



# URBAN NATIVE HOUSING OPERATING MANUAL



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# URBAN NATIVE HOUSING OPERATING MANUAL

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# INTRODUCTION

This manual has been compiled by Canada Mortgage and Housing Corporation (CMHC) to help Urban Native housing Sponsors to manage their projects. CMHC's aim is to clarify some of the more complicated aspects of project management, while at the same time covering as many as possible of the details that can make the difference between a marginal project and a well-run project. Except in those cases where it refers to a specific policy or process that is governed by the Operating Agreement between CMHC and the Sponsor, this manual should be viewed as a reference guide for use by Sponsors in the daily management of their housing projects. While it is referred to as a "manual," this document could just as easily be called a "handbook" or a "guide" — the basic intent is that it be a "hands-on" tool for use by Urban Native housing Sponsors.

Various sources of information were used in compiling this manual. Publications produced by CMHC and other housing organizations, and operating manuals developed by native housing Sponsors were the main sources. Because so many different handbooks are being used across Canada, it is impossible to list them all in a bibliography. Sponsors needing information on a particular aspect of project management are advised to telephone or write to the nearest CMHC branch office for further assistance.

This manual is specifically directed toward Urban Native housing projects. Parts of it, therefore, will not apply to non-native housing projects. Furthermore, while there are some co-operative housing projects sponsored by Urban Native groups, this manual does not refer to them. However, much of the information can be applied to any non-profit housing organization, if allowances are made for the variations between projects, and between provinces.

While every effort has been made to be as accurate and clear as possible, Sponsors are still likely to have questions. For further information on any of the aspects covered in this manual, Sponsors should contact the nearest CMHC branch office and ask to speak to the Manager, Portfolio Management. He or she will be pleased to help.

## **HOW TO USE THIS MANUAL**

The manual has 11 main sections. The Table of Contents shows the major topics covered in each section.

Every effort has been made to keep relevant forms and narrative references as close together as possible in the main body of the manual. References within the text specify the location of relevant forms.

Suggestions for additions or improvements to the manual may be forwarded to the local CMHC Manager, Portfolio Management. Any updates to this manual will be sent for inclusion in the original.

# THE URBAN NATIVE HOUSING PROGRAM

## GLOSSARY

The following terms are used throughout the manual.

### **Adjusted Income**

The income of a tenant, after certain allowable deductions, which is used to determine the tenant's monthly rental payment. The deductions differ depending on the program.

### **Approved Lender**

A bank, trust company, credit union or caisse populaire approved by CMHC under the NHA for lending money to non-profit organizations for the construction or acquisition of housing projects. Loans made by these lenders are insured by CMHC against default. In the case of Section 27 projects, CMHC is the lender.

### **Audit**

A detailed examination of an organization's accounting or bookkeeping records. The Urban Native programs require that all Sponsors have an annual audit undertaken and that audited Financial Statements be provided to CMHC for review.

### **Board of Directors**

A group of unpaid volunteers responsible for directing the operations of the project, and for ensuring that the project is managed in accordance with the Sponsor's charter, objectives and interests, and as stated in the Operating Agreement with CMHC. Directors must have some experience and a genuine interest in meeting the housing needs of the Sponsor and its members.

### **"Cold" Rent**

A rent charged for a housing unit that does not include heat and hot water costs. This means that the tenant will receive separate bills for heat and hot water that the tenant is expected to pay in addition to the monthly rent. (See also "Hot" Rent.)

### **Core Need Income Thresholds (CNITs)**

Income limits that determine eligibility of clients under the Post-1985 Program. For the purpose of determining the CNIT, income means total income from all sources (before tax) for all individuals in the household aged 25 years and over.

CNITs used for program eligibility purposes are based on the family make-up and on the Occupancy Standards as defined below, and not on the bedroom count of the unit the family is going into or coming from.

CNITs are reviewed and adjusted annually. Contact CMHC for current CNITs.

# THE URBAN NATIVE HOUSING PROGRAM

## **Economic Rent**

The break-even rent required to offset total operating costs under the Post-1985 Program. This rent does not include heat and hot water costs. It is determined by CMHC at the time of commitment based on unit type and the operating expenses anticipated for a given project. It is revised annually based on the Sponsor's Operating Budget.

## **"Hot" Rent**

A rent charged for a housing unit that includes heat and hot water costs. This means that the Sponsor pays the bills for heat and hot water — the tenant does not see bills for these services. (See also "Cold" Rent.)

## **Income Testing**

The Sponsor is required to verify the income of tenants annually to determine monthly rents and eligibility for Subsidy Assistance.

## **Invitational Bids or Tender Call to Selected Bidders**

This approach is similar to a Public Tender Call, except that the invitations are restricted to certain contractors and no public advertisement is made.

## **Low End of Market (LEM) Rent**

The maximum rent the Sponsor can charge tenants under the Pre-1986 Program. This rent does not include heat and hot water costs. Every year, CMHC informs the Sponsor of the new LEM rent.

## **Members (or Membership)**

Individuals who usually pay dues to belong to a non-profit organization to support the organization in its objectives.

Members may or may not be tenants in an Urban Native project. They have voting rights at the Annual General Meeting.

## **Occupancy Standards**

Standards developed to determine the most suitable dwelling for Urban Native households under the Post-1985 Program:

- ▲ There will be no more than two or less than one person per bedroom;
- ▲ Parents do not share a bedroom with their children;
- ▲ Dependents aged 18 or over do not share a bedroom; and
- ▲ Dependents aged five or over of the opposite sex do not share a bedroom.

## **Operating Budget**

An estimate of the revenues and expenses for an upcoming 12-month period. The Urban Native programs require that all Sponsors provide an annual Operating Budget to CMHC for review.

## **Operating Surplus**

Any money left over when the Sponsor has paid the expenses (all bills including the loan) with the revenues (rents plus CMHC assistance). Any operating surplus is refunded to CMHC by cheque at year end,

# THE URBAN NATIVE HOUSING PROGRAM

when the audited Financial Statements are submitted. Where there is a deficit at year end, CMHC may provide funds to cover the deficit.

## **Public Tender Call**

A publicly advertised tender call based on full working drawings and specifications provided by the Sponsor.

## **Rent-to-Income (RTI) Rent-Geared-to-Income (RGI)**

The amount of rent to be paid by tenants in an Urban Native project, according to their Adjusted Income level and as set out in a scale attached to the Operating Agreement. At the lower end of the scale, a tenant would pay approximately 16 percent of Adjusted Income toward rent; at the top of the scale, a tenant would pay 25 percent of income.

## **Replacement Reserve Fund**

A separate interest-bearing account that the "Sponsor" is required to set up. This money is to be used to replace large items (stoves, refrigerators, flooring, roofs, etc.).

## **Security Deposits**

A deposit to be used if a tenant damages the rental unit or leaves without paying rent. CMHC policy does not make a security deposit compulsory, but it is good property management practice to request one. Terms of the security deposit must comply with provincial landlord/tenant legislation. As a guideline, the security deposit could be equal to half one month's rent.

## **Sponsor**

A shortened form of the term Sponsoring Group. "Sponsor" is used throughout this manual to refer to the non-profit housing corporation established to construct or acquire and operate housing units under the Urban Native Housing Program. The "Sponsor" could also be called the "Group," "Society," "Corporation," etc.

## **Subsidy Assistance**

Financial assistance provided monthly by the federal government through CMHC to help the Sponsor run the housing project.

This assistance is needed because rent revenues do not cover expenses. Any surplus Subsidy Assistance is sent back to CMHC, and thus is refunded to the federal government.

## **Tenancy Agreements/Leases**

Written agreements between the Sponsor and each tenant which set out the rights and responsibilities of the Sponsor and the tenant. Agreements must comply with provincial landlord/tenant legislation.

## **Urban Native Additional Assistance (UNAA)**

Additional Section 95 Assistance that can be provided to designated Pre-1986 Urban Native units provided they are occupied by individuals of native ancestry.



# THE URBAN NATIVE HOUSING PROGRAM

## THE PROGRAM(S)

The Urban Native Housing Program, administered on behalf of the federal government by Canada Mortgage and Housing Corporation (CMHC), assists Urban Native non-profit housing Sponsors, supported by a membership of native peoples and other individuals approved by the Sponsor, to meet their housing needs. CMHC provides Subsidy Assistance under Section 95 of the National Housing Act (NHA), as well as providing direct mortgage financing under Section 27, to support the Sponsor's goal of providing rental accommodation to low- and moderate-income native peoples.

There are three types of program: (1) the Pre-1978 Section 27 Program; (2) the Pre-1986 Section 95 Program; and (3) the Post-1985 Program. New commitments are only being made under the Post-1985 Program. The programs work as follows:

### Pre-1978 Program (no longer available)

- ▲ CMHC made a direct loan to eligible non-profit housing organizations for the construction, purchase or improvement of a low-rental housing project up to 100 percent of the lending value and up to a maximum period of 50 years. CMHC could also make contributions of 10 percent of the capital costs, plus interest reduction grants to reduce the repayable loan.
- ▲ Units were rented to low-income tenants based on their ability to pay and the revenue needs of the project.

### Pre-1986 Section 95 Program (no longer available)

- ▲ CMHC made available to the Sponsor assistance up to an amount equal to the difference between the actual loan rate and 2 percent on the eligible building (capital) costs calculated over 35 years.
- ▲ Rents are established according to a graduated payment rental scale, effectively 25 percent of income, and capped at low end of market (LEM) rent. The Sponsor receives a monthly Subsidy Assistance cheque from CMHC.
- ▲ Urban Native Additional Assistance (UNAA) can also be provided to supplement the regular assistance, based on the number of units occupied by native tenants.

### Post-1985 Program

- ▲ The maximum annual subsidy payable to any project (without care or support services) is equal to the difference between acceptable annual operating costs and annual project revenues.
- ▲ Rents are established according to a rent-to-income (RTI) scale, effectively 25 percent of income. The Sponsor receives a monthly Subsidy Assistance cheque from CMHC.

# THE URBAN NATIVE HOUSING PROGRAM

## THE OPERATING AGREEMENT

Certain sections of this manual address the fundamentals of setting up and managing a group of people who have joined together to form a non-profit organization, with the major objective being to provide housing to native peoples. Other sections of the manual deal with management of the housing project itself, as set out in the Operating Agreement between the Sponsor and CMHC. Under this Agreement, there are certain requirements and conditions set forth that govern how the Sponsor has agreed to administer a housing project, and how CMHC has agreed to provide Subsidy Assistance.

In summary:

- ▲ The Operating Agreement is a contract between CMHC and the Sponsor to provide rental housing for low- and moderate-income households.
- ▲ Under the terms of the Agreement, CMHC, on behalf of the Government of Canada, provides assistance to help pay the loan and other expenses of this rental housing.
- ▲ In the Agreement, the Sponsor agrees to collect rents; pay the loan; income-test tenants; maintain the building(s); and set aside money in a separate bank account for the Replacement Reserve Fund.

Appendices 1 and 2, at the end of the manual, contain sample Operating Agreements.





# ORGANIZATIONAL STRUCTURE

## THE SPONSOR

The Urban Native Housing Program requires that, before a housing project can be considered, sponsor groups form a non-profit housing corporation. The corporation will:

- ▲ Set out the Constitution which outlines the rules and authorities by which the Sponsor operates;
- ▲ Ensure that all benefits received from CMHC continue to have a direct and beneficial impact on the residents of a proposed project; and
- ▲ Ensure that the Sponsor acts for its membership to ensure prudent management of the project in accordance with the Operating Agreement. Directors may be personally liable for the Sponsor's debts and other obligations if a Director fails to act in the best interests of the Sponsor or acts in a way that is detrimental to the Sponsor.

## INCORPORATION

All organizations must be incorporated and registered under the applicable provincial legislation. An application for incorporation to the provincial registrar must include (but may not be limited to) the following information:

- ▲ The name of the non-profit corporation;
- ▲ The names of the Board of Directors;
- ▲ The city or town in which the operations of the non-profit corporation will be conducted; and
- ▲ The objectives of the non-profit corporation.

The objectives of the Sponsor require particular attention. Section 95 of the National Housing Act states that a project must be a "low rental housing project"; groups are therefore expected to give a clear indication that their objective is to produce housing primarily for low- and moderate-income individuals. All objectives should be set out clearly and should strike a balance between CMHC requirements and the objectives of the Sponsor itself.

For groups to qualify for assistance, CMHC requires that the following unalterable clauses appear in the Articles of Incorporation:

- ▲ No part of the income of the Sponsor may be payable to or otherwise available for the personal benefit of any member thereof.
- ▲ The Directors and officers shall serve without remuneration, and no Directors or officers shall directly or indirectly receive any profit or benefit from their position, except that they may be paid reasonable out-of-pocket expenses incurred in the performance of their duties.
- ▲ In the event that the Sponsor should at any time be wound up or dissolved, the remaining assets after payment of all debts and liabilities shall be distributed to another recognized charitable or

## ORGANIZATIONAL STRUCTURE

non-profit organization that has similar objectives, either in the province or elsewhere in Canada.

- ▲ The work of the Sponsor shall be carried on without the purpose of gain for its members and any profits or other income to the Sponsor shall be used in promoting its objectives.
- ▲ The Sponsor shall ensure that in all financial transactions, both contractual and non-contractual, no Board member or management officer of the Sponsor, or staff member of the project or families of either will derive any direct or indirect financial benefit from such transactions. Where situations arise in which there could be a possible conflict of interest, the involved person shall declare such conflict in writing and not participate in any discussion or decisions affecting this transaction.

### 1) THE CONSTITUTION

The Constitution deals with the overall policies of an incorporated society. The elements that appear in the Constitution of all incorporation documents are covered in the sample Constitution below. Societies provide CMHC with a copy of their Constitution for review in relation to the assistance being requested and/or provided. Once incorporated, no changes to the accepted document may be made without the prior concurrence of CMHC. Unauthorized changes could jeopardize the Subsidy Assistance.

If a non-profit corporation already exists, it is likely that its incorporation documents, By-laws and Constitution meet the requirements set out in this manual. However, these requirements should be brought to the attention of the organization's lawyer. Where the organization differs, either in intent or purpose, from these requirements, the lawyer should be instructed to take immediate steps, in consultation with CMHC, to correct the deficient areas. Failure to do so could jeopardize the Subsidy Assistance from CMHC.

### SAMPLE CONSTITUTION

[Note: This is a simplified version of a Constitution for an Urban Native non-profit housing organization. The actual form and content of the Constitution differs from one Sponsor to another.]

The purposes of the Sponsor are to carry out programs consistent with those of a charitable organization for the provision of housing accommodation for native families and native individuals having low income who reside in the area of (city or town), and specifically:

- ▲ To acquire, construct, hold, supply, operate, manage and maintain housing accommodation and incidental facilities for native families and native individuals having low income who reside in the area of \_\_\_\_; and
- ▲ To receive, take, hold, enjoy and manage all gifts, devises, bequests, legacies and donations of property that are made or given to it.

## **ORGANIZATIONAL STRUCTURE**

Sponsorship shall be carried on without purpose of gain for its members and any profits or other accretions to the Sponsor shall be used in promoting its objects. This clause is unalterable.

No parts of the income of the Sponsor may be payable to or otherwise available for the personal benefit of any member thereof. This clause is unalterable.

If, upon the winding up or dissolution of the Sponsor, there remains, after the satisfaction of all its debts and liabilities, any property whatsoever, the same shall be given or transferred to such other native charitable organizations registered as a charitable organization under the Income Tax Act as may be determined by the full members of the Sponsor at the time of dissolution or, insofar as effects cannot be given to the foregoing provisions, to some other charitable organization registered as such under the Income Tax Act. This clause is unalterable.

### **Interest of Directors in Contracts**

No Director shall be disqualified by his or her office from contracting with the Sponsor nor shall any contract or arrangement entered into by or on behalf of the Sponsor with any Director or in which any Director is in any way interested be liable to be avoided nor, subject to the provisions of the Act, shall any Director so contracting or being so interested be liable to account to the Sponsor or any of its members for any profit realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established.

### **Declaration of Interest**

It shall be the duty of every Director of the Sponsor who is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or proposed arrangement with the Sponsor, to declare such interest to the extent, in the manner and at the time required by the Act and to refrain from voting in respect of the contract or arrangement or proposed contract or proposed arrangement if and when prohibited by the Act.

### **Remuneration**

The Directors and officers who are Directors shall receive no compensation, either directly or indirectly, for acting as such and shall not receive, either directly or indirectly, any profit from their office. The Directors and officers who are Directors shall be paid travel and other out-of-pocket expenses properly incurred by them in attending meetings of the Board or of the members.

### **Committees**

The Board may from time to time appoint such committee or committees as it deems necessary or appropriate for such purposes and with such powers as it shall see fit. Any such committee may formulate its own rules of procedure, subject to such regulations or directions as the Board may from time to time make.

# ORGANIZATIONAL STRUCTURE

## **Fidelity Bonds**

The Board may require such officers, employees and agents of the corporation as the Board deems advisable to furnish bonds for the faithful discharge of their duties, in such form and with such surety as the Board may from time to time prescribe.

## **2) BY-LAWS OF THE CORPORATION**

This section suggests the range of requirements that must be considered in the establishment and operation of a non-profit housing organization eligible to receive Subsidy Assistance. However, it should be noted that the regulations that govern these requirements differ widely from province to province. Any questions on provincial requirements should be directed to the Sponsor's lawyer.

The By-laws that accompany the application for incorporation provide the day-to-day procedures for the operation and administration of the corporation. These By-laws should therefore contain provisions for defining the following:

### **Membership**

- ▲ Prerequisites for application;
- ▲ Method of application;
- ▲ Terms of admission of members;
- ▲ Rights and duties of members;
- ▲ Eligibility of voters; and
- ▲ Termination of membership by expulsion or withdrawal.

### **Meetings**

- ▲ Month of Annual General Meeting (often determined by fiscal year);
- ▲ Prerequisites for special meetings;
- ▲ Definition of a quorum; and
- ▲ Rules of meetings.

### **Voting**

- ▲ Proxies;
- ▲ Voting method;
- ▲ Voting rights of Chairperson to break a deadlock; and
- ▲ Eligibility of voters.

### **Directors**

- ▲ Number of Directors;
- ▲ Terms of appointment;
- ▲ Method of appointment/election;
- ▲ Duties and powers of Directors;
- ▲ Eligibility requirements for Directors;

## **ORGANIZATIONAL STRUCTURE**

- ▲ Meetings of Directors;
- ▲ Conflict of interest guidelines; and
- ▲ Conditions for resignation/removal of Directors.

### **Financial**

- ▲ Borrowing powers of the corporation;
- ▲ Bonding of individuals handling cash;
- ▲ Appointment of auditors;
- ▲ Accounts;
- ▲ Annual report; and
- ▲ Use of seal (as applicable).

### **Disputes**

- ▲ How members/Sponsor disputes are to be resolved; and
- ▲ How disputes will follow provincial legislation.

### **Amendments to By-laws**

- ▲ Type of resolution required for amendment;
- ▲ Notification of amendment;
- ▲ Votes required for amendment; and
- ▲ Notification of registrar.

Certain provinces have specific requirements with respect to the above. Contact the provincial registrar for further information.







# THE BOARD OF DIRECTORS

## ROLES AND RESPONSIBILITIES OF THE BOARD

The non-profit Urban Native housing Sponsor is governed by a group of unpaid volunteers called the Board of Directors. The Board is responsible for establishing policies on human resources management, administration and finance, maintenance, and tenant selection and relations. It must also organize and appoint ad hoc committees; set and follow a budget; ensure that all legal obligations are met; provide firm leadership; and maintain open lines of communication.

All Board members assume responsibility for the Sponsor's interests and objectives and must therefore appreciate the level of commitment and degree of responsibility required of them. They must act at all times in the best interests of the Sponsor as a whole, so as to preserve its assets, further its interests, and promote the purposes for which it was formed.

## STRUCTURE

Legally, an incorporated organization must have a minimum number of Directors. They assume certain official positions, such as President, Secretary and Treasurer. The Directors do not have direct day-to-day responsibility for operations or programs unless there are no staff. Instead, Directors develop policy and approve or reject major suggestions made by staff and committees.

A Director may be a teacher, a business person, a homemaker, a tenant, an accountant, a politician — in short, anyone in the community who is interested in supporting the goals of the Sponsor. Note, however, that a Director (particularly one who is a tenant in the project) must be extremely careful to avoid conflict of interest situations. Refer to the section on Conflict of Interest and Fraud in Section 5.

The best choices for Directors are people who, regardless of their occupation, are genuinely interested in the housing needs of the local community, and are willing to work on a volunteer basis to see those needs met. Hopefully, volunteers can be found who can bring to the Sponsor a certain level of expertise in managing an organization, whether this expertise is in running a private company or a non-profit organization.

CMHC uses the term "community-based" in assessing the dedication of a Sponsor's Board of Directors: does the Board demonstrate a strong base in the community in which the project is situated? A Board made up of individuals from another community may not have a clear understanding of the housing needs of the people in the community where the project is located. In contrast, a community-based Board generally encourages greater communication among the major participants in an Urban Native housing project — the Board, the membership, the employees and the tenants — because all are working toward a common goal in the same community.

# THE BOARD OF DIRECTORS

## FINANCIAL RESPONSIBILITIES

The Directors have the legal responsibility to conduct the business of the organization.

Debts incurred by the Sponsor are not the personal liability of the Board except where fraud or other negligence can be proven. Board members cannot receive direct financial gain or profit for being Directors.

The Board of Directors will likely delegate the day-to-day financial operations to staff and/or committees. The Board will, however, monitor the operations, make major financial decisions, and ensure that the Sponsor's financial policies are being implemented.

### The Board's financial duties include:

- ▲ Providing continuous experienced leadership so that major staff changes will not weaken the organization;
- ▲ Approving the annual Operating Budget and recommending its adoption to members;
- ▲ Authorizing the hiring and dismissal of staff;
- ▲ Directing committees;
- ▲ Understanding financial implications of its decisions and recommendations to members;
- ▲ Monitoring expenses and receipt of housing charges; and
- ▲ Conducting periodic evaluations of the Sponsor's operations with a view toward improving operations.

## RESPONSIBILITIES OF ALL DIRECTORS

### A Director's responsibilities include:

- ▲ Attending all Board meetings;
- ▲ Preparing for meetings by reading relevant reports;
- ▲ Keeping in touch with the general needs and concerns of tenants;
- ▲ Looking out for the welfare of the project at all times; and
- ▲ Keeping up-to-date with relevant provincial legislation as well as with the policies and By-laws of the Sponsor.

### Individual Directors may also be assigned specific tasks, such as:

- ▲ Sitting on one of the committees as a liaison between that committee and the Board;
- ▲ Investigating a particular problem and choosing a lawyer where necessary; and
- ▲ Acting as delegate of the Sponsor to some other organization of which the Sponsor is a member.

# THE BOARD OF DIRECTORS

## DUTIES OF SPECIFIC DIRECTORS

### **The President:**

- ▲ Provides overall co-ordination of Sponsor business and activities;
- ▲ Sees that Sponsor's policies, agreements, rules and Constitution are adhered to;
- ▲ Represents the Sponsor to the public;
- ▲ Calls Board meetings;
- ▲ Prepares the agenda with the Secretary;
- ▲ Chairs all Board meetings; and
- ▲ Signs documents.

### **The Vice-President:**

- ▲ Acts as Chairperson in the absence of the President; and
- ▲ May sit on a committee and act as executive liaison to the Board.

### **The Recording Secretary:**

- ▲ Ensures that notices of meetings are sent out within the appropriate notice period;
- ▲ Ensures that there is a quorum at meetings;
- ▲ Consults with the President on preparation of agenda; and
- ▲ Takes minutes of meetings, distributes them to members, and files them once they are adopted.

### **The Corporate or Corresponding Secretary:**

- ▲ Signs documents and is guardian of the Sponsor seal;
- ▲ Files required reports to the government; and
- ▲ Corresponds with Sponsor members and the community as directed by the Board.

### **The Treasurer:**

- ▲ Sees that annual audited Financial Statements are prepared at the end of the fiscal year for report to the Board;
- ▲ Ensures that an annual Operating Budget is prepared for the upcoming fiscal year;
- ▲ Advises the Board and the membership on the implications of any financial transaction contemplated;
- ▲ Ensures that all funds received are deposited to the credit of the Sponsor in such financial institutions as the Board may designate; and
- ▲ Ensures that accurate financial records are maintained.

# THE BOARD OF DIRECTORS

## DIRECTORS' HANDBOOK

A handbook containing essential documents of the Sponsor can be a useful tool for Directors. Properly used, it can help each Director to understand his or her responsibilities, save time, and maximize consistency in decision-making. The handbook should include:

- ▲ CMHC Operating Agreement and other contracts;
- ▲ Articles and By-laws;
- ▲ Policies;
- ▲ Tenancy agreements/leases;
- ▲ Financial Statements;
- ▲ Copies of current insurance policies;
- ▲ Operating and capital Budget;
- ▲ Current minutes and agendas of Board meetings (some Sponsors keep these documents in a separate Minute Book for easy reference to a particular meeting);
- ▲ Organization chart and job descriptions for Board, committees and staff; and
- ▲ Telephone Directory of other Board members/project staff.

## COMMITTEES

Initially, all decisions will be taken by the Board of Directors. However, as the Sponsor grows, the assistance of committees with specific tasks will be required. These committees will not have the power to spend money or to bind the Board of Directors of the Sponsor. Rather, their task is to distribute the workload, increasing the productivity and efficiency of Directors and staff by relieving them of hours of fact-finding and deliberation. They provide a variety of ways for Board members to become involved, matching as much as possible their individual skills and personalities to particular areas of interest.

The Board of Directors should prepare a Summary of Duties for each committee, to include: the extent of its authority; its deadlines or schedules; and its reporting methods. The following are brief descriptions of sample committees in an Urban Native project:

### Tenant Selection Committee

In addition to representation from the Board, this Committee must elect a Tenant Selection Officer or Tenant Counsellor to implement the Board's tenant selection policy, which covers the selection of tenants, monitoring of vacancies and status of rental arrears.

### Maintenance Committee

Under the direction of the Board, and with the assistance of staff, this Committee is responsible for the upkeep and repair of the building(s). This Committee co-ordinates such jobs as cleaning, painting and inspections, and establishes emergency repair procedures.

