



## First Nations Market Housing Fund

Standing Committee on Indigenous and Northern Affairs (INAN):

*Study on the Effects of the Housing Shortage on Indigenous Peoples Across Canada*

March 2022

## Overview

The **First Nations Market Housing Fund** (FNMHF or “the Fund”) is a registered not-for-profit trust that was born out of the *Kelowna Accord*. Our mandate is to create the capacity in First Nations communities to support and sustain loan-based housing programs, thereby contributing to the social welfare, economic development, and civic improvement of these communities and their residents.

It is our pleasure to put forward our submission to the *Standing Committee on Indigenous and Northern Affairs*, to speak to this important and vital issue and the work the Fund does.

We support innovative, market-based approaches to housing in First Nations communities, helping First Nations families achieve the dream of homeownership and helping communities build vibrant housing markets, empowering real self-governance, and self-determination.

Access to more and better housing is a key objective to help close gaps faced by First Nations families. Action is needed to address the barriers they face when it comes to securing homeownership. That is why we are building a sustainable housing system from the ground up: one community at a time, one home at a time, through approaches that are responsive to the unique needs and challenges of each community. Our work is to ensure the laws, policies, practices, and people are in place to sustain development, so that no First Nation or community or borrower is set up to fail.

Homeownership is just one part of the continuum of housing in First Nations communities. Our work is to ensure it remains an option for those who desire it, while supporting First Nations governments to develop tools and capacity to better address the overall housing needs of their communities.

Thank you for taking the time to review our submission.

## Our Mandate:

The mandate of the Fund is to facilitate access to financing for loan-based housing in First Nations communities. We help enhance the capacity for First Nations communities to support and sustain loan-based housing programs, thereby contributing to the social welfare and civic improvements of these communities and their residents. Our overarching goal is to promote a system in which First Nations residents have the same housing opportunities on communally held lands – be they reserve, settlement, or lands set aside – as mainstream Canadians have.

## Our Vision:

As we focus on increasing the opportunities for on-reserve loan-based homeownership, our vision is that: *Every First Nation family has the opportunity to have a home on their own land in a strong community.*

Our reform vision is that we have the ability to:

- Continue as a perpetual trust fund.
- Strengthen governance accountability to First Nations; and
- Expand loan-based housing on First Nations reserve and settlement lands as part of the First Nations housing continuum.

*For a more detailed explanation of how the Fund operates, please see the Appendix.*

## **Barriers to Better Housing:**

There is an estimated \$60 billion need in Indigenous housing, and First Nations communities continue to lag behind the rest of Canada. Every factor that is driving Canada's housing and affordability crisis within our urban centres is disproportionately higher within First Nations communities themselves: rising inflation and soaring costs, a shortage of labour in not just skilled trades, but also in supports to help First Nations families access financing and supports; and the escalating costs of building materials.

Every community in Canada requires a continuum of housing ranging from shelters to subsidized rentals and market rentals, to rent-to-own units and finally, homeownership, in order to meet the needs of its residents. First Nations communities are no different; they too require all these housing options to serve the needs of their members or citizens.

Far too many barriers exist to meaningful homeownership in First Nations communities, who each face unique sets of challenges, ranging from a lack of a governance framework that enables a strong housing system, human and financial development capacity, or inter-generational challenges, where, depending on the community, fewer First Nations citizens grew up seeing their own parents as homeowners.

Homeownership may be just one part of the solution, but it is a necessary consideration. All efforts towards addressing the housing shortage and Nation building must include First Nations people participating in the opportunity to own their home in their community if that is their choice. However, there are still far too many challenges that First Nations communities face in being able to create the conditions to enable their members to own their own home and benefit from their investment.

Every house that is built or renovated with a home loan provides multiples of value to the community – freeing up government or community resources for those most in need; providing local economic stimulus and jobs; improving living conditions; reducing strain on social and rental housing; creating wealth and instilling a sense of pride. The inclusion of homeownership opportunities in communities helps address the rapidly growing First Nations population, desire of young individuals/families to access affordable housing opportunities close to family and their culture, and to build strong personal financial foundations. To date, the Fund has approved over \$1 Billion in potential credit for First Nations to draw down for homeownership in 123 communities across the country.

## **Making a Difference:**

The Fund helps First Nations access private financing for home loans on reserve at the best possible terms and conditions. We also support transitional pathways like rent-to-own programs that better enable individuals to secure housing while serving as a stepping stone towards

homeownership. The Fund helps build capacity across First Nations governments, a vital and important tool towards creating and sustaining housing systems supported by laws, policies and processes administered by skilled and knowledgeable people making informed decisions.

