20 percent of First Nations had the governance structure and ability to attract private capital that would enable them to implement market-based housing mechanisms. These communities, classified as 'Tier 1', generally have stable revenue streams, a stable and improving community environment, a land management system, which provides tenure security, building standards for new construction and maintenance, and professional financial and housing managers. It was further estimated that roughly 30-40 percent of communities, classified as 'Tier 2' need some work in one or more of those areas, but could likely reach Tier 1 with the right support within three to five years. The

remaining communities were expected to take much longer to reach ‘Tier 1’. It was further expected that market-based housing transition would be incremental, focusing in the short term on the ‘Tier 1’ First Nations who already have some market-like conditions. Over time, this transformation would include ‘Tier 2’ First Nations, facilitated through the FNMHF’s investments in capacity building.

1.2.2 Other Market-Based Housing Options

Ministerial Loan Guarantee (MLGs) - MLGs are used to assist First Nations in accessing loans to finance housing on reserve. To address the risk to the lender posed by Section 89(1) of the *Indian Act*, AANDC issues MLGs to First Nations to enable them to secure loans for on-reserve housing. MLGs can be used to secure loans for the purpose of construction, acquisition or renovation of on-reserve housing projects.

Revolving Loan Fund (RLF) - A RLF is a self-sustaining loan fund. Loans can be used to build, renovate and purchase houses on reserve. The loan repayments and interest are paid by the borrower and put back into the RLF to be used to make additional loans. Chief and Council set the interest rate and the long-term goals and direction of the RLF. In addition to loan repayment, it can be sourced from AANDC Minor Capital, trust funds, or own-source revenue.

Private Lender On-Reserve Housing Loan Programs – Some private lenders, such as Bank of Montreal, Royal Bank of Canada, and Caisse Populaire provide loans directly to band members for the purchase, construction, and renovation of homes on reserve. Borrowers are required to hold a Certificate of Possession (or other proof of ownership), have a lot that is serviced by roads, hydro, water, and septic system, and meet the usual credit requirements of lenders. The lender assesses the capability of the borrower to meet financial and credit obligations based on character, capability, credit, capital, and collateral.

CMHC Mortgage Insurance - To qualify for a CMHC-insured loan secured by an MLG, the borrower must have a minimum down payment of five percent of the lending value of the home. The borrower must meet CMHC credit standards in order to get a loan. No CMHC loan insurance premiums are required for loans secured by an MLG.

1.2.3 Objectives and Expected Outcomes

Link to Program Activity Architecture and Strategic Outcomes

The FNMHF is controlled by a board of trustees and managed by CMHC on a fee for service basis, and thus, not explicitly laid out in AANDC’s Program Activity Architecture. On-reserve housing is the responsibility of the Community Infrastructure Activity under the Lands and Economy strategic outcome.

In the short term, an increase in market-based housing would provide another means of expanding the supply of housing. The ultimate objective is to move away from a system that depends almost entirely on government subsidies, to a system that provides First Nations people with the same housing opportunities and responsibilities as other Canadians.

Expected Outcomes for FNMHF

Immediate outcomes:

- Increased First Nation participation in market housing on reserve
- Increased lender participation in market housing on reserve
- [contributions to] greater offering of housing finance tools
- First Nations are better able to participate in the Fund
 - o [contributing to a] self sustaining FNMHF
 - o Increased market-based housing

Intermediate outcomes:

- Increased market-activity (transactionally and supply of housing finance on reserve)
- Enhanced First Nation capacity to address housing need via market housing
- The establishment of a self-sustaining credit enhancement facility
- Increased market-based housing
- Increased leverage of private sector financing

Long term outcomes:

- Increased First Nations individual self-sufficiency and responsibility for housing on reserve
- Reduced reliance on federal funding for housing on reserve
- The establishment a structural platform for long-term change in housing provision and outcomes on reserve
- Increased supply of market-based housing on reserve

The FNMHF has a corresponding logic model that can be viewed in Appendix A.

Fund Targets

At the establishment of the Fund, it was estimated that if conditions were right, over the next 10 years, up to 265 First Nations would be qualified for the Fund, providing up to 25,000 new privately financed housing units to address as much as 40 percent of the housing requirement for that period. It was planned that at the end of 36 months of operation (mid 2011), the fund would have qualified 80 First Nations resulting in loans for approximately 3,800 dwelling units on reserve financed by loans from private lenders.⁵

1.2.4 Program Management, Key Stakeholders and Beneficiaries

Program Management

On-reserve housing programs are currently administered by CMHC and AANDC. Within AANDC, on-reserve housing is an activity, which falls within the Community Infrastructure Branch. Additionally, as part of AANDC's regional operations, there is an Infrastructure

⁵ First Nations Market Housing Fund, 2009-2012 Business Plan Summary

Operations Directorate in the Regional Operations Sector, which implements the housing program at the regional level.

The Fund was established on March 31, 2008, through an indenture of trust, which stipulates the settlement, governance, management, and operation of the FNMHF. It is intended to be a not-for-profit and self-sustaining entity. Agreements between CMHC and FNMHF govern the management of the trust and the administration of funding where CMHC is appointed as the manager. CMHC sets parameters, which guide the stewardship of the FNMHF and empower its trustees. These parameters include details regarding the objectives of the FNMHF; the appointment and duties of decision making powers of the trustees and officers; and the management, investment and accumulation of the FNMHF assets. The indenture includes the long-term goal to transfer the FNMHF to First Nation control and decreasing CMHC management activities (subject to the approval of the Prime Minister).

CMHC was appointed manager of the Fund for the first five years. Control of the FNMHF is currently vested in nine trustees, drawn from First Nations, the Government of Canada and the financial community. Trustees are appointed for a one to three year renewable term. Six trustees are appointed by the Minister responsible for CMHC and three by the Minister of AANDC. The trustees are responsible for overseeing the FNMHF's governance policies and practices, guiding the direction of the FNMHF to achieve its objectives, ensuring financial accountability and reporting the results to the Minister responsible for CMHC. Five committees have been established in order to support the trustees to carry out their mandate:

- Audit Committee
- Investment Committee
- Human Resources Committee
- Operations Committee
- Governance Committee

Risk management for the project is shared between the trustees, management and staff.

Beneficiaries and Key Stakeholders

The key beneficiaries of the FNMHF are First Nations communities across Canada. While the following fall under beneficiaries, they are also key stakeholders and project managers.

Participating First Nations Communities

At the time of this writing, there were 71 participating First Nations communities, and 38 First Nation communities had been approved for capacity development with over \$1.25 million spent on capacity development.

Financial Partners

Financial institutions that wish to participate and are approved enter agreements with the First Nation communities and the borrower. The agreements ensure that the rights and obligations of each party are clearly delineated, as well as the terms and conditions of the agreement.

- To date, seven lenders have been approved:
 - Bank of Montreal
 - Peace Hills Trust
 - Vancouver City Savings Credit Union
 - Envision Financial
 - Desjardins Group
 - Affinity Credit Union
 - Valley First – First West Credit Union

1.2.5 Program Resources

Table 1.2 profiles the projected resource requirements from the federal government to establish the FNMHF, including details of the projected annual operating costs.

Table 1.2: Projected FNMHF Investments and Operating Costs

	2007-08	2008-09	2009-10	2010-11	2011-12
Establishment of FNMHF	\$150,000,000	\$150,000,000	-	-	-
Evaluation - DIAND	-	-	-	-	\$75,000
Fiscal Framework	\$150,000,000	\$150,000,000	-	-	\$75,000
	2008	2009	2010	2011	2012
Start Up	\$1,400,000	-	-	-	-
Operating Costs	2,300,000	2,500,000	2,600,000	2,700,000	2,800,000
Operating Revenues	11,200,000	15,200,000	15,700,000	16,100,000	16,500,000
Capacity Development	-	3,700,000	4,500,000	4,300,000	4,400,000
Evaluation – FNMHF *	-	-	-	\$300,000	
Audit Fees *	25,000	26,000	27,000	28,000	29,000

The Fund was established through the payment of \$300 million over two years chargeable to CMHC Vote 15, Operating Expenditures. A funding agreement between CMHC and the FNMHF sets out the terms and conditions for the transfer of the \$300 million from CMHC to the FNMHF and the governance and administration of the funding over the long term. The FNMHF is intended to be self-sustaining and will not require any ongoing funding from the federal government. Based on the approved investment plan, the \$300 million plus an annual net income are being used to generate investment income at a notional five percent annual rate of return.

Start-up costs related to capital, operations, and maintenance for the FNMHF in advance of it becoming operational were estimated at \$1.4 million. The cost to operate the FNMHF was

estimated at \$2.3 million in the first year of operations, increasing by two million in the second year, and one million each year thereafter. Operating expenses include such items as loan default claim expenses, capacity development, and administration costs. Operating expenses were to be funded through revenues generated through investment activities. The actual operating expenses incurred were to be a combination of fees paid to the fund manager and costs incurred directly by the FNMHF.

Loan default claim expenses are to reflect claims expenses incurred while capacity development expenses are to be limited to 50 percent of the prior year's net income. Projections of administration costs have been adjusted for annual inflation, as well as to reflect business volumes and approved performance standards to meet service expectations. Administration costs include such items as personnel, professional fees, general office, facilities and investment management expenses. Actual expenditures have not been established for this review as it is beyond the scope, and expected to be covered in the CMHC evaluation. Performance standards (10 days for preliminary review, a scheduled site visit, and a decision within 20 days of all questions being answered) have been established for the financial review of First Nations applicants.

2. Evaluation Methodology

2.1 Evaluation Scope and Timing

The Terms of Reference for this study were approved by AANDC's Evaluation, Performance Measurement and Review Committee on June 20, 2011. Field work was conducted between January and February 2012.

The evaluation used standard Treasury Board questions to draft lines of inquiry and to develop data collection instruments; however, more broadly, it examined the policy implications of market-based housing on AANDC's approach to on-reserve housing, including: challenges faced in the building and maintaining of suitable and durable housing on reserve; what role market-based housing can play in addressing these challenges; the degree to which FNMHF can be reasonably expected to address these challenges and achieve its stated results; implications for the success or failure of FNMHF on AANDC's approach to on-reserve housing; and other barriers and alternatives.