# THE BOARD OF DIRECTORS

## Finance Committee

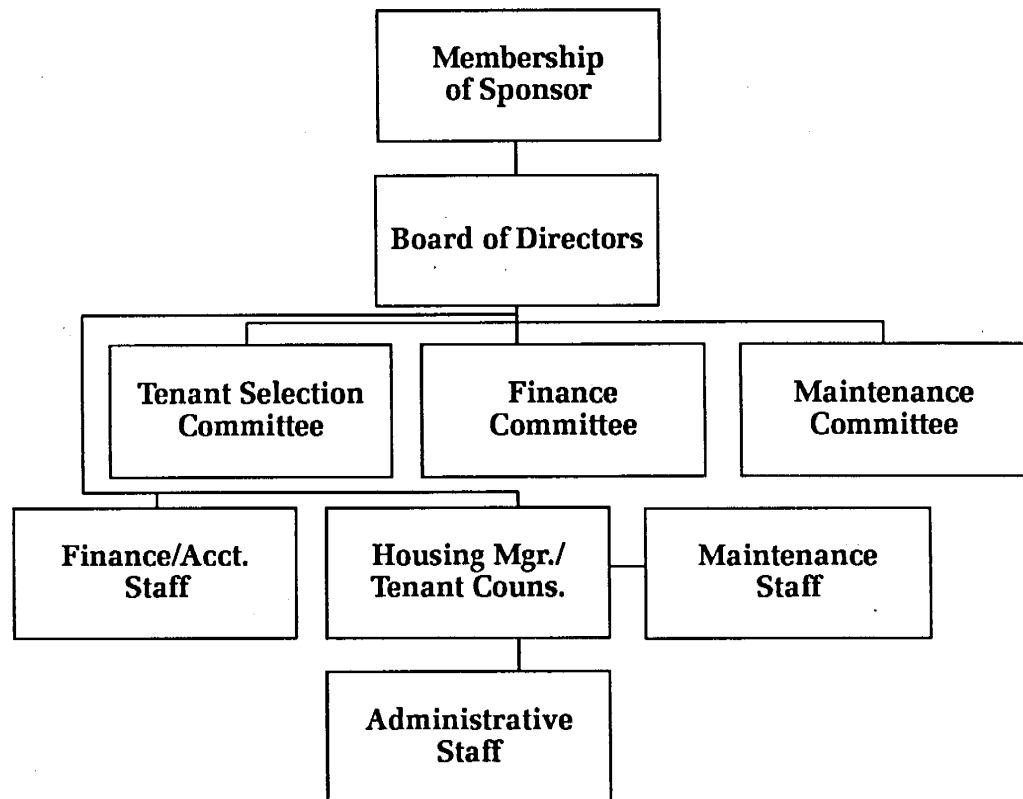
This Committee works with the Treasurer, the auditor, and the bookkeeper in financial management. Its work includes preparing annual budgets and Financial Statements, and setting up policies and procedures that maintain effective financial management.

## Additional Committees

As and when necessary, additional committees with specific responsibilities may be formed to assist in the Sponsor's affairs.

## SAMPLE ORGANIZATION CHART

A chart, such as the one below, helps to clarify the inter-relationship between the parts of an organization. Some Sponsors prefer to depict their organisation chart in the form of a tree, with the local community at the "grass-roots" level, the Board of Directors as the trunk, and the committees and staff forming the branches.



Note that, in the sample above, the Board of Directors is not at the very top of the chart. Ultimately, the Board itself is accountable to the membership of the non-profit organization, which in turn exists to ensure that the housing needs of the community are met.

# THE BOARD OF DIRECTORS

## MEETINGS

As a preface to the following section, note that regulations with respect to the scheduling of meetings vary from province to province. Direct any questions on provincial requirements to the appropriate provincial authority.

### 1) REGULAR BOARD MEETINGS

The Board should normally meet monthly, on a day set at the previous meeting, or on a particular day of the month determined by resolution of the Board. The Board may also meet at other times. The President or Vice-President may call a meeting of the Board at any time. At least three days' notice of a meeting should be given to all Directors.

### 2) THE ANNUAL GENERAL MEETING

The Sponsor must hold an annual meeting of the members not more than 18 months after incorporation, and, after that, not more than 15 months after the last preceding annual meeting, and not more than 6 months after the end of the immediately preceding fiscal year of the corporation. In some provinces an annual meeting is mandatory. The agenda for each annual meeting includes approval of the Financial Statements and the appointment of an auditor, and will usually include the election of Directors and acceptance of annual reports from the Board, committees and staff.

The two different — but equally important — goals of a meeting must be remembered:

- ▲ Accomplishing the business (the paper work); and
- ▲ Meeting human needs (the people work).

#### Before the Meeting

##### Purpose:

Make sure that all those invited know why the meeting has been arranged.

##### Notice of Meeting:

Notification of the meeting must meet the requirements of the By-laws and the specific needs of the participants. Ensure that all participants are notified of the meeting in advance and that they are provided with an agenda.

##### Facilities:

The meeting space must be booked and should suit the specific purpose of the meeting.

# THE BOARD OF DIRECTORS

## During the Meeting

### Structure:

The agenda should be available to all participants.

The layout of the meeting room should allow participants to see and hear what is going on.

Any formal rules of order should be announced and adhered to. It may prove useful to discuss rules (formal or informal) with a view to improving the way meetings are run. Legal quorum requirements must, of course, be respected.

### Discussion:

It is the responsibility of the Chair to:

- ▲ Prepare all agenda items; and
- ▲ Direct the meeting by listening, summarizing, and providing feedback to the group.

It is the responsibility of committee members to:

- ▲ Be aware of and informed about the agenda items;
- ▲ Respect the current speaker; and
- ▲ Listen carefully.

### Decisions:

All participants must be aware of who makes a decision on an item (e.g., is it a group decision, or a decision made by one or two individuals?).

How decisions are made is also very important (e.g., is a decision to be made by vote, by consensus or by unanimous agreement?).

### Recording:

To avoid any confusion in the future, all business conducted must be recorded. In advance of the meeting, decisions should be made on:

- ▲ What is to be recorded;
- ▲ Who is responsible for recording; and
- ▲ How the recording is to be carried out.

## After the Meeting

### Implementation:

It must be clear, with each Board decision, which individual is responsible for the follow-up on an item or activity.

### Monitoring:

A member of the Board, a committee or staff should check to see that action is taken.

### Reporting:

The individual assigned responsibility for a particular activity should provide regular status reports back to the Board.

# THE BOARD OF DIRECTORS

## BOARD OF DIRECTORS ELECTIONS

### 1) ELECTIONS COMMITTEE

The Board may appoint an Elections Committee prior to the Annual General Meeting to publicize an upcoming election and to seek candidates and educate members in the duties and responsibilities of the Board. The Committee should try to ensure that there are more candidates than the number of Directors to be elected. At the meeting, any member may nominate other candidates, providing they meet the required qualifications.

### 2) BALLOTING

Those candidates receiving the greatest number of votes shall be declared elected. In the event of a tie, a second election must be held immediately for the tied candidates. The second election should be by ballot, or in accordance with the By-laws.

### 3) ELIGIBLE VOTERS

Those eligible to vote are specified in the non-profit organization's Constitution and By-laws.

### 4) TERM OF OFFICE AND BOARD VACANCIES

The following should be prefaced with the note that the Sponsor's own Constitution and By-laws will govern these areas and must be adhered to.

The term of office for a Director should be about two years. Sponsors should encourage Directors to serve a full term of office. Sponsors may also wish to give some thought to limiting the number of consecutive terms that may be served by a Director. The term of office of Directors ends at the beginning of the first regular Board meeting following the Annual General Meeting. The retiring Directors are expected to attend this first regular Board meeting to advise and otherwise assist the new Directors in the transition.

To maintain a certain continuity, it is preferable to stagger the terms so that all Board members do not change at the same time.

When a vacancy exists on the Board, and a quorum of Directors is in office, these Directors may appoint a qualified person to fill the vacancy until the next annual meeting, subject to the approval of the members at that meeting. If the members at the general meeting do not approve of the Director appointed by the Board, they can then elect another member to fill the vacancy for the remainder of the term. If no quorum of Directors remains in office, the remaining Directors must call a meeting of members to elect sufficient Directors to fill any vacancies for the balance of the original term.





# MANAGING HUMAN RESOURCES

## RECRUITMENT/HIRING

Personnel are the backbone of a non-profit housing organization. It is imperative that staff either have the required qualifications upon application or that they can be trained within a reasonable time and without interrupting the everyday operation of the housing group. CMHC can assist in training new staff.

Vacancies should always be filled by the most suitable candidate. When a promotion from outside the organization is not feasible, outside candidates should be hired in accordance with the following policies:

- ▲ All job openings must be posted and advertised for a specific period of time except when otherwise authorized by the Directors.
- ▲ In most projects, the Board should appoint a Hiring Committee made up of the Housing Manager and two other individuals. In smaller projects, the selection of candidates, the interview and the hiring process may be handled by the Housing Manager and an assistant alone. In either case, the Board makes the final decision on who is hired.
- ▲ All applicants must be screened and interviewed by the Hiring Committee.
- ▲ All applications submitted are considered confidential.
- ▲ All Hiring Committee members should be present at all interviews.
- ▲ If any Committee member has a close association with any applicant (e.g., is a member of the same household, or a close friend), that Committee member should declare a conflict of interest and refrain from taking part in the hiring process.

### Statement of Duties

The employer must supply all applicants with a statement outlining the duties and responsibilities assigned to the position he or she will occupy.

## SAMPLE HIRING POLICY

### 1) AUTHORITY TO HIRE

- ▲ The Committee recommends the staffing of all new positions.
- ▲ For new permanent and temporary positions, the Committee makes recommendations to the Board regarding the job title, job description and salary.
- ▲ The Committee carries out the hiring for all new or existing positions. The Committee recommends the choice of candidate; this recommendation must then be approved by the Board of Directors.

# MANAGING HUMAN RESOURCES

## 2) THE HIRING COMMITTEE

The Hiring Committee's function is:

- ▲ To advertise a position and make copies of the job description available;
- ▲ To accept applications;
- ▲ To establish selection criteria and interview guidelines;
- ▲ To review all applications and select candidates for interview;
- ▲ To check the references of applicants under consideration;
- ▲ To set up and conduct interviews;
- ▲ To make a recommendation regarding the choice of applicant and salary to the Board;
- ▲ To negotiate salary and terms of employment with the successful applicant as necessary; and
- ▲ To notify all candidates of the Board of Directors' final decision.

## 3) ADVERTISING OF POSITIONS

All advertisements for positions must include the job title; a summary of duties; the salary range; details on how to apply for the position; the name and telephone number of a contact for further information; and the deadline for applications.

## 4) ELIGIBILITY OF MEMBERS AND DIRECTORS

In general, members may apply for positions that become available. They will be given an opportunity equal to that of outside applicants in the hiring process.

Directors who apply for positions will be treated in the same way as any other applicants. They may not participate in any part of the selection process. If selected, they must resign from the Board of Directors.

## 5) HIRING LOG

For each hiring, a log should be maintained. The information should include:

- ▲ The names and positions of individuals on the Hiring Committee;
- ▲ The names of all applicants;
- ▲ The names of all applicants interviewed, with date of interview and interview report; and
- ▲ The decision of the Committee, supported by the rationale for its decision.

The log should be signed by all Committee members.

# MANAGING HUMAN RESOURCES

## JOB DESCRIPTIONS

### 1) THEIR PURPOSE

For each position, a clearly defined job description should be created. The tasks of one employee should not overlap those of another employee. Ideally, if a job description is closely followed, the employee's performance should be completely satisfactory. In adhering to the job description, the employee should be immune from irresponsible or arbitrary harassment from employers or from other staff. The employee should be required to sign the job description along with the employer's representative to show that each is aware of and agrees to its terms. In this way, the description is more like a contract, and can be as useful for the employee's protection as it is for the employer's.

A complete job description must include:

- ▲ The title of the position;
- ▲ The individual to whom the employee is directly responsible (preferably only one person);
- ▲ A complete description of the work expected;
- ▲ The necessity for bonding (if appropriate); and
- ▲ The prerequisite skills and attitude and criteria for them.

### 2) SAMPLE JOB DESCRIPTIONS

Sample job descriptions follow for the positions of Housing Manager, Bookkeeper, and Maintenance Person. Note that slightly different formats can be adopted, but the basic structure and scope should be consistent.

# MANAGING HUMAN RESOURCES

## SAMPLE JOB DESCRIPTION

**POSITION TITLE:** HOUSING MANAGER

**REPORTS TO:** Board of Directors

**SALARY:**

**HOURS OF WORK:**

### DUTIES AND RESPONSIBILITIES:

Works closely with the Board of Directors. Plans and develops new and existing properties of the Sponsor. Oversees the operating, maintenance and administration budget; revenues; proper maintenance of the books; variances; and general administrative duties.

### KEY DUTIES:

1. Supervises the collection of all revenues and ensures the prompt deposit thereof.
2. Compiles a list of rental delinquencies and averages (in percentage form) monthly delinquencies.
3. Ensures that appropriate action is taken against theft, rent delinquencies, losses, etc.
4. Prepares the annual Operating Budget for each project, including required or anticipated capital expenditures variances, and submits said budget to the Board of Directors for review and recommendation of corrective action or approval.
5. Reviews entire operation twice annually to determine budget adjustments and make recommendations to the Board of Directors.
6. Recruits and selects staff in accordance with established hiring practices.
7. Appraises the performance of employees on a bi-annual basis; identifies staff training needs; and makes proper recommendations.
8. Maintains discipline in accordance with the Sponsor's guidelines and, as necessary, recommends the dismissal of employees whose performance and/or discipline has been assessed as unsatisfactory.
9. Plans performance of employees on regular basis and ensures that specific tasks are accomplished.
10. Resolves disputes between staff.
11. Ensures that all staff members are working as a team.
12. Compares monthly revenues against potential losses and takes the necessary corrective action.
13. Negotiates various maintenance contracts with subcontractors.
14. Ensures all invoices are approved and matched with purchase orders as soon as they are received.
15. Submits to Board of Directors for approval all expenses which exceed budget limitations established by the Board.

## **MANAGING HUMAN RESOURCES**

16. Reviews annually all insurance policies to determine whether they are adequate, and whether most economic premium has been obtained.
17. Examines all supply and service contracts to ensure greatest possible savings made.
18. Establishes controls and policies for energy conservation.
19. Keeps track of all permits, licences, insurance policies; records electrical, gas, oil and water consumption.
20. Draws a detailed plan of action for each capital expenditure and submits to the Board.
21. Obtains progress reports for work ordered from professional and technical services, and through Financial Statements is aware of status of expenditures related to such work.
22. Controls petty cash account.

### **OTHER DUTIES:**

Performs other duties such as may be required from time to time, for example, training seminars, conferences, and opening ceremonies, as instructed by the Board of Directors.

# MANAGING HUMAN RESOURCES

## SAMPLE JOB DESCRIPTION

**POSITION TITLE:** BOOKKEEPER

**TERMS:** 90-day probation period

**HOURS:**

**SALARY:**

### 1. KEY RESPONSIBILITIES:

- ▲ Computerizes transactions, maintains accounting records for Sponsor and each project.
- ▲ Maintains register of damage deposits detailing liability, including interest payable on deposits. Balances bank accounts to liability account on balance sheet monthly.
- ▲ Issues notices to tenants for returned cheques; follows-up on collections; and reports arrears to Sponsor Treasurer monthly (Accounts Receivable summary and details report).
- ▲ For accounts payable, maintains files of unpaid invoices by Sponsor and project separately. Writes cheque disbursements for all accounts. Files paid invoices and receipts for auditor by month.
- ▲ Makes bank reconciliations on all accounts for Sponsor and projects. Bank reconciliation is to be signed off by the Housing Manager.
- ▲ Prepares payroll for all employees.
- ▲ Maintains records of employer's obligations and remittances, payroll and employee records (TD-1):
  - ▲ Issues T4s and complete T4 summaries;
  - ▲ Reconciles remittances; and
  - ▲ Issues records of employment to departing employees.
- ▲ Produces Financial Statements monthly to include:
  - ▲ Balance sheet;
  - ▲ Income statement for year to date;
  - ▲ Income statement for each month ending;
  - ▲ Accounts receivable summary and details; and
  - ▲ Accounts payable summary and details.
- ▲ Assists in preparation of annual budgets. Acts as resource person to accumulate cost estimates or histories.
- ▲ Produces budget comparison reports for projects quarterly and Sponsor monthly, or as requested by the Treasurer.
- ▲ Designs and maintains financial calendar. Provides Board with a copy each month, or as requested by the Treasurer.
- ▲ Assists auditor as required during year-end audit.

## **MANAGING HUMAN RESOURCES**

- ▲ Provides advice to the administrator and Board of Directors on acceptable accounting procedures.
- ▲ Trains assistants from time to time as Sponsor obtains job development grants, etc.
- ▲ Liaises with CMHC regarding policy and procedures as required.
- ▲ Attends Board meetings as requested.
- ▲ Performs any other reasonable tasks assigned by the Board of Directors.

I hereby agree to and understand all of the above.

\_\_\_\_\_  
**BOARD OF DIRECTORS**

\_\_\_\_\_  
**EMPLOYEE**

\_\_\_\_\_  
**DATE**



# MANAGING HUMAN RESOURCES

## SAMPLE JOB DESCRIPTION

### POSITION TITLE: MAINTENANCE PERSON

The position takes direction from and reports to the Housing Manager.

Primary role includes but is not restricted to carrying out the ongoing maintenance activities to ensure the housing rental units are in a good condition.

The incumbent requires thorough knowledge and experience in building repairs, good building practice and CMHC codes. Building experience should include general carpentry, electrical, plumbing and heating.

#### 1. KEY RESPONSIBILITIES:

- ▲ Organizes and performs day-to-day maintenance activities.
- ▲ Inspects periodically interior, exterior and outside areas to ensure the maintenance of such areas and to identify all defects requiring corrective measures.
- ▲ Prepares cost estimates and material lists for such repairs and maintenance projects, and orders appropriate supplies.
- ▲ Determines which repairs are a tenant responsibility; estimates labour and material for reimbursement.
- ▲ Establishes plans of action and specific work schedules for maintenance in a systematized, preventive maintenance work program within budget allocations.
- ▲ Prepares tender documents for contract work and notifies contractors.
- ▲ Issues work orders to contractors; supervises work in place as necessary; inspects work and certifies satisfactory completion; and recommends payment.
- ▲ Ensures that inventory of material, tools and equipment is complete, maintained and purchased as authorized by the Housing Manager.
- ▲ Communicates with tenants to ensure they receive the best service possible, and informs them of the Sponsor's maintenance policies.

#### 2. ADMINISTRATIVE DUTIES:

- ▲ Reviews maintenance budgets and expenditures, analyzes costs per unit to ensure budget allocations are not over-expended.
- ▲ Assists Housing Manager in preparing the annual maintenance budget.
- ▲ Provides monthly written reports on maintenance activities.
- ▲ Provides written reports as required to the Housing Manager regarding additional work requests or supplementary funds that were not anticipated in the approved budget.

## MANAGING HUMAN RESOURCES

### 3. CONDITIONAL REQUIREMENTS:

- ▲ Must be bondable.
- ▲ Must provide a vehicle suitable for the work, as well as all necessary tools.
- ▲ Must have a current valid driver's licence; driver's licence must be free of endorsements that would increase the Sponsor's cost of insuring driver.
- ▲ Must be in good physical condition.

### 4. REMUNERATION:

- ▲ Salary will be based on knowledge and experience.
- ▲ Travel expenses or allowances will be paid in accordance with the Policy Manual. (Salary and travel expenses will be based on the CMHC guidelines.)

ACKNOWLEDGED BY: \_\_\_\_\_

DATE: \_\_\_\_\_ 19

REVIEWED WITH: \_\_\_\_\_

DATE: \_\_\_\_\_ 19

# MANAGING HUMAN RESOURCES

## THE TENANT COUNSELLOR

### 1) GENERAL DESCRIPTION OF THE ROLE

The role of the Urban Native Tenant Counsellor can be complex. The Tenant Counsellor's duties begin even before a tenant moves into the housing unit, and may involve frequent follow-up visits. Responsibilities may include counselling families and individuals on personal and work adjustment; family and social relationships; and money management. The Counsellor must be able to encourage the tenants to help themselves rather than relying on agencies or the Tenant Counsellor to make plans for them. At the same time, the Tenant Counsellor must have an established network of contacts in various agencies to whom tenants can be referred should the need arise.

To build up this network, the Tenant Counsellor must have a knowledge of native cultures and problems; an awareness of native organizations, including self-help agencies; an ability to relate to various government and non-government agencies; and some financial background. The Tenant Counsellor must also be familiar with the policies of the Urban Native Housing Program.

Tenant Counsellors may also be called upon to help interview prospective tenants, and then to verify the information they have provided, such as income figures and references. The Board of Directors may request that the Tenant Counsellor join the Selection Committee; CMHC supports this arrangement.

For the most part, the Tenant Counsellor does not represent the business interests of the Sponsor. For example, the Tenant Counsellor would not work on behalf of the Sponsor to collect rent arrears, although he or she may counsel tenants with arrears problems on personal financial planning. The responsibilities of individual Counsellors will vary depending on the location, size and membership needs of the project.

### 2) CMHC GENERAL GUIDELINES

#### Ratio of Housing Units to Tenant Counsellor

In the past, CMHC's general rule has been that an Urban Native housing Sponsor with 100 housing units should employ one full-time Tenant Counsellor. However, in recognition of the importance of the Tenant Counsellor's role, CMHC now recommends one full-time Tenant Counsellor for every 75 housing units.

In the case of those Sponsors with less than 75 units, it may not be possible to have a full-time Tenant Counsellor on staff. However, there are various ways in which the Sponsor of a smaller portfolio can still provide tenant counselling services to its tenants. Sharing tenant counselling services with other urban native Sponsors is one approach. Some Sponsors have entered into an agreement with Tenant Counsellors whereby he or she visits each Sponsor regularly on, for example, two days out of every two-week period. Other Sponsors have an individual on staff who is qualified to provide tenant counselling

## MANAGING HUMAN RESOURCES

services, but who also assists the Sponsor part-time with bookkeeping, maintenance or clerical duties.

Whichever arrangement is adopted, it is important that (1) the tenant counselling services be provided by a qualified person; (2) the services be separate as much as possible from the purely business aspects of the Sponsor's management of the portfolio (e.g., arrears collection); and (3) the confidentiality between the tenant counselling service and the tenant be maintained at all times.

### **Qualifications of the Tenant Counsellor**

A full-time Tenant Counsellor employed by a Sponsor must be suitably qualified. It is generally recommended that the individual possess, as a minimum, a qualification in social work recognized by the province. The qualification could be:

- ▲ A university degree in social work; or
- ▲ Accreditation at the community college level.

A Tenant Counsellor may also have had exposure in areas such as life-skills training; family, child or marriage counselling; or native community work. He or she should have field experience in these areas, preferably dealing with native people. A minimum of two to three years' experience would be appropriate. In addition, the Tenant Counsellor must have a good knowledge of residential tenancy legislation and of housing-related issues.

In the case of the Sponsor with a smaller portfolio, it is more difficult to specify what level of training would be appropriate for a part-time Tenant Counsellor. The individual should certainly be working toward an accreditation as a social worker and/or should have some experience in the field of counselling.

The Tenant Counsellor working for the Sponsor of an urban native housing project need not be an expert in all areas of personal counselling; the primary role of the Tenant Counsellor is to assist tenants in matters related to housing. It is imperative that the Tenant Counsellor be familiar with local agencies to whom he or she can refer tenants with particular problems. Where a tenant has alcohol or drug addiction, child or spousal abuse, or other non-housing related problems, the Tenant Counsellor must be able to direct the tenant to the appropriate agency.

### **Salary Guidelines**

CMHC cannot specify an appropriate Tenant Counsellor salary: it will depend to a large extent on the qualifications of the individual. As a general guideline, the salary is likely to be in keeping with salaries offered for similar positions in social work within other organizations. If the Tenant Counsellor works full-time for the Sponsor, the salary may be governed by the reporting relationship: it would be inappropriate for a Tenant Counsellor to be paid a higher salary than that of the Manager to whom he or she reports.

# MANAGING HUMAN RESOURCES

## **Other Considerations**

A change in CMHC policy that Sponsors should note is that costs related to Tenant Counselling should now appear as a separate line entry in Financial Statements and budgets. These costs are no longer covered under "Administration." Note also that the policy for costs acceptable under Administration has also been revised. Refer to Section nine for further information.

## **Further Assistance**

Questions on any aspect of Tenant Counselling should be directed to Portfolio Management staff at the local CMHC branch.

## **3) SAMPLE JOB DESCRIPTION: TENANT COUNSELLOR**

A sample job description for a Tenant Counsellor follows. As noted before the previous samples, the format for job descriptions may differ slightly.

# MANAGING HUMAN RESOURCES

## SAMPLE JOB DESCRIPTION

### POSITION TITLE: TENANT COUNSELLOR

The position takes direction from and reports to the Housing Manager.

The primary role includes but is not restricted to organizing and controlling the ongoing activities to ensure a good working relationship between tenant and Sponsor in aiding and assisting housing needs; promoting and enhancing the tenants' social and economic status is also a priority.

The Tenant Counsellor must have strong public relations and counselling skills and must be able to handle information received in the line of duty in a confidential manner. He or she must be innovative, must demonstrate leadership skills; and must have a background in administration, and knowledge of the Urban Native Housing Program.

#### 1. KEY RESPONSIBILITIES:

- ▲ Makes regular visits to the tenants to ensure they are maintaining domestic responsibilities. Home visits must be properly documented and kept in confidential files.
- ▲ Establishes close working relations with other organizations that may be required to provide specific counselling (e.g., drug and alcohol; education; physical or mental abuse).
- ▲ Informs tenants of new and existing tenant policies, guidelines and objectives of the housing project as necessary.
- ▲ Encourages tenants to participate in community affairs.
- ▲ Encourages tenants to create and/or join in local self-help programs.
- ▲ Participates as a member of the tenant selection committee and implements the Board's tenant selection policy (includes selection of tenants, monitoring of vacancies and status of rental arrears).
- ▲ Develops and maintains point rating system for tenant selection, and participates in tenant selection (i.e., accepts applications, checks references, and visits prospective tenants in their current homes).

#### 2. ADMINISTRATIVE DUTIES:

- ▲ Assists the Housing Manager in preparation of the annual Tenant Counsellor budget.
- ▲ Provides monthly written reports on activities.
- ▲ Familiarizes himself or herself with CMHC and its policies and all guidelines relating to tenancy.
- ▲ Is responsible for documentation to be submitted to the Selection Committee or Board of Directors on applicants or tenants, while maintaining and ensuring confidentiality at all times.
- ▲ Is familiar with and capable of using office equipment including computers.

## MANAGING HUMAN RESOURCES

### 3. CONDITIONAL REQUIREMENTS:

- ▲ Must be bondable.
- ▲ Must provide a vehicle suitable for the work.
- ▲ Must have a current valid driver's licence; driver's licence must be free of endorsements that would increase the Sponsor's cost of insuring driver.

### 4. REMUNERATION:

- ▲ Salary will be based on knowledge and experience.
- ▲ Travel expenses or allowances will be paid in accordance with the Policy Manual. (Salary and travel expenses will be based on the CMHC guidelines.)

ACKNOWLEDGED BY: \_\_\_\_\_

DATE: \_\_\_\_\_ 19

REVIEWED WITH: \_\_\_\_\_

DATE: \_\_\_\_\_ 19





# HUMAN RESOURCES POLICIES

An important part of the Sponsor's responsibilities is developing appropriate policies for the organization. Human resources policies may be formal documents, or may take the form of an employment contract. Provincial legislation requirements should be considered when policies are being developed.

The objectives of human resources policies are:

- ▲ To ensure human resources practices are in place and are clearly understood by management and employees;
- ▲ To eliminate the need for personal decisions;
- ▲ To ensure uniformity and consistency; and
- ▲ To provide a working guide for management and staff.

A successful organization is one that makes every effort to attract and keep qualified and motivated employees. A human resources policy that provides as many rewards and benefits as it can afford is far more likely to promote dedication and commitment in the staff.

The following examples of the type of issues to be covered in a comprehensive human resources policy may be useful for a Sponsor drawing up a policy document.

## STANDARDS OF CONDUCT

All Sponsors of Urban Native housing projects should have in place Standards of Conduct (or a Code of Ethics). These Standards set out the expectations that the Sponsor has of its employees as to how they serve the objectives of the Sponsor, and how they perform their jobs. Some Sponsors post their Standards of Conduct prominently in the office to remind employees and tenants/members of what is expected of them.