Some of the innovative housing projects undertaken in First Nations working with the Fund include:

- Rent-to-own models implemented in some First Nations communities to support citizens transition from rental to homeownership. This enables citizens who have paid little or nothing for housing to move along the housing continuum at a more comfortable pace, rather than jumping into a 25-year home loan right away.
- Sale of existing First Nation-owned housing for homeownership opportunities. These new homeowners tend to renovate the home to meet the needs of their family, financed through a home loan.
- Acting like a builder/developer off reserve, some First Nations have developed subdivisions, built homes using local construction crews, and permitted their citizens to choose the finishes or finance upgrades.
- Construction of tiny homes to meet the specific needs in a community. The sales of these homes in one community were offered for sale through a lottery system to citizens qualified for loan financing.
- New construction involving owners themselves, incorporating their preferences such as green energy features, yet still meeting or exceeding applicable building codes.
- Homeownership grants and contributions toward lot servicing by First Nations have helped increase affordability for homebuyers.

To date, the Fund has leveraged over \$1 billion in potential credit to support an estimated 7,000 home loans to purchase, build or renovate a home. The Fund has backed over 500 loans and is determined to see more homes on the ground in our communities. To accomplish this, we need changes in products and services at the Fund, as well as greater autonomy. The Board of Trustees is currently leading the development of a strategy to work with the federal government in pursuing transformational reforms to revitalize and strengthen the Fund so that we can offer more impactful additional products and services that will enable homeownership to become a reality sooner for those who want it. In the interim, we are working with more than 40% of the First Nations in Canada delivering our two existing products – credit enhancement and capacity development – to reach their goals, one home at a time.

We are committed to being a proud partner of both First Nations and the government in their work to address this issue, in the spirit of the Government of Canada's commitment to work with Indigenous Peoples to build a nation-to-nation, government-to-government relationship – one based on respect, partnership, and recognition of rights.

We welcome Minister Hussen and Minister Hajdu's recent public reaffirmation at the AFN Housing Forum (March 2022) of the government's commitment to transformative change, through a process co-led by First Nations, to advance self-determination, in recognition of the unique needs and challenges faced by each First Nations community.

## Finding Solutions:

The COVID-19 pandemic highlighted gaps in societal, racial inequalities and economic vulnerabilities, especially in the lack of adequate housing and access to clean water in many First Nations communities. The tragic locating of unmarked graves of children attending former residential schools has shocked the world and retraumatized survivors and their families. These difficult challenges were further strained as forest fires across parts of Canada and unprecedented flooding in B.C. impacted many First Nations communities and citizens were required to evacuate their homes.

First Nations leadership and administration had to pivot to focus on these extraordinarily difficult times to ensure the immediate health and well-being of their communities were addressed above all else. As a result, activities planned by the Fund had to be delayed or postponed, as was the case for many organizations. While these challenges continue to take a huge toll in many First Nations communities, there is passion and determination to move forward in developing and implementing sustainable housing systems. An all-hands on deck approach to helping First Nations communities' better access reliable housing should be key to our post-pandemic recovery, recognizing that we must continue to work at the pace of each First Nation.



*A Fund-supported housing rebuild in Henvey Inlet First Nation, 2017*

### #1: Building Sustainable Housing Markets

Exploring, developing, educating, implementing, and sustaining a market- or loan-based housing system at the leadership, administration, community, and individual level takes time and a prolonged dedicated effort before sustained homeownership opportunities fully function.

The housing system in First Nations communities must be built to enable homeownership to thrive. Laws, policies, systems, trained staff, skilled contractors are just a few of the needed elements to implement and sustain a community.

But housing alone cannot be the sole focus – ensuring the First Nations government is stable, supported by a well-qualified First Nations public service with appropriate policies across the sectors such as lands, finance, capital works, economic development, human resources, and communications - is key.

In many communities, the Fund has served as the first experience in the concept of market- or loan-based housing. At present, there is a significant lag in the take-up of Credit Enhancement already approved for First Nations communities due to the time required to create a market- or loan-based housing system in each First Nation, and the readiness of potential homeowners. The Fund continues to advocate for a more flexible investment policy, compliant with the Minister of Finance framework, that will provide greater investment revenues in a prudent way to ensure the Fund's Capacity Development Program has sustained funding to meet the many needs of our First Nations partners.

The Fund has sharpened its focus on enhanced measures to support those First Nations already approved for credit enhancement in realizing upon and drawing down their credit, as well as pursuing other financing mechanisms. The Fund is also concentrated on moving more First Nations approved for capacity building only to qualify for the Credit Enhancement Facility, and in preparing more potential borrowers to be ready to enter into long term loan arrangements for their chosen homes.