2.2 Evaluation Issues and Questions

In line with the Terms of Reference, the evaluation focused on the following issues:

- **Relevance**

- *Continued Need*

- Is there a demonstrable need for market-based housing initiatives on reserve?

- Is there a demonstrable need for a fund explicitly designed to provide credit enhancement?

- Can the Fund be realistically expected to achieve the stated outcomes?

- *Alignment with Government Priorities*

- Is market-based housing consistent with AANDC's priorities and objective's for on-reserve housing?

- *Alignment with Federal Roles and Responsibilities*

- Is there a legitimate, appropriate and necessary role for AANDC or the Government of Canada in supporting market-based housing initiatives on-reserve?

- **Performance**

- *Effectiveness (i.e. Success)*

- What are the potential policy impacts or implications of increased self-sufficiency and reduced reliance on federal funding for on-reserve housing?

- Given the results of the Fund to date, what are the program and policy implications for the Government of Canada's support to on-reserve housing?

What are some policy alternatives to assist the majority of First Nations to move from social and band-owned housing to market-based housing? Can these complement the Fund?

Are there aspects of the current design and approach to the Fund that need to change in order to achieve the stated outcomes?

- *Demonstrations of Efficiency and Economy*

Are there ways to minimise administrative overhead to better ensure a sufficient amount of the return on investment to be used for capacity development?

2.3 Evaluation Methodology

The evaluation's findings and conclusions are based on the analysis and triangulation of the literature review, document review, key informant interviews, and case studies.

2.3.1 Data Sources

- *Literature Review:*

The literature review focused on market-based approaches to housing for First Nation and Aboriginal people in Canada, and where appropriate, incorporated international literature on other native or marginalised populations. This included peer-reviewed literature, government reports and published reports from Aboriginal organizations. The purpose was to gain a more complete understanding of existing literature that could provide insight on approaches to reducing reliance on social housing systems, facilitating homeownership, and specific implications of a market-based housing system in a First Nation setting.

- *Document and file review:*

A review of government and FNMHF documents included: program and policy documentation approval, past evaluations of on-reserve housing, implementation reports, FNMHF Annual Reports (2008-2010), FNMHF Business Plan Summaries (2009-2013 to 2011-2015), and reports produced on other market-based initiatives.

- *Key informant interviews:*

Key informant interviews were conducted by Stiles Associates. Key informants consisted of fund beneficiaries, key stakeholders, experts and fund staff. Interviews were qualitative in nature and semi-structured. Participants were sent the interview protocol in advance of the interview (see Appendix B). The consultants tabulated detailed interview notes and applied qualitative content analysis using coding of key words and phrases.

EPMRB, with the guidance of its advisory committee, selected the interview participants with significant expertise in market-based housing, and in First Nations housing issues overall. In total, 34 names were provided and 26 interviews were completed. Of those 26, eight participants were from within the federal government (agencies or departments), and 18 participants were from outside government. Coding was based on identification provided by AANDC when

distinguishing between patterns of response between participants within government and those outside government.

Ten interview participants were representatives of communities who had applied to or expressed interest in the FNMHF; eight were from elsewhere outside government (e.g. consultants, financial institution representatives). Most interview participants mentioned being involved in market-based housing programs.

- *Case Studies:*

Two First Nation communities, identified by EPMRB, served as case studies for the evaluation. The communities were selected based on their geographic location and their ability to provide insight on key factors necessary for a healthy and thriving housing situation. The case studies identified best practices, lessons learned, key successes and how they were achieved, as well as factors that were important in facilitating or limiting success. Case study tools are shown in Appendices C and D.

Each case study included:

- A community profile;
- Relevant statistics and descriptive information that situate and contextualize the community;
- A document review of relevant files, where provided by AANDC;
- A review of the community's housing policies and activities;
- A review of linkages to other community housing programming and partnerships;
- A summary of successes and challenges, including gaps in services;
- Data from interviews with band office staff and community members (including band/tribal councils, Elders, etc.);
 - About five to eight interviews were conducted in each community. Interviews were conducted in-person using a semi-structured guide as found in Appendix C and D; and
- A walk through the community to observe the housing situation with written observation notes.

2.3.2 Considerations, Strengths and Limitations

Considerations

This evaluation, which focuses on the broader policy impacts of market-based housing on the Department's approach to housing, is set to accompany an evaluation of impacts led by CMHC. The CMHC evaluation directly examines: the design and delivery of the Fund; the outcomes in relation to increased self-sufficiency and responsibility for on-reserve housing, reduced housing shortages and reduced reliance on federal funding; long-term change in housing and outcomes on reserve; and whether the FNMHF has increased the supply of market-based housing

on reserve. While the AANDC study examines standard evaluation questions, it is considered a study of broader policy implications on the Government's approach to on-reserve housing, and not as a traditional program evaluation.

Strengths

The participants in this evaluation were individuals with considerable expertise and knowledge of market-based housing and Aboriginal housing issues in Canada, thus, providing rich discussion into broader implications stemming from the Fund. To the extent possible, information from the interviews and case studies was triangulated with findings from the literature review and document review. The study also actively engaged First Nation participants via active roles in the advisory committee on developing methodology and interpreting findings, and in participation in interviews and case studies on reserve.

Limitations

To date, there have been few tangible impacts of the Fund, and thus, it is difficult to discuss implications without knowing what the impacts may or may not be. This is exacerbated by the short amount of time the Fund has existed compared to other housing programs.

Another important limitation was the fact that both the CMHC and AANDC evaluations occurred simultaneously, thus, presenting information-sharing challenges. The AANDC study was conducted without the benefit of the CMHC findings as context for discussion, thus, presenting challenges in results interpretation. While the evaluation was intended to be drafted using triangulation with the CMHC evaluation data and input from their staff, no data was provided.

Pertaining to methodology, while the case studies were intended to be illustrative (and not necessarily generalisable) and compliment other lines of evidence – and in particular the CMHC evaluation – time, scope and budget limitations only allowed for the implementation of two case studies (Ontario South and British Columbia). The communities were selected based on their unique experiences in implementing market-based housing. Additionally, as a result of the tight timelines, the literature review that was conducted by LeClair Infocom provided an extensive bibliography, however, there was inadequate time to analyze all the sources provided. Therefore, only the most pertinent sources were analyzed and included in the report.

Gender-based Analysis

The literature examined some issues of matrimonial property rights as it relates to market-based housing and its impact on different genders. Broadly speaking, however, this study did not explicitly examine gender issues due to the limited scope of the study.

2.4 Roles, Responsibilities and Quality Assurance

- EPMRB was the project authority for this evaluation and drafted the Terms of Reference, engaged the advisory committee, managed the development of the study's methodology, integrated the data from the multiple lines of evidence, managed the various research contracts, and prepared the final draft for approval.
- The consulting firm LeClair Infocom, in association with the University of Saskatchewan's ICNGD, undertook the literature review. Stiles Associates undertook the key informant interview and case studies. Consulting firms were responsible for drafting work plans and methodologies, implementing their respective data collection, providing regular updates and drafting technical reports to be approved by EPMRB.
- The quality assurance measures, which were applied to this evaluation included an evaluation advisory committee comprised of members from the FNMHF, the AFN, CMHC, and AANDC's Infrastructure Branch and EMPRB. The report was reviewed by the advisory committee and peer-reviewed by an evaluator in EPMRB not responsible for evaluations in this area.

PART A: Summary of Evaluation Findings

3. Evaluation Findings - Relevance

3.1 Continued Need

3.1.1 *Is there a demonstrable need for market-based housing initiatives on reserve?*

Finding: There is a demonstrable need for market-based housing as it can contribute to the long-term sustainability of on-reserve housing.

When Section 95 loans⁶ are paid off, the CMHC subsidy and in some provinces, shelter allowance ends. If the band has not collected rental revenue, they must rely on AANDC Minor Capital Funding to support housing renovation and maintenance, which is often insufficient for the level of need.⁷ While some bands receive funding specifically allocated to housing, in most cases, federal funding included in capital grants is managed by band councils and thus, housing decisions may compete with other priorities such as road repairs, water treatment, and other infrastructure needs.⁸ As a result of insufficient financing, many bands take out a new Section 95 loan, continuing cycle of reliance on outside assistance.⁹

While AANDC has continued with significant investments in the construction and repair of sustainable housing stock, the backlog has continued to grow and is estimated by the Department to be between 20,000-35,000 housing units, with 16,900 housing units in need of major repair and 5,200 housing units in need of replacement (although AFN representatives suggested their estimates of these numbers to be much higher).¹⁰ Statistics Canada has projected that the population of First Nations children between the ages of 0-18 will increase 18.4 percent, First Nation adults under the age of 65 will rise 40 percent and the number of First Nation seniors 65 and over will nearly double¹¹ and thus, it is anticipated that the need for housing on reserve will grow further.

The proportion of crowded homes in 2006 was approximately 1.7 percent for non-Aboriginal people; 12.1 percent for Aboriginal people on reserve; and 2.1 percent for Aboriginal people off reserve.¹² Overcrowded houses on reserve have been proven to deteriorate at a faster rate than houses that are not overcrowded. As a result, the demand for housing and population growth is outstripping the speed with which new houses can be built and existing ones repaired.¹³ The rapid deterioration of housing units as a result of over-crowding indicates a need for more supply.

⁶ Refers to loans from CMHC designed to assist First Nations in the construction, purchase and rehabilitation, and administration of suitable, adequate and affordable rental housing on-reserve. CMHC provides a subsidy to the project to assist with its financing and operation.

⁷ Canadian Housing and Renewal Association (CHRA), 2011

⁸ Canadian Real Estate Association (CREA), 2003

⁹ CHRA, 2011

¹⁰ Indian and Northern Affairs, *Evaluation of INAC's On-Reserve Housing Support, February, 2011, Indian and Northern Affairs Canada. Summative Evaluation of the Capital Facilities and Maintenance Program* February 2010 < <http://ainc-inac.gc.ca/ai/arp/aev/pubs/ev/cfm/cfm-eng.pdf> > 38.