## SALARIES AND BENEFITS

### 1) SALARIES

- ▲ Salaries and benefits for each position are determined — taking budget constraints into account — by the Board of Directors.
- ▲ Salaries should be reviewed annually before preparation of the budget.
- ▲ (i) Salaries, when determined, should be retroactive to the start of the fiscal year.  
(ii) The determination of salary levels and increases must be understood to be subject to funding sources and/or successful completion of the probationary period.
- ▲ Under no circumstances should an employee be given a loan or a salary advance.
- ▲ An employee should be paid twice monthly: on or near the 15th of the month and on or near the last working day of each month, except where contracts with funding agencies state different procedures.

# HUMAN RESOURCES POLICIES

## 2) BENEFITS

To keep this section brief, the following suggested policies are somewhat general and should be taken only as guidelines. Whatever final decisions are made, the Sponsor must ensure that policies are:

- ▲ Reasonable and feasible in terms of their application;
- ▲ Typical of those policies that have been adopted by other similar organizations in the local region;
- ▲ Written down as official policies, and clearly understood by all employees;
- ▲ Fairly and equitably applied at all times; and
- ▲ In accordance with provincial and federal legislation.

Any exceptions to the official policies of the Sponsor in this area must receive the consideration and approval of the Board of Directors.

### Vacation Leave

For ease of administration, the leave year should begin January 1 and end December 31. Vacation leave credits are credited to the employee on January 1.

As a general guideline, and based on a standard 40-hour work week, an employee with less than eight years of service, provided he or she has received at least 10 days' pay in a month, would be credited with 15 working days of vacation leave per year (i.e., 1 1/4 days per month). An employee with eight years of service but less than 19 would be credited with 20 working days of vacation leave per year (1 2/3 days per month). An employee with more than 19 years of service would be credited with 25 working days of vacation leave per year (2 1/12 days per month).

When an employee terminates employment (or the Sponsor terminates the employment) before the end of the leave year, but has not earned vacation already taken, then a deduction equal to the unearned vacation leave should be made from the employee's last pay cheque.

Vacation leave should not be allowed to accumulate to the point where an employee has "banked" an inordinate amount of leave credits. As a general rule, vacation leave credits should be used before April 30 of the following year. Any exceptions should be approved on a case-by-case basis by the Board of Directors.

### Sick Leave

For ease of administration, the leave year should begin January 1 and end December 31. Sick leave credits are credited to the employee on January 1.

As a general guideline, an employee would earn sick leave credits at the rate of 15 working days per year (1 1/4 days per month), provided he or she has received at least 10 days' pay in a month. When an employee terminates employment (or the Sponsor terminates the employment) before the end of the leave year, but has not earned sick leave already taken, then a deduction equal to the unearned sick leave should be made from the employee's last pay cheque.

## HUMAN RESOURCES POLICIES

Sick leave credits should be allowed to accumulate from year to year so that they are available when needed. However, no payment is to be made to the employee on separation for sick leave credits not used.

### **Maternity Leave**

Maternity leave should be granted to an employee (with at least six months' continuous service) for a period of up to 26 weeks, without pay. During that period, the employee may be eligible for unemployment benefits. The Sponsor guarantees that at the end of the maternity leave period, the employee will return to her employment position. During her absence, the Sponsor may hire a replacement on a contract basis only.

### **Special Leave**

Decisions on the granting of special leave, either with or without pay, may have to be made on a case-by-case basis. However, the Sponsor may wish to establish a policy that provides for any regular full-time employee to be eligible for a maximum of five working days of special leave with pay per year, for such reasons as:

- ▲ Death in the immediate family;
- ▲ Sickness in the immediate family;
- ▲ Birth of a child; or
- ▲ Medical or dental appointments.

If an employee is required to be absent during the course of a year for a period in excess of five days, then special leave without pay should be granted, provided that the Sponsor is satisfied with the employee's reasons for requesting such leave.

Over time, a Sponsor will be confronted with requests for special leave for a variety of reasons. A record of all requests for and decisions on whether or not to grant special leave should be kept to ensure similar requests in the future are treated in the same way.

### **Statutory Holidays**

An employee is entitled to a statutory holiday with pay provided that he or she was paid for the day before and after the statutory holiday.

Statutory holidays are as follows:

New Year's Day  
Good Friday  
Easter Monday  
Victoria Day  
Canada Day  
Labour Day  
Thanksgiving day  
Remembrance Day  
Christmas Day  
Boxing Day

In addition, some provinces have designated a day as an official holiday, such as St-Jean Baptiste Day in Quebec, or the first Monday in

# HUMAN RESOURCES POLICIES

August in other provinces. Certain other significant days, such as Treaty Day, may also be officially recognized by the Sponsor as a paid holiday.

## **Insurance and Retirement Benefits**

In many provinces, private insurance companies offer Sponsors a package that provides insurance and retirement benefits. In some provinces, companies have developed benefits packages designed specifically for Urban Native Sponsors. Sponsors interested in such packages should contact local insurance companies for further information. If they are reasonable, CMHC may be prepared to recognize the premiums as an eligible operating expense. However, Sponsors are advised to check with CMHC before entering into any contract with an insurance agent or company.

## **Car Insurance and Mileage Allowances**

All employees must ensure they have business insurance on their personal vehicles before they are used for Sponsor business. When CMHC reviews requests for payment of mileage claims, CMHC will use mileage rates established for CMHC employees.

## **PROBATION, EVALUATION AND TERMINATION**

### **1) PROBATIONARY PERIOD**

All new regular employees of the Sponsor are subject to a probationary period of three to six months before their employment status is regularized. During this period, employees are given the opportunity to demonstrate their suitability for the position.

At the end of the probationary period, an employee review will be conducted by the immediate supervisor or the Housing Manager.

### **2) PERFORMANCE EVALUATION**

All permanent employees of the Sponsor are subject to an annual performance evaluation. This evaluation focuses on how the employee has contributed to the Sponsor's goals over the preceding year. Employees are expected to progress, over the years, through the applicable salary range. The rate of this progress will depend on both employee performance and the yearly assessment thereof.

All permanent employees are to be evaluated by their immediate supervisor and, in the case of the Housing Manager, by the Board of Directors. The criteria for assessing performances is predetermined; formal job descriptions (see Section 4) are of great importance.

A permanent employee is an employee who has completed the initial probationary period, and is in continuous employment of more than 10 hours per week.

If an employee evaluation is found to be unfavourable, the Board of Directors may:

- ▲ Dismiss the employee; or
- ▲ Place the employee on probation for a period not to exceed six months (reasonable conditions may be stipulated).

# HUMAN RESOURCES POLICIES

## 3) POLICY CHANGES

Procedures and practices in the field of personnel relations are subject to modification and development. All changes to policy must have the approval of the Board.

## 4) SPECIAL ASSIGNMENTS

Although employees are hired to perform the duties itemized in the job description, they may be expected to carry out special assignments. In such cases, employees must negotiate the terms and conditions of that special assignment (including any additional compensation or remuneration) with a Board representative prior to the assignment.

## 5) EMPLOYEE RESIGNATION

- ▲ All employees, other than the Housing Manager, are requested to give two weeks' notice prior to their departure.
- ▲ The Housing Manager is requested to give one month's notice.
- ▲ Any employee absent five consecutive days without permission or reasonable cause will be regarded as having resigned.

## 6) GRIEVANCE PROCEDURE

Staff members who believe they are being unfairly treated should proceed as follows:

- ▲ First, discuss the problem or grievance with the immediate supervisor.
- ▲ If the problem cannot be solved at this level, review the situation with the Housing Manager.
- ▲ If neither of these steps resolve the problem, present the matter, in writing, to the Board of Directors.
- ▲ Any grievance by staff members in areas of hiring may be made in writing to the Board of Directors.

Occasionally, disputes between employees and employers may arise because of inadequate procedures of personnel policies. In these cases, the provincial labour standards code should be consulted for a final decision.

## 7) DISMISSAL OF AN EMPLOYEE

If a permanent employee is dismissed without suitable notice, for example, because of termination of the program, the employee will be given three weeks' salary. If a permanent employee is dismissed on the grounds of incompetence, the employer will not pay the employee from the date of dismissal.

### Procedures for Dismissals

- ▲ The Board of Directors is the only body authorized to hire and to dismiss, although the Housing Manager may be empowered to suspend an employee until such time as the Board meets; no such suspensions will be longer than 30 days.

## **HUMAN RESOURCES POLICIES**

- ▲ If the employee's conduct is not sufficient cause for dismissal, the Housing Manager or Board of Directors will send the employee a confidential written notice of warning, outlining specific offences or conduct violations. Three such written notices constitute cause for dismissal.

Causes for dismissal include:

- ▲ Being under the influence of alcohol or drugs while working;
- ▲ Insubordination;
- ▲ Defrauding the Sponsor in any way;
- ▲ Consistently failing to fulfil the obligations of the job;
- ▲ Failing to abide by office policy; or
- ▲ Releasing of the group's confidential information without proper authorization from the Housing Manager or the Board of Directors.

### **GENERAL CONTROLS**

#### **1) HOURS OF WORK**

The working day is generally from 9:00 a.m. to 5:00 p.m., Monday to Friday inclusive, with the exception of statutory holidays. The Sponsor can, of course, set its own work hours. A 40-hour work week is standard.

Employees will occasionally be expected to perform their duties and responsibilities after normal working hours (in meetings, public relations work, etc.). In such circumstances, they will be provided with adequate compensation by the authority of the Executive Officer/Director.

#### **2) USE OF OFFICE EQUIPMENT**

The use of equipment such as telephones and photocopiers will be restricted to staff members and to the Board, at the discretion of the Executive Officer/Director. Requests to use this equipment will be granted to other individuals/organizations on the approval of the Executive Officer/Director. As a general rule, all such equipment should be restricted to the business of the Sponsor, regardless of whether an employee is willing to pay for any expenses related to materials or repairs. Such controls must be imposed to avoid unreasonable office expenses.

#### **3) CONFIDENTIALITY**

All business, including correspondence, conversations, information concerning policies, orders placed, prices, and operational statistics, must be treated as confidential, and is not to be divulged.

Only designated employees approved by the Housing Manager shall have access to keys to the premises, files and records.

# HUMAN RESOURCES POLICIES

## 4) MAIL

Letters relating to policy matters, complaints, all negotiations, press releases, top-level inquiries, inquiries and approvals for projects, correspondence with executive management levels (especially CMHC and the Canada Employment Immigration Commission), will be under the signature of the President of the Board of Directors.

Letters relating to routine inquiries, accounts receivable, accounts payable, personnel matters pertaining to the group, follow-up matters, research on any matters pertaining to the day-to-day operation of the office, will be under the signature of the Housing Manager.

The Directors, as representatives of the Sponsor, should be aware of the content of all incoming mail and are accountable for the content of all outgoing mail.

## 5) SIGNING AUTHORITIES

Financial control is an important aspect in any business. There should be a minimum of three signing authorities for the group, usually the Housing Manager and two members of the Board. All cheques require a minimum of two signatures. The payee (the person to whom the cheque is made out) must never sign the cheque on behalf of the Sponsor.

## 6) BONDING

Any employees handling funds and those with cheque signing authorities should be bonded. The following clause should be included in the By-laws.

The Board of Directors shall require pertinent officers, or agents of the organizations to furnish fidelity bonds for the faithful discharge of their duties, in such form and with such surety as the Board may from time to time prescribe.

## CONFLICT OF INTEREST AND FRAUD

Conflict of interest situations and cases of fraud are as common in a non-profit organization as in any other business. However, Sponsors can take steps to help prevent such situations from arising and to lessen opportunities for employees to commit fraud.

### 1) CONFLICT OF INTEREST

The Operating Agreement states:

The Sponsor shall ensure that in all financial transactions, both contractual and non-contractual, no Board member or management officer of the Sponsor, or staff member of the project or families of either will derive any direct or indirect financial benefit from such transactions. Where situations arise in which there could be a possible conflict of interest, the involved person shall declare such conflict in writing and not participate in any discussion or decisions affecting this transaction.

## HUMAN RESOURCES POLICIES

This clause sets out that individuals within the Sponsor group cannot obtain special benefits by being in a position of authority. The clause applies to all staff associated with the management of a housing project: members of the Board of Directors, Housing Managers or those in clerical positions. Any of these individuals may have access to information or authority that they could use for personal gain. Any one of these individuals may be tempted by the opportunity for such gain, although they know that housing project funds, whether subsidies or revenues from rent, fund-raising activities, bank interest, etc., must be reserved for the benefit of the project as a whole.

For this reason, all staff associated with the management of a housing project must avoid situations where they could benefit (or could be seen to benefit) through their position. All staff must be prepared, on recognizing a potential conflict of interest situation, to explain the matter to their superior and/or the Board of Directors, and to take the necessary steps to remove themselves from the situation.

Two examples of potential conflict of interest situations and ways to avoid them follow.

### Example 1

A member of the Board of Directors operates a plumbing and heating business. He learns at the monthly Board of Directors meeting that the Housing Manager plans to invite bids on plumbing repairs needed in the project housing units. He hears the Housing Manager say, "The repairs should cost the project approximately \$2,700."

The Director faces a conflict of interest situation: he would like his company to make a bid on the repairs, but he has advance knowledge on the amount of money that the project is willing to pay for the work. If his company bids, and is awarded the contract, his competitors could, justifiably, suggest that he won the contract because he had "inside information."

At this point, the Director's only option is to refrain from bidding on the contract, as he could not avoid using his inside information. However, he could have avoided the situation earlier by:

- ▲ Reviewing the agenda in advance of the meeting and noting that the plumbing repairs were to be discussed;
- ▲ Explaining to the President of the Board that he could be putting himself in a conflict of interest situation by participating in the discussion on plumbing repairs (because of the nature of his company); and
- ▲ Excusing himself from the meeting for that portion of the discussion dealing with plumbing repairs.

### Example 2

An Urban Native Sponsor needs to fill the position of bookkeeper. The Sponsor's policy is that the Housing Manager will be in charge of the selection process and will head the Hiring Committee. The Housing Manager therefore initiates the advertisement for the position and accepts the applications.



## HUMAN RESOURCES POLICIES

After the closing date for the competition, the Committee meets to review the applications. One of the applications is from the Housing Manager's son-in-law, and this puts the Housing Manager in a conflict of interest situation. If the son-in-law was chosen for the position, the accusation could be made that he was selected because he is related to the Housing Manager rather than because of his qualifications — even if this was not the case.

In this case, the Housing Manager should:

- ▲ Immediately inform the Board of Directors of the potential conflict of interest and request that he be excused from selecting a candidate and be replaced on the Hiring Committee (possibly by one of the Directors); and
- ▲ Request that his declaration of a potential conflict of interest and the reasons for his being replaced on the Hiring Committee be clearly documented in the minutes of the Board of Directors meeting.

Conflict of interest situations occur often. Sponsors must be aware of the potential for such situations at all times and must make every effort to avoid them.

When a benefit is obtained through a conflict of interest situation, it is considered a breach of the Operating Agreement between the Sponsor and CMHC and could jeopardize the ongoing Subsidy Assistance provided by CMHC.

### 2) FRAUD

Fraud is the intent to deceive, involving either a misappropriation of assets, or misrepresentation of financial or other relevant information. Fraud can include embezzlement, kickbacks, lapping (theft of rental receipts), fictitious expenses and outright theft. All of these acts can cause serious problems for a Sponsor in terms of cash shortages, court action, legal fees and loss of reputation.

How can fraud be prevented? Regardless of how honest an employee appears, there are times when the temptation to commit an act of fraud may be too great to resist, particularly if the individual believes that he or she cannot be discovered. The most important deterrents to fraud, therefore, are clear and tight controls that make it as difficult as possible for an individual, or a group of individuals, to commit a fraudulent act without being discovered. "Controls" are more than policies written down on paper. The policies must be effective and they must be followed on a daily basis. Controls must apply to all employees, from clerical staff to the President of the Board of Directors.

Different sections of this manual provide advice on setting up and maintaining functional controls. Instead of repeating that advice, certain areas that may prevent opportunities for fraud are highlighted below.

- ▲ All employees handling cash or cheques should be bonded or covered by fidelity insurance.

## HUMAN RESOURCES POLICIES

- ▲ Employees permitted to claim travel, accommodation or meal expenses should provide receipts or supporting invoices; these must be verified.
- ▲ Cheques must be signed by two individuals. Under no circumstances should an individual be able to make out and sign a cheque to him- or herself. A cheque should never be pre-signed.
- ▲ Cheques must always be pre-numbered consecutively and posted to the appropriate journal on a regular (preferably daily) basis. Avoid having several different chequebooks in use at once.
- ▲ A credit card should not be issued in the name of the Sponsor to be used by employees "on behalf of" the Sponsor. Any suppliers accepting a credit account must know who is — and who is not — authorized to make charges to the account on behalf of the Sponsor.
- ▲ All records and files must be orderly, up-to-date and secured in a locking file cabinet. All project valuables (from petty-cash boxes to power tools) should be locked away.
- ▲ Tenants should be encouraged to pay their rent by post-dated cheques, and as far as possible, all project transactions should be made by cheque. Cash is more of a temptation than a cheque.
- ▲ Wherever possible, a competitive bid process should be followed for equipment purchases or services, even when a relatively minor amount is involved. At the very least, always obtain a minimum of three quotes for any repair or service work that is not covered by a contract.
- ▲ Purchase orders should always be used for buying equipment or services. The purchase order must be authorized by the appropriate individual, and the Board of Directors (or the person who has been delegated the authority by the Board of Directors) must have approved the expenditure.
- ▲ Take action at the first signs of "power struggles," bickering or hostility among project employees; do not allow the situation to intensify.
- ▲ Do not ignore suspicious behaviour: an employee who avoids giving a straight answer or who is often absent may be trying to hide fraudulent activity. An employee (e.g., a bookkeeper) who jealously guards his or her work and will not allow others to see it should also be watched closely.
- ▲ Repeated complaints about a particular employee should be investigated, particularly if there is other evidence to arouse suspicion.
- ▲ A policy should be drawn up that prohibits any employee from accepting gifts or tips from suppliers.
- ▲ Each employee must have a clear understanding of reporting relationships — his or her own and those of other staff members.

## **HUMAN RESOURCES POLICIES**

Not only is it important to minimize opportunities that invite fraud, but it is also important to take action when fraud is suspected or discovered. An employee who believes his or her offence has gone unnoticed, or an employee who has been given only a reprimand for a minor offence, is likely to continue defrauding the organization.

Any acts of fraud should be dealt with immediately. Since employees allowed by the Sponsor to make restitution (i.e., repay stolen funds or an amount equal to the value of stolen goods) often repeat their crimes, dismissal is advised. Such cases should also be reported to the appropriate legal authorities. Operational controls should be reviewed to determine how similar opportunities for fraud can be avoided in future.

An act of fraud committed by an employee of the Sponsor is a criminal act. Furthermore, it is an action committed against all those associated with a housing project, as it can compromise the Sponsor's financial resources and its ability to provide housing to its clients.





# INTERNAL CONTROL

## OBJECTIVES

Internal control is imperative if the Sponsor is to maintain an orderly and efficient housing operation. The following objectives should be kept in mind:

- ▲ **Reliable accounting records:** The Sponsor needs accurate accounting records to manage the housing operation and to prepare Financial Statements.
- ▲ **Safeguarding of assets:** The Sponsor's assets, such as supplies and inventory, Sponsor records, etc., must be kept secure. Proper controls will help prevent loss, theft, misuse or accidental destruction.
- ▲ **Establishment of appropriate policies and procedures:** The Board of Directors must be made aware, through staff reports, of which policies are being implemented and of new policies that are necessary.
- ▲ **Prevention and detection of fraud and error:** The Sponsor's credibility could depend on this objective: it is an important aspect of internal control.
- ▲ **Timely financial information:** The Sponsor's financial situation must be reported regularly. Outdated information is of no use to the Board of Directors.
- ▲ **Accountability:** Internal control allows the Sponsor to establish and maintain accountability to its members, its tenants, CMHC and other government agencies.

## ELEMENTS OF INTERNAL CONTROL

The following elements of internal control could help the Sponsor to maintain records and safeguard assets.

### 1) COMPETENT PERSONNEL AND CLEAR RESPONSIBILITIES

The Sponsor must always remember that personnel are the most important element in an organization. Competent and honest employees reduce the likelihood of error and fraud.

Job descriptions must be specific and clearly written if employees are to perform well.

### 2) SEGREGATION OF DUTIES

The responsibilities of one employee should not duplicate those of another; neither should any one employee be given too many (or conflicting) responsibilities. Four general guidelines on segregation of duties should be considered:

#### **Separation of Assets from Accounting**

To avoid the opportunity for fraud, the employee controlling assets should not also be in charge of accounting for assets. An employee

## **INTERNAL CONTROL**

receiving cash for rent, and maintaining the cash record and the tenant rent receivable ledger, might be tempted to keep the cash and adjust the records to eliminate any trace of the transaction.

### **Separation of Authorization of Transactions from Assets**

The employee authorizing transactions should not have control over the assets connected with the transactions. For example, the employee authorizing payment of hardware supplies should not have the authority to sign the cheque paying for these supplies.

### **Separation of Accounting Duties**

Small Urban Native Sponsors may not have a number of accounting clerks. However, where possible, one employee should be responsible for recording a transaction, and another should oversee its final posting in the general ledger.

Cross-checking by different employees helps to prevent error and fraud.

### **Separation of Operational Responsibility from Record-keeping**

Where possible, one staff member should be responsible for the hands-on housing operation, and another employee should be in charge of cash and bookkeeping. (Again, this may not be possible where Sponsors have smaller housing portfolios.)

## **3) PROPER PROCEDURES FOR AUTHORIZATION**

The Sponsor should set out policies dealing with the authorization of all transactions, including, for example, the names of individuals able to authorize expenditures of less than \$500, expenditures between \$501 and \$2,000, etc. These policies may also detail the types of expenditure that can be authorized by staff members and those that require the approval of the Board of Directors.

## **4) ADEQUATE DOCUMENTS AND RECORDS**

As noted above, office procedures can be made easier through careful design and handling of documents and records.

- ▲ Pre-number cheques and invoices consecutively so that documents can be located quickly and easily.
- ▲ Prepare documents and records when a transaction takes place or soon after. A delay may increase the chance of an error.
- ▲ Use a simple design for documents, and make the system of record-keeping or filing an easy one.
- ▲ Design forms to ease the routing system from preparation to authorization; make sure the form has the necessary signature spaces.

## **5) CONTROL OF GOODS**

Assets and records must be stored appropriately. For example, locked storerooms can be used for supplies and other inventory, and fireproof safes can be used to protect important documents.

# INTERNAL CONTROL

## 6) INTERNAL VERIFICATION

The Sponsor should review the internal control elements discussed above frequently. The controls in place should be evaluated for efficiency and improved as necessary.

## 7) OTHER CONTROL CONSIDERATIONS

The following procedures also contribute to an efficient internal control system, and should be considered by the Sponsor.

- ▲ Prepare budgets frequently for review by the Board of Directors;
- ▲ Prepare a monthly revenue and expense statement for review by the Board of Directors;
- ▲ Prepare a monthly report on rental arrears;
- ▲ Bond all employees handling cash and signing cheques;
- ▲ Instigate a mandatory vacation leave policy so that a different employee can take on the duties of the employee on vacation;
- ▲ Set out clear conflict of interest guidelines for employees; and
- ▲ Retain records in accordance with provincial and federal laws.

## SPECIFIC RECORDS AND FILES

The Operating Agreement states that the Sponsor must maintain satisfactory records and that CMHC must have access to inspect them. The Agreement also specifies that the Sponsor must ensure efficient management of the project. By keeping accurate records, the Sponsor will know the status of the project at all times.

This section describes the files and records that should be maintained to facilitate easier and more efficient project management.

For example, if it is easy to track the repair history of a unit's refrigerator, the Sponsor can judge whether the current tenant is justified in a complaint about the appliance. This may avoid aggravation for both parties.

As an example, a plumbing contractor has fixed the taps in a unit but they begin to leak again two months later. Faced with a bill for the second visit, the Sponsor can check the unit's maintenance record and determine whether charges for the second repairs are valid or whether the work was not carried out properly the first time.

Such records also make budgeting simpler and the audit process less costly.

### 1) TENANT AND HOUSE FILES

A file on the tenant should include the following records:

- ▲ A signed tenant Application for Housing form.
- ▲ An Income Verification form and Tenant Profile (a list of the individuals living in each unit and their relationship to each other) signed by the occupants, with supporting documentation from the



## INTERNAL CONTROL

employer or social assistance worker. Profiles should be updated annually (more often as necessary). Changes in the family composition (the birth of a child or parents moving in) must be recorded. Loss of employment or a change in employer should also be noted.

- ▲ A signed rental Tenancy Agreement (Lease) properly completed. This must be updated annually, either by signing a new agreement or by a letter, countersigned by the tenant, indicating changes in rent or the amount of tenant subsidy.
- ▲ A record of the serial numbers of the major appliances in the unit, such as refrigerator, stove, hot-water tank, clothes washer, clothes dryer, boiler/furnace, together with guarantees.
- ▲ A subdivision or lot plan, and a building plan for the unit, as applicable.
- ▲ A copy of the electrical certificate, septic tank approval form, inspection reports both during and after construction, home warranty certificate (as applicable) and any other pertinent documents.

The individual in charge of the construction phase should hand over the last two items to the Housing Manager for safekeeping.

### 2) MAINTENANCE FILES

A maintenance file, kept for each housing unit, should include:

- ▲ A Maintenance History record (see the sample form on page Six-6) showing:
  - Date work carried out
  - Purchase order number or invoice number
  - Name of contractor
  - Description of work
  - Costs (parts, labour and tax)
  - Other pertinent information as required by the Sponsor.
- ▲ A Move In/Move Out Condition Report, recording the status of the unit each time a tenant moves in or moves out (see the sample on page Six-7). This must be signed by both the tenant and the Housing Manager. A separate condition report, summarizing the Sponsor's annual housing inspection, should also be kept on file. [Note: This differs from the CMHC three-year inspection.]
- ▲ A Record of Appliance and/or Equipment (see the sample form on page Six-8). Each appliance should have a record showing:
  - Make and description
  - Serial number
  - Cost of purchase
  - Date purchased
  - Supplier
  - Warranty expiry date

## **INTERNAL CONTROL**

- Repair service history
- Location of appliance
- Other pertinent information as required by the Sponsor.

### **3) TENANT RENTAL PAYMENT RECORD**

This is a record of the rent received for the unit (see the sample form on page Six-9). The record should show:

- Name of tenant
- Address or housing unit number
- Telephone number
- Rental rate
- Subsidy.

The headings for this record should be:

- Date
- Receipt number
- Month or period
- Rent charged
- Rent paid
- Rent owing or unpaid
- Comments.

Other pertinent information may also be incorporated as required.

### **4) GENERAL RECORDS**

General files should include:

- Section 95 Operating Agreement
- Mortgage or loan agreement with lender
- Management correspondence with CMHC
- Property insurance policies
- Yearly audited Financial Statements.

Each of these records should be kept in separate file folders in a locking file cabinet. All records, documents, invoices and correspondence should be filed daily in the appropriate file folder.

# INTERNAL CONTROL

## MAINTENANCE HISTORY

ADDRESS: \_\_\_\_\_

TENANT: \_\_\_\_\_

CMHC ACCOUNT NUMBER: \_\_\_\_\_

YEAR BUILT: \_\_\_\_\_

PHASE NO.: \_\_\_\_\_

## MAINTENANCE HISTORY

DATE	P.O. OR INVOICE NO.	CONTRACTOR	PARTICULARS	COST			
				LABOUR	PARTS	TAX	TOTAL

# INTERNAL CONTROL

## MOVE IN/MOVE OUT CONDITION REPORT

### MOVE IN / MOVE OUT CONDITION REPORT

Fill out in complete detail on the day the Tenant moves in and moves out.