## **#2: Long-Term Reform to Better Serve First Nations**

Our Trustees are leading the development of a reform strategy to make the Fund more autonomous and more responsive to First Nations. Through this process, the Fund is exploring how it can better support First Nations that have reserve lands in urban environments (e.g., Manitoba, Saskatchewan, B.C.) and provide housing options to members on TLE and other First Nations owned lands.

There are important legal and social justice rationales for the Fund's reform, including First Nations' rights to self-determination, the implementation of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP), and the ongoing reconciliation efforts which requires that systems and thinking be decolonized.

Reform has also been advocated by many parties over the course of the Fund's existence, beginning with the Fund's Trustees. The Assembly of First Nations' draft national housing strategy identifies the Fund's reform as a goal. Further, in the process of appointing new Trustees in 2019-2020, the government identified reform of the Fund as an important consideration.

Although the Fund has implemented improvements and efficiencies throughout its governance, operational and management relationships, it has been unable to unilaterally make fundamental changes; they require obtaining support and approval from, the CMHC Minister, the ISC Minister, and/or the Government of Canada.

One estimate of First Nations' housing need overall is in the \$60 billion range. The total value of Fund-backed loans was originally set at \$3 billion based upon the Federal government's contribution of \$300 million. To date \$1 billion in credit has been approved.

To ensure that reform results in the achievement of both increased autonomy for the Fund and market- or loan-based homes on the ground, a fulsome reform strategy, complete with milestones, is being fully developed.

#### Case Study: Tiny Homes Project – Heiltsuk Nation



*Heiltsuk Nation successfully launched their homeownership program with Fund backing for loans for a ‘tiny home’ project, as part of a housing-related research collaboration with the University of British Columbia (UBC). The project provides independent living options for Elders, couples, and even young families. Future phases of this project will address home designs for larger families using the established community engagement process.*

### **#3: Capacity Development**

Increased demand for capacity development services is coming from existing First Nations partners, as well as from more First Nations deciding to apply and participate in the Fund’s programs. Changes in leadership, demographics within a community, personnel in key staffing positions, transition to the new working realities, and the housing stock profile all contribute to the ongoing process of Nation building with a community. Increased demand puts upward pressure on costs for the Fund’s capacity development services over the long term.

More funding is needed over a longer period to support strength in communities. As the people and environment change, the needs change, and policies must be updated to reflect changes in legislation and other pieces of the regulatory framework. This upward pressure on costs is at odds with the downward pressure on investment income due to low interest rates and historically ultra conservative investments from which the Fund is finally disengaging.

As of the end of 2021, the Fund has expended over \$26 million on the Capacity Development Program; 156 First Nations have used the Fund’s Program through 1,544 initiatives. These initiatives range from professional certification at the individual level in sectors such as housing, finance, and economic development through to the development of laws, policies, and a governance framework to build up First Nations governments. Capacity Development is a shining example of how the Fund, a First Nations organization, has taken a leadership role in Nation building and our work is consistent with the continuing efforts of First Nations to exercise self-determination in the care, control, and management of their housing on reserve, settlement, and urban First Nations communal land.

#### Case Study: Yaqit ʔa·knuqʔi ‘it (Tobacco Plains Indian Band)

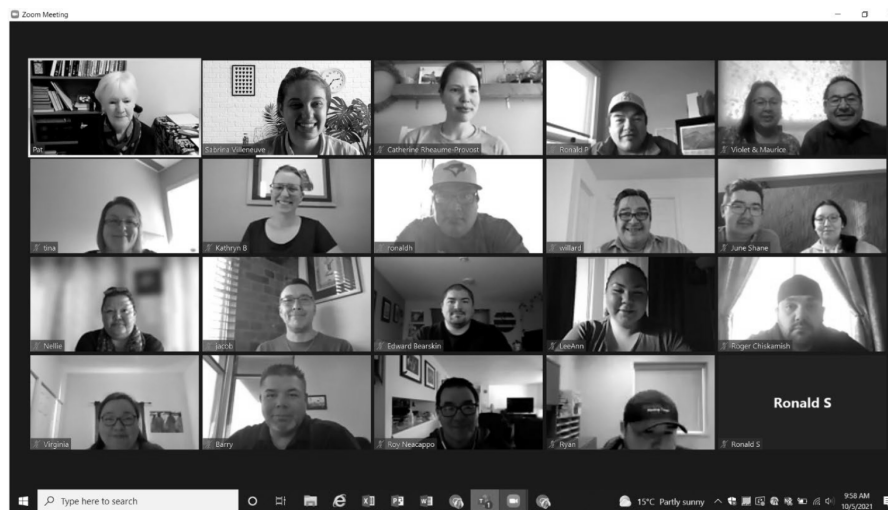


*With the Fund’s support, Yaqit ʔa·knuqʔi ‘it first implemented a successful rental program in 2013. Now through the Fund’s Credit Enhancement Facility, they intend to offer a loan program to their members that will support, over the next 5 years, the new construction of 18 housing units, including 10 homeownership and 8 rental units, and 10 renovation loans for either market rentals or private homeowners.*