¹¹ Ibid

¹² AANDC, *Evaluation of INAC's On-Reserve Housing Support*, February 2010,

¹³ AANDC, *Evaluation of INAC's On-Reserve Housing Support*, February 2010, xii

Homeownership rates are very low on reserve (31 percent) compared to off reserve (69 percent)¹⁴, possibly attributable to a combination of low household income and the belief in Treaty Rights¹⁵ to housing. Tom Flanagan states that, “lacking pride in ownership, tenants neglect maintenance. Without incentive of ownership, there is chronic under-investment in housing. Private funds are not mobilized and the band never seems to have enough to meet its needs.”¹⁶ Positive effects associated with homeownership, such as stability and a strong connection with community¹⁷ lead to long-term investment and home upkeep. Key informants and case study participants noted positive effects of homeownership, such as increased self-esteem, pride, community development and building capital assets.

While there appears to be a demonstrable need for market-based housing initiatives on reserve, participants in this study also highlighted an ongoing need for investment in social housing, attention to transitional mechanisms (such as market rental options) leading to market-based housing as part of the continuum of housing, and for building the capacity necessary to meet the preconditions for market-based housing.

Several participants saw the need for market-based housing initiatives to enable residents who can afford to buy homes to do so, thereby, freeing up social housing units for those most in need. Others saw homeownership as a way to address the significant housing demand on reserve and the financial impossibility for the federal government of clearing up the backlog of housing demand and meeting future demand.

“The next generation is not okay with social housing as the only option or with band-owned housing as an option or with not knowing who owns the house. The next generation won’t put up with housing the way it’s been.”

It is clear, therefore, where feasible and practical, that there is a demonstrable need for market-based housing insofar as its ability to reduce reliance on social housing and increase the longevity of housing stock.

3.1.2 Is there a demonstrable need for a fund explicitly designed to provide credit enhancement?

Finding: The FNMHF may have the potential to be a viable option for pursuing homeownership and thus, potentially meeting some of the housing needs on reserve. However, this study was not able to conclude that there is a need for a fund explicitly designed to provide credit enhancement, as there have been other means of overcoming barriers posed by Section 89(1) of the *Indian Act* that have yielded greater results.

¹⁴ Canadian Mortgage Housing Corporation, Research Highlights: Preconditions Leading to Market Housing on Reserve, 1 2009

¹⁵ See Section 35 of the Constitution Act, 1982.

¹⁶ Flanagan, Tom. *First Nations? Second Thoughts*. Montreal and Kingston: McGill-Queen's University Press. Pages 107-108, cited in the Evaluation of INAC's Support for On-Reserve Housing, 2010

¹⁷ D. Aaronson, 'A Note on the Benefits of Home ownership.' *Journal of Urban Economics*, 2000

Impediments within the *Indian Act* prevent the seizure of First Nation land or assets. Specifically, Section 89(1) of the *Indian Act* prevents band-owned land situated on reserve from “change, pledge, mortgage, attachment, levy, seizure, distress or execution in favour or at the instance of any person other than an Indian or a band”.¹⁸ As a result, First Nation residents who live on reserves are unable to seek traditional mortgages in the same fashion as off reserve. The FNMHF is intended to share risks among band councils, band members and private lenders. The Credit Enhancement Facility provides a financial backstop, which can be used to repay the loan in the case of a First Nation who defaults.

Although the vast majority of key informants believe there is a demonstrable need for a fund explicitly designed to provide credit enhancement, some qualify their agreement by saying the FNMHF represents one option among many forms of credit enhancement. Key informants and case study participants noted that such a fund allows band members to overcome obstacles in dealing with private banks that are unfamiliar or inconsistent in dealing with provisions of the *Indian Act*. They also noted that a fund of this type, with its significant \$300 million in backing, addresses the lack of capital among First Nations and represents a powerful ally and intermediary for a band in providing expertise and negotiating interest rates with private lending institutions. This was noted as especially useful for bands lacking in financial management capacity and economic resources.

However, two key objections were: 1) private banks are already lending to individuals on reserve on the basis of a band guarantee for the loan; and 2) the high financial cost of carrying the interest and the principal on loans may be a deterrent.

Some First Nation communities establish their own credit enhancement programs such as Revolving Loan Funds. Other individuals and communities with a strong credit history are able to participate in on-reserve lending programs directly with lenders. Other mechanisms such as the AANDC MLG program also fulfill the need for a credit enhancement.

First Nation community members may not be able to obtain mortgages in the same manner as other Canadians, thus, making the FNMHF one option to facilitate homeownership through credit enhancement. Given that the use of market-based housing is slowly becoming more prominent without backing from the Fund or other government mechanisms, however, there is no evidence that the Fund is essential to facilitating market-based housing.

3.1.3 Is it a reasonable expectation that the FNMHF will achieve its stated outcomes as presently designed?

Finding: Based on the evidence in the current study, the FNMHF as it is currently designed is not expected to meet its anticipated outcomes.

Off reserve, housing markets meet the needs of 90 percent of households through homeownership, condominiums, co-operatives and rentals. It is not known what proportion of on-reserve households are fully responsible for their housing costs or acquired their housing through market-based techniques. Off reserve, 66 percent of households are homeowners. The

¹⁸ *Indian Act* (R.S.C., 1985, c. I-5), accessed from: <http://laws-lois.justice.gc.ca/eng/acts/I-5/> on March 29, 2012.

comparable figure on reserve is 31 percent, but it is known that on-reserve households may state ownership even though the house is in fact owned by the band.

During the establishment of the FNMHF, it was estimated that 30 percent to as much as 40 percent of future housing requirements could be addressed through market-based housing mechanisms, based on an average affordability and income of houses on reserve. It was estimated that a housing unit on reserve could be provided for \$150,000 on average, including the costs of lot servicing. Based on off-reserve lending criteria, an annual income of \$34,000 could support a loan of up to \$142,500 at a loan-to value ratio of 95 percent, at today's interest rate. According to the 2001 Census figures being used at the time, over 40 percent of Aboriginal households on reserve had incomes of \$30,000 or more, and close to 30 percent had incomes of \$40,000 or more. Before the approval of the Fund, it was projected that over the course of a ten year period, 25,000 to 30,000 households could be financed. Critically, however, these estimates did not account for community capacity for market-based housing, whether homeownership is a priority for community members, credit readiness of individuals, willingness of communities or individuals to participate, household overcrowding or risk capacity.

Revised FNMHF estimates suggested that at the end of its third year of operation (the end of 2011), it would have backstopped 4,650 housing loans. By the end of its fifth year of operation (2013), over 10,000 units would have accessed the Fund to backstop loans.¹⁹ It was estimated that the Fund would spend approximately \$3 million each year on capacity development with a cumulative total of nearly \$7.75 million spent after three years (2011) of operation and \$14 million spent after five years (2013).²⁰ However, only two houses have been built to date and \$1.75 million in capacity development has been spent to date.

According to CMHC, some demand-related assumptions of the anticipated need for market-based housing were not taken into account while projecting the uptake for market-based housing. The current percentage of individuals who own their own homes, debt loads of First Nation communities, and factors related to each individual loan choice such as credit history, actual costs of homes, income and mindset toward homeownership were not adequately considered. When these factors are taken into account, the anticipated demand for market-based housing declines.

Participants in this study largely said the Fund would not achieve, or would only partially achieve, its stated outcomes as presently designed. It was suggested that outcomes related to the Fund need to be framed as a longer-term strategy. Ultimately, with the lack of uptake in credit enhancement, in the short-term, there is no evidence that the Fund can reasonably be expected to achieve its stated objectives. Implications of this are discussed in greater detail in Section B: Policy Considerations.

¹⁹ First Nations Market Housing Fund 2009

²⁰ Ibid

3.2 Alignment with Government Priorities

3.2.1. *Is support for market-based housing consistent with AANDC's priorities and objectives for on-reserve housing?*

Finding: Support for market-based housing is consistent with AANDC priorities and objectives related to on-reserve housing.

The Government of Canada and AANDC have indicated that on-reserve housing is a specific priority since the announcement of the 1996 On-Reserve Housing Policy. In 1998, in its response to the Royal Commission on Aboriginal Peoples, *Gathering Strength*, AANDC internally re-allocated \$20 million to on-reserve housing. There were also commitments to work on initiatives that began in 1998 to partner with the AFN and CMHC to explore approaches to private sector investment, alternative approaches for governance of First Nations housing, improved linkages with economic development and other issues. Budget 2005 included joint financial commitments to AANDC and CMHC for on-reserve housing of \$295 million over five years.

Market-based housing is also considered to be an AFN priority. In its pre-2007 Budget submission, the AFN stated that First Nations fully support the need for structural changes, including market-based housing, but wanted critical needs such as the current backlog, social housing and renovation assistance to be addressed simultaneously. It proposed creating a First Nation Housing Institute (FNHI), which would act as a centre of excellence for First Nations housing matters and administer an investment fund to support First Nations housing. The proposed FNHI was very similar in design to the FNMHF.

In 2007, in his presentation to the Indian Affairs and Northern Development *Standing Committee on Aboriginal Affairs and Northern Development*, the Minister acknowledged that the Government knows the housing situation on many reserves is, “inadequate and contributes to poor economic and social outcomes.” The Government also acknowledged that, “structural reform and innovation are required in order to transform the housing system on reserve.” With that, the Government announced a \$300 million investment to establish the Fund. The Fund was intended to support the development of individual property ownership on reserve, encourage lending for private housing, and increase accountability, both institutional and personal.²¹

In 2008, AANDC received additional funding to support investments in First Nations infrastructure and housing through the Capital Facilities and Maintenance Program, in the amount of \$150 million over two years. These commitments were followed by the Government's agreement to increase the AANDC MLG authority to \$2.2 billion.

“If you look at the spectrum of housing, definitely there is a role for government to encourage a move to market-based housing to focus on housing as an economic development tool, to leverage money for business. So it fits government priorities to move toward financial literacy and looking at housing as an economic development tool.”

²¹ The Budget Plan 2007 : *Aspire to a Stronger, Safer, Better Canada*, Department of Finance, 2007

Most stakeholders interviewed viewed programs, policies, and initiatives in market-based housing as consistent with government priorities and objectives for on-reserve housing. Several of these participants consider market-based housing as one choice among a range of valid options on the housing spectrum. Several participants also linked market-based housing with the stated objectives to increase the self-sufficiency and independence of reserves. Other participants connected the interest in market-based housing with the ideas of housing as a business, as a creator of wealth for households, and as an economic development tool.