Tenant's Name \_\_\_\_\_ Address \_\_\_\_\_ Lot No. \_\_\_\_\_ CMHC Account No. \_\_\_\_\_  
 Sponsor Name \_\_\_\_\_ Phase No. \_\_\_\_\_

INCOMING REPORT Dated ____/____/____ Remarks	OUTGOING REPORT Dated ____/____/____ Remarks	Condition O.K.	Condition O.K.
		Kitchen	Stove Fridge Cupboards Walls Floor Walls Floors
		Bathroom	Walls Floors
		Dining Room	Walls Floors
		Living Room	Walls Floors
		Bedroom	Walls Floors
		2nd Bedroom	Walls Floors
		3rd Bedroom	Walls Floors
		Windows Basement Other	

No. of Keys Provided: \_\_\_\_\_ No. of Keys Returned: \_\_\_\_\_

The undersigned tenant(s) certify that I/we have inspected the above mentioned suite and have found the suite and contents to be in condition as indicated. I/we understand that any future damage which occurs in this suite shall be rectified at my/our expense through direct billing or security deposit deduction.

(INCOMING)  
 Inspector's Signature \_\_\_\_\_  
 Tenant's Signature \_\_\_\_\_

(OUTGOING)  
 Inspector's Signature \_\_\_\_\_  
 Tenant's Signature \_\_\_\_\_

(USE BACK OF FORM FOR ADDITIONAL INFORMATION)

#### CHARGES

- |  |                 |
|--|-----------------|
| 1. Cleaning floors, walls, cupboards, windows and fixtures | \$ _____        |
| 2. Machine cleaning carpets                                | \$ _____        |
| 3. Cleaning stove, fridge and other appliances             | \$ _____        |
| 4. Repairs as follows: _____                               | \$ _____        |
|  | \$ _____        |
| <b>TOTAL</b>   | <b>\$ _____</b> |

# INTERNAL CONTROL

## RECORD OF APPLIANCE AND/OR EQUIPMENT

### RECORD OF APPLIANCE AND/OR EQUIPMENT

Located at Address		
Lot No.	Phase No.	CMHC Acct. No.
Sponsor Name		Tenant's Name
Date of Record Update	Appliance/Equipment Type	

MAKE AND DESCRIPTION					
SERIAL NO.	DECAL NO.	P.O. NO.	COST: \$ .....	DATE PURCHASED	
SUPPLIER			GUARANTEE EXPIRES	SERVICE CONTRACT ERR.	SERVICE CONTRACT CANCELLED:
WHEN SERVICED			SERVICE COST		

#### LOCATION OF ITEM

#### RECORD-CONTRACT SERVICE INSPECTIONS

DATE	OFFICE/HOUSE	ROOM	YEAR	JAN- FEB	MAR- APR	MAY- JUN	JUL- AUG	SEP- OCT	NOV- DEC

#### RECORD OF REPAIRS

DATE	WORK DONE	NAME OF WORKER	TOTAL COST

# INTERNAL CONTROL

## TENANT RENTAL PAYMENT RECORD

\_\_\_\_\_ HOUSING PROJECT  
TENANT RENTAL PAYMENT RECORD

NAME _____	
ASSESSED RENTAL RATE _____	SUBSIDY _____
HOUSE NUMBER _____	LEM/ECONOMIC RENT _____
ADDRESS _____	DATE _____
_____	INCOME _____
_____	NUMBER IN HOUSEHOLD _____
TELEPHONE _____	PHASE NO. _____

DATE	RECEIPT NUMBER	PERIOD	RENT CHARGED	RENT PAID	RENT OWNING OR UNPAID	COMMENTS







# 7 MAINTENANCE AND REPAIRS

## TYPES OF MAINTENANCE

The Operating Agreement between the Sponsor and CMHC states that the Sponsor is responsible for ensuring that the housing units are kept in good repair. By carrying out this responsibility, the Sponsor may set an example and encourage the tenants to take pride in their housing unit.

Maintenance can be broken down into three categories: routine, preventive and extraordinary.

### 1) ROUTINE MAINTENANCE

Routine maintenance covers the day-to-day upkeep of the housing unit, and includes tasks that should be carried out on a daily, weekly or monthly basis.

Daily maintenance, or housekeeping, includes cleaning and keeping the housing unit tidy; this work is the responsibility of the tenant.

Weekly and monthly maintenance includes window washing, cutting the lawn, and yard clean-up; most of this work is also to be carried out by the tenant.

The Sponsor should monitor the tenant's maintenance efforts and, as necessary, provide assistance. For example, if the tenant does not own the appropriate equipment (e.g., a lawnmower or a ladder to clean gutters), the Sponsor may be able to lend the item to the tenant.

### 2) PREVENTIVE MAINTENANCE

Preventive maintenance means taking care of the housing unit so that break-downs are avoided or are less frequent. It is cheaper and easier to prevent problems than to have to replace or repair major items. For example, recaulking a bathtub may take half an hour, whereas repairing ruined walls and floors damaged by water seepage would take far longer and be very costly.

For preventive maintenance, the Sponsor should make a schedule of the jobs to be carried out and make sure that the schedule is adhered to. The Sponsor should designate one person as responsible for the maintenance of the housing. This person may be the Housing Manager or a specific maintenance co-ordinator, depending on the size of the project.

The person in charge of maintenance must draw up a schedule for the necessary jobs. He or she must decide, for example, how often the furnace filters should be cleaned or replaced. The schedule should show the months when the filters are to be checked and records should be kept to show that the work has been completed. The schedule could be in the form of a calendar, a diary, or a large wall chart showing the record for each housing unit.

A schedule should be made for the following tasks:

- ▲ Clean/replace furnace filters.
- ▲ Check furnace fan belts and lubricate pumps or motors, or have the furnaces professionally serviced.

## MAINTENANCE AND REPAIRS

- ▲ Check the condition of the roof and make any necessary repairs to loose shingles.
- ▲ Check the caulking around windows, recaulk if needed.
- ▲ Check the siding and re nail any loose portions before water seeps in and causes rot.
- ▲ Make sure that smoke detectors are connected and working properly (replace batteries).
- ▲ Drain approximately one gallon of water from the hot-water tank to clean out rust and debris.
- ▲ Clean the gutters and downpipes.
- ▲ Have the chimney and furnace flue cleaned if necessary.
- ▲ Check and clean sump pumps.
- ▲ Vacuum fridge coils to prevent overheating.
- ▲ Clean/replace hood fan filters.
- ▲ Make sure that doorstops are installed to prevent doorknobs cracking the drywall.

Preventive maintenance includes preparing the property and housing unit for extreme cold in the winter. To prevent pipes from freezing up, the Sponsor should, at the least, make sure that the outside taps have been shut off and drained, and that pipes have been properly insulated against the cold. Local weather conditions may warrant further action.

### 3) EXTRAORDINARY MAINTENANCE

Extraordinary maintenance is necessary when parts of a unit wear out or break as a result of ordinary use over time. Exterior and interior painting — necessary every few years — are examples of extraordinary maintenance. This type of maintenance is also necessary when equipment fails unexpectedly: the hot-water tank leaks or the pipes freeze, for example.

For extraordinary maintenance, the tenant should have a specific contact at the Sponsor's office. The Sponsor should consider setting up a system whereby the tenant submits a formal maintenance request, in writing (perhaps on a standard form). The individual in charge of maintenance would then issue a work order or arrange to have the equipment replaced. With the request in writing, it will be easier for the officer to track its progress, making sure the work is performed satisfactorily or making sure that new equipment is delivered and installed.

When equipment in the unit wears out or becomes too expensive to repair, replacement costs may come out of the Replacement Reserve Fund. This is a separate bank account established by the Sponsor; funds cannot be used without CMHC approval. Once it is clear that a piece of equipment (refrigerator, stove, washer, dryer, carpet, furnace) is beyond repair, three quotes for the price of replacement items must be submitted to CMHC. If an item needs to be replaced immediately (e.g., if a hot-water tank bursts), then CMHC will approve funds from the Replacement Reserve Fund after the item has been repaired.

# MAINTENANCE AND REPAIRS

## PROPERTY INSPECTIONS

The Sponsor should inspect all housing units at least once every year. The Sponsor can then identify how much repair work is necessary and can allow for these costs in the annual maintenance budgets.

There are three different types of inspection.

### 1) ANNUAL INSPECTIONS

The Sponsor should arrange to inspect each housing unit, with the tenant, once every year (see the sample checklist on page Seven-5, Seven-6 and Seven-7). In addition to listening to the tenant's suggestions, the Sponsor should look at:

- ▲ Potential fire hazards;
- ▲ Whether the tenant is maintaining the property in accordance with the rental tenancy agreement;
- ▲ Whether any repairs are necessary and, if so, whether they are the responsibility of the landlord or the tenant;
- ▲ Whether the occupants are the tenants who originally rented the unit;
- ▲ Whether the unit is being sublet, or has long-term visitors;
- ▲ Whether the tenants have made any structural changes or have renovated the unit without the Sponsor's permission; and
- ▲ Whether all fire, safety, health and Occupancy Standards are being met.

The Sponsor may combine the annual inspection with some of the checks suggested under the preventive maintenance responsibilities listed earlier in the manual.

Because the Sponsor uses the annual inspection to estimate maintenance costs and to plan repair programs for the year ahead, it is a good idea to complete the inspection before the annual Operating Budget is submitted to CMHC.

### 2) MOVE IN/MOVE OUT INSPECTIONS

When a new tenant moves into a unit, it should be inspected by the tenant and a representative of the Sponsor. A detailed report of any damage or deficiencies should be made for the tenant/housing unit file. (Refer back to the sample on page Six-7). Then, when this tenant moves out, the Sponsor can refer to the report to see whether any further damage has occurred during the tenant's occupancy.

If the moving out inspection shows any negligence on the part of the tenant, the Sponsor must decide whether the repair costs should be demanded from the tenant or, if one was taken, whether the security deposit should be retained. The moving in and moving out inspections protect the Sponsor and the tenant from possible disputes.

## **MAINTENANCE AND REPAIRS**

If a tenant moves out without informing the Sponsor, two representatives of the Sponsor should inspect the unit immediately to record its condition. Both should sign the inspection report so that if repair costs have to be recovered from the tenant, the Sponsor will have the word of two witnesses to the damage.

### **3) CMHC INSPECTIONS**

To ensure that the units are being maintained in accordance with proper administrative practices and the Operating Agreement, CMHC schedules a thorough inspection of each housing project every three years. The results of each inspection are sent to the Sponsor, but this inspection does not take the place of the Sponsor's regular inspections and/or preventive maintenance.

# MAINTENANCE AND REPAIRS

## INSPECTION CHECKLIST

### INTERIOR MAIN FLOOR

	Acceptable		
	Yes	No	N/A
Housekeeping	_____	_____	_____
Stairs, Handrails, Stairwell Finish	_____	_____	_____
Finish Floors, Wall & Ceiling Finish	_____	_____	_____
Lights, Wall Outlets (Functional?)	_____	_____	_____
Plumbing Fixtures	_____	_____	_____
Bathtub/Waterproof Wall Finish/Caulking	_____	_____	_____
Doors & Hardware (including closets)	_____	_____	_____
Windows/Fly Screens	_____	_____	_____
Kitchen & Vanity Cupboards	_____	_____	_____
Smoke Alarm (Functional)	_____	_____	_____
Drapery Rods	_____	_____	_____
Stove/Fridge	_____	_____	_____
Exhaust Fans	_____	_____	_____
Baseboard Heaters	_____	_____	_____
Other	_____	_____	_____

# MAINTENANCE AND REPAIRS

## INSPECTION CHECKLIST

### INTERIOR LOWER FLOOR (BASEMENT)

	Acceptable		
	Yes	No	N/A
Foundation/Slab (Water leaks, if any)	_____	_____	_____
Heating Equipment	_____	_____	_____
(including ductwork, filters, etc.)	_____	_____	_____
Exposed Plumbing Pipe	_____	_____	_____
(Water leaks, if any)	_____	_____	_____
Storage Area	_____	_____	_____
Garbage or Debris	_____	_____	_____
Finished Walls, Door Trim	_____	_____	_____
(Including Painting, Repairs, etc.)	_____	_____	_____
Finished Floors	_____	_____	_____
Plumbing Fixtures	_____	_____	_____
(Including Hot Water Tank, Laundry Tub)	_____	_____	_____
Sump/Pump	_____	_____	_____
Windows/Fly Screens	_____	_____	_____
Wood Stove/Clearances/Smoke Pipe	_____	_____	_____
Washer & Dryer	_____	_____	_____
Exposed Framing	_____	_____	_____
Other	_____	_____	_____

# MAINTENANCE AND REPAIRS

## INSPECTION CHECKLIST

### EXTERIOR

	Acceptable		
	Yes	No	N/A
Roof Condition	_____	_____	_____
Gutters & Downspouts	_____	_____	_____
Exterior Finish including Soffits/Eaves (including painting)	_____	_____	_____
Attic/Crawlspace Ventilation	_____	_____	_____
Chimney, Mortar Joints, Flashing and Cleaning	_____	_____	_____
Windows/Doors & Hardware (including weatherstrip)	_____	_____	_____
Entry Steps/Stairs	_____	_____	_____
Electrical Entry	_____	_____	_____
Sundecking, Guardrail & Stairs	_____	_____	_____
Exterior Site Drainage/Litter	_____	_____	_____
Landscaping	_____	_____	_____
Walkways/Driveway	_____	_____	_____
Septic Tank, Regular Cleaning, Pumping, etc.	_____	_____	_____
Other	_____	_____	_____

# **MAINTENANCE AND REPAIRS**

## **TENDERING GUIDELINES: REPAIRS AND RENOVATIONS**

### **1) ADVERTISED TENDER CALL**

Where renovations exceed \$3,000 as estimated by CMHC, or new construction is being undertaken, the work must be advertised as a tender or proposal call. Sponsors should contact the local CMHC branch office for any variances to the \$3,000 limit based on regional economic factors. Tendering is a process of calling for prices and a commitment to undertake predetermined work, under predetermined conditions from contractors. In order for a potential contractor to prepare an accurate bid, it is important that the work be sufficiently defined. In addition to preparing the necessary drawings or specifications which detail the nature, scope and quality of the work, the Sponsor must outline the method of payment consistent with CMHC's advancing procedures and the stipulated sum method.

Note that the Sponsor is only authorized to make payments for work in place. Contractors should never be paid in advance for repairs or renovations. This point must be made clear in any tender or invitational calls and/or contracts for work.

The stipulated sum method requires that the bidder provide a fixed sum for the work. A change in price would only be considered if the nature, scope, quality or quantity of the work changed. This method calls for an accurate and complete description of the work and full details on site conditions in advance. This method may be used in conjunction with some unit price work, or unit price quotations in case of variation, as well as in conjunction with cash allowances for certain items. A contract breakdown by unit and by items is required for renovations to existing units.

The tender call must be advertised publicly.

### **2) TENDER ADMINISTRATION**

#### **Tender Closing**

Tenders should be accepted up to the stipulated closing time and placed, unopened, in safekeeping. Adjustments to tender amounts by telegram, telex or letter may be accepted up to the closing time.

#### **Tender Opening Committee**

The Sponsor should appoint a Tender Opening Committee made up of at least three individuals, one of whom is identified as the Tender Call Agent. The three should represent management, financing and technical interests.

The Committee should open tenders at the closing time or as soon as possible thereafter. The procedure should be formal but need not be public. The Committee should consider and rule on the admissibility of each tender (i.e., whether it complies with the rules of the tender call). Minutes of the tender opening meeting should be taken.



## **MAINTENANCE AND REPAIRS**

Each tender should be summarized and recorded to include:

- ▲ The name of the bidder;
- ▲ The amount of the bid; and
- ▲ The nature, amount and acceptability of bid security.

### **Inadmissible Tenders**

A tender should be declared inadmissible:

- ▲ If it is not submitted in the form requested, and signed;
- ▲ If it contains an escalator clause or a conditional letter; or
- ▲ If the bid security is significantly less than required.

Inadmissible tenders should be returned immediately with a letter explaining the inadmissibility.

### **Tender Review**

In a tender call, all bids are based on the same technical details; no drawings are presented by bidders.

To ensure that bidders have complied with the requirements of the tender call procedure, the reviewers check that:

- ▲ Tender forms are submitted in the required number;
- ▲ All tender forms are signed;
- ▲ All information required on the tender form is provided;
- ▲ No changes have been made to the tender form;
- ▲ No mathematical errors have been made;
- ▲ Names of subcontractors have been provided; and
- ▲ Bid security that complies with requirements has been provided.

The dominant feature of each tender is its quoted price. Sponsors must follow the principle that the lowest offer that meets all requirements should be accepted. Any other action must be well justified.

When the preferred tender has been established, the bidder's credit worthiness and technical competence should be checked if it is not known. This may be done by:

- ▲ Obtaining a credit report;
- ▲ Requesting an audited financial report of the company; and/or
- ▲ Requesting the bidder to provide particulars of jobs recently completed.

### **Acceptance and Award**

The successful bidder is advised as soon as possible that the tender has been accepted. The bidder may be advised by telephone, with the letter of acceptance to follow.

Concurrent with acceptance of the bid, the successful bidder must be asked to provide:

- ▲ Bonds or other acceptable surety as required by terms of the tender;
- ▲ Insurance policy; and

## MAINTENANCE AND REPAIRS

- ▲ Construction cost breakdown (for the purpose of determining progress payments).

Unsuccessful bidders should be advised of the name of the successful bidder, and their security deposit should be returned without interest.

### Contracts

A contract is a formal and legally binding agreement between the contractor and the Sponsor, usually effected by the Sponsor's acceptance of a formal tender or offer from the contractor.

### The Contract Document

The contract (which both parties must sign and seal) sets out the terms of the agreement by which the contractor agrees to perform all the work in accordance with the drawings, specifications and conditions of the contract. It outlines the security deposit and/or bonding arrangements, the terms of payment for the work, and may include the completion date or schedule.

### Drawings and Specifications

These describe in detail the work to be carried out. In the case of a tender call these would be as provided to contractors wishing to bid.

In contracts resulting from tender calls, some details may be added later. Specific arrangements are usually included in the contract for the formal submission by the contractor and acceptance by the Sponsor of any items of the work, materials or equipment that are to be fully detailed after contract award.

### General Conditions of Contract

Standard or model general conditions have been prepared by a number of associations and Sponsors. The clauses found in the general conditions usually cover:

- ▲ The contract documents;
- ▲ The contractor's obligations, such as:
  - labour and personnel
  - assignment and subcontracting
  - execution of the work
  - default, delay and non-completion
  - bonding
  - warranty on work done
  - insurance; and
- ▲ The owner's obligations, such as:
  - measurement and payment
  - settlement of disputes
  - hours of work
  - proof of the workers compensation, health and safety.

### Other Contract Documents

Any addenda issued prior to bidding, the tender form (if it includes conditions or pertinent information not reproduced in the contract

## **MAINTENANCE AND REPAIRS**

itself), and information provided to tenderers as a basis of their tenders, would also usually form part of the contract.

A Sponsor unfamiliar with the development of tender packages may require the assistance of a professional architect or engineer. Before hiring a consultant to assist in the preparation of the tender document, CMHC should be consulted.

### **3) INVITATIONAL TENDER**

Where renovations do not exceed \$3,000, as estimated by CMHC, an Urban Native Sponsor may go out to a minimum of three pre-selected contractors on an invitational basis.

The principles and procedures of the invitational tender follow those of the advertised tender call (see earlier section).

Contract security takes the form of a certified cheque, bank draft, money order or letter of credit from the contractor's banker in the amount of 20 percent of the contract total.

A financial review is not necessary.

### **4) MATERIAL AND LABOUR BOND**

Where repairs are major, with contract totals in excess of \$25,000 or where new construction is undertaken, the contractor will be required to provide a material and labour bond in the amount of 50 percent of the contract price.

A material and labour bond is intended to guarantee that the contractor will pay his or her suppliers for labour, materials, and services rendered in the construction of the project should the contractor not meet his or her obligations. This requirement should form part of the tender package.

Alternate forms of security (money order, bank draft, certified cheque, letter of credit) in the amount of 20 percent of the contract total are acceptable if the contractor is not bondable and should be held by the Sponsor's lawyer pending satisfactory completion of the work. In such cases financial review is required.

### **5) FURTHER INFORMATION**

Further information on the tendering process is available from the local CMHC branch office.





# RENT CALCULATION AND INCOME VERIFICATION

## DETERMINING RENTS

Rental charges are based on tenants' incomes. The same calculations are applied in each case, according to applicable program guidelines.

CMHC will need proof that the Sponsor has carried out this rent-to-income (RTI) calculation for tenants, and is charging the tenants a fair rent. CMHC therefore asks the Sponsor's auditor to review and to comment on the Sponsor's books in the annual Financial Statements. The Sponsor must know tenants' incomes: rents are as important as CMHC subsidies.

To verify incomes, the Sponsor keeps a record, for each tenant, of how much each member in the household is paid, or receives in family allowance or insurance claims, inheritance scholarships, bursaries or from any other source, or how much is paid in social assistance. A sample Declaration of Income form is shown on page Eight-11.

Pay slips, a letter from an employer, copies of claims settlements, or copies of social assistance cheque stubs are usually accepted as supporting documentation, but the Housing Manager should check with the Sponsor's auditor to confirm any other proof of income that may be needed.

Income and rental payments are calculated differently under the Pre-1986 Program and the Post-1985 Program. The following sections explain how the calculations are made.

## PROGRAM DIFFERENCES

### 1) LOW END OF MARKET RENTS (PRE-1986 PROGRAM)

An Urban Native housing project provides housing to a group of people with different incomes. Those with higher incomes can afford to pay more rent than those with lower incomes, but none should have to pay more than is fair. To determine a fair rent for a housing project, CMHC surveys the neighbourhood (or, if the unit is isolated, a broader general area) to find out the amount of rents being charged for similar housing. The lower amounts are considered fair, and are referred to as low end of market (LEM) rent. Because the rental market can change for a number of reasons, and Urban Native housing rents are supposed to be at the lower end of the market, the LEM is re-evaluated annually, and each Sponsor is provided with new LEM rents to charge for that year. Tenants who choose not to declare their incomes must pay the full LEM rent.

### 2) ECONOMIC RENT (POST-1985 PROGRAM)

Unlike the Pre-1986 Program LEM rents, Economic rent levels are established for Post-1985 Program projects based on the review of the annual Operating Budget submitted by the Sponsor. CMHC reviews and approves the Operating Budget every year and informs the Sponsor of the Economic rent levels for Post-1985 Program units.

# RENT CALCULATION AND INCOME VERIFICATION

## PRE-1986 PROGRAM RENT CALCULATION

To calculate rent for a Pre-1986 Program housing unit, the tenant's Adjusted Income must first be calculated. To do this:

### ADD together

- ▲ All the money that is made or received in any form by all those in the housing unit in a year.

### Then SUBTRACT

- ▲ All money received by children attending school full-time for tuition, such as scholarships, bursaries and contributions from non-resident family members;
- ▲ Living out or travelling allowances of a family head;
- ▲ All family allowances;
- ▲ All insurance claim money, inheritances, disability awards, money made from selling personal property, and capital gains;
- ▲ An amount up to \$900 if the family is headed by a single parent (except for social assistance recipients);
- ▲ An amount up to \$900 if both the mother and father (if childless, husband and wife) work; and
- ▲ All earnings, in excess of \$900, for each of those in the housing unit excluding the head of the family and spouse.

The resulting amount is the tenant's annual Adjusted Income.

Once the Adjusted Income has been calculated, this amount is then applied to the Graduated Rental Scale to determine monthly payments. The scale used for Pre-1986 Program units is shown on page Eight-4. (The scale is also included as an appendix to the Operating Agreement.)

Under the Pre-1986 Program, a further reduction from the amount shown on the scale of \$2 per month for each child in the family is allowed, provided that the minimum serviced rent is never less than \$28 per month (regardless of the number of children in the family).

For tenants receiving social assistance benefits, the rent amount will be the greater of the shelter component of the social assistance payment or the total social assistance payment applied against the rent geared to income scale, provided it does not exceed the LEM.

If some of those in the household are working, and others are collecting social assistance, that household's Adjusted Income is a combination of the shelter allowance and the Adjusted Income, which is determined by applying the calculation above to those who work.

CMHC believes tenants should pay rent that is no less than that on Schedule B of the Operating Agreement, and no more than affordable. Usually this means that rent that includes heat and hot water equals 25 percent of the Adjusted Income. The shelter portion of social assistance should pay for rent that includes heat, hot water and domestic electricity. Rent can therefore be calculated in two ways.

## RENT CALCULATION AND INCOME VERIFICATION

One method is based on the tenant with a "working" income (or a combination of working income and social assistance), and the other method is based on the tenant with an income solely from social assistance.

If the rent does not include heat and hot water, then the Sponsor charges 25 percent of the working income or the shelter portion of social assistance or the total social assistance payment applied against the rent geared to income scale, whichever is greater, less an amount relative to the cost of heat and hot water. CMHC informs the Sponsor of the amount allowed for utilities when the LEM rents are provided. Examples of how to calculate rents are shown on page Eight-8. Forms that can be used for calculations are also included on page Eight-9 and Eight-10.



# RENT CALCULATION AND INCOME VERIFICATION

## PRE-1986 GRADUATED RENTAL SCALE

CMHC 2397 3/90  
AGREEMENT  
SCHEDULE "B"

GRADUATED RENTAL SCALE  
FOR  
FULLY SERVICED ACCOMMODATION IN NON-PROFIT AND COOPERATIVE PROJECTS  
FOR  
FAMILIES AND SENIOR CITIZENS

(FULLY SERVICED - supplied with heat, water, hot water, stove and refrigerator)

The monthly rent shown opposite income applies until the next income change shown

MONTHLY			MONTHLY			MONTHLY			MONTHLY		
Family Income \$ up to	Rent \$	%	Family Income \$ up to	Rent \$	%	Family Income \$ up to	Rent \$	%	Family Income \$ up to	Rent \$	%
192	32	16.7	266	56		340	80	23.5	416	104	
195	33		269	57	21.2	343	81		420	105	
198	34		272	58		346	82		424	106	25
201	35	17.4	275	59	21.6	349	83	23.9	428	107	
204	36		278	60		352	84		432	108	
207	37		281	61		355	85		436	109	25
210	38	18.1	284	62	22.0	358	86	24.0	440	110	
213	39		287	63		361	87		444	111	
216	40		290	64		364	88		448	112	25
220	41	18.6	293	65	22.3	367	89	24.2	452	113	
223	42		296	66		370	90		456	114	
226	43		300	67		373	91		460	115	25
229	44	19.2	303	68	22.5	376	92	24.5	464	116	
232	45		306	69		380	93		468	117	
235	46		309	70		383	94		472	118	25
238	47	19.7	312	71	22.9	386	95	24.6	476	119	
241	48		315	72		389	96		480	120	
244	49		318	73		392	97		484	121	25
247	50	20.2	321	74	23.1	395	98	24.8	488	122	
250	51		324	75		398	99		492	123	
253	52		327	76		401	100		496	124	25
256	53	20.7	330	77	23.4	* 404	101	25.0	500	125	
260	54		333	78		408	102		504	126	
263	55		336	79		412	103		508 and up		25

TO CALCULATE MONTHLY RENT FOR UNSERVICED ACCOMMODATION: subtract from the appropriate serviced monthly rent the estimated local cost of heat, water and hot water for the type of units in the project. Where a stove or refrigerator is not provided subtract an additional amount as agreed to by the Corporation.

\* The Rent-to-Income Scale is 25% of income from this point on up to the approved maximum rent established for the project.