#### #4: Adapting to Continuous Challenges:

The pandemic has accelerated the need for the Fund to be able to operate in-person and virtually. Yet the broader challenges First Nations communities face in accessing virtual tools emphasize the need for government to make significant investments in improving broadband access for rural and remote communities. Without these sustained investments, opportunities to enhance professional training through remote learning will be thwarted and opportunities to effectively develop much needed laws, policies and plans will be compromised.

Staffing changes and/or vacancies in key positions in First Nations also impact progress with the Fund, depriving communities of vital institutional knowledge and the capacity to meet the housing needs of residents. In several instances, partnering First Nations have reached out to the Fund to assist in providing support on their broader housing file while efforts were made to fill staffing vacancies. Systems of governance and housing must be sustained; for that to happen, an appropriate level of financial resources reflecting the importance of these positions in First Nations government must be provided.



*Cree Nation of Chisasibi members virtually participate in Algonquin College's Project Management Essentials (PME) Program, 2020*

## APPENDIX: How the Fund Works

The First Nations Market Housing Fund is a self-sustaining independent and not-for-profit trust with two clear goals:

1. To facilitate the availability of private-sector financing for First Nations while helping to ensure an accessible supply of market- or loan-based housing in First Nations communities; and
2. To increase the capacity of First Nations seeking to expand or develop market- or loan-based housing. The Fund builds on the successes of innovative communities. It is strictly optional. It does not replace any existing programs. Instead, the Fund works in tandem with existing programs to expand market housing on reserve.

### What is Market- or Loan-Based Housing?

Market- or loan-based housing is a broad term that encompasses private homeownership, rentals, and rent-to-own housing. Simply put, it means the owners and occupants pay for the cost of their housing either through rental or loan payments. Market- or loan-based housing provides First Nations with a powerful means to invest in their communities and gives First Nations families the ability to invest in their futures by building personal wealth in their homes. It also contributes to the sustainability of existing programs by providing an alternative financing option and allowing funds to be targeted to where they are needed most.

### How Does the Fund Accomplish This?

The Fund qualifies a First Nation and provides partial financial backing to approved lenders for housing loan guarantees made by the First Nation to financial institutions. The First Nation then uses this backing to negotiate an arrangement with an approved lender or lenders so they can apply directly to the lender(s) for financing. The financial will help build, buy, or renovate a home on reserve or settlement lands where appropriate, to either own or rent. Due to the communal nature of the land, the First Nation needs to guarantee the housing loans of its members.

If a borrower were to default on an eligible loan, the lender will seek compensation from the First Nation. Should the First Nation not honour its obligation as guarantor, the lender will be able to turn to the Fund for compensation up to the amount of Credit Enhancement accumulated by the lender for loans made in the community. The Fund itself does not provide loans.

## The First Nations Market Housing Fund:

### Supports Arrangements Between First Nations and Lenders

The Fund has created an alternative form of security for housing loans made on reserve or settlement lands which will attract lenders and provide First Nations leverage to negotiate more favourable interest rates, risk-sharing agreements, reduced program access fees, and administrative arrangements. In this way, First Nations residents will have the same housing choices and opportunities on communally held lands – be they reserve, settlement, or lands set aside – as mainstream Canadians.

### Respects the Communal Nature of Reserve Land

Off reserve, lenders take land as security in exchange for housing loans. On reserve, land is held by the Crown for the benefit of the First Nations' members, therefore it is often considered communal. Because lenders cannot use communal land as security, this has made it more difficult for First Nations members to obtain housing loans in their communities. The backing provided by the First Nations Market Housing Fund, in conjunction with the First Nations guarantees, attracts lenders by offsetting the security issue while preserving the communal nature of reserve land.

### Increases the Capacity of First Nations

The Fund has established a Capacity Development Program which provides support for First Nations communities that meet or are close to meeting the Fund's criteria for the Credit Enhancement but have areas which could be strengthened or improved. Funding for capacity development supports the provision of training, advice and coaching which focuses on improving market- or loan-based housing capacity for qualified First Nations and members of these communities.

### Access Criteria

Access criteria are based on principles, not rules. The criteria are separated into three pillars:

Financial Management	Good Governance	Community Commitment
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First Nations choose how best to satisfy each principle by demonstrating their own strengths in each of the pillars.