3.3 Alignment with Federal Roles and Responsibilities

3.3.1 *Is there a legitimate, appropriate and necessary role for AANDC or the Government of Canada in supporting market-based housing initiatives on reserve?*

Finding: The Government of Canada and, specifically, AANDC have an integral role to play in supporting market-based housing initiatives on reserve as part of a broader strategy to ensure improvements in housing and to support innovation in long-term sustainability of housing programs and housing stock.

The 2003 Audit of AANDC's On-Reserve Housing Program called for greater clarity on the roles and responsibilities of AANDC and CMHC and greater clarity from each as to the objectives of their interventions in on-reserve housing.²² However, the report did not raise any concern regarding the appropriateness of the roles of those departments or the Government in supporting market-based housing. The 2006 update to that audit noted that roles and responsibilities had been better defined. The 2010 Evaluation of AANDC's On-Reserve Housing Program notes that there is still some confusion for stakeholders with regards to the roles and responsibilities of AANDC and CMHC.

Almost all key informants suggested there is a legitimate, appropriate and necessary role for the Government in supporting market-based housing initiatives on reserve. Several participants asserted that the Government is obliged to assume the role of providing housing and creating housing markets. Those interviewees attribute the role to historical conditions that placed First Nations on reserves, noting the constraints imposed upon First Nations by the *Indian Act*. Particularly, interviewees noted that the Government has a role in creating the legal space for First Nations to establish their own housing markets on reserve. Additionally, they suggested that the Government can do more through its own programs to shift attitudes among First Nations toward positive views of homeownership, and combat the notion of everyone having entitlement to a house provided by the federal government. Some participants also see the Government role as being a temporary one, primarily meant to set the stage so that First Nations can take responsibility for housing. In one of the case studies, it was noted that more program responsibility should be devolved to the community to achieve better results and avoid administration costs of dealing with the federal government.

²² 2003 April [Report of the Auditor General of Canada](#) ; paragraph 6.32.

In light of clearly stated government priorities, and the significant need to address the ongoing challenges related to housing, as well as the potential for market-based systems to address some of these challenges, involvement in the Fund is clearly consistent with the Government of Canada's priorities, and AANDC should continue to play an integral role in supporting market-based housing initiatives. It is not entirely clear, however, whether or not the current roles and responsibilities of CMHC, AANDC, the Board of Trustees and First Nation stakeholders, as set out in the design of the FNMHF, are conducive to facilitating the most promising outcomes with respect to market-based housing.

4. Evaluation Findings – Performance

Finding: The Fund has achieved little tangible or measurable success.

The Credit Enhancement mechanism had demonstrated very few results at the time of the evaluation and it could not be determined if the Capacity Development mechanism had made an impact. Given the relatively slow uptake of the Fund, an innovative and structural change in the way housing is delivered on reserve remains to be seen.

The Fund acknowledged that the targets as described in Section 3.1.3 were not achievable as a result of a number of challenges. The ‘ramping up’ of First Nations’ participation in the Fund in 2008-2009 was slower than anticipated.²³ Factors contributing to the Fund’s challenges achieving expected results include being a new entity and developing new relationships, changes in leadership and administration staff in First Nations, limited staffing resources, and competing priorities in First Nation communities. Among the small group of interviewees who had a more favorable view of the Fund performance to date, a few respondents noted the need to allow the Fund sufficient time to implement the program and achieve its objectives, and to make the program more attractive to both First Nation borrowers and to lenders.

Many key informants mentioned the opportunity costs of not putting the Fund’s investment capital to more effective use. A critical issue identified is the need for government support in helping move some reserve residents out of social housing and into market-based housing through transitional mechanisms. Types of alternative investment for Fund capital proposed included conversion from rental housing to market-based housing, revolving loan funds, the shared equity model, and general economic development.

“The Government has to be more involved in transitional steps. They did a big study of the mechanisms to move people out of social housing. It looked at the transitional instruments. That’s where the Government has to focus.”

Importantly, and as discussed in greater detail in Part B:

Policy Implications, it is possible that there is a potential for greater performance in housing outcomes in the long term, and less as a means to address immediate housing needs. For example, there have been numerous capacity building initiatives, particularly within the past year (detailed in Appendix E) under the pillars of finance, governance, and community development. Additionally, while mortgages have not yet been pursued by community members, there has been a gradual increase in communities being approved to access the FNMHF – at the time of this report, being 38 communities representing a potential of \$350 million in mortgages, thus, the FNMHF is available to a growing number of individuals and communities.

²³ FNMHF, 2011-2015 Business Plan Summary

5. Evaluation Findings – Design

5.1.1 Are there aspects of the current design and approach to the Fund that need to change in order to achieve the stated outcomes?

Finding: There were some aspects of the Fund’s current design cited as needing to be revisited or improved, particularly with respect to capacity development, but to date, there is no recurrent theme or consensus on broad design issues with the administration of the Fund.

Key informant’s opinions were divided as to whether the Fund’s design and approach could be effective in achieving the intended outcomes, with many noting that the Fund mechanism was slow to start, top-down in its delivery and suitable only for some First Nation communities. Participants who found the Fund’s design to be effective suggested that there has been growth in opportunities to streamline the process to get houses built, refinement of housing policies, reduced turnover of band staff, and greater interest in training. Some participants felt the Fund had helped raise awareness about market-based housing, contributed to building capacity, and had an effective governance structure.

Some concerns related to the Fund included:

- ✓ The need for more time to see results (i.e. 10 years)
- ✓ The needs to consult more individuals in planning and programming
- ✓ That it would not help those in greatest need of housing, and it would only help a small number of First Nations who were already doing well
- ✓ The need to solicit more buy-in from communities
- ✓ That it placed 100 percent of the risk on the First Nation, and none on the banking institution
- ✓ Private homeownership under the *Indian Act* is complicated
- ✓ Factors such as the lack of positive attitudes toward homeownership and poor employment options are obstacles to uptake

Interview participants reported that the Fund had engaged in a wide variety of capacity development activities, including: offering education for band administration of housing (e.g. financial classes, accounting, governance, and housing policy), policy improvements (rental regime, housing policy, financial policy, and land tenure), and training in housing infrastructure design, installation, and maintenance.

The most frequent shortcoming mentioned by key informants was the challenge posed by the community eligibility criteria. Other concerns included the desire to see the program run by First Nation people. There were concerns that the Fund was not seen as a First Nation organization, but as a government agency, or an extension of CMHC. The Fund was perceived by some as being too top-down and rigid in its approach.

Other comments included challenges with the capacity building; bureaucratic challenges, both with banks and with the Government; and too few bank options for some communities.

Participants also had comments regarding the whole process for applying to the Fund.

Positive:

- ✓ Application was easy to fill out
- ✓ Bank was supportive
- ✓ Fund was supportive

Negative:

- ✓ Application was time consuming
- ✓ Turnaround time was slow – inhibited accessing training opportunities
- ✓ Difficult to get approval for band’s own choice of consultant
- ✓ Had issues with the capacity building consultant
- ✓ Community was inexperienced
- ✓ No format for making requests
- ✓ No template – struggled with what information to send

5.1.2 What are some policy alternatives to assist the majority of First Nations to move from social and band-owned housing to market-based housing? Can these complement the Fund?

Finding: This study found evidence of several alternatives to the FNMHF for facilitating market-based housing on reserve. These can potentially be complimentary to the Fund depending on the ability or willingness of communities to deal directly with lenders or to use government-backed mechanisms.

A number of First Nations have experienced success with other market-based mechanisms; however, access is limited to the most credit-worthy bands with high functioning band administration capacity – essentially those most likely to be classified as ‘Tier 1’

Key informants viewed private lenders and mechanisms controlled by First Nations, such as revolving loan funds and capital corporations, as the main alternatives to social housing that could improve housing outcomes and reduce reliance on social housing. Participants noted that private lending institutions, such as the Royal Bank of Canada and the Bank of Montreal, are established alternatives since they have been providing loans for on-reserve housing in communities well before the arrival of the FNMHF. First Nations such as Kahnawake have experienced higher rates of homeownership and reduced housing backlog using a number of models, including on-reserve housing loan programs run through private lenders Caisse Populaire Kahnawake or Bank of Montreal.²⁴

Self-sustaining revolving loan funds that generate monies for housing purposes are currently functioning in eight communities with a total portfolio value exceeding \$70 million. While the approach involves a long-term investment of capital, there have been instances of success and demand is currently exceeding supply in communities with this program.²⁵ Some communities

²⁴ Moving to Home Ownership, Kahnawake Experience, November 23, 2010 – Regional Housing Meeting

²⁵ CHRA, 2011

have been using revolving loan funds for decades. Community members from the Ontario community case study regarded revolving loan funds as a viable alternative. Currently, their available capital allows them to finance about nine mortgages per year. With greater financial backing, participants suggested that they could make more loans and keep more of the interest on loans within their own community. This option is regarded as preferable by some participants since it generates income from interest that the band can use for its own purposes, rather than the interest going to outside banks. Revolving loan funds are considered flexible enough to meet the needs of members and an important means of stimulating economic development in communities. However, the development of a RLF requires strong financial literacy and adequate start-up capital, which can pose major obstacles for some First Nations.²⁶

Key informants also suggested that capital corporations controlled by First Nations could finance housing development. For example, one participant suggested that the National Aboriginal Capital Association Corporation could issue bonds with income tax benefits and, thereby, provide investment dollars for First Nations communities. Other entities proposed along the same lines were the First Nations Finance Authority and the Quebec-based Native Commercial Credit Corporation. It was suggested that housing co-ops with shared equity could be explored as options to increase housing stock. For example, The Kahnawake Housing Authority (KHA) runs a Shared Equity Program where condo units can be purchased by community members at a reduced rate of \$60,000. The total unit cost of \$85,000 is financed by a \$60,000 loan from the KHA and \$25,000 from the AANDC Minor Capital Program.²⁷ The program is aimed at allowing individuals to step from rental to homeownership. Shared equity programs may be better suited for smaller communities who have available land to accommodate building. They may be seen as a way to address overcrowding through the promotion of homeownership.²⁸

Several participants noted that the non-profit sector could play a role in improving housing outcomes through organizations such as Habitat for Humanity and the Frontiers Foundation. In such a scenario, individuals could provide labour in lieu of money (also known as sweat equity). Time spent volunteering would contribute to equity and decrease the size of the mortgage. Considering that sweat equity has been proven to increase pride in homeownership,²⁹ and the flexibility of this approach for low-income families, there is a potential for this to succeed on reserves in building affordable housing.