# RENT CALCULATION AND INCOME VERIFICATION

## POST-1985 PROGRAM RENT CALCULATION

For the Post-85 Program, to be eligible to occupy a subsidized unit, a household must have an annual income at or below the Core Need Income Threshold (CNIT), which is set out in the commitment letter attached to the Operating Agreement. CNITs are reviewed annually by CMHC and revisions are sent to all Sponsors.

To calculate rent for a Post-1985 Program housing unit, the tenant's Adjusted Income must first be calculated. To do this:

### ADD together

- ▲ All the money that is made or received in any form by each member of the household in a year; and
- ▲ the first \$5,800 in income, in whatever form received, from children or dependents of the household.

### Then SUBTRACT

- ▲ All family allowances, if they were included previously;
- ▲ All living-out or travelling allowances of any household member;
- ▲ All insurance claim money, inheritances, disability awards, money made from selling personal property, and capital gains;
- ▲ All income, in whatever form received, from children or dependents if children or dependents are attending school full-time;
- ▲ Work related earnings of a single parent, working spouse or any other household member, excluding the household head, up to \$1,000 per year per qualifying household member; and
- ▲ For children or dependents not attending school full-time, the above \$1,000 deduction can be applied against income in whatever form it is received.

The resulting amount is the household's annual Adjusted Income.

For tenants receiving social assistance benefits, the rent payable is the greater of the shelter component of the social assistance payment or the total social assistance payment applied against the rent to income scale provided it does not exceed the Economic rent. If some of those in the household are working, and others are collecting social assistance, that household's Adjusted Income is a combination of the social assistance payment and all income in whatever form received.

For the purpose of calculating the adjusted household income, a child is a person related by blood or marriage to other members of the household, and of 25 years of age or less. A dependent is a person considered to be a dependent of another member of this household according to the Revenue Canada requirements. A dependent of 25 years of age or less qualifies for the same income definitions and exclusions that apply to children of the household.

If any member of the household is self-employed, the work-related earnings of this household member will be the annual net income, as defined by Revenue Canada, before any personal income

## RENT CALCULATION AND INCOME VERIFICATION

tax deductions, plus any capital cost allowance used in the determination of the net income.

In all cases, verification/confirmation of the income of household members is needed; for example, a statement signed by the employer, or, for the self-employed, a copy of the most recent income tax return or other evidence as specified by the Minister.

For the purpose of calculating rent, boarders are considered members of the household; their income will be considered on the same basis as other household members. Fees for room and board paid to the household head or spouse will not be considered as part of the household's gross income.

The basic rent is determined by applying the household's Adjusted Income against an RTI scale, as shown on page Eight-7. (The scale is also included as an appendix to the Operating Agreement.)

If the household receives social assistance, whether or not it is the principal source of income, the basic rent will be the greater of the shelter portion of social assistance or the rent as determined on the basis of the RTI scale, using the household's Adjusted Income.

The basic rent is the amount required from those in the household for fully serviced accommodation including heat, hot water, stove and refrigerator.

Where the household pays extra for any of the services identified as part of a fully serviced unit over and above the basic rent, the rent will be reduced by an amount that takes into account the additional expenses.

Where services other than those identified as part of a fully serviced unit are provided, the basic rent will be increased to reflect the costs of those services.

There will be no maximum rent set unless specifically approved by CMHC. For a fully serviced unit, no rent will be set lower than \$32 per month. For an unserviced unit, no rent will be set lower than \$22 per month.

Examples of how to calculate rents are shown on page Eight-8. Forms that can be used for calculations are also included on page Eight-9 and Eight-10.

# RENT CALCULATION AND INCOME VERIFICATION

## RENT-TO-INCOME SCALE — POST-1985 PROGRAM

CMHC 2885 12 91  
Schedule "B"  
Page 2 of 2

### BASIC RENT

The basic rent will be determined on the basis of the household's annual "adjusted income", calculated on a monthly basis, and as applied against the following rent-to-income table.

#### RENT-TO-INCOME TABLE

##### MONTHLY INCOME AND RENT

Adjusted Income (\$)	Per Cent	Adjusted Income (\$)	Per Cent
192	16.7	349	23.8
201	17.4	358	24.0
210	18.1	367	24.3
220	18.6	376	24.5
229	19.2	386	24.6
238	19.7	395	24.8
247	20.2	404	25.0
256	20.7	416	25.0
266	21.1	428	25.0
275	21.5	440	25.0
284	21.8	452	25.0
293	22.2	464	25.0
303	22.4	476	25.0
312	22.8	488	25.0
321	23.1	500	25.0
330	23.3	508 and up	25.0
340	23.5		

If the household is in receipt of social assistance, whether or not social assistance is the principal source of income, the basic rent will be the greater of the shelter component of welfare or the rent as determined on the basis of the above table, in conjunction with the household's total adjusted income.

### RENT ADJUSTMENTS

- . The basic rent is that payment required on the part of the occupant(s) of the dwelling for fully serviced accommodation supplied with heat, water, hot water, stove and refrigerator.
- . Where the client of the program must pay for any of the services identified as part of a fully serviced unit over and above their basic rent, such basic rent will be reduced by an amount which will take into account the client's additional expenses.
- . Where services other than those identified as part of a fully serviced unit are provided, the basic rent will be increased to reflect the full economic costs of providing such services.
- . There will be no rent maximum set unless specifically approved by the Contributor.
- . For a fully serviced unit, no rent will be set lower than \$32 per month.
- . For an unserviced unit, no rent will be set lower than \$22 per month.

### CLIENT INCOME FLUCTUATIONS

A client's rent will be set once a year and that rent will not be adjusted during the year for income increases. Rent reductions during the year will however be permitted in instances where a client household supplies documented evidence that its income has decreased to a level which would result in a rent reduction of \$10 per month or more.

# RENT CALCULATION AND INCOME VERIFICATION

## EXAMPLES OF RENT CALCULATIONS (BOTH PROGRAMS)

### EXAMPLE 1

For "Hot" rent (includes heat and hot water).

#### Tenant A:

Working Household

Calculate working household Adjusted Income	\$ 7,500 /year
Divide by 12 for monthly income	\$ 625 /month
Multiply by 25 percent for "Hot" rent	\$ 156 /month

In the case of the Pre-1986 Program, if this amount is higher than the "Hot" LEM rent, then the "Hot" LEM rent will be charged.

The tenant pays for domestic electricity, in addition to the "Hot" rent.

#### Tenant B:

Social Assistance Recipients

Shelter allowance	\$ 150 /month
"Hot" rent equals the same	\$ 150 /month

The tenant pays "Hot" rent only. The Sponsor pays for all heat, hot water and domestic electricity.

### EXAMPLE 2

For "Cold" rent (excludes heat and hot water).

#### Tenant A:

Working Household

Calculate the working household Adjusted Income	\$5,520 /year
Divide by 12 for monthly income	\$ 460 /month
Multiply by 25 percent for "Cold" rent	\$ 115 /month
Subtract utility allowance (as applicable)	\$ 20 /month
"Cold" rent	\$ 95 /month

For the Pre-1986 Program, if this amount is higher than the "Cold" LEM rent, then the "Cold" LEM will be charged. The tenant pays for hot water and domestic electricity, in addition to the "Cold" rent.

#### Tenant B:

Social Assistance Recipients

Shelter allowance	\$ 130 /month
"Cold" rent equals the same	\$ 130 /month

The tenant then pays for heat, hot water and domestic electricity, in addition to the "Cold" rent. Normally, the total social assistance payment will include an additional amount for utilities.

# RENT CALCULATION AND INCOME VERIFICATION

## RENT CALCULATION FORM

### Rent Calculation Form

Date: _____	Tenant Name: _____	Phone No.: _____
CMHC Account No.: _____	Lot. No.: _____	
Address: _____	No. of Bedrooms: _____	
For rental period from _____ to _____		
LEM/Economic Rent for unit	\$ <input type="text"/>	(A)

**(1) Working Households**

Total Annual Household Income <i>(As verified by the Sponsor)</i>	\$ _____
<i>less</i> Working Spouse Allowance (if applicable)	_____
<i>less</i> Single Parent Allowance (if applicable)	_____
<i>less</i> Other household's income other than the head of the family and spouse except for \$ _____ per year. (if applicable)	_____
<i>less</i> Family Allowance Income (if applicable)	_____
<i>less</i> Other (as per the Section 95 Operating Agreement (if applicable)	_____
= Total <del>Adjusted</del> Annual Household Income divided by 12 months	_____
<b>Monthly Adjusted Income</b>	\$ <input type="text"/> (1)

**(2) For households ON Social Assistance:**

Maximum Monthly Shelter Allowance of Social Assistance:	\$ _____
<i>less</i> Utility Allowance (if applicable):	_____
<i>less</i> Other Allowances (if applicable):	_____
<b>=Total Rent Payable:</b>	\$ <input type="text"/> (B)

# RENT CALCULATION AND INCOME VERIFICATION

## RENT CALCULATION FORM

### Rent Calculation Form

If the amount in box 1 is less than \$404.00, then determine the rent to be charged by referring to the "Rental Scale" in the Operating Agreement as follows:

Rent as per Rental Scale \$ \_\_\_\_\_  
less Utility Allowance (if applicable) \_\_\_\_\_  
less Child deduction (if applicable) \_\_\_\_\_

= Total Rent Payable \$  (C)

If the amount in box 1 is more than the \$404.00, then multiply this amount by 25% as follows:

Monthly Adjusted Income (Box 1) X .25 \$ \_\_\_\_\_  
less Utility Allowance (if applicable) \_\_\_\_\_  
less Child deduction (if applicable) \_\_\_\_\_

= Total Rent Payable \$  (D)

### Summary

If the tenant is on Social Assistance, they pay the ~~lesser~~ of Box A or B which is \$ \_\_\_\_\_

If the tenant is not on Social Assistance, then they pay the ~~lesser~~ of Box A, C or D which is: \$ \_\_\_\_\_

Tenant's Actual rent per month = \$

Prepared by \_\_\_\_\_

Date \_\_\_\_\_

Entered in Rent Ledger Yes  No

Date \_\_\_\_\_

Notification letter to tenant Yes  No

Date \_\_\_\_\_

# RENT CALCULATION AND INCOME VERIFICATION

## DECLARATION OF INCOME FORM

### Sec. 95 Housing Management

#### DECLARATION OF INCOME FOR RESIDENTS OF SEC. 95 HOUSING

Refer to the applicable Operating Agreement for definition of "Income".

Please list income from all sources of all members of your household for the year \_\_\_\_\_ 19\_\_\_\_ to \_\_\_\_\_ 19\_\_\_\_\_.

Also staple to this sheet, supporting documentation for this income such as pay stubs, T4 slips, letter from employer and/or social services, UIC stubs, financial statements, etc.

NAME	RELATIONSHIP	INCOME
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
TOTAL HOUSEHOLD INCOME FOR YEAR		_____

I, \_\_\_\_\_  
(Name of Head of Household)

certify that the information given here is complete and correct. I/we authorize the \_\_\_\_\_ (sponsor) to obtain verification of this information from employers or other sources; and I/we agree to provide supporting evidence of total household income to the sponsor upon request. I/we also acknowledge that failure to provide such evidence within the time frame established by the sponsor, will result in the household having to pay the Low End of Market/Economic Rent.

\_\_\_\_\_  
(Signature) (Date)

Received at \_\_\_\_\_ (Sponsor) Office by:  
\_\_\_\_\_ on \_\_\_\_\_



# RENT CALCULATION AND INCOME VERIFICATION

## RENT COLLECTION AND ARREARS

### 1) RENT COLLECTION

Tenants pay rent monthly to the Sponsor, preferably with post-dated cheques. By collecting rent regularly, the Sponsor has the funds for ongoing maintenance and supplies, and daily operating expenses. If the Sponsor does not collect the rent regularly, the lack of necessary revenues can lead to the deterioration of a project. This type of poor administration could lead to CMHC suspending subsidies and/or putting a freeze on new unit allocations.

It is easier to collect rent regularly if paperwork is in order. The Sponsor should have:

#### A Tenancy Agreement/Lease

This is a contract between the Sponsor and the tenant outlining the terms under which the Sponsor is willing to rent out the unit. It should state the amount of the monthly rent to be paid for the unit (the LEM rent for a Pre-1986 Program unit or the Economic rent for a Post-1985 unit — not the subsidized rent being paid by the tenant), and the consequences of not paying the rent on time. The Sponsor's lawyer should help to draw up the agreement/lease, and the terms and conditions of the document should be explained carefully to a prospective tenant before it is signed.

Remember that:

- ▲ The wording of the tenancy agreement/lease must conform to provincial landlord/tenant legislation (this is one reason the Sponsor's lawyer should review the document); and
- ▲ CMHC must approve the wording and contents of the tenancy agreement/lease before it is used by the Sponsor.

#### A Tenant Rental Payment Record

Refer back to the sample shown on page Six-9. A Payment Record helps the Sponsor to keep track of each tenant's rent as it is paid. It also shows at a glance any pre-paid rents or arrears. A pre-numbered receipt book will also help the Sponsor to keep track of rents received.

### 2) ARREARS

A clearly worded rent arrears and eviction policy must be adopted and approved by the Sponsor's Board Of Directors. The fact that rent, as assessed by the Sponsor, is due and payable to the Sponsor in advance of the first day of each month must be communicated (in writing) to each tenant when he or she moves in. For good landlord/tenant relations, it is essential that the arrears policy is clearly understood.

Each month, the tenant is responsible for ensuring that the rent is in the hands of the individual designated by the Sponsor to collect rent. Payment is usually made with a series of post-dated cheques held at the Sponsor's office for deposit, although cash or money orders are acceptable. Note, however, that payment by cash should not be encouraged.

If a tenant does not pay the rent by the due date, the Sponsor

## **RENT CALCULATION AND INCOME VERIFICATION**

should make an immediate request that the rent be paid immediately. If the rent is not received within the time specified by the Sponsor — no longer than five days after the due date — then a written notice should be sent to the tenant. If a tenant ignores rent due dates or reminder notices, then the Sponsor should follow up with eviction proceedings in accordance with the tenancy agreement/lease and the Sponsor's own policies.

The same process should be followed if a tenant writes a cheque on an account without sufficient funds (i.e., if the cheque "bounces") and the cheque is not replaced with a valid one.

Once the Sponsor has approved a clear rent arrears and eviction policy, the Sponsor's staff should take all the necessary steps to recover any rent arrears, and to see that all rents are paid on time. Control over rent collection is essential; CMHC will not accept poor administration or subsidize a project's rent arrears.

### **3) OTHER CONSIDERATIONS**

A fair but firm attitude toward collecting rent is essential. Allowing a tenant to delay paying rent does not protect the interests of the Sponsor, other tenants or the late-payer. A tenant in arrears over one month may continue to be in arrears and need to have a special repayment plan set up. This type of repayment plan only adds to the complexities for the Sponsor administering the project.

If a tenant moves out leaving rent arrears, the Sponsor should prepare an account of the rent owed (and any other charges incurred) and demand payment. If the tenant's address is unknown, the Sponsor's lawyer may be called in to trace his or her whereabouts.

A report on the control of collections should be prepared at the end of each month. The administrator responsible should indicate which tenants are in arrears, so that the Board of Directors can decide on any action to be taken.

## **THE TENANCY AGREEMENT/LEASE AND ITS ENFORCEMENT**

A lease, or tenancy agreement, signed by both parties and witnessed, sets out the relation between the landlord and tenants. The lease is usually drawn up after the Sponsor has fully explained all aspects of the project. If it is necessary to have a member of the Board of Directors or a signing officer execute the lease, provincial law usually requires that the tenant's copy be delivered within a certain time.

### **1) DEFINITION OF THE LEASE**

The lease is a contract under which the landlord undertakes to provide the tenant with a housing unit for a certain amount of time, on payment of a consideration (the rent), and subject to certain specific terms.

# **RENT CALCULATION AND INCOME VERIFICATION**

## **2) SECURITY DEPOSITS**

A security deposit may be collected. CMHC does not require a Sponsor to collect a security deposit, but many Sponsors prefer to offset potential damages to housing units or instances of tenants leaving without paying rent. If the Sponsor collects a deposit, procedures must meet with provincial landlord/tenant legislation, and must be the same for all tenants.

## **3) FORM OF THE LEASE**

Leases or tenancy agreements must comply with provincial law; the Sponsor should have a lawyer advise on the appropriate form to adopt for a particular project. CMHC must approve the lease form before it is adopted.

## **4) ADDITIONAL CLAUSES**

In addition to the obligatory clauses in a lease, the parties may make other agreements in accordance with the services offered on the premises, the disciplinary rules imposed on tenants, and the charges payable by tenants in the event of vandalism or negligence. If the project has Tenant/Occupant Rules and Regulations (these may vary over time according to motions passed at Board meetings), they must be referred to in the lease or tenancy agreement if they are to be legally binding.

These Rules and Regulations apply to aspects such as heating, electricity, water, taxes, snow removal, household appliances, furniture provided, janitorial services (their inclusion in the rent or otherwise), restrictions on pets, excessive noise, and damage caused by negligence.

The lease must contain a clause to the effect that the tenant agrees to provide to the landlord a statement of annual income each year and at such other times as the landlord may request.

Tenants must be prepared to identify in the lease that they meet the native ancestry requirement where applicable.

It is important that these clauses are included in the lease: unless it is in writing, neither party has any obligation to comply with a clause.

## **5) ENFORCEMENT OF CLAUSES IN THE LEASE**

When a unit is rented, all the clauses in the lease must be explained to the prospective tenant. If a tenant does not comply with the clauses of the lease, the fact that he or she has breached the agreement should be pointed out immediately by telephone, in a letter, or by inspection visit, depending on the seriousness of the case.

A tenant should be billed for any vandalism or proven negligence causing damage to the property. A letter, including an estimate of the cost of repairs (or a bill if the repairs have already been carried out), should be sent to the tenant. (This practice is governed by provincial statutes and regulations.)

## RENT CALCULATION AND INCOME VERIFICATION

In the case of repeated breaches, and if the tenant's actions have become a nuisance to neighbours, a lawyer should be consulted on the most effective way to evict the tenant.

A tenant may be evicted as a result of:

- ▲ Non-payment of rent;
- ▲ Continually being in arrears of rent;
- ▲ Vandalism/damage to the premises;
- ▲ Subletting;
- ▲ Breach of project rules;
- ▲ Excessive noise;
- ▲ Causing a nuisance to other tenants or neighbours; and/or
- ▲ Other items clearly spelled out in the Sponsor's policies and approved by the Board of Directors.

All of these acts can cause the project extra expense. In initial consultations with a lawyer, make an estimate as follows:

1) Months taken to evict X monthly rent = Rent lost

plus: 2) Vandalism = Repair bill

plus: 3) Lawyer's fees = \$

equals: Total cost of eviction \$

### 6) RENEWAL OF THE LEASE

#### Automatic

The automatic renewal of leases and tenancy agreements are controlled by provincial statutes. Sponsors should consult a lawyer, and keep copies of relevant acts and regulations for reference.

#### Conventional

A tenant wishing to leave a housing unit on expiry of the lease must give the landlord written notice of such intention, in accordance with the terms of the lease and provincial statutes and regulations.

A landlord wishing to increase the rent after the expiry of the lease, or wishing the tenant to vacate the unit, must give the tenant written notice, as prescribed by provincial legislation and the terms of the lease (as applicable).

Note that the tenant may dispute the landlord's request for a rent increase or for eviction proceedings. In the case of a proposed rent increase, the tenant sends notices to the parties as required by provincial regulations. In the case of an eviction, the tenant may contest an order in court.

A sample lease has been included in this manual. It should be noted that it is for reference purposes only — it is not expected that a Sponsor will necessarily use the sample lease. In developing a functional lease form, Sponsors are expected to ensure that it conforms with provincial landlord/tenant legislation.

# RENT CALCULATION AND INCOME VERIFICATION

## SAMPLE LEASE

HOUSE LEASE  
TERM CERTAIN

CORPORATION  
(hereinafter called the "Landlord"), a body corporate  
having its Head Office in the City of \_\_\_\_\_, Province  
of \_\_\_\_\_, hereby leases to:

(hereinafter called the "Tenant"), hereto present and accepting, the premises  
known and described as follows:

*Premises* Said premises are well known to the Tenant who, having examined same, is satisfied therewith and  
acknowledges that they are in good order and condition.

*Term* The term of this lease will be \_\_\_\_\_ months from the \_\_\_\_\_ day of  
19\_\_\_\_\_, to the \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_\_\_\_.

*Rent* This lease is made in consideration of the total amount of \_\_\_\_\_  
Dollars (\$) \_\_\_\_\_ )  
which the Tenant shall pay to the Landlord in equal and consecutive monthly payments of \_\_\_\_\_  
Dollars (\$) \_\_\_\_\_ )  
each of which shall be paid in advance on the first day of each month, the first payment of which shall  
become due and payable on the first day of \_\_\_\_\_ 19\_\_\_\_\_, in accordance with the  
Landlord's established procedure at such place as may be designated by the Landlord, in advance on  
the first day of each month, and at the same rate for any portion of any month, the first of such pay-  
ments to become due and be made on the date hereof.

*Use of Premises* This lease is made upon and subject to the following conditions:

1. The Tenant agrees to use the rented premises for residential purposes only and for no other  
purpose and not to allow the said premises to be occupied by any other than the persons listed in  
this agreement without the prior written consent of the Landlord excluding any natural increase in  
the family.

Name \_\_\_\_\_ Age \_\_\_\_\_

- Taxes and Rates*
2. The Tenant shall pay all taxes other than municipal and school and special municipal assessments  
for local improvements, levied with respect to the said premises or the occupation thereof during  
the term of the present lease. And the Tenant shall further pay as and when they become due all

electricity and gas \_\_\_\_\_ rates or charges,  
in respect of the leased premises.

- Abandonment*
3. Should the Tenant fail to take possession of the premises at the commencement of the present  
lease, or abandon the premises before the termination of the present lease, the Landlord may, at  
its option, take possession thereof without notice or demand and relet the premises to whomsoever  
the Landlord may, at its option see fit, on such conditions as the Landlord may deem advisable,

# RENT CALCULATION AND INCOME VERIFICATION

## SAMPLE LEASE

- 2 -

without prejudice to the Landlord's right to recover rental which may then be outstanding and all claims for damages. Any furniture and effects remaining on the premises is to be disposed of as follows:

(a) As required under the applicable Landlord and Tenant Legislation

or

(b) Stored by the Landlord as it sees fit and the Tenant shall remain liable for the costs of transportation and storage until such costs have been recovered in full by the Landlord.

If, under item (b) above, the Landlord after making diligent effort, is unable to locate the Tenant and the Tenant fails to make any effort to claim and take possession of such furniture and effects, the Landlord may, after a period of three months has elapsed from the date the abandonment came to the attention of the Landlord, sell the said furniture and effects by public auction, deducting from the proceeds of sale the costs of transportation and storage and such other costs incurred which are related to the sale. In addition to damages arising from other causes, the damages for failing to occupy the premises shall be the amount of the rental payable during the remainder of the present lease, less such amount as may be received by the Landlord on reletting as rental for the same period.

4. The Tenant, on receipt of 24 hours' written notice, will permit the Landlord, its servants or agents and all persons having written notice therefore from the Landlord to visit and inspect the leased premises at all reasonable times. Such notice applies to inspections referred to in Clauses 5 and 23 of this lease.

*Tenant's  
Repairs*

5. The Tenant shall be responsible for keeping the premises clean and shall repair all damage caused by his wilful conduct or negligence, or the wilful conduct or negligence of persons permitted on the premises by him, and the Landlord, its servants or agents may enter to view the state of cleanliness and repair, and the Tenant will repair according to notice in writing. And in the event of the Tenant refusing or neglecting to clean or repair the premises after being so notified, the Landlord may, on 24 hours' written notice to the Tenant, enter upon the said premises and make such repairs or clean the premises, and may recover the cost thereof from the Tenant.

*Landlord's  
Repairs*

6. The Landlord shall maintain the premises in a good state of repair and fit for habitation and shall determine that the premises comply with all health, safety and housing standards required by law. The Tenant shall permit the Landlord to make all such repairs to the leased premises as the Landlord may deem necessary without any abatement of rental or other compensation to the Tenant; provided, however, that if such repairs materially interfere with the enjoyment of the leased premises by the Tenant, the rent shall, during the period of repair, be abated in proportion to the extent to which such enjoyment has been materially interfered with.

*Alterations*

7. The Tenant shall not make any alterations, additions, or improvements to the leased premises without the previous written consent of the Landlord and if any alterations, additions or improvements are made, the leased premises shall be returned to their former state and condition, unless the Landlord desires such alterations, additions or improvements to remain in which case they shall become the property of the Landlord without any compensation or indemnity being allowed to the Tenant therefor.

*Advertising  
Signs or  
other*

8. The Tenant shall not place or expose or allow to be placed or exposed anywhere in the premises within or without, any placard, notice, plate or sign for advertising purposes, nor shall the Tenant affix to the premises or erect thereon any radio poles or towers or any other object whatsoever, without the written consent of the Landlord.

*Care of  
Water Pipes,  
Sinks etc.*

9. All water pipes, closets, sinks, baths and accessories thereto, shall be protected from frost damage during the winter by the Landlord and the Landlord shall be responsible for the repair of damage caused by frost (except where such frost damage results from the negligence or neglect of the Tenant) and the Tenant shall not use them for any other purposes than that for which they were constructed. No sweepings, garbage, rubbish, rags, ashes or other like substances shall be thrown therein.

*Care of  
Building*

10. The Tenant shall keep the building or buildings on the demised premises in an orderly, clean and sanitary condition to the satisfaction of the Landlord. Vents or basement windows shall be opened during spring and summer seasons to provide proper ventilation under the demised premises.

*Care of  
Sidewalks*

11. The Tenant shall keep all sidewalks on or in front of the demised premises clear of snow and ice, and free of any obstruction.

*Care of  
Lawns,  
Gardens, etc.*

12. The Tenant shall keep up and preserve in good order and condition the lawn and garden belonging or appurtenant to the demised premises and shall keep cut all grass upon the demised premises, and carefully preserve all trees, bushes, shrubs, plants and flowers now growing or henceforth during his occupancy to grow thereon, from waste, injury or destruction.

*Replacement  
of Glass*

13. The Tenant shall be responsible for the replacement of any glass which may be broken, cracked or damaged in any manner during the period of his tenancy.

*Protection  
of Roof,  
Walls,  
Woodwork*

14. Roofs, walls or woodwork shall not be damaged or defaced and wallpaper shall not be applied to the walls or ceilings of the demised premises, by the Tenant during the period of his tenancy.

# RENT CALCULATION AND INCOME VERIFICATION

## SAMPLE LEASE

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CMIIC 2125  
2/80

*Damage to  
or Destruction  
of  
Property*

15. In the event that the leased premises are damaged by fire, lightning, tempest or any other fortuitous event, the Landlord shall have the option to terminate this lease by notice in writing to that effect given to the Tenant, without affecting any legal presumption in favour of the Landlord, or to repair or rebuild the leased premises. In the event that the Landlord shall decide to repair or rebuild the leased premises, and the enjoyment of the leased premises by the Tenant shall be materially interfered with by such repairs or rebuilding, the rent shall, during the period of repair or reconstruction, be abated in proportion to the extent to which the enjoyment of the leased premises is materially interfered with.

*Termination*

16. (a) It is agreed that the Tenant may terminate this lease by giving notice in writing, signed by the Tenant or his authorized agent, to the Landlord either delivered personally to the office of the Landlord at the address hereinafter specified or by mail addressed to the Landlord at the said address. Such notice will be:

*(Strike out  
clause which  
does not  
apply)*

- (i) \_\_\_\_\_ days notice before the date the termination is specified to be effective and shall be effective on the last day of a month of the tenancy.

or

- (ii) one lease month's notice ending with the lease month.

- (b) It is agreed that the Landlord may, terminate this lease by giving notice in writing, signed by the Landlord or its authorized agents, delivered to the Tenant personally; or if necessary by leaving the same with any adult person residing on the leased premises or by registered mail addressed to the Tenant at the leased premises and the Tenant agrees to vacate the leased premises on or before the last day of the period of the tenancy specified in the notice of termination.
- (c) Without restricting the generality of paragraph (b) hereof, it is agreed that failure on the part of the Tenant to conform in whole or in part to any of the conditions provided in this lease, will entitle the Landlord, if it so chooses, to terminate the present lease and to obtain possession of the premises, without prejudice to any claim for rent or damages.
- (d) Notwithstanding anything to the contrary contained in this lease, should the Tenant be in default of rent for a period in excess of \_\_\_\_\_ days, the Landlord may terminate this lease by giving notice in writing to the Tenant personally or as provided in paragraph (b) hereof and at the expiration of one month from the date such notice is given to the Tenant as described in paragraph (b) hereof, this lease shall terminate.

*Conditioning  
of Breach*

17. No change in the provisions of the present lease shall be deemed to have been made unless established by a writing executed by the Landlord and any delay in exercising or failure to exercise any right of the Lessor under the present lease or general law applicable shall not constitute waiver or renunciation in whole or in part.

*Liability*

18. The Landlord shall not in any event whatsoever be liable or responsible in any way for
- (a) any personal injury or death that may be suffered or sustained by the Tenant or any employee of the Tenant or any member of the Tenant's family, his agents or guests, or any other person who may be upon the rented premises or the premises of the Landlord; or
- (b) any loss of or damage or injury to any property including cars and contents thereof belonging to the Tenant or to any member of the Tenant's family or to any other person while such property is on the rented premises or on the premises of the Landlord; or
- (c) without limiting the generality of the foregoing, any damage to any such property caused by steam, water, rain or snow which may leak into, issue or flow from any part of the rented premises or from the water, steam, or drainage pipes or plumbing works of the same or from any other place or quarter; or
- (d) any damage caused by or attributable to the condition or arrangement of any electrical or other wiring; or
- (e) any damage caused by anything done or omitted to be done by any Tenants of the Landlord.

Unless such damage, injury or death is a direct result of the Landlord's negligence.

IT IS THEREFORE IMPERATIVE THAT EACH TENANT CARRY ADEQUATE PERSONAL LIABILITY AND PROPERTY INSURANCE.

*Surrender  
of  
Premises*

19. At the termination of the present lease, the Tenant shall surrender the premises in like condition as at the commencement of the term of the present lease, normal wear and tear only excepted.

# RENT CALCULATION AND INCOME VERIFICATION

## SAMPLE LEASE

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- Accidents* 20. All accidents which occur in or on the grounds of the leased premises must be reported to the office of the Landlord within seven(7) days of any such accidents.
- Election of Domicile* 21. The Tenant hereby elects domicile at the premises for the purpose of service of all writs of summons and other legal proceedings in any action which the Landlord may institute under the present lease and for service of all notices under this Agreement.
- Smoke Detectors* 22. The Tenant shall maintain smoke detector(s) installed in the premises in good working order at all times and shall be responsible for periodically cleaning and testing such detector(s) and replacing the batteries as required or on the warning signal emitted by the detector(s).
- Containers for Combustible Material* 23. No combustible material shall be kept on the premises except in containers approved by the Landlord.
- Heating Units, Electric Wiring and Fuse Plugs* 24. No additional heating units shall be installed on the demised premises, except with the approval of the Landlord in writing and no additional electric wiring shall be installed unless approved by the Landlord in writing. No electrical circuits shall be overloaded; and no fuse plugs in excess of 15 ampere capacity shall be installed in household branch lighting circuits.
- Prevention and Removal of Fire Hazards* 25. The Tenant will not do or permit to be done, any act by which a fire hazard may be created or through negligence fail to avoid or remove fire hazards on the premises. The Landlord may from time to time, and at all reasonable times, by its authorized agent or agents, inspect the said premises for the purpose of discovering any condition on the premises which, in the opinion of the Landlord, its agent or agents, constitutes a fire hazard. If the Tenant shall fail to remove such fire hazard to the satisfaction of the Landlord within 24 hours of written notice from the Landlord its agent or agents, requiring removal thereof, the Landlord shall without further notice be entitled to terminate this lease. For the purposes of this paragraph, the existence or supposed existence of a fire hazard shall be deemed to be an emergency.
- Landlord & Tenant Legislation* 26. In construing the provisions of this lease it shall at all times be subject to the provisions of the applicable Landlord and Tenant Legislation.
- Inter-pretation* 27. Wherever the singular and masculine are used throughout this lease, they shall be construed as if the plural and feminine had been used where the text or party or parties hereto so require, and the rest of the sentence shall be construed as if the necessary grammatical and terminological changes thereby rendered necessary had been made.
- Landlord's Address* 28. For the purposes of this lease, the address of the Landlord shall be  
unless notice of a different address shall be given by the Landlord to the Tenant.
- Acknowledgement* 29. The Tenant acknowledges having received a copy of this lease.  
IN WITNESS WHEREOF the parties hereto have executed the present lease in duplicate, at  
on the                      day of                      19                      .

IN THE PRESENCE OF:

CORPORATION

\_\_\_\_\_  
(Authorized Officer)

\_\_\_\_\_  
TENANT







# THE BUDGET PROCESS

## THE BENEFITS OF A BUDGET

The Operating Agreement requires that a project budget is completed each year and sent to CMHC for approval.

A budget is a planning tool that gives an estimate of how much money a housing project can bring in, and how much will be needed for the upcoming year. A budget can also show where too much money is being spent.

Without a budget, problems can arise. For instance, if it is not clear how much money will be coming in from the project (both from rent collection and from CMHC subsidies), it would be easy to spend more money on the project than is really available. Also, by submitting a completed budget, CMHC can give advance notice of whether an expense will be approved on the Financial Statements.

## THE APPROVAL PROCESS

The Sponsor's Treasurer is responsible for preparing the budget. Whether the Treasurer prepares the budget personally, has the assistance of the Housing Manager, or delegates the entire responsibility to the Housing Manager must be agreed in advance by the Board of Directors. The Treasurer should present a draft budget to the Board of Directors for review and approval. The budget must be signed by the Board of Directors. The budget is then sent to CMHC. Suggestions for changes may be made, and their incorporation discussed with the Sponsor. Final approval must be granted by CMHC before the budget can be implemented.

A budget for the fiscal year ahead should be forwarded to CMHC at least four months before the budget year (see the sample budget form on page Nine-6). Where projects have been completed, a combined budget with the breakdown for each individual project is required.

## PREPARING THE BUDGET

There are two steps in preparing budgets:

- ▲ Collect the required information and prepare worksheets (see the sample worksheet on page Nine-5); and
- ▲ Balance the budget.

The information required for these steps is explained in the following sections.

### 1) REVENUE

First, estimate annual revenues. For most Sponsors, this is a straightforward process, as revenue sources are fewer than expense categories.

# THE BUDGET PROCESS

## Rental Revenue

Verifying income and income testing should be started six months before the new fiscal period when new rents can be introduced. There are two types of rental incomes:

- ▲ Social assistance shelter allowances; and
- ▲ Rent calculated according to the rent-to-income (RTI) scale.

Add up the new rental rates which are to take effect during the fiscal period and multiply this amount by the number of months; this will give the total annual rental revenue.

## Section 95 Assistance

For budget purposes, assume that the annual assistance has not changed. Take the current monthly assistance received and multiply the amount by 12; this will give the amount of annual Section 95 Assistance.

## Interest Income

Include any anticipated interest earned on the operating account.

## Other Income

If the Sponsor has extra funds from late rent penalties or any other income, include these under other revenues.

## 2) EXPENSES

Next, estimate annual expenses. Generally, expenses can be classified as fixed and variable. Fixed costs are items such as loan payments, Replacement Reserve allocation and utility costs. Variable costs include supplies, maintenance, payroll, insurance, legal and audit costs.

## Taxes

If taxes are paid to the lender, use the current monthly tax component, multiplied by 12. If taxes are paid directly to the municipality, take the previous year's actuals and add an upward adjustment for inflation (e.g., a 5 percent increase).

## Fire and Other Insurance

It should be possible to find out about insurance premiums and coverage for the upcoming year from the insurance company the Sponsor has been dealing with. If a large number of housing units is involved, it is best to put out a tender for insurance each year. Once the choice is made, costs are fixed and cannot be changed. Note that CMHC will not subsidize and/or recognize the cost of insurance coverage for a tenant's personal effects.

Bonding insurance is necessary for all project employees or Directors handling cash or with cheque-signing authority. Director's liability insurance should also be arranged. Rates will vary; CMHC can offer guidance on the appropriate level of coverage for an operation.

# THE BUDGET PROCESS

## **Repairs and Maintenance**

Expenses in this category are the most variable. The amount proposed in the budget for repairs and maintenance is strictly related to the amount of work that must be carried out over a 12-month period. Through the Sponsor's annual inspection of units, a list of repairs and costs can be drawn up to be incorporated into the annual budget. In some cases, the Sponsor must prioritize the repairs, listing only the most important to be completed in the year. CMHC inspections can help the Sponsor in scheduling repairs.

## **Heat and Hot Water**

If the tenant pays for heat and hot water, these costs do not have to be included in the budget. However, if the Sponsor pays for heat and hot water, the costs must be included in the budget.

Where the Sponsor pays the heat and hot water, take the year-to-date actuals, add projected costs, plus an upward adjustment for inflation (e.g., a 5 percent increase).

## **Water and Sewer**

Include the actual cost of providing the housing units with water and sewer services, as applicable.

## **Administration**

These costs should include staff salaries (excluding Tenant Counselling — see below), bank charges, office supplies, telephone and any other expenses related to housing administration.

## **Tenant Counselling**

This is a new line entry, to be utilized for expenses relating to Tenant Counselling. This would include salaries and other expenses. Refer to Section Four for additional information.

## **Replacement Reserve**

The amount to be set aside annually is stated in the Operating Agreement, and should be included as an expense in the budget. In the first year of operation and when a project operates less than a full year, the allocation should be pro-rated according to the number of months the project is in operation. CMHC may also specify an amount other than that shown in the Operating Agreement to be allocated to this fund.

## **Mortgage Payments**

Take the current monthly loan payment, and multiply the amount by 12. If the mortgage will be renewed in the upcoming year and the new loan payment is known, the total loan payments should be adjusted accordingly.

## **Snow Removal**

Include any costs paid by the Sponsor for snow removal for the project. These should not be included for single detached units or duplex units, where tenants are responsible for snow removal.

## **Garbage Collection**

Include any costs paid by the Sponsor for garbage collection for the project.

# THE BUDGET PROCESS

## **Professional Fees**

As a guideline, this includes the cost of legal and audit fees. Use the current year's audit fees plus a slight increase for inflation. Auditor's fees should be negotiable. Prudent administration and bookkeeping will ensure the lowest possible audit fees at year end.

## **Contingency**

This is an estimate for a decrease in rent revenues due to vacancies and/or a tenant's decrease in income. It is also an allowance for unforeseen expenses. A maximum of 3 percent of the total budget expenses should be appropriate.

## **Modernization and Improvement — Post-1985 Program only**

Certain expenses, over and above regular maintenance costs, may be eligible under this category. CMHC approval must be sought in advance, and will be given only under very special circumstances. Sponsors are generally expected to use funds from Replacement Reserve rather than from this category. Expenses that may be eligible under Modernization and Improvement would be the difference in the price of replacing an original item with the same item, and replacing an original item with an upgraded item.

## **BALANCING THE BUDGET**

If total expenses exceed the total revenue, ways to cut expenses must be investigated. For example, prioritize the list for maintenance jobs and postpone less urgent work until a later date. CMHC Portfolio Management staff can help to identify ways to reduce expenses and achieve a balanced budget.

Once a budget is approved by CMHC, it is the Sponsor's responsibility to use the budget to control revenues and expenses during the budget period.



# THE BUDGET PROCESS

## PROPOSED OPERATING BUDGET

### PROPOSED OPERATING BUDGET

SPONSOR NAME: \_\_\_\_\_

BUDGET YEAR BEGINNING

CMHC Master Ref. No. \_\_\_\_\_ Month \_\_\_\_\_ Year \_\_\_\_\_

\_\_\_\_\_

Total No. of Units for this Budget \_\_\_\_\_

Phases \_\_\_\_\_ Through \_\_\_\_\_ reported in this budget

#### Revenue

1. Rental Revenue \_\_\_\_\_
2. Sec. 95 Assistance \_\_\_\_\_
3. Interest Income \_\_\_\_\_
4. Other \_\_\_\_\_

**Total Revenue** \_\_\_\_\_

#### Expenses

5. Taxes \_\_\_\_\_
6. Fire/Other Insurance \_\_\_\_\_
7. Repairs & Maintenance \_\_\_\_\_
8. Heat & Hot Water (utilities) \_\_\_\_\_
9. Water & Sewer (utilities) \_\_\_\_\_
10. Administration \_\_\_\_\_
11. Replacement Reserve \_\_\_\_\_
12. Loan Payments \_\_\_\_\_
13. Snow Removal \_\_\_\_\_
14. Garbage Collection \_\_\_\_\_
15. Professional Fees (Audit & Legal) \_\_\_\_\_
16. Modernization & Improvement (if applicable) \_\_\_\_\_
17. Tenant Counselling \_\_\_\_\_

**Total Expenses** \_\_\_\_\_

**Projected Surplus/Deficit** \_\_\_\_\_

Completed by: \_\_\_\_\_ Date: \_\_\_\_\_

Board Approval \_\_\_\_\_ Date: \_\_\_\_\_





# AUDITED FINANCIAL STATEMENTS

## PREPARING FOR THE AUDIT

The Operating Agreement requires that audited Financial Statements, and an Annual Project Data Report (APDR) (for Pre-1986 units only), be submitted to CMHC within four months of the fiscal year end. Subsidy payments may be suspended if the statements are not received by the due date.

The auditor selected by the Sponsor must have a provincially recognized accreditation. CMHC will recognize only audits performed by individuals accredited to perform audits in the province in which the Sponsor is located. Generally, Chartered Accountants (C.A.) and Certified General Accountants (C.G.A.) are acceptable; Certified Management Accountants (C.M.A.) are accredited in some provinces. If there is any doubt about provincial legislation, check with the provincial government before hiring an auditor.

The auditor's primary role is to assess the Sponsor's Financial Statements. Often, the auditor will draw up the Financial Statements from the Sponsor's accounting records. These records must be complete, clear, and up-to-date for the auditor to render his or her assessment. A qualified opinion or a denial of opinion (which will occur when the record-keeping is improper, incomplete, or not made available to the auditor) is not acceptable and amounts to a breach of the Operating Agreement. Orderly records will reduce the time spent by the auditor on gathering information and/or producing the statements, and will therefore lessen his or her fee.

At the Annual General Meeting the Board of Directors must recommend and request membership approval of the audit firm selected for the year ahead. A letter of engagement should be sent to the auditor, so that both parties are aware of the auditor's duties. The auditor must be willing to abide by all CMHC requirements, including the due date set.

This due date should be discussed with the auditor in advance. The auditor will require access to tenant files and to all accounting records; the required information should be kept up-to-date and be readily accessible.

## DUTIES OF THE AUDITOR

The specific duties of the auditor are detailed in the Operating Agreement. They include:

- ▲ Verification of the statement of revenues and expenses. For Sponsors with more than one phase, a separate statement of revenues and expenses will be required for each program component (i.e., Pre-1986 and Post-1985 Program units are to be kept separate).
- ▲ Verification of the balance sheet.
- ▲ Provision of a statement indicating whether or not tenant incomes have been verified, and rent calculations are correct. Verifications of income must be updated annually by the Sponsor for all tenants.

## **AUDITED FINANCIAL STATEMENTS**

- ▲ Verification of the APDR. This form must be completed annually for Pre-1986 Program units. (For Post-1985 Program units, CMHC collects relevant information by telephone or by a mail request.) A sample APDR appears on page Ten-3.
- ▲ Provision of an auditor's report. This report must include the auditor's unqualified opinion on the fairness of presentation of the Financial Statements.
- ▲ Provision of a statement to the effect that the Replacement Reserve Fund has been properly maintained, and that all interest accruing to the fund has been recorded. A separate interest account is required for this fund.
- ▲ Provision of the Auditor's Confirmation.

### **DUTIES OF THE SPONSOR**

Once the Sponsor's organization has been audited, the auditor's Financial Statements must be presented to the Board of Directors so that they can be formally accepted and signed off. (The Board must also request that membership approve the previous year's audit.) As noted above, the Sponsor must submit the Financial Statements (as approved by the Board) to CMHC, within four months of the Sponsor's fiscal year end, for review and approval. If a management letter has been issued by the auditor, this should also be submitted to CMHC with the Financial Statements.

Any questions on CMHC's audit requirements should be directed to the local CMHC branch office.

# AUDITED FINANCIAL STATEMENTS

## ANNUAL PROJECT DATA REPORT

Canada Mortgage and Housing Corporation  Société canadienne d'hypothèques et de logement

Canada

### ANNUAL PROJECT DATA REPORT / RAPPORT ANNUEL SUR LES PROJETS NON PROFIT HOUSING PROGRAM 1978 / PROGRAMME DE LOGEMENT S.B.L. 1978

PROJECT NAME / NOM DU PROJET			CMHC Project Number / N° de projet de la SCHL
Street No. / N° de la rue	Street Name / Rue	County / Comté	N.P. Corporation Identification / Desig. de la Corp. S.B.L.
City / Ville	Province	Postal Code / Code postale	Applicant's Reference Number / N° de ref. du demandeur

OPERATING DATA / DONNÉES SUR L'EXPLOITATION			
No. of operating months/year ending / Année se terminant le N° de mois d'exploitation	December 31 31 décembre	19	Vacancy Months Mois occupés
		Management Style / Type de gestion	
		<input type="checkbox"/> Prov. / Munic. Agency Org. prov. / munic.	<input type="checkbox"/> Professional Professionnel
		<input type="checkbox"/> Residents Résidents	<input type="checkbox"/> Other Autre

FINANCIAL DATA / DONNÉES FINANCIÈRES			
OPERATING EXPENSES / DÉPENSES D'EXPLOITATION		Amount / Montant	OPERATING REVENUE/REVENUS ET CONTRIBUTIONS
Amortization Costs / Frais d'amortissement	\$		Revenue / Revenu - Rentals / Loyers
Ground Rent / Bail de terrain			Commercial
Gross Utility Costs / Frais bruts services publics			Other / Autre
Operating costs / Frais d'exploitation			
Maintenance / Entretien			Maximum Federal Contribution / Contribution fédérale maximale
Taxes			Provincial Contribution / Contributions provinciales
Administration			Municipal Contribution / Contributions municipales
Modernization and Improvements Expenses Dépenses de modern. et d'amélior.			Other Contributions / Autres contributions
Reserves / Réserve			Federal/Provincial-Section 44 - Cost Sharing Article 44, Programme fédéral/prov. à frais partagés
<b>TOTAL OPERATING EXPENSES TOTAL DES FRAIS D'EXPLOITATION</b>	<b>\$</b>		<b>TOTAL OPERATING REVENUE TOTAL DES REVENUS ET CONTRIBUTIONS</b>
			<b>\$</b>

ACCUMULATED REPLACEMENT RESERVE AT YEAR END RESERVE DE REMPLACEMENT ACCUMULÉE EN FIN D'ANNÉE	
---	--

AUDITOR'S CERTIFICATION / VÉRIFICATION	
I certify that the financial data shown represents a true and fair view of the financial operations of the Corporation.	Je déclare que les données financières indiquées présentent un aperçu juste et fidèle de la situation financière de la Société.
Date: Signature of Auditor / Signature du comptable agréé	Name of Audit Firm / Nom de la firme

TENANT PROFILE / PROFIL DU LOCATAIRE		HOUSEHOLD SIZE / TAILLE DU MENAGE	
GROSS FAMILY INCOME / REVENU FAMILIAL BRUT		NO. OF UNITS / N° DE LOG.	
Income Range / Eventail de revenu	NO. OF UNITS / N° DE LOG.	No. of Persons in Household / N° de membres dans le ménage	NO. OF UNITS / N° DE LOG.
RENT-TO-INCOME ECHELLE DE LOYER		1 person / personne	
Less than / inf. à \$3,000		2 persons / personnes	
3,001 to / à 5,000		3 persons / personnes	
5,001 to / à 7,000		4 persons / personnes	
7,001 to / à 9,000		5 persons / personnes	
9,001 to / à 11,000		6 persons or over / personnes ou plus	
11,001 to / à 13,000			
13,001 to / à 16,000			
16,001 to / à 20,000			
over / supérieur à 20,000			
SUB TOTAL / TOTAL PARTIEL			
MARKET RENTS / LOYER DU MARCHÉ			
TOTAL PROJECT UNITS NOMBRE TOTAL DE LOGEMENTS		TOTAL PROJECT UNITS NOMBRE TOTAL DE LOGEMENTS	

UNIT TYPE / GENRE DE LOG	MARKET RENT RANGE / EVENTAIL LOYER MAR	NO. OF UNITS / N° DE LOG.	PROVINCIAL CERTIFICATION / CERTIFICATION PROVINCIALE
Hostel / Place de foyer	\$		I certify that the agreed Rent-to-Income Scale or Ratio has been applied and that the Market Rents opposite are in effect.  Je déclare que l'échelle convenue de loyers proportionnés au revenu a été adoptée et que les loyers du marché indiqués sont en vigueur.
1 Bedroom / ch. a.c.			
2 Bedrooms / ch. a.c.			
3 Bedrooms / ch. a.c.			
4 Bedrooms / ch. a.c.			
5 Bedrooms and over / ch. a.c. ou plus			
TOTAL RENT-TO-INCOME UNITS N° TOTAL DE LOG. DONT LOYER PROP. AU REVENU			Date: Signature of Authorized Provincial Representative Fonction de signature provinciale





# COMPETITIVE FINANCING RENEWAL PROCESS

## GENERAL

In May 1988, CMHC introduced a public tender process for the renewal of all loans receiving federal government assistance. The Competitive Financing Renewal Process (CFRP) was established to ensure that all lenders have an equal opportunity to bid on the renewal of loans receiving assistance.

To prepare for the tender process, Sponsors obtain from the lender a statement of account confirming the projected outstanding balance as well as the status of the tax account as of the maturity date. The interest rate on the bid must include any legal or other administration expenses that the Sponsor could encounter.

## THE SPONSOR'S ROLE

CMHC is responsible for ensuring that the renewal of the loan is advertised as widely as possible. The role of the Sponsor is described below.

### 1) SCHEDULING OF THE BID OPENING

Sponsor groups are requested to make every effort to schedule the closing of bid submissions and the opening of bids on the same day, and within the shortest possible time.

### 2) BIDS SUBMITTED BY FAX

Sealed tenders are usually requested in any bidding process to protect the bidding party's tender information from competitors. Lenders may elect to submit a bid by fax, provided a waiver is signed on the bid alleviating the Sponsor from the responsibility of maintaining confidentiality.

### 3) GENERAL CONDITIONS FOR TENDERING

- ▲ The interest rate quoted must reflect all fees and/or charges payable by the mortgagor.
- ▲ The account will be serviced in the official language of the mortgagor.
- ▲ Renewal conditions must be no more onerous than renewal conditions in the NHA Loans Insurance Handbook (available from CMHC).
- ▲ The mortgage will be administered by an NHA-approved lender.
- ▲ The bid rate cannot exceed the NHA non-profit maximum.

Sponsor groups should not expand unreasonably on these conditions. If, in the lender's opinion, Sponsors are making unreasonable requests, the lender has the right to bring them to CMHC's attention. CMHC may, under special circumstances, permit additional conditions if the Sponsor has discussed them in advance with CMHC.

# COMPETITIVE FINANCING RENEWAL PROCESS

## TAX PAYMENTS

Sponsors may wish to manage the tax payments themselves, in accordance with normal NHA provisions. Sponsors must indicate in the tender calls that this is their preference.

## OPTIONS FOR ONE-YEAR LOANS

Effective January 1, 1989, all Sponsors currently holding one-year term loans who elect to renew for a one-year term may opt out of the CFRP. However, the interest rate for the purpose of calculating Subsidy Assistance will be the lower of the rates achieved or the NHA non-profit maximum for one-year term loans.

## ACCEPTABLE INTEREST RATES

Sponsor groups have been directed under CFRP to accept the lowest eligible rate bid. However, social housing loans must be renewed at a rate not exceeding the NHA non-profit maximum rate.

Where, as a result of CFRP, the lowest bid received by a sponsor exceeds the NHA non-profit maximum rate, the sponsor will be required to re-tender or undertake an invitational tender call to obtain an acceptable rate.

## CLARIFICATION OF ALL-INCLUSIVE BIDS

The following costs must be included in the tendered rate:

- ▲ Lender's/Sponsor's notary or lawyer's fees;
- ▲ Mortgage transfer fees;
- ▲ Cost of mortgage registration (if new registration is required by the lender);
- ▲ Survey certificate fees (if a new certificate is required by the lender);
- ▲ Disbursement costs (photocopies, long-distance calls);
- ▲ Lender's fees; and
- ▲ Other expenses as required (e.g., discharge fees).

## DOCUMENTATION A LENDER MAY REQUEST OF A SPONSOR

A lender may request the following documents from a Sponsor, upon successful bid as a result of CFRP:

- ▲ A charter;
- ▲ A real estate insurance certificate;



## COMPETITIVE FINANCING RENEWAL PROCESS

- ▲ An extract transcript of the minutes of the meeting authorizing the officers of the Sponsor to sign the pertinent documents;
- ▲ A copy of the latest audited Financial Statements; and
- ▲ A survey or plot plan as may be in their possession.

### TENDER ADMINISTRATION

#### 1) SCHEDULING

Project Sponsors are required to convene a closing of tender call and opening of bids as close to 45 days in advance of the date of renewal of the mortgage as possible. This is considered to be sufficient time for the lenders to effect a transfer of all required documentation by date of renewal.

Sponsors must establish a Tender Opening and Acceptance Committee. This should include at least three individuals from the project's Board of Directors, Housing Manager, bookkeeper or auditor, or other suitable representatives. Note that a lender may request permission to attend the opening of the tender proposal. Tenders should not be opened prior to the announced opening time, nor should any tender be accepted subsequent to the prescribed time.

Sponsors are requested to make every effort to schedule the closing of the bid submission and the opening of bids on the same day and within the shortest period possible. Bid opening immediately following tender closing is preferred. Because of Canada's different time zones Sponsors should consider, when selecting the time for their tender closing/opening, the need to notify successful lenders in other parts of the country. It is also recommended that, if possible, all bid openings be scheduled to take place on a Tuesday. This will help to provide the lending community with a consistent schedule for setting their loan renewal interest rates.

#### 2) OPENING THE BIDS

The Tender Opening and Acceptance Committee will award the mortgage renewal to the bidder with the lowest eligible interest rate for the specified term. The interest rate shall be the only selection criteria. In the event that there is more than one tender with the same lowest eligible interest rate, the Committee will have full discretion to award renewal of the mortgage to the lender of its choice.

The Sponsor will maintain a Register/Report (CMHC 2853) of the tender results (see the sample on page Eleven-6). The Sponsor is to inform the CMHC of the interest rate and name of lender to whom the renewal contract was awarded, together with a copy of the Register/Report.