Other ideas mentioned by key informants included professional accreditation or designation programs, such as those offered by the Real Estate Institute of Canada in order to develop long-term capacity within First Nation communities in property management, as well as stronger partnerships with provincial or territorial governments on housing.

²⁶CHRA, 2011

²⁷CHRA, 2011

²⁸CHRA, 2011

²⁹“Using Volunteer Labour” Canada Mortgage and Housing Corporation” < <http://www.cmhc-schl.gc.ca/en/inpr/afhoce/tore/afhoid/cote/usvola/index.cfm>>

6. Evaluation Findings – Efficiency

6.1.1 Are there ways to minimise administrative overhead to better ensure a sufficient amount of the return on investment to be used for capacity development?

This evaluation did not examine efficiency in depth as it is covered in CMHC’s performance evaluation of the Fund.

Key concerns raised, however, were that there were no clear results to date insofar as tangible outcomes. Some argued that the Fund could have used the \$300 million dollars more efficiently, noting that the investment may not be worth the return, and questioned whether it was better to invest in short-term housing needs rather than longer-term goals related to ownership. Other challenges identified included:

- ✓ Some capacity development consultants come in with pre-determined ideas of community needs.
- ✓ The Fund has been narrow in its focus on credit enhancement, and should be broad in its focus on capacity building.
- ✓ The Fund is slow and top-down in its approach.
- ✓ There should be more focus on capacity building, and less focus on administration.

Interview participants also offered suggestions on how the Fund could be improved, including:

- ✓ Kick-start homeownership from rentals.
- ✓ Support revolving funds or credit enhancement to First Nations lenders, so that the band is not involved.

***Part B – Policy Implications for AANDC’s
Approach to On-Reserve Housing***

This section addresses the broader policy implications of the FNMHF on AANDC's approach to on-reserve housing, stemming largely from the observations in Part A, above. The discussion below is meant to provide insight into possible policy considerations respecting homeownership on reserve, and specifically, the role of market-based housing through mechanisms such as the FNMHF or other avenues.

7. Existing Options for Homeownership On Reserve

The findings of this study suggest that where First Nation people and communities are pursuing homeownership through market-based housing, they are doing so via direct relationships with lenders more so than through the FNMHF. Specifically, while there has been an uptake insofar as some communities applying for approval to access the credit enhancement offered by the Fund, communities and individual residents have pursued market-based housing through other mechanisms, such as revolving loan funds and direct lines of credit with private lenders.³⁰

7.1 Private property, Land rights, and the *Indian Act*

Finding: Issues of land rights stemming from the *Indian Act* pose significant challenges to homeownership and market-based housing; however, these challenges are not insurmountable, and many communities have used innovative means of addressing these barriers.

The dichotomy between some traditional Aboriginal perceptions of property rights and the concept of private property, which should feature predominantly in any market-based housing strategy, has not been researched extensively in the literature reviewed in this study. What is apparent, however, is that the concept of communal title to property is not uniformly held across all Aboriginal people. Additionally, traditional concepts of land tenure do not exclude the possibility of property rights being held by individual band members. For example, a series of interviews conducted by Flanagan and Alcantara³¹ demonstrated the presence of “usufruct” rights (wherein individuals may have the right to derive benefits from a parcel of land while not holding title to the land) within Aboriginal communities. Nevertheless, given that usufruct rights are embedded within Aboriginal customs and conventions rather than codified statutes, the ability of an individual to exercise these rights may be contentious in some cases.

While Section 20 of the *Indian Act* sets reserve land for the use and benefit of the band, Certificates of Possession, allowing individuals to acquire tracts of on-reserve land, do provide a mechanism within the *Indian Act* central to the implementation of any market-based housing strategy on reserve. However, unlike simple ownership that exists off reserve, wherein individuals have the land in perpetuity, and the full freedom to sell the land to anyone else, Certificates of Possession can only be transferred by the holder to fellow band members with the approval of the Minister of AANDC. Furthermore, Certificates of Possession have been criticized for having an overly bureaucratic process and lengthy approval times. The ability of the band or band members to lease their land also requires the support of band council, the consent of the entire membership and/or the approval of the Minister of AANDC. Other

³⁰ For example, Kahnawake First Nation – See Revolving Loan Funds in First Nations, Housing as a Business, March 22, 2010, a presentation by Michael Rice – available at: http://www.haab.ca/uploads/3._michael_rice_revolving_loan_funds_in_canada.pdf

³¹ Flanagan, T., and Alcantara, C. (2005). Individual property rights on Canadian Indian Reserves: A review of the jurisprudence. *Alberta Law Review*, 42(4), pp. 1019-1046.

mechanisms for private property on reserve include usufruct ownership based on traditional occupations, and the ability of some bands to opt out of the land management provisions of the *Indian Act* and to create their own codes under the *First Nations Land Management Act*.

The use of usufruct rights gives Aboriginal communities a degree of flexibility in creating and enforcing land management policies that are sensitive to historical and cultural considerations. However, bearing in mind that usufruct rights derive their validity from customary rather than statutory conventions, there is a considerable potential for political influence to play a role in the allotment and the expropriation of land held under a usufruct system. Furthermore, community recognition of title does not offer valid legal possession of customarily held property, as determined by the Federal Court of Appeal in the *Cooper v. Tsartlp Indian Band* case. The cases of *Mathais v. Findlay*, *Joe v. Findlay*, *Heron Seismic Services Ltd. v. Muscorpetung Indian Band* support the notion that, unless possession is explicitly granted in the form of a band council resolution (BCR), an individual is not in lawful possession of landed property on reserve even if the individual enjoys usufruct rights granted by custom. Furthermore, in the event that a BCR is issued, the court reserves the right to determine its validity, as demonstrated in the case of *Leonard and the Kamloops Indian Band v. Gottfriedson*. Further, prerequisites of Band Council and Ministerial approval have since been applied via the British Columbia Superior Court of Appeal through the case of *George v. George* and the cases of *Lower Nicola Band v. Trans-Canada Displays Ltd.* and *Squamish Indian Band v. Briggs*.

It is also important to note that Section 89(1) of the *Indian Act* does not preclude the seizure of Aboriginal property by a band or another Aboriginal individual. This has been confirmed in the cases of *Hopkins v. Hopkins* and *Shubenacadie Indian Band v. Francis*. There is the potential for Aboriginal bands to use property seizure as a means for creating a disincentive for defaults on the part of band members.

Ultimately, however, navigating the legal framework surrounding the implementation of a market-based housing strategy remains a challenge. Judicial interpretations and case law stemming from the *Indian Act* create a complicated legal edifice on which a market-based housing strategy can be built. The multifaceted legal issues concerning market-based housing and property rights need to be explored further in order to ensure that such a strategy is well rooted in Canadian law.

7.2 Facilitating Homeownership On Reserve

Finding: While there is potential for the Fund to address some housing needs in the longer term, its Credit Enhancement mechanisms may not necessarily be the preferred option for market-based housing, and capacity development is likely the key to facilitating homeownership in the short-term.

The evidence described in this report and in much of the literature points to capacity, economic development and community readiness as the most prominent precursors to homeownership. Where these precursors have been observed, however, they are primarily seen in First Nations with direct financial arrangements with lenders, and without the involvement of the Fund.

As pointed out in the evaluation findings in Part A, participants in this study contended that there is a demonstrable need for a fund explicitly designed to provide credit enhancement. However, this was qualified by the notion that the FNMHF represents one option among many forms of credit enhancement. That said, the Fund was noted to have the potential to allow First Nation communities to overcome obstacles in dealing with private banks that are unfamiliar or inconsistent in dealing with provisions of the *Indian Act*. They also noted that a fund of this type, with its significant \$300 million in backing, addresses the lack of capital among First Nations and represents a powerful ally and intermediary for a band when it comes to providing expertise and negotiating interest rates with private lending institutions, especially for bands lacking in financial management capacity and economic resources.

In considering the potential of the Fund to facilitate homeownership, however, it is clear that it is one option in an environment where homeownership by an individual, conceptually, is often not feasible, and frequently at odds with some long-held perceptions of land and Treaty rights, as well as the lack of incentive for homeownership where social housing has been the norm. Other options for market-based housing as a vehicle for homeownership include Ministerial Loan Guarantees, Revolving Loan Funds and direct borrowing relationships with lenders. Ultimately, however, without the preconditions listed above, regardless of the option, a First Nation community's ability to pursue homeownership among its members is significantly challenged and frequently not a priority, particularly considering the often urgent need for investment in other capital projects. The findings of this study suggest that, given the lack of uptake of credit enhancement provided by the Fund when compared to the uptake in other market-based housing options (which is still very low), 1) the FNMHF is not necessarily the preferred option for market-based housing; and 2) capacity investments are the most critical front-line component of addressing housing needs, and possibly facilitating homeownership.

8. Expectations of FNMHF Impacts on Housing

8.1 Preconditions and assumptions for market-based housing

Finding: The preconditions required for the success of market-based housing on reserve suggest the need to reframe the objectives of the Fund as part of a long-term strategy.

From its inception, the FNMHF was always intended to be one in a range of measures to address housing needs on reserve, and was not intended as a panacea. Its intent to facilitate homeownership and address housing needs would imply the following assumptions:

- That Homeownership is a reasonable and effective catalyst to address housing needs on reserve;
- That a market-based housing approach can facilitate homeownership on reserve in light of possible resistance related to notions of Treaty rights;
- That homeownership is a reasonable expectation in reserve communities given economic realities and regulations stemming from Section 89(1) of the *Indian Act*; and
- That regulations stemming from Section 89(1) are a sufficient barrier so as to necessitate the need for a government-backed mechanism for mortgage financing.

CMHC's study³² of pre-conditions leading to market housing on-reserve suggested the following as exemplary in cases of high on-reserve homeownership rates:

Economic Development and Employment Opportunities – Healthy First Nation economies enabling business development and employment opportunities that provide members with income stability

Leadership Support and Commitment – Support and commitment provided by Chief and Council for the development of homeownership options and access to financing

Community Involvement and Education – Ability and opportunity for First Nation members to express their needs and voice their concerns with respect to homeownership in their community, facilitated by the provision of educational material and resources on homeownership and housing finance

Trained Housing Manager – Housing managers trained in construction, property management, accounting and areas specific to developing and managing housing in First Nation communities

Certified Finance Department Staff – First Nation Finance personnel certified in finance and accounting

Skilled Local Trades Workers – Availability in the community of skilled labour, such as carpenters, electricians and plumbers

³² CMHC (2009). Preconditions leading to market housing on reserve. Socioeconomic series 09-011. Available at: <http://www.cmhc-schl.gc.ca/odpub/pdf/66422.pdf?fr=1339511243594>

Comprehensive Housing Policies and Capacity for Enforcement – Policies covering a wide array of housing issues and providing ease of interpretation for developing program guidelines and for responding to emerging situations and; capacity to effectively implement and enforce policies to maintain their integrity

Lender Security – Assurance that a lender has recourse in the event of loan default

Availability of and Accessibility to Financing – Opportunity to obtain financing from lenders and funding programs.

Infrastructure Financing – Financing for infrastructure and lot servicing that allows for the development of privately owned housing

Homeownership Options for Different Socio-Economic Groups – Homeownership programs that cater to members with different social and economic circumstances (e.g.: income levels, family size, special needs, etc.)

These notions are generally consistent with the higher-level preconditions that are noted in this study. Specifically, that:

- Homeownership is viewed as a favourable option and residents are open to market-based housing;
- There is a strong economic base;
- There is a strong band administrative capacity;
- There is good governance on reserve, including strong leadership;
- There is a functioning rental regime; and
- There is a sufficient population base.

Of note is the absence of a particular focus on the popular notion that property rights and land tenure are significant barriers to homeownership. Some First Nation communities with the means and desire to do so have attained high levels of homeownership and market-based housing regimes through means other than the Fund such as those described in Section 7.1, and the notion of property rights and related aspects of the *Indian Act* have not impeded this.

Ultimately there is no evidence to suggest the Government's objectives to increase homeownership and local operational control are necessarily being facilitated by FNMHF, and no evidence that it will necessarily address the shortage of funds and capacity for restoring existing, or building new, housing stock.

At the inception of the FNMHF, it was assumed that by removing the credit constraint caused by sections of the *Indian Act*, potential housing demand could become effective demand. Effective demand can be measured by comparing incomes, housing affordability and ownership rates for First Nation household with the same data for households in the rest of Canada.

Off reserve, housing markets meet the needs of 90 percent of households through homeownership, condominium, co-operatives and rentals. It is not known what proportion of on-reserve households are fully responsible for their housing costs or acquired their housing

through market-based modes. Off reserve, 66 percent of households are homeowners, compared to 31 percent on reserve; however, on-reserve households may state ownership even though the house is in fact owned by the band.

As discussed in Part A, some of the rationale used to support the notion that there is a high potential for effective demand included that census estimates show that more than a third of homes on reserve have an annual income sufficient to support such a loan. What this does not account for is the number of individuals per household, the rate of crowding and the frequency of major repairs required – all of which when combined with a potential lack of residents or First Nation leaders seeing market-based housing as a viable option – culminate to significantly reduce the likelihood of buy-in and eligibility. Additionally, it is the community, not the individual, who ultimately needs to assume the position of backing the loan. If a community is ineligible for, or otherwise unable to, procure private financing from a private lender based on credit, management of finances or capacity of infrastructure management, then they would likely be ineligible for credit enhancement via the FNMHF as well.

Thus, what is clear from the current study is that the perceived impact of the FNMHF is a theoretical one, based on the potential for demand for the FNMHF and based on a potential void it would fill. It is possible that while there is little evidence that the fund as currently designed will increase self-sufficiency and reduce reliance on federal funding, its broad objectives could be framed as a longer-term strategy. Precursors to those results include education, employment, economic development, and social development. The key implication for the Government is, therefore, that there should not be a marked expectation that the Fund will significantly address housing needs in the short term. If it continues to be seen by the Government as a viable option to promote homeownership in the future, it needs to be understood that capacity and readiness for market-based infrastructure and homeownership are essential investments, and the credit enhancement itself through the Fund should be seen as a long-term alternative that can be used by First Nations that are eligible for market-based housing but not willing or otherwise unable to deal directly with banks. The Government should, therefore, not expect major impacts on the use of Section 95 mortgages as a result of the FNMHF in the short term.

8.2 Impacts on Local Economic Development

Finding: It cannot be inferred from any of the research reviewed in this study that the implementation of a market-based housing strategy necessarily leads to superior economic development when compared to any other approach to housing construction.

Respecting its potential to impact local economic development, there is little direct evidence of this in any of the data reviewed for this study, due at least in part to the fact that there has been so little construction activity related to the Fund. While Aboriginal economic development and Aboriginal housing have been extensively studied independently, there has been scant research linking the two. Research conducted by CMHC³³ emphasized the potential relationship between economic development and residential construction, suggesting increased community incomes

³³ Canadian Mortgage and Housing Corporation (2011). *Research Highlight: 2006 Census Housing Series: Issue 13 – On-Reserve Housing Conditions*.

from construction could lead to the formation of new businesses. Currently, construction facilitated by Section 95 mortgages is by far most prevalent and has the greatest impact in First Nation communities³⁴. While there is a strong positive association between housing stock quality and community income levels³⁵, none of the available research for this study could suggest that construction necessarily leads to greater economic development, particularly considering the likelihood that construction work is contracted to outside resources. To link economic development directly to construction would require an assumption that individuals and/or businesses in the community, as well as the band itself, would benefit directly from construction through employment or contracts, for example. Without sufficient capacity on reserve to actively participate in construction, there is no reason to necessarily expect economic growth through jobs or income facilitated by fund-backed mortgages.

³⁴ Ibid.

³⁵ Aboriginal Affairs and Northern Development Canada (2010). Evaluation of INAC's Housing Support. Chapter 5. <http://www.aadnc-aandc.gc.ca/eng/1325099369714#chp5>

9. Transitioning to Homeownership and Market-Based Housing

Finding: Capacity development, governance and community and individual interest in homeownership are key to addressing housing needs.

Finding: Transitional mechanisms to prepare willing communities for homeownership and reduce the reliance on social housing need particular emphasis in short-term policy planning for longer-term results.

The original estimates of the impacts of the FNMHF, as discussed in Section A, were that over the course of a decade, at least 25,000 homes would be constructed via financing backed by the Fund. More specifically, estimates were that by the end of 2011, there would be close to 5,000 loans back-stopped by the Fund, and \$7.75 million in capacity development initiatives underway. To date, only 38 communities have been approved, compared to the original goal of 80 by 2011, and only two homes have been built. This study thus revealed two key observations: 1) that adequate capacity needed for not only eligibility, but actual buy-in, needs to be considered as a first priority; and 2) that strong technical capacity and good governance are essential to the Fund's success. While both CMHC and AANDC are investing in capacity development, it is clear that much more is needed, and the expectations of the credit enhancement aspects of the Fund need to be revisited. The key implication for the Government with respect to its approach to On-Reserve Housing is that more than any other initiative, capacity development is essential to addressing housing need and potentially facilitating homeownership. It is, therefore, of critical importance that capacity development would comprise a key element of housing policy development.

With respect to capacity and buy-in, as discussed in Section A, interview and case study participants pointed out that the roll-out of such an approach would take much more time to see tangible results than was originally stated at its inception. It should be expected that this approach to housing, when placed in the context of other options such as Section 95 social housing, and other private financing options, needs sufficient time and marketing to be seen as an attractive option to both potential borrowers and lenders.

It was also raised by participants in this study that there is an opportunity cost to the Fund's investment capital. Types of alternative investment for Fund capital proposed included transitional mechanisms to move from rental housing to market-based housing, revolving loan funds, the shared equity model, and general economic development. They viewed relationships with private lenders and mechanisms controlled by First Nations, such as revolving loan funds and capital corporations, as key to improving housing outcomes and reducing reliance on social housing. Participants noted that private lending institutions, such as the Royal Bank of Canada and the Bank of Montreal, are established alternatives since they have been providing loans for on-reserve housing in communities well before the arrival of the FNMHF.

Transitions may also be of key importance in terms of preparing a community's membership for market-based housing. A 2011 *Canadian Housing and Renewal Association Act Report* advocates that a combination of potential revenue streams from Section 95 subsidies, AANDC minor capital funding, shelter allowance and rental payments by tenants could be used to develop a sustainable market rental option.³⁶ A market rental option is a transitional mechanism on the spectrum from social housing to home ownership. On-reserve rental properties could allow First Nation members to remain in the community while saving and preparing to buy a home.³⁷ Other mechanisms to transition to market ownership include rent-to-own programs, shared equity and public-private partnerships, sweat equity programs, and shelter allowance programs that support rental market and homeownership initiatives.