In the event that no tenders have been received, Sponsors are required to provide the CMHC with a list of lenders that have requested tender packages. The sponsor will then invite bids for renewal of the loan. CMHC may assist in the selection of a lender.

## **COMPETITIVE FINANCING RENEWAL PROCESS**

In the interim, the existing lender will be expected to maintain the loan until permanent financing arrangements are concluded.

Where the sponsor group receives only one bid, they will contact the CMHC for advice.

### **COMPLETION OF PAPERWORK**

Once renewal documentation is in place, the CMHC branch office will require a copy of the Mortgage Modification Agreement or a confirmation letter from the lender confirming the following information:

- ▲ The outstanding balance at renewal;
- ▲ The interest rate;
- ▲ The term;
- ▲ The current and interest payment; and
- ▲ The principal and interest payment.

The above information must be submitted to the CMHC branch office by the maturity date.

### **GENERAL GUIDELINES FOR CFRP TENDERING**

#### **Tendering Process**

Competitive bidding is employed as the general rule in the CFRP activity. The tendering system enables the Sponsor to obtain fair value by taking advantage of existing market influences, and affords an equitable opportunity for qualified lenders to share in program lending.

#### **Soliciting and Receiving Bids in Writing**

All tenders must be received in writing using an approved Standard Bid Response.

#### **Receipt and Custody of Bids**

All competitive bids, for which a specific time, date and place have been established for their receipt and opening, are to be processed through the full tender opening system. In all cases, competitive bids will be held unopened until after the closing time and up to the opening time.

Some lenders, however, have stated that they are not concerned with this confidentiality requirement. Therefore, should the bidder not wish to protect the confidentiality of their bid, they may submit a bid by fax, provided a waiver is signed on the bid alleviating the Sponsor from the responsibility of maintaining confidentiality.

The full tender receipt, custody and opening system will ensure the complete security of bids from the time of receipt to the time of opening. Under the full tender opening system, handling, including opening and recording of bids, is to be performed by a Tender Opening and Acceptance Committee made up of:

- ▲ A Chairperson — as delegated; and
- ▲ A Member/Witness — as delegated.

## **COMPETITIVE FINANCING RENEWAL PROCESS**

All written competitive bid responses will be time and date stamped upon receipt. They should be kept in a locked tender box until after the closing time and up to the opening time.

Specially identified envelopes should be used to distinguish bids from other types of mail. These will not be opened until after closing time. Envelopes not identified as containing bids but which are found to do so after opening will follow the procedure above.

Information in bids is confidential and must be so treated from the receipt of a bid to the acceptance. Once tendered bids have been opened, the information becomes public and Sponsors are encouraged to provide it to lenders upon request. Within the Sponsor membership, information is to be conveyed on a "need to know" basis.

### **Late Bids/Delayed Bids**

Late bids are not to be accepted. They are to be returned unopened as soon as possible following their receipt, unless it is necessary to open the envelope to determine the name and address of the sender.



# COMPETITIVE FINANCING RENEWAL PROCESS

## STANDARD BID RESPONSE

### BID RESPONSE FORMAT

Name of Firm: \_\_\_\_\_

Address: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Telephone: (    ) \_\_\_\_\_

Name and address of firm providing mortgage account servicing if different than above.

Contact Person: \_\_\_\_\_

Telephone : (    ) \_\_\_\_\_

In response to (Name of Corporation's) mortgage renewal tender call dated \_\_\_\_\_, we hereby bid:

- . At a stated annual interest rate of \_\_\_\_\_% per annum compounded semi-annually and not in advance, for an amount of \_\_\_\_\_ dollars (\$            ).
- . The above interest rate is fixed for a term of five (5) years commencing \_\_\_\_\_.

#### GENERAL CONDITIONS

- . The interest rate quoted must reflect all fees and/or charges payable by the Mortgagor.
- . The account will be serviced in the Official Language of the Mortgagor.
- . Renewal conditions will be no more onerous than renewal conditions in the NHA Loan Insurance Handbook.
- . The mortgage shall be administered by a NHA Approved Lender.

#### CERTIFICATION:

We warrant that we have the funds or access to funds to fully fund this bid and that all funds will be in a place at the date of renewal.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Authorized Signing Officer



# **APPENDICES**

# **1**





# OPERATING AGREEMENT (PRE-1986 PROGRAM)

Section 95 Operating Agreement  
Assistance to Non-Profit Corporations  
Pre-1986 Urban Native Housing Program

APPENDIX

# OPERATING AGREEMENT (PRE-1986 PROGRAM)

CMHC 2397 3/90  
AGREEMENT  
Page 1 of 7

## SECTION 95 AGREEMENT

### ASSISTANCE TO NON-PROFIT CORPORATIONS

THIS AGREEMENT dated the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

BETWEEN:

CANADA MORTGAGE AND HOUSING CORPORATION,  
(hereinafter called "the Corporation")

OF THE FIRST PART:

- and -

(hereinafter called "the Recipient")

OF THE SECOND PART:

WHEREAS the Recipient will own and operate a \_\_\_\_\_ unit/bed (new/existing) housing project providing accommodation for low and moderate income families and individuals, in the municipality of \_\_\_\_\_ situated on the lands described in Schedule "A";

WHEREAS the Recipient has/will arrange(d) for the following capital financing for the project:

Source	\$ Amount
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WHEREAS, pursuant to Section 95 of the National Housing Act, hereinafter referred to as "the Act", the Corporation may make a contribution for the purpose of enabling an eligible contribution recipient as described in Sub-section 27(2) of the Act to meet the costs of rental housing and to reduce the rentals thereof;

WHEREAS the Recipient is an eligible contribution recipient as defined in Section 95 of the Act;

AND WHEREAS the approved capital costs of the shelter component of the project that are eligible for Federal assistance are \$ \_\_\_\_\_

The Corporation hereby agrees to provide Section 95 assistance on the following terms and conditions to the Recipient, and the Recipient agrees to accept the said assistance and to observe the terms and conditions hereinafter provided.

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## 1. DEFINITIONS

For the purpose of this agreement, the following definitions apply:

- (1) "Annual Project Data Report" means the form CMHC 2254 to be attached to, and forming part of, this agreement or such revised or amended form as may be designated by the Corporation from time to time.
- (2) "Book Value at Date of Purchase" means the principal balance of loans within the meaning of the expression "original book value", together with accrued interest and other charges to the loan account and any unearned forgiveness of loans under the residential rehabilitation assistance (RRAP) provisions of the Act, but excluding the borrower's equity in any form.
- (3) "Direct or Portable Income" means income in any form and from any source paid directly to the occupant of a unit for the personal use of the occupant regardless of the occupant's place of residence.
- (4) "Economic Rent" means the break-even rent for the shelter component of each unit in the project approved annually by the Corporation, required to meet the full shelter amortization and operating expenses of the project, including specified reserves, before any operating assistance, but excluding operating costs related to care and personal services provided, and the cost of food, except that reserves do not include the subsidy surplus fund referred to in paragraph 4(7).
- (5) "Family" means a minimum of two people who are related by blood or marriage (including common-law spouses) or if unrelated, one of whom is dependent on the other on a continuing basis, and includes dependents.
- (6) "Fully Serviced Accommodation", for the purpose of the rent-to-income scale, means accommodation for which heat, water, hot water, stove and refrigerator are provided, and excludes domestic electricity except for the provision of hot water; adjustments to the rental scale rent are to be made where any of the above services are not provided or where additional services are provided.
- (7) "Income" means the gross family income or income of an individual as defined in Schedule "B", or such revised definition as may be provided by the Corporation from time to time.
- (8) "Loan" means the capital financing arranged for the project by the Recipient.
- (9) "Lower end of Market Rent" means the lower end of the range of market rent charged on the private market for similar accommodation in the general area as determined annually by the Corporation.
- (10) "Market Value" means the appraised value as determined by the Corporation, less
  - (a) capital grants specifically designated by the donor as being intended to flow through to and to benefit each purchaser of a unit,
  - (b) the purchaser's equity in any form, and
  - (c) the value of the improvements contributed by the purchaser or occupant.
- (11) "Non-Shelter Component" means space such as commercial or non-residential, community space, personnel services and care facilities and other space or facilities not explicitly included in the definition of "Shelter Component".
- (12) "Original Book Value" means the original loan amounts required to finance the acquisition of the lands and the construction of the project including the repayable and forgivable portions of residential rehabilitation assistance program (RRAP) loans under the Act, other loans made by approved lenders and the Corporation under the Act, conventional loans, personal loans and home improvement loans, but excluding the borrower's equity in any form.
- (13) "Rent-to-Income Scale" means the schedule of rents to be charged in accordance with the incomes of the tenants set forth in Schedule "B", or such revised or amended schedule of rents as may be designated by the Corporation from time to time.
- (14) "Senior Citizen" means a person
  - (a) who is at least sixty (60) years of age, or
  - (b) who is involuntarily retired from the work force and is at least fifty (50) years of age.
- (15) "Shelter Component" means the components of residential accommodation related to living, sleeping, eating, food preparation and sanitary facilities, either shared or otherwise, and amenity space approved by the Corporation which may be shared with other occupants of the housing project, and the land or proportionate amount thereof on which the residential accommodation is situated.

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## 2. RENTAL

- (1) The principle of blending incomes is to be followed when leasing units in the project, which said principle will permit tenants at the lower end of the income range to benefit from the subsidy in excess of the average for the project, while those at the midpoint will receive the average subsidy, and those at the upper end will receive less than the average subsidy, if any, provided, however, that in the application of the said principle, priority shall be given to families and individuals of low and moderate income.
- (2) Accommodation in the project shall be leased at rental rates appropriate to the incomes of the tenants and shall be at least the amounts as set forth in Schedule "B", up to the maximum rent. Where fully serviced accommodation is not provided, the rent is to be reduced by an amount approved by the Corporation which represents the cost of services not provided as set forth in paragraph 1(6) above. Where additional services are provided, the rent is to be increased by an amount approved by the Corporation.
- (3) The maximum rent shall be the lower end of the range of market rent for similar accommodation in the area as established annually by the Corporation, and the current lower end of market rents shall be those contained in Schedule "C".
- (4) The economic rents shall be established annually by the Corporation.
- (5) The Recipient shall obtain evidence of the income of the lessees paying rent according to the rent-to-income scale at the time of initial occupancy and annually thereafter, and shall adjust the amount of rent to be paid by each lessee in accordance with the change in income. Each lease will make provision for the foregoing requirement. The auditor shall provide verification in his report that the rent-to-income scale has been applied, that income reviews and confirmation of incomes have been undertaken and that the required rent adjustments have been made.
- (6) The amount of rent to be paid by the lessee shall not be increased more frequently than annually. However, depending upon the availability of assistance, the Recipient may reduce the rent of a lessee who provides adequate evidence that his income has decreased since the last annual income review. The lease rent shall be reinstated when the income of the lessee increases to its original amount. The Recipient's policy with respect to the above shall be determined by the Recipient with the concurrence of the Corporation.
- (7) Lessees receiving welfare assistance shall pay the greater of the shelter component of the welfare payment or such amount as shall be determined by the application of the total welfare payment to the rent-to-income scale identified in Schedule "B".
- (8) The Recipient will allocate individual units in the project in such a manner as to ensure that there will be a blending of incomes within the project in order that the viability of the project and the objectives of the program will be maintained.

## 3. LEASING OF HOUSING UNITS

- (1) All applications for lease and all leases entered into by prospective occupants shall be in a form acceptable to the Corporation and shall include a clause prohibiting subletting or assignment and shall be signed by at least one of the spouses of a family or by all occupants (except dependents) if the occupants are not a family.
- (2) Each lease for a housing unit entered into by the Recipient shall be for a period not exceeding twelve months. No tenant shall be subjected to a rental increase more often than once in a twelve month period. The lease shall also provide that the unit shall be occupied only by the individuals or family named in the lease.
- (3) Each lease entered into by a tenant paying less than the lower end of market rent will make provision for the annual verification of income and rent to be charged according to the rent-to-income scale, up to the maximum rent. The method of verifying income will be as determined from time to time by the Corporation.

## 4. CONTRIBUTION TO REDUCE COSTS AND RENTALS

- (1) The maximum federal assistance will be based upon 100% of the approved capital costs of the shelter component of the project and will be equal to the difference between
  - (a) the amount determined by the Corporation that is required to amortize the cost of construction, acquisition, repair, rehabilitation, conversion or improvement of the shelter component of the housing project, at an interest rate approved by the Corporation over thirty-five years or the life of the project, whichever is less, and
  - (b) the amount required to amortize the same costs if the interest rate charged on such cost were 2 percent per annum calculated semi-annually and not in advance.

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- (2) The maximum annual federal assistance is currently estimated at \$ \_\_\_\_\_ as set forth in Schedule "C", which said amount may be adjusted upon receipt of the audited statement of final capital costs.
- (3) The federal assistance will be paid over the actual amortization period of the loan(s) up to a maximum of thirty-five (35) years provided the project is managed and operated within the terms of this agreement.
- (4) In any year the actual federal assistance shall be the maximum federal assistance or the difference between the total of the economic rents of the project as approved by the Corporation and the gross revenue of the project, whichever is less. The estimated economic rents for the first year are contained in Schedule "D" attached. The annual operating expenses on which the economic rent is based are contained in Schedule "D" attached.
- (5) The federal assistance will be paid by cheque directly to the Recipient to coincide with the repayment dates of the loan. The assistance will be calculated from the interest adjustment date of the loan with the first assistance payment being made to coincide with the first payment due under the loan. If there is no loan, the assistance will be calculated from a date to be established by the Corporation and will be paid monthly. The assistance will be paid automatically throughout the second and subsequent years providing the Annual Project Data Report and audited financial statements for the previous fiscal year and the annual project operating budget for the current fiscal year have been received within four months after the fiscal year-end. Should the Annual Project Data Report, audited financial statements, and operating budget not be received within four months after the fiscal year-end, the Corporation may suspend payment of the assistance for the fifth and subsequent months pending receipt of such reports.
- (6) Should the federal assistance paid in any fiscal year exceed the actual assistance required as established by the Corporation upon receipt of the Annual Project Data Report and financial statements of the Recipient, the excess will be refunded by the Recipient to the Corporation at the time the Annual Project Data Report is submitted, subject to the provisions of paragraphs (7) and (8) hereof. If not paid at the said time, the Corporation reserves the right to suspend future assistance payments, or to reduce future payments until the excess has been recovered.
- (7) The Recipient may establish a Subsidy Surplus Fund up to a maximum of \$500 per unit plus interest thereon for each unit in the project where:
- (a) the Recipient is not in receipt of provincial or municipal shelter assistance, other than an outright capital grant towards the capital cost of the project, and where the maximum federal assistance is not required in specific years for the purposes set forth in clause 4(4) above, or
  - (b) if the Recipient is in receipt of provincial or municipal assistance, either on a short-term or long-term basis, the donor agrees that a Subsidy Surplus Fund may be established.
- (8) In instances where contributions from a province or municipality have been received equivalent to the maximum federal assistance and further assistance is being provided by the province and the Corporation under Section 82 of the Act, the Subsidy Surplus Fund will not be provided.
- (9) The Subsidy Surplus Fund is to be comprised of monies deposited in a special bank account identified for its intended purpose and/or invested in Government bonds or such other securities as may be acceptable to the Corporation.
- (10) The Subsidy Surplus Fund shall only be used to meet future subsidy requirements of income tested occupants over and above the maximum federal assistance. The interest earned in the Fund is to accrue to and be maintained in the fund.
- (11) When the Recipient shall have accumulated a Subsidy Surplus Fund in the amount of \$500 per unit or bed in the project and if the Recipient is not in receipt of shelter assistance, other than the federal assistance or assistance in the form of an outright capital grant, and if the maximum federal assistance is not required in any year for this project, up to 10% of the assistance not required may be transferred to other projects owned by the Recipient requiring additional assistance if they are within the same municipality or area and are assisted under this program.
- (12) The Recipient shall submit an audited statement of final capital costs within six months of the interest adjustment date of the loan. Any necessary adjustment to the amount of federal assistance will be made upon receipt of the audited statement.
- (13) The maximum federal assistance will increase or decrease according to changes in the interest rate occurring at mortgage roll-over.
- (14) The maximum federal assistance will not be reduced because of capital grants received by the Recipient from any source.
5. OTHER SHELTER ASSISTANCE
- (1) The Recipient is encouraged to seek other shelter assistance, over and above the federal assistance, in order to house lower income tenants. The Corporation shall be advised immediately by the Recipient of arrangements for such assistance.

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- (2) Receipt of such other shelter assistance will not affect the amount of maximum federal assistance but shall be used to house tenants with lower incomes.

## 6. SALE

- (1) The project or any part thereof shall not be sold or otherwise disposed of during the term of this agreement except with the prior written consent of the Corporation and on such terms and conditions as the Corporation may have approved. The sale of individual units within the project to the tenants thereof may be approved by the Corporation but the following conditions will apply:
- (a) The characteristics of the project, of the title and of the mortgage financing do not prevent the division of the project into parts and the viability of the project will not be affected.
  - (b) During the first five years of occupancy, the initial tenant may purchase the unit at the original book value. Any appreciation in the unit value at the time of purchase will be earned by the purchaser over five years on a pro-rated basis. Any unearned value shall be returned to the Recipient. After five years, the initial occupant must purchase the unit at the market value as determined by the Corporation at the date of purchase, or the book value at the date of purchase whichever is greater.
  - (c) A subsequent tenant may purchase the unit at the market value as determined by the Corporation at the date the tenant occupied the unit, or the book value whichever is greater, if the purchase is made within the first five years from the date the unit was occupied. Any appreciated value at the time of purchase must be earned on a pro-rated basis over five years. Any unearned value shall be returned to the eligible contribution recipient. After five years, the subsequent tenant-occupant must purchase the unit at the market value at the time of purchase, or the book value at the date of purchase whichever is greater.
  - (d) Existing financing may not be assumed on the sale of a unit, and the mortgage or the proportionate unit balance outstanding on the blanket mortgage shall be repaid.
  - (e) Prior written approval by the Corporation of the terms and conditions of each sale is required.
  - (f) The profit on the sale of each unit will be used as agreed to by the Corporation, including application against the outstanding mortgage balance or for the acquisition of additional units.
  - (g) Upon sale of each unit, the maximum federal assistance available to the project will be reduced by an amount proportionate to the approved capital cost applicable to the unit sold.

## 7. CARE FACILITIES SPECIAL PURPOSE HOUSING

- (1) The federal assistance will be restricted to the shelter component only of the project.
- (2) The Recipient shall provide evidence acceptable to the Corporation that provincial or other per diem rates or grants will be available for the operating costs of the non-shelter component of the project so that, with the federal assistance the project as a whole will operate on a break-even basis.
- (3) Occupants without a direct or portable income will be assessed a rent on the basis of the provincial shelter component of welfare or, if no separate shelter component is available, a rent will be assessed on the basis of applying the total welfare payments to the rent-to-income scale set out in Schedule "B".

## 8. PROJECT MANAGEMENT

- (1) The Recipient shall operate the project within the provisions of Operating Budget - Schedule "D", which may be amended from time to time in accordance with Clause 10.
- (2) The Recipient shall ensure efficient management of the project as outlined in Schedule "E", "Project Management", and shall maintain the project in a satisfactory state of repair and permit representatives of the Corporation to inspect the project at any reasonable time. The Recipient agrees that it will not, save with the prior written approval of the Corporation, enter into any contract for the management of all or part of the project by any person or organization other than its own employees.

## 9. COMMERCIAL AND NON-RESIDENTIAL FACILITIES

The federal assistance will be limited to the shelter component of the project only, notwithstanding that the project and its financing may have included or may later include non-shelter components such as commercial or non-residential space. The Recipient shall lease any non-shelter space at market rental rates established by the Recipient with the concurrence of the Corporation, or at the economic rent if it is not reasonable to determine a market rent. No deficit charges in respect of non-shelter components will accrue to the residential space supported by federal assistance. Any surplus revenue will be used to reduce the operating costs of the shelter component. The financial statements will include a statement of revenue and expenses for the shelter component and a separate statement for commercial or non-residential space.

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## 10 ANNUAL REVIEW

- (1) Within four months after the end of the Recipient's fiscal year the Recipient shall submit to the Corporation an Annual Project Data Report for each project, supported by an audited financial statement and a project budget to be approved by the Corporation for the current fiscal year. Where applicable, the audited financial statements are to contain separate statements of revenue and expenses for the shelter and non-shelter components of each project.
- (2) The Corporation shall review and adjust, if necessary, the economic rents annually on the basis of the data provided in accordance with (1) above.

## 11. PROHIBITION AGAINST ENCUMBRANCES AND LENDING

- (1) The project, or any part thereof, shall not be mortgaged, charged or otherwise encumbered, without the prior written approval of the Corporation, so long as this agreement is in force.
- (2) The Recipient shall not lend or give away any project funds or guarantee or underwrite the repayment of any obligation assumed by a third party without the prior written approval of the Corporation.

## 12. CHANGES IN THE ARTICLES OF INCORPORATION

The Recipient shall not change or alter its articles of incorporation previously reviewed and accepted by the Corporation without the prior written approval of the Corporation.

## 13. BOOKS, ACCOUNTS AND AUDIT

- (1) The Recipient shall maintain books, records and accounts in a form satisfactory to the Corporation, and shall permit the Corporation to have access to the project and to have a representative of the Corporation inspect such books, records and accounts at any reasonable time.
- (2) The Recipient will, for statistical purposes, supply such information as may be required by the Corporation.
- (3) The Recipient will submit audited financial statements within four months of the end of each fiscal year.
- (4) The selection of auditors other than those who have a recognized accreditation shall be subject to the prior approval of the Corporation.
- (5) The duties of the Recipient's auditor shall include:
  - (a) verification of the statement of revenue and expenses and, where applicable, separate statements of revenues and expenses of the shelter and non-shelter components of the project;
  - (b) verification of the balance sheet;
  - (c) production of a statement indicating whether or not verification of the incomes of the occupants and the rent calculations as required by clause 2(5) have been undertaken, provided that such assessment by the auditor may be undertaken on a sample basis;
  - (d) verification of the Annual Project Data Report;
  - (e) the provision of an auditor's report; and
  - (f) the provision of a statement to the effect that the Replacement Reserve Fund and the Subsidy Surplus Fund have been properly funded and maintained, and that all interest accruing to these funds has been recorded.

## 14. LOAN REPAYMENT

The Recipient shall make to the lender promptly on the due dates the payments required to be made in order to pay the interest and amortize the loan during the amortization period thereof. Failure of the Recipient to make the said payments on the due dates shall constitute a breach of this agreement.

## 15. REPLACEMENT RESERVE FUND

The amount of revenue to be used or set aside for replacement reserves shall be such as may be determined by the Corporation. The said reserve is to be funded annually. The use and disposition of reserve funds so created shall be subject to the approval or direction, as the case may be, of the Corporation. The said reserve fund is to be comprised of monies deposited in a special bank account identified for its intended purpose and/or invested in Government bonds or such other securities as may be acceptable to the Corporation.

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16. DISCRIMINATION

- (1) The Recipient agrees that it will not in the leasing of the accommodation discriminate against an applicant for lease by reason of race, national or ethnic origin, colour, religion, age, sex, marital status, conviction for which pardon has been granted or the fact that there are children forming a part of the family, and all conditions or restrictions for occupancy set forth by the Recipient must have the prior written consent of the Corporation.
- (2) The above prohibition against discrimination by reason of age shall not apply to accommodation reserved for senior citizens as defined in this agreement.

17. RETENTION OF DOCUMENTS

All documents, vouchers, records and accounts that pertain to the project shall remain in the possession of the Recipient for not less than seven (7) years.

18. DEFAULT

The Corporation shall have the right, if the Recipient fails to maintain the low rental character of the project or otherwise commits a breach of this agreement, to discontinue all federal assistance, and to require repayment to the Corporation of all funds in the Subsidy Surplus Fund, together with accrued interest on those funds.

19. RESIDENTIAL REHABILITATION ASSISTANCE

If the Recipient has received or at any time during the term of this agreement receives RRAP assistance under Section 51 of the Act, and if the Recipient commits a breach of this agreement, the Corporation shall have the right to declare the unearned balance of the forgivable loan due and payable forthwith together with interest accruing from the date of such default until paid.

20. PREPAYMENT - LOANS

The Recipient agrees to notify the Corporation immediately of any change in the mortgage payments applicable to a loan and to advise the Corporation of prepayment of all or any part of such loan.

21. MORTGAGE ROLL-OVER

The Recipient agrees to notify the Corporation immediately of revised terms and conditions of each mortgage resulting from renewal thereof.

IN WITNESS WHEREOF the Corporation has signed this agreement by its proper signing Officer and the Recipient has affixed its Corporate Seal duly attested to by its proper signing Officers.

CANADA MORTGAGE AND HOUSING CORPORATION

Per: \_\_\_\_\_

\_\_\_\_\_

(Corporate seal to be affixed)



# OPERATING AGREEMENT (PRE-1986 PROGRAM)

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SCHEDULE "A"

LEGAL DESCRIPTION

# OPERATING AGREEMENT (PRE-1986 PROGRAM)

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SCHEDULE "B"

## GRADUATED RENTAL SCALE FOR FULLY SERVICED ACCOMMODATION IN NON-PROFIT AND COOPERATIVE PROJECTS FOR FAMILIES AND SENIOR CITIZENS

(FULLY SERVICED - supplied with heat, water, hot water, stove and refrigerator)

The monthly rent shown opposite income applies until the next income change shown

MONTHLY			MONTHLY			MONTHLY			MONTHLY		
Family Income \$ up to	Rent \$	%	Family Income \$ up to	Rent \$	%	Family Income \$ up to	Rent \$	%	Family Income \$ up to	Rent \$	%
192	32	16.7	266	56		340	80	23.5	416	104	
195	33		269	57	21.2	343	81		420	105	
198	34		272	58		346	82		424	106	25
201	35	17.4	275	59	21.6	349	83	23.9	428	107	
204	36		278	60		352	84		432	108	
207	37		281	61		355	85		436	109	25
210	38	18.1	284	62	22.0	358	86	24.0	440	110	
213	39		287	63		361	87		444	111	
216	40		290	64		364	88		448	112	25
220	41	18.6	293	65	22.3	367	89	24.2	452	113	
223	42		296	66		370	90		456	114	
226	43		300	67		373	91		460	115	25
229	44	19.2	303	68	22.5	376	92	24.5	464	116	
232	45		306	69		380	93		468	117	
235	46		309	70		383	94		472	118	25
238	47	19.7	312	71	22.9	386	95	24.6	476	119	
241	48		315	72		389	96		480	120	
244	49		318	73		392	97		484	121	25
247	50	20.2	321	74	23.1	395	98	24.8	488	122	
250	51		324	75		398	99		492	123	
253	52		327	76		401	100		496	124	25
256	53	20.7	330	77	23.4	* 404	101	25.0	500	125	
260	54		333	78		408	102		504	126	
263	55		336	79		412	103		508 and up		25

TO CALCULATE MONTHLY RENT FOR UNSERVICED ACCOMMODATION, subtract from the appropriate serviced monthly rent the estimated local cost of heat, water and hot water for the type of units in the project. Where a stove or refrigerator is not provided subtract an additional amount as agreed to by the Corporation.

\* The Rent-to-Income Scale is 25% of income from this point on up to the approved maximum rent established for the project.