Furthermore, self-sustaining revolving loan funds for housing purposes are currently functioning in eight communities with a total portfolio value exceeding \$70 million. While the approach involves a long-term investment of capital, there are instances where success and demand is currently exceeding supply in communities with this program.³⁸

³⁶ CHRA, 24

³⁷ http://www.cmhc-schl.gc.ca/en/ab/onre/upload/SS_KettlePoint_EN.pdf

³⁸ CHRA, 2011

10. Conclusions

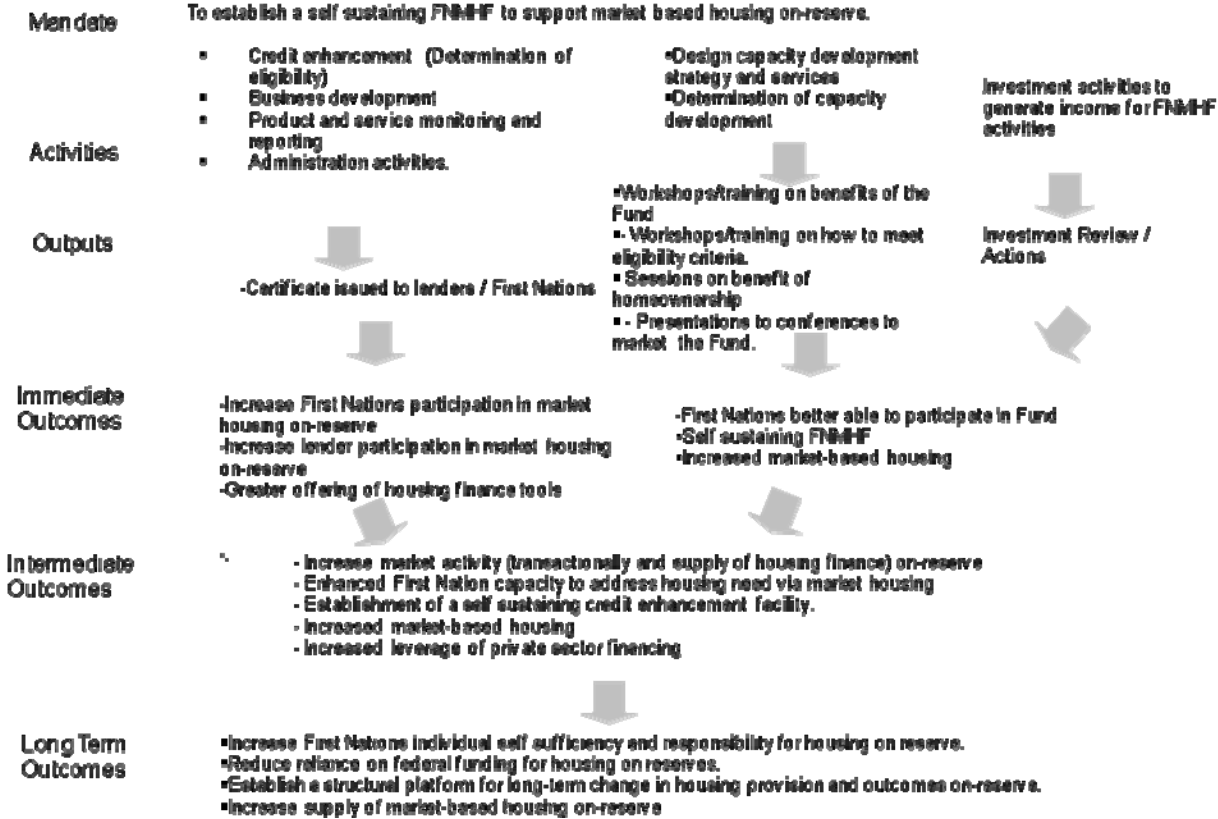
In the context of pervasive and historical challenges with on-reserve housing, a system designed to facilitate homeownership such as market-based housing should only be expected to reduce reliance on federal funding for housing when several pre-conditions are met (as described in Section 8.1). There is no doubt that Sections of the *Indian Act* preclude the ability to pursue market-based options in exactly the same fashion as off reserve; however, when other conditions, particularly good governance, a strong economy, and infrastructure capacity are present, communities have demonstrated effective ways to facilitate homeownership when desired, despite these limitations. Given the complicated legislative issues surrounding homeownership, land transfer and property rights, however, the Government and First Nations need to ensure that new approaches to housing on reserve are well-embedded in Canadian law and that legislative ambiguities are clarified.

Even with legislative barriers addressed through the Fund or otherwise, it is clear that the emphasis of the Fund's impacts needs to be directed more to capacity in its early stages, and expectations of construction resulting directly from credit enhancement need to be tempered. Consistent with the findings of the Evaluation of On-Reserve Housing, capacity is of key importance to facilitating new approaches to improving housing outcomes in the broadest sense.

In the short-term, therefore, there should be no reasonable expectation that credit enhancement itself will necessarily reduce reliance on federal funding for housing on-reserve. What is essential in the short term are investments in transitional mechanisms such as capacity development and rental regimes so that communities are in a better position and poised to pursue homeownership options for community members that are willing and able.

Appendix A – First Nations Market Housing Fund Logic Model

First Nations Market Housing Fund Logic Model



Appendix B – Key Informant Interview Guide

The Evaluation, Performance Measurement and Review Branch of Aboriginal Affairs and Northern Development Canada (AANDC) is conducting an evaluation of the First Nations Market Housing Fund (FNMHF). To assist with the evaluation, AANDC has contracted *Stiles Associates Inc.*, an independent research firm. The evaluation will examine the need for market-based housing and the broader policy impacts of market-based housing as it relates to on-reserve housing policy and programs.

AANDC requested an independent evaluation to assess the role of the FNMHF and other market-based housing mechanisms in building sustainable housing on-reserve. The evaluation will also capture lessons and provide recommendations to inform future policy and program decisions related to on-reserve housing.

The evaluation will encompass the work of the Fund from 2008 to the present. It will involve up to 30 key informant interviews, case studies in two communities, review of literature and a document review.

All of the results will be aggregated in the evaluation report. While quotes may be used in the report, no individuals will be identified. The evaluation is expected to be completed by March 2012, and the results will be posted on the AANDC web site (following approval by the Evaluation, Performance Measurement and Review Committee).

The following questions provide a framework for discussion. Not all questions will apply to every interview.

1. Could you briefly describe your role and relationship to the FNMHF specifically, as well as other types of on-reserve housing programs?
2. Is market-based housing consistent with the Government of Canada's priorities and objectives for on-reserve housing?
3. Is there a demonstrable need for market-based housing initiatives on reserve?
4. Is there a demonstrable need for a fund explicitly designed to provide credit enhancement?
5. What preconditions or enabling factors are required for a successful market-based housing mechanism such as the FNMHF?
6. Realistically, can the Fund be expected to achieve its stated outcomes as presently designed?
7. Is there a legitimate, appropriate and necessary role for the Government of Canada in supporting market-based housing initiatives on reserve?

8. To what extent do you think market-based housing options have the potential to increase self-sufficiency and to reduce reliance on federal funding for on-reserve housing?
9. From your perspective, what are the potential advantages and disadvantages of market-based housing?
10. Thinking about the actual performance of the Fund to date, what program and policy implications do you see in relation to the Government of Canada's support to on-reserve housing?
11. Are you aware of any potential policy or program alternatives that could assist First Nation communities to increase the use of market-based housing?
12. Were the design and approach of the Fund effective to achieve the intended outcomes?
13. Is the Fund's design and approach appropriate for working with FN communities?
14. Is the governance structure adequate to support the Fund?
15. Are there any problems with the Fund's design and approach that have limited or impeded the Fund's performance?
16. Is the data collection process adequate for measuring its outcomes?
17. Do you think the approach used by this project is an efficient way to introduce market-based housing on reserve? Why or why not?
18. Do you think the current approach is an efficient way to build capacity on reserve? Why or why not?
19. Do you have any suggestions for alternate models that could improve the effectiveness of the Fund to ensure that returns on investment are used for capacity development?

Appendix C – Case Study Interview Guide

Evaluation of the First Nations Market Housing Fund

The Evaluation, Performance Measurement and Review Branch of Aboriginal Affairs and Northern Development Canada (AANDC) is conducting an evaluation of the First Nations Market Housing Fund (FNMHF). To assist with the evaluation, AANDC has contracted *Stiles Associates Inc.*, an independent research firm. The evaluation will examine the need for market-based housing and the broader policy impacts of market-based housing as it relates to on-reserve housing policy and programs.

AANDC requested an independent evaluation to assess the role of the FNMHF and other market-based housing mechanisms in building sustainable housing on-reserve. The evaluation will also capture lessons and provide recommendations to inform future policy and program decisions related to on-reserve housing.

The evaluation encompasses the work of the Fund from 2008 to the present. It involves up to 30 key informant interviews, case studies in two communities, review of a literature and a document review.

All of the results will be aggregated in the evaluation report. While quotes may be used in the report, no individuals will be identified. The evaluation is expected to be completed by March 2012, and the results will be posted on the AANDC web site (following approval by the Evaluation, Performance Measurement and Review Committee).

The following questions provide a framework for discussion. Not all questions will apply to every interview.

Introduction

1. Could you briefly describe your experience with on-reserve housing, including market-based housing?

- What are the various ways in which community members met their housing needs over the past five years or so?

Section 1 - Relevance

2. Is there a need for market-based housing initiatives on-reserve?

Probe:

- For example FNMHF, Revolving Loan Funds, CMHC Mortgage Insurance, Ministerial Loan Guarantee?

3. Is there a need for a fund designed specifically to provide credit enhancement?

Probe:

- If so, why?
- If not, why?
- Are there other ways to create market-based housing or facilitate credit enhancement?

4. What enabling conditions need to be in place in your community for market-based housing to work?

Probe:

- What is required of band management?
- What is required of community members?
- What external factors are required (economic, social, and legal factors)?
- What are the barriers to market-based housing and home ownership?

5. Should the Government of Canada be supporting market-based housing initiatives on reserve? Is the nature of current support appropriate, or should the GOC's role or involvement be different?

Probe:

- If yes, why? If no, why?
- Is it necessary for the Government of Canada to be involved in market-based housing initiatives on-reserve? Why?
- Is there anyone other than the Government of Canada in a position to support market-based housing initiatives?
- Are there other initiatives beyond current Section 95 programs, FNMHF, or MLGs that should be explored?

Section 2 – Impacts

6. Based on your experience, to what extent do you think market-based housing options have the potential to increase self-sufficiency and to reduce reliance on federal funding for on-reserve housing?

Probe:

- Have you seen any evidence of increased self-sufficiency and reduced reliance on federal funding in your community and in other First Nations communities related to on-reserve housing as a result of market-based initiatives such as FNMHF, MLG, private loans, revolving loan funds, and so on)?
- If no or if limited, what needs to change and, realistically, how long would it take before one could see tangible evidence of increased self-sufficiency and reduced reliance on federal funding?

7. What would it mean for your community if market-based housing options were available?

Probe:

- What do you see as the potential advantages and disadvantages of market-based housing?

8. Are you aware of any potential policy or program alternatives that could assist First Nation communities to increase market-based housing on-reserve?

Probe:

- Such as access to private property - property rights, fee simple ownership, Certificates of possession
- Do these alternatives complement what the Fund currently does?
- If these alternatives would not act complementary to the Fund, what can we learn from these policies to improve the AANDC support to on-reserve housing?

Section 3 – Performance: Design

9. Is the Fund’s design and approach to implementation appropriate for First Nations communities such as yours?

Probe:

- Is the Fund’s design and approach appropriate – market and demand on-reserve, legislation and limitations related to home ownership, and economic opportunities for First Nations
- Is the Fund’s design and approach culturally appropriate, meaning does it respect First Nations’ cultures, cultural protocols and values?
- What could the Fund do better to ensure that it is culturally appropriate?
- What difference would it make to have a more culturally-appropriate Fund— difference to individuals? Difference in meeting housing objectives? Difference in contributing to greater self-reliance and self-sufficiency.

10. What are the strengths of the Fund’s policy and structure?

Probe:

- please explain

11. What are the limitations of the Fund’s policy and structure?

Probe:

- please explain

Section 4 – Efficiency and Economy

12. Do you think the approach used by the Fund is an efficient way to introduce market-based housing on-reserve? Why or why not?

Probe:

- Are the outcomes achieved worth the cost?
- Is there a more efficient way to introduce market-based housing?

13. Do you think the approach used by the Fund is an efficient way to build capacity so that FN communities can take advantage of the Fund's housing opportunities? Why or why not?

Probe:

- Are the outcomes achieved worth the cost?
- Is there a more efficient and effective way to build capacity on-reserve?

14. Do you have any suggestions for alternative delivery models that could improve the effectiveness of the Fund?

Probe:

- please explain

Appendix D – Case Study Focus Group Guide

Evaluation of the First Nations Market Housing Fund

Introduction

1. Please describe your experience with on-reserve housing, including market-based housing?

- How have people living in the reserve met their on-reserve housing needs over the past 5 years or so—through what programs and funding mechanisms?

Section 1 - Relevance

2. Is there an interest in market-based housing initiatives in your community?

Probe:

- Is market-based housing relevant to your community? Relevant to whom?
- Is it a priority of your band council and administration?
- Is there is an interest in market-based models of housing; If so, to what extent is that interest based on needs expressed by community members?

3. What kind of housing initiatives have been most successful in your community?

Probe:

- What was it about these initiatives that made them work well?

4. What kind of housing initiatives have been least successful in your community?

Probe:

- What was it about these initiatives that made them unsuccessful?

Section 3 – Performance: Design

5. Are there any barriers or challenges around the structure and policy of the Fund?

Probe:

- Please explain

6. What do you like about the Fund in terms of its structure and policy that have the potential to contribute to its effectiveness?

Probe:

- Please explain

7. From your knowledge of the FNMHF and other on-reserve housing programs, what advice would you give the Government of Canada about how to resolve on-reserve housing issues.

Probe:

- Are there better ways to achieve the goal of increasing First Nations individual responsibility and self-sufficiency with respect to on-reserve housing?

Appendix E – Capacity Initiatives

Initiative	Objective
Pillar: FINANCE	
Support the delivery of training to First Nations staff in Sage Accpac software.	Acquire technical knowledge to improve skill level in financial management
Support the development of First Nations staff through accredited programs for financial officers offered by the Aboriginal Financial Officers Association (AFOA).	Increase the professional development of staff working in the administration of the First Nation.
Support for the preparation of First Nations staff to complete the Certified Aboriginal Financial Manager (CAFM) by the AFOA.	Acquire knowledge and skills to prepare for the CAFM exam; increase the capacity in financial management.
Support participation at the AFOA National Conference 2011 and Pre-Conference workshops.	Acquire knowledge and skills; increase the capacity in financial management and community economic development.
Support staff for courses to complete a Certificate in Executive Leadership with Certified General Accountants (CGA) of British Columbia.	Increase management leadership skills including change management, strategic planning and negotiation skills.
Support the development of First Nation staff through accredited programs for financial officers offered by the University of Cape Breton.	Increase the professionalism of staff working in the administration of the First Nation.
Support finance staff to take courses in leadership training with CGA British Columbia.	Increase management leadership skills including change management, strategic planning and negotiation skills.
Strengthen Financial Management Policies and Procedures.	Amend the existing Financial Policies and Procedures to ensure that operations are consistent with best practices in financial management.
Support for the training of finance and housing staff in Public Administration and Governance.	Training will result in staff being able to more effectively manage the housing operations.
Support the development of First Nation staff through accredited programs for financial officers offered by the Okanagan College.	Increase the professionalism of staff working in the administration of the First Nation.
Support First Nation key individuals with the participation of The Arrears Management workshop.	To have key individuals with the band Administration trained to address housing arrears and to implement payment policies to support Market Based Housing.
Pillar: GOVERNANCE	
Support the participation in the Performance Measurement and Reporting workshop to assist First Nations to more effectively report on their performance to their citizenship as a means of promoting transparency and accountability.	Staff will acquire the knowledge and skills to assist them in reviewing and, if necessary, revising how the First Nation reports to its citizenship.
Support the training of staff in the Community Economic Development workshop that is part of the Certified Aboriginal Public Administrator program.	Increase the skills and professionalism of staff working in public administration and governance.
Support the participation at the Banff Centre for Leadership governance workshop.	Acquire knowledge and skills which will lead to improving and implementing good governance practices.
Support staff to complete a Bachelor and MBA designations.	Develop staff expertise in high level business and leadership skills to advance the successful implementation of the First Nation's economic agenda as it relates to housing.
Support for the training of finance and housing staff in Public Administration and Governance.	Training will increase administration and management skills and improve governance for the First Nation.
Support the First Nation members with the participation in the Emerging Leadership Rebuilding Nations workshop.	To have key individuals with the First Nation and membership trained to effectively support the development and participation of a Community Plan, Land Code and Membership Code.
Support the delivery of training for Senior Management of the	The managerial training will result in strengthening

First Nation to participate in Management Essentials training.	professionalism and skill development for the Senior Management which will have a positive effect on their staff, translating into greater job satisfaction and employee retention and a stronger work force.
Support the delivery of a Law & Policy Development workshop, by the National Centre for First Nations Governance (NCFNG).	Improve policy development and decision making; identify areas of jurisdiction and engage membership.
Assist with an organizational review and development of work plans to ensure that proper structures and processes will support new housing development; assist the First Nation administration to manage this responsibility under the new organizational structure.	Improving governance, empowering staff, support long-term strategic thinking and planning and prepare the First Nation for homeownership in the context of a transition toward self government.
Support the review of the First Nation's housing policies.	Improve housing policies to effectively administer the housing programs.
Support for the Housing Authority Workshop to provide information on developing an effective housing authority including a discussion of the models adopted by other First Nations.	Provide the First Nation leadership and senior staff with the knowledge needed to make an educated decision on whether to pursue the creation of a housing authority.
Support First Nation leadership and key individuals in the participation of the Housing Policy Says workshop.	To provide First Nation leadership and key individuals with written recommendations for housing policy enhancement within a customized workshop setting.
Support First Nation key individuals with the participation in Housing Committees that Work workshops.	To have key individuals trained on the roles and responsibilities of a Housing Committee.
Assist the First Nation to develop a Housing Committee and relevant policies.	Creating a body, which will have the capacity to oversee the development of housing programs in the community.
Provide an information session for the staff leadership on how Housing Authorities are created and what is needed to ensure they are successful.	To provide the staff and leadership sufficient information to decide whether the creation of a Housing Authority is appropriate for the First Nation.
Assist staff to obtain the Certified Property Management (CPM) designation through the Real Estate Institute of Canada, a nationally recognized certification in property management.	Increase the professionalism of staff working in property management in relation to market based housing.
Support the development of an Engineering Study.	Increase the communal land use base on which to build market based housing.
Support the completion of a Capital Planning Study for reserve lands.	To provide the First Nation with the technical information it requires to develop reserve lands.
Analyze data from an initial public survey and creating a more in-depth survey to assess housing needs in the community.	To ensure that the First Nation has the information it needs to develop a long-term plan for housing development.
Support for a scoping session to outline the various land tenure options available to the First Nation and assist leadership to come to a decision on which approach they wish to take.	The leadership, with the advice of senior staff, will choose the land tenure method, which best suits the First Nation.
Conduct relevant research and a facilitated scoping session on land issues.	Develop a land strategy and plan of action to assist implementing market-based housing.
Develop and implement a comprehensive land and resource management regime.	Establish a land management system that supports market-based housing.
Updating of land registry records to ensure that accurate information is available to the First Nation and membership.	Effective land management and future housing development.
Support the delivery of a Waste Management workshop by The Enterprise Centre at Cambrian College.	Improve skills of the First Nation staff in solid waste management and waste reduction strategies.
Support the training of the Information Technology Manager.	Improve skills of the IT Manager and staff productivity on new information technology to be implemented.
Support the review of Human Resources policy and associated documents, including job descriptions and compensation packages to identify areas in need of strengthening.	The development of a Gap Analysis identifying areas in the Human Resources Policy, associated documents and staff training, which are in need of strengthening.

Support the training of the Human Resources Manager to conduct workplace investigation.	Improve human resources practices by providing industry recognized training for management
Support staff to take seminars that will assist participants to personally evaluate, discover and deal with obstacles to success in life, work and relationships.	Acquire knowledge of oneself, to better deal with obstacles that may impact on achieving effective governance and overall work performance.
Training for leadership and staff in the Management Development Program offered by DiBrina Sure Human Resources Inc.	To improve the work environment, strengthen relationships between management and leadership, increase accountability and overall improvement in the First Nation's governance.
Pillar: COMMUNITY COMMITMENT	
Support for workshops addressing the roles and responsibilities of tenants and landlords, home maintenance and personal finance to be delivered to community members who have been assigned housing units.	To ensure members occupying newly constructed units have the skills necessary to be model tenants who will meet their financial obligations and maintain their units in acceptable states of repair.
Support for the delivery of workshops to First Nation members, which will address personal credit, private finance, maintenance, tenancy and rental agreements and arrears management and collection.	Community education workshops will assist the First Nation in shifting the mindset of its membership towards an acceptance of the principles of market-based housing while also giving them the skills/knowledge needed to become responsible tenants/homeowners.
Support the delivery of community education workshops focusing on money management, personal credit and private financing as well as training of administrative staff in the delivery of the relevant materials.	Community members will have the pre-requisite knowledge necessary to determine whether they wish to pursue a market-based approach to housing.