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SCHEDULE "B" (Cont'd)

## DEFINITION OF INCOME

For the purposes of this agreement, "income" means the aggregate gross income, in whatever form received, of all members of the family, or of an individual where applicable, EXCLUDING:

1. earnings of children in regular attendance at recognized institutions of learning; funds received for tuition, such as scholarships, bursaries and contributions from non-resident family members;
2. living out or travelling allowances of a family head;
3. earnings of a working spouse of up to \$900 per annum;
4. income from any source other than social assistance payments of a one-parent family up to \$900 per annum;
5. earnings in excess of \$75 per month of all members of the family other than the family head or spouse. (This will include persons related by blood, marriage or adoption or other persons who may reasonably be assumed to form part of the family);
6. capital gains, such as insurance settlement, inheritances, disability awards, sale of effects; and
7. family allowance.

## RENT REDUCTIONS FOR CHILDREN

The above scale produces the rental rate of a family or individual with no children. A reduction in this rent of \$2 per month is allowable for each child with a minimum serviced rent of \$28 a month regardless of the number of children.

# OPERATING AGREEMENT (PRE-1986 PROGRAM)

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SCHEDULE "C"

## ECONOMIC AND MARKET RENTS AND APPLICATION OF ASSISTANCE

1. RENTS:

The estimated economic and lower end of market rent for year one are as follows:

No. of Units	Type of Units	Economic Rent (Year One)	Lower End of Market Rent (Year One)
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The rents stipulated above may require adjustment upon completion of the project when final capital costs are known and the lower end of market rent and operating costs are re-examined. We will require audited capital cost statements, a revised operating budget and revised lower end of market rents, as applicable, at that time in order to adjust the rents accordingly.

The following services, estimated to cost \$ \_\_\_\_\_ per unit per month are not included in the economic rent:

2. CALCULATION OF ASSISTANCE:

Total Capital Costs Eligible for Section 95 Assistance	Annual Amort. Costs Over 35 years at NHA Rate of      %	Annual Amort. Costs Over 35 Years @ 2%	Maximum Annual Assistance
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3. APPLICATION OF FEDERAL ASSISTANCE:

Estimated maximum federal assistance	\$ _____
Estimated federal assistance required to bridge the gap between the total economic rents in year one and the total of lower end of market rents in year one, for all units	\$ _____
Estimated federal assistance available for income tested occupants in year one	\$ _____

# OPERATING AGREEMENT (PRE-1986 PROGRAM)

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SCHEDULE "D"

## INITIAL OPERATING BUDGET

Name of Project		Civic Address		
Fiscal Year-end	Number of Units	Loan Amount	Interest Rate	Amortization Period

**ESTIMATED EXPENSES**

Taxes	\$ _____
Insurance	_____
Maintenance	_____
Heating	_____
Hydro	_____
Water	_____
Janitor	_____
Operating (Other)	_____
Administration	_____
Replacement Reserve	_____
Mortgage Payment (Before Assistance)	_____
Other	_____
<b>TOTAL EXPENSES</b>	<b>\$ _____</b>

**ESTIMATED INCOME**

Rental	\$ _____
Garage/Parking	_____
Non-Shelter (Net)	_____
Other (Excluding Assistance)	_____
<b>TOTAL INCOME</b>	<b>\$ _____</b>

**ESTIMATED ECONOMIC RENT  
BY TYPE OF UNIT**

	Units	\$	Per Month
Hostel			\$ _____
Bachelor			_____
1 Bedroom			_____
2 Bedroom			_____
3 Bedroom			_____
4 Bedroom			_____
5 Bedroom			_____
<b>TOTAL ECONOMIC RENT</b>			<b>\$ _____</b>

# OPERATING AGREEMENT (PRE-1986 PROGRAM)

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SCHEDULE "E"

## PROJECT MANAGEMENT

Name of Management Entity  
(if different from Recipient)

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Name of Chief Management Officer

---

Mailing Address

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### Organization of Management Service

Organization (A description setting forth Board of Directors and those Committees reporting to Board, which have responsibilities for operation of office; staff; leasing; rent collection; budgeting; maintenance; and community relations with respect to the project.)

Staffing Scenario (A brief description of all full or part time management staff, their job functions as they relate to the physical and financial management of the property.)

# **APPENDICES**

# **2**





# **OPERATING AGREEMENT (POST-1985 PROGRAM)**

Operating Agreement

Post-1985 Urban Native Housing Program

APPENDIX TWO

# OPERATING AGREEMENT (POST-1985 PROGRAM)

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## AGREEMENT Urban Native Non-Profit Housing Program

THIS AGREEMENT dated the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_;

BETWEEN

CANADA MORTGAGE AND HOUSING CORPORATION  
(hereinafter called "the Contributor")

OF THE FIRST PART,

- and -

\_\_\_\_\_  
(hereinafter called "the Sponsor")

OF THE SECOND PART:

WHEREAS the Sponsor is an eligible contribution recipient to whom Canada Mortgage and Housing Corporation (CMHC) may make a contribution pursuant to Section 95 of the National Housing Act ("NHA") for the purposes of enabling the eligible contribution recipient to meet the costs of rental housing projects and to reduce the rentals thereof;

WHEREAS the Sponsor has undertaken the development or acquisition or both of a rental housing project containing \_\_\_\_\_ dwelling units/beds and including fixtures, equipment and furnishings (hereinafter referred to as "the Project"), which Project is situated on and includes the land described in Schedule "A";

WHEREAS the Sponsor, by means of the Program, has been able to arrange such mortgage or other capital financing for the Project as needed;

WHEREAS it is a requirement for the Contributor's support under the Program that the Sponsor and the Project be established, maintained and operated for not less than 35 years (unless otherwise stipulated herein) as an eligible native non-profit corporation and native non-profit housing project respectively with the Program;

AND WHEREAS the Sponsor is fully committed to the foregoing.

NOW THEREFORE THIS INDENTURE WITNESSETH that in consideration of the mutual covenants contained in this Agreement, the Parties hereto covenant and agree as follows:

### 1. FUNDAMENTAL PURPOSE AND OBLIGATIONS

- (1) The Contributor and the Sponsor agree that the fundamental purpose of this Agreement is to establish, maintain and operate the Project for not less than 35 years from the date of this Agreement as housing accommodation operated in accordance with the essential requirements set out in paragraph 1(2). The Sponsor agrees so to establish, maintain, and operate the Project. The Parties further agree that this fundamental purpose exists and survives and the Parties are bound to comply with this Agreement for not less than the 35 years, and that this fundamental purpose and the intention to bind the Project to this fundamental purpose arise in part out of the involvement of the Contributor in the planning of and financial arrangements relating to the Project and generally in the public interest pursuant to the NHA and in addition to any continuing relationship with the Sponsor pursuant to this Agreement. This paragraph is subject to any early termination of this Agreement pursuant to paragraph 17(2) or paragraph 19(2).
- (2) The essential requirements referred to in paragraph 1(1), and for a substantial and sustained or permanent breach of which certain additional remedies are set out in section 17, are the following:

#### PRINCIPLES OF OPERATION

- (a) The Project shall not be owned, maintained or operated by or on behalf of anyone other than the Sponsor, except as permitted under this Agreement;
- (b) The Sponsor shall ensure that it remains a corporation regulated under an appropriate statute or ordinance in Canada respecting non-profit corporations and which, by its governing legislation or instruments and in fact,

# OPERATING AGREEMENT (POST-1985 PROGRAM)

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- (i) has, as its main purpose and activity, the provision of rental housing to households in need;
  - (ii) is without share capital;
  - (iii) carries on its activities without the purpose of gain for its members, officers or directors;
  - (iv) uses substantially all its profits, gains and accretions to promote its main purpose and activity;
  - (v) on dissolution will have its remaining assets after payment of all debts and liabilities distributed to one or more corporations to which this paragraph applies or charitable organizations acceptable to the Contributor carrying on their activities in Canada;
  - (vi) has its directors serve as directors and officers without payment or benefit and with no direct or indirect profit or gain from their positions as directors or officers, provided that they may be paid reasonable expenses incurred by them in the performance of their duties; and
  - (vii) has its directors and officers responsible and accountable to a membership or community organization as may be stipulated in the letter of commitment, forming Schedule "G" to this Agreement, in that annual budgets and financial statements are subject to approval by the members or community organization as identified in Schedule "G", in addition to such other stipulative bearing on accountability as may be included in Schedule "G".
- (c) The Sponsor shall be and remain a non-profit corporation and continuously operate the Project in accordance with the main purpose and activity of the Sponsor;
  - (d) The Project shall not be maintained or operated in any way inconsistent with the main purpose of the Program and the activities of and restrictions referred to subparagraph 1(2)(b);
  - (e) There shall be no violation of paragraphs 14(1) or 14(2) as to the proposed, agreed or purported sale, purchase, lease or other disposition of the Project or any part of or interest in it.
- (3) The Parties agree that the primary benefit intended for the Contributor from this Agreement and its full performance by the Sponsor is social in nature as representative of the public interest rather than financial.
  - (4) This section shall not be limited in scope or application nor shall its interpretation be narrowed because of the presence, absence, form or content of any stipulation elsewhere in this Agreement.
2. AGREEMENT BINDS AND RUNS WITH THE LAND
- (1) This Agreement attaches to and runs with the Project. In addition, the Sponsor hereby conveys, assigns and charges in favor of the Contributor all its right, title and interest in the lands and premises and all present and future revenues from the lands and premises, as security and assurance for the due performance of this Agreement and for the express purpose of ensuring that, to the fullest extent permitted by law, the Project will continue to be bound by this Agreement for the full term of this Agreement regardless of any changes in ownership whether with or without the consent of the Contributor.
  - (2) The Sponsor covenants and agrees that it will refrain from taking, permitting, tolerating or condoning any action constituting or likely to result in a violation of this Agreement.
  - (3) The better to secure and assure the objective of paragraph 2(1), the Sponsor agrees that the Contributor may at the expense of the Sponsor register or deposit, at its option, this Agreement or a notice of it on the title to the Project, and further that the Sponsor or other owner of the Project from time to time will execute all such further assurances, consents, instruments of charge on the title and general and complete assignments of revenues as the Contributor may require, to be prepared and registered or deposit, at its option, at the expense of the Sponsor or other owner, each on the request of and in the form required by the Contributor.
3. DEFINITIONS
- (1) BASIC SHELTER COSTS for renter Households for purposes of determining Core Housing Need means the following costs associated with a Household's principal residence:
    - . rent; and
    - . payments for oil, gas, coal, wood or other fuels, electricity, water, sewerage and related costs.
  - (2) CORE HOUSING NEED means Households in Need having an Income as defined in Schedule "B" which is at or below the Core Need Income Thresholds as set out in Schedule "B".

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- (3) CROWDED DWELLING means a dwelling with more than one person per room with the exception of bathrooms, halls, pantries and closets, and any rooms used for business purposes; all rooms in the dwelling considered separate by the household are counted.
  - (4) DESIGNATED UNIT means units occupied by households which prior to occupancy were Households in Need, for which federal assistance is available under the Program.
  - (5) FULLY SERVICED ACCOMMODATION, for the purposes of the Rent-to-Income Scale as set out in Schedule "B", means accommodation for which heat, water, hot water, stove and refrigerator are provided, and excludes domestic electricity except for the provision of hot water; adjustments to the rental scale rent are to be made where any of the above services are not provided or where additional services are provided.
  - (6) HOUSEHOLD means a person or group of persons who occupy or who have need of a dwelling in a location and do not have a principal place of residence elsewhere in Canada.
  - (7) HOUSEHOLDS IN NEED means those Households who cannot afford or cannot obtain adequate and suitable accommodation. This includes those Households:
    - (a) who occupy a Crowded or Inadequate Dwelling and who currently pay less than 30% of their Income for shelter but for whom Basic Shelter Costs for an adequate and suitable dwelling available in their market area would consume 30% or more of their Income as defined in Schedule "B"; or
    - (b) who pay 30% or more of their Income for shelter and for whom an adequate and Suitable Dwelling available in their market area would consume 30% or more of their Income.
  - (8) INADEQUATE DWELLING means a dwelling needing major repairs or lacking basic facilities. Major repairs include defective plumbing, defective electrical wiring, structural repairs to walls, floors, ceilings. Basic facilities are hot and cold running water, and indoor toilet and a bathtub or shower.
  - (9) INCOME, for purposes of determining Core Housing Need, means total income (before tax) from all sources for all persons in the household 15 years of age and over, as defined by Statistics Canada in its most recent Household Income, Facilities and Equipment data base documentation.
  - (10) NATIVE means Indians as defined in the Indian Act (Canada), Non-Status Indian, Metis, or those of the Inuit race.
  - (11) SUITABLE DWELLING for purposes of determining Core Housing Need means a dwelling which can accommodate a Household according to the following prescriptions:
    - . a maximum of 2 and minimum of 1 person per bedroom;
    - . parents are eligible for a bedroom separate from their children;
    - . Household members aged 18 or more are eligible for a separate bedroom unless married or otherwise cohabiting as spouses; and
    - . dependents aged 5 or more of opposite sex do not share a bedroom.
4. TENANT SELECTION
- (1) Only eligible Native clients will be selected to occupy designated units.
  - (2) All Households selected to occupy the Project must be Households in Need having incomes at or below the Core Need Income Thresholds set out in Schedule "B", which Schedule will be revised annually by the Contributor.
  - (3) The Sponsor shall ensure that the share of units in the Project provided to eligible Households at the upper income levels within the Core Need Income Thresholds as set out in Schedule "B" will not exceed the proportionate share of the Core Housing Need population as determined by the Contributor.
  - (4) Exceptions to the foregoing may only be made with the prior approval of the Contributor.
5. RENTAL/LEASING OF UNITS
- (1) The Sponsor shall obtain evidence of the Income of the occupants in Designated Units at the time of initial occupancy and at least annually thereafter, and shall adjust the amount of rent to be paid by each occupant in accordance with the change in Income and any provincial rental legislation. The method of verifying income will be as determined from time to time by the Contributor. The Sponsor shall certify to the Contributor that the Rent-to-Income Scale has been applied, that income reviews and confirmation of incomes have been undertaken and that the required rent adjustments have been made.
  - (2) Occupants in Designated Units will pay rent based on the Rent-to-Income Scale as shown in Schedule "B". Where Fully Serviced Accommodation is not provided, the rent is to be reduced by an amount approved by the Contributor which represents the costs of services not provided. Where additional services are provided, the rent is to be increased by an amount approved by the Contributor.

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- (3) Occupants in Designated Units receiving welfare assistance shall pay the greater of the shelter component of the welfare payment where applicable or such amount as shall be determined by the application of the total welfare payment to the Rent-to-Income Scale as set out in Schedule "B".
- (4) Exception to the above can only be made with the prior approval of the Contributor.
- (5) Households having a member with a disability are to be given priority in the assignment of units designed for persons with disabilities.
- (6) All applications for lease and all leases entered into by prospective occupants shall be in a form acceptable to the Contributor and shall include a clause prohibiting subletting or assignment and shall be signed by all occupants, except dependents.
- (7) Each lease for a housing unit entered into by the Sponsor shall be for a period not exceeding twelve months. The lease shall also provide that the unit shall be occupied only by the individuals named in the lease.
- (7) Each lease will make provision for the verification of income, rent to be charged according to the Rent-to-Income Scale, and increases and decreases that may be made according to the Rent-to-Income Scale.

## 6. NON-DESIGNATED UNITS, COMMERCIAL AND NON-RESIDENTIAL FACILITIES

The Sponsor shall lease any residential units which are not Designated Units and any part of the public space, recreation facilities, commercial facilities, community multi-purpose space, care facilities, or other built areas or non-residential space and associated hard furnishings at market rental rates established by the Sponsor with the concurrence of the Contributor. No deficit charges will accrue to the residential portion. The financial statements will include separate statements of revenue and expenses for the portion of the Project which is eligible for contributions under the NHA and for other space.

## 7. DISCRIMINATION

- (1) The Sponsor agrees that it will not in the leasing of the accommodation discriminate against an applicant for lease by reason of race, national or ethnic origin, colour, religion, age, sex, marital status, conviction for which pardon has been granted or the fact that there are children forming a part of the family, and all conditions or restrictions for occupancy set forth by the Sponsor must have the prior written consent of the Contributor.
- (2) The above prohibition against discrimination by reason of age shall not apply to accommodation reserved for senior citizens, defined as persons who are at least sixty years of age or who are involuntarily retired from the work force and are at least fifty years of age.
- (3) The above prohibition against discrimination by reason of race, national or ethnic origin shall not apply to accommodation reserved for Native households, which include Metis, Inuit, Indian and non-status Indian.

## 8. CONTRIBUTION TO REDUCE RENTALS

- (1) The annual contribution payable to the Sponsor in conjunction with the project is equal to the difference between the eligible annual operating costs and project revenues for Designated Units as set out for the first year of Project operations in Schedule "C". Contributions will be paid for the term of this Agreement or such lesser period as may be stipulated in Schedule "C" as the useful life of the Project, provided the project is managed and operated within the terms of this Agreement.
- (2) The contribution will be paid by cheque directly to the Sponsor on an accountable advance basis, and will be paid throughout the second and subsequent years providing the Sponsor satisfies the reporting requirements set out in Section 9. Should any reports not be received as required, the Contributor may suspend payment of the contribution in whole or in part pending receipt of such reports.
- (3) Should the contribution paid in any fiscal year exceed the actual contribution required as established by the Contributor, the amount of contribution will be adjusted accordingly to take this difference into account.
- (4) The contribution will be calculated from a date to be established by the Contributor.

## 9. PROJECT MANAGEMENT

- (1) The Sponsor shall operate the Project within the provisions of Operating Budget - Schedule "C", which may be amended from time to time in accordance with Section 8.
- (2) The Sponsor shall ensure efficient management of the Project as outlined in Schedule "D", "Project Management", and shall maintain the Project in a satisfactory state of repair and permit representatives of the Contributor to inspect the project at any reasonable time. The Contributor may require the Sponsor to take specific corrective action where the Project is not being managed efficiently or maintained in a satisfactory state of repair.

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- (3) The Sponsor shall maintain books, records and accounts in a form satisfactory to the Contributor, and shall permit the Contributor to have access to the Project and to have a representative of the Contributor inspect such books, records and accounts and audit at any reasonable time.
- (4) All documents, vouchers, records and accounts that pertain to the Project shall remain in the possession of the Sponsor for not less than seven (7) years.
- (5) The Sponsor agrees that it will not, save with the prior written approval of the Contributor, enter into any contract for the management of all or part of the Project by any person or organization.
- (6) The Sponsor shall ensure that in all financial transactions, both contractual and non-contractual, no board member or management officer of the Sponsor or staff member of the Project or their families will derive any direct or indirect financial benefit from such transactions. Where situations arise in which there could be a possible conflict of interest, the involved person shall declare such conflict in writing and not participate in any discussion or decision affecting this transaction.

## 10. REPORTING

- (1) The Sponsor shall submit to the Contributor, a Project operating budget in a format acceptable to the Contributor four months prior to each of the Sponsor's fiscal year for the purpose of obtaining approval and determination of accountable advances.
- (2) Within four months after the end of the Sponsor's fiscal year, the Sponsor shall submit to the Contributor an annual audited financial statement in a format acceptable to the Contributor and prepared by an independent accredited auditor. Where applicable, the audited financial statements are to contain separate statements of revenue and expenditures for the portion of the Project eligible for contributions under the NHA, other residential portions, if any, and commercial or other non-residential portions, if any, of each project.
- (3) The duties of the Sponsor's auditor shall include but not be limited to:
  - (a) verification of the statement of revenue and expenditure and, where applicable, separate statements of revenues and expenditures of the Designated Units and any other portion of the Project;
  - (b) verification of the balance sheet;
  - (c) verification of the application of the Rent-to-Income Scale/rent determination process;
  - (d) the provision of a statement to the effect that the Replacement Reserve has been properly funded and maintained, and that all earnings accruing to the Replacement Reserve fund have been recorded and form part of the fund; and
  - (e) the provision of an auditor's report, including any auditor's report letter.
- (4) The Contributor shall reconcile the contribution annually or more frequently as the Contributor shall determine, on the basis of the audited financial statement. Revenues and surplus contributions are applied prior to further advances.
- (5) The Sponsor will, for statistical purposes, supply household composition and income information annually to the Contributor for each Designated Unit.

## 11. REPLACEMENT RESERVE FUND

The Sponsor shall establish a Replacement Reserve Fund. The amount of revenue to be used or set aside for replacement reserves shall be such as may be determined by the Contributor and set out in Schedule "E", which schedule the Contributor may replace from time to time. The said fund is to be funded annually with interest accruing thereon. The use and disposition of the fund so created shall be subject to the approval or direction, as the case may be, by the Contributor. The said fund is to be comprised of monies including accumulated interest and must be held in a separate bank account and/or indicated only in accounts or instruments, insured by the Canadian Deposit Insurance Corporation or as approved by the Contributor. Withdrawals are to be credited to interest first and then principal.

## 12. LOAN REPAYMENT

- (1) Where the Project has capital financing approved by the Contributor, the Sponsor shall pay the lender promptly on the due dates the payments required to be made in order to pay the interest and amortize the loan during the amortization period thereof. Failure of the Sponsor to make the said payments on the due dates shall constitute a breach of this Agreement.
- (2) The Sponsor agrees to notify the Contributor prior to undertaking any change in the mortgage payments applicable to a loan including the prepayment of all or any part of such loan.
- (3) In the event of a default by the Sponsor under the Mortgage, the Contributor may, at its sole discretion, discontinue its contributions in whole or in part. A default under the mortgage may, at the Contributor's sole discretion, be deemed to constitute a breach of this Agreement.

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- (4) The procedures the Sponsor will follow in obtaining renewal of the mortgage shall be in accord with the following or such other procedures as the Contributor may stipulate from time to time. The interest rate at mortgage renewal must not exceed the maximum rate for social housing loans as established by CMHC from time to time. In the event that the existing lender is unable to meet this requirement, the Sponsor will select a new lender. In selecting the new lender, the Sponsor must obtain quotes from at least three Approved Lenders as defined in the NHA for comparable loans, and select the lowest interest rate. Prior to undertaking the renewal, the Sponsor agrees to obtain the consent of the Contributor on revised terms and conditions of each mortgage.

## 13. PROHIBITION AGAINST ENCUMBRANCES AND LENDING

- (1) The Project, or any part thereof, shall not be mortgaged, charged or otherwise encumbered, without the prior written approval of the Contributor, so long as this Agreement is in force.
- (2) The Sponsor shall not lend or give away any Project funds or assets or guarantee or underwrite the repayment of any obligation assumed by a third party without the prior written approval of the Contributor.

## 14. SALE

- (1) The Project or any part of or interest in it shall not be offered, listed, advertised or held out for sale, lease (except on an individual unit basis to occupants) or other disposal without prior written notice to the Contributor including full particulars, intentions and expectations. In addition, the Contributor shall be kept informed in writing without delay of all significant events in relation to any such offering, listing, advertising or holding out.
- (2) The Project or any part of or interest in it shall not be or be agreed to be sold or purchased, leased (except on an individual unit basis to occupants), or otherwise disposed of without the prior written approval of the Contributor and except on such terms and conditions as the Contributor may have approved in writing, both as to the sale and as to the disposition of the proceeds. An arrangement that is unwaivably conditional on, and not effective until, the Contributor's approval is not a violation of this paragraph.
- (3) The Contributor shall not unreasonably withhold approval of a sale where the purchaser is another corporation acceptable to the Contributor for the purpose of this Agreement and to which subparagraph 1(2)(a) applies and the purchaser assumes all the obligations of the Sponsor under this Agreement.
- (4) Any purported sale, purchase, lease or other disposition or agreement contrary to this section shall be absolutely null and void as against the Contributor and reversible at the option of the Contributor.
- (5) Without restricting the generality of the other paragraphs of this Section 14 or of the other sections of this Agreement, this Agreement shall, to the fullest extent permitted by law, continue to be binding on the Project notwithstanding any sale, purchase, lease or other disposition of the Project or any part of or interest in it, or agreement for any such event, and be binding on every person who acquires the Project or any part of or interest in it.

## 15. CHANGES IN THE INCORPORATION DOCUMENTS

- (1) The Sponsor shall not cause or tolerate any changes in the instrument of its incorporation or bylaws previously reviewed and accepted by the Contributor without the prior written approval of the Contributor.
- (2) The Sponsor shall not violate its instrument of incorporation or bylaws and acknowledges that the Contributor, in entering into this Agreement, is relying and will rely upon the expectation that the Sponsor will always comply with them.

## 16. REMEDIES OF THE CONTRIBUTOR

- (1) Without restricting the generality of Section 1, the Sponsor agrees that the enforcement of specific performance of this Agreement by the Sponsor is intended and contemplated as being the principal and central remedy available to the Contributor. The Sponsor hereby expressly consents to the granting by the court, both temporarily and permanently, of injunctions and orders for specific performance and to the appointment of managers, receivers and sequestrators, in the event of actual or apprehended breach of this Agreement, and agrees that such form of relief will always be appropriate where sought by the Contributor, regardless of other available remedies or lack of actual peril to property. The Parties agree that in the event of a breach of this Agreement that is not fully and completely remediable by mere payment of money and promptly so remedied, the harm sustained by the Contributor and to the public interest will be irreparable and indeterminable, and therefore not susceptible of adequate monetary compensation.
- (2) Without restricting or limiting the remedies that the Contributor may otherwise have on breach of this Agreement, in case of a breach the Contributor may:

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- (a) if the breach is not corrected on one month's written notice by the Contributor (indicating the nature of the breach and the general intention of the Contributor to invoke its right to discontinue, suspend or reduce its contributions under this Agreement), discontinue or suspend payment by the Contributor or reduce the amount of the contribution, without thereby terminating the obligations of the Sponsor, and with the right to re-instate or resume the contribution in the discretion of the Contributor; but where the breach is merely financial and the Sponsor corrects the breach or commits itself to a plan of correction over time that is accepted by the Contributor in its sole discretion, the Contributor shall continue or resume the contribution as long as there is no violation of the plan and no later breach;
  - (b) enforce compliance by the Sponsor with this Agreement, including remedies of self-help, seizure, injunction, specific performance and otherwise; and
- (3) Further, without restricting or limiting the remedies the Contributor may have on breach of this Agreement, in case of a breach,
- (a) the Contributor may appoint or seek the appointment of a manager, receiver and sequestrator or any of them (hereinafter referred to as "the receiver"), with or without bond on the following terms or such additional or varied terms as may be ordered by the court:
    - (i) The receiver shall be entitled to take control, direction and possession or any of them of the Project, its revenues, and the assets, operations and books, records and accounts of the Sponsor, or any part of them, and the control and direction of the employees and agents of the Sponsor, all as may be authorized by the Contributor, but in no event shall the receiver or the Contributor be accountable for any money or other property except that actually received by it.
    - (ii) No conduct of the receiver or the Contributor shall constitute the receiver or the Contributor as being in possession of the Project or assets, or any part thereof, except as and to the extent stipulated in writing by the Contributor.
    - (iii) The receiver shall at all times and in all respects be the agent or attorney of the Sponsor and the Sponsor shall be solely responsible for all decisions, actions, inactions and defaults of the receiver, and for payment of its fees and disbursements.
    - (iv) The Contributor may at any time and from time to time change, terminate or renew the mandate of the receiver or replace or reinstate the receiver, but the Sponsor shall have no power to appoint, replace, reinstate or remove or change, terminate or renew the mandate of the receiver.
    - (v) The powers and objects of the receiver shall be such as the Contributor may in good faith stipulate, and regardless of such stipulation shall, except as limited by the Contributor, include, to be exercised in the discretion of the receiver, preservation and protection and use of the Project, revenues, assets, books, records and accounts, and compliance by the Sponsor with all aspects of this Agreement, and correction and avoidance of breaches of this Agreement, and receipt and recovery of all revenues, assets and claims, and pursuit or defence of all actions or claims, and payment of liabilities, and rental, maintenance, operation and repair of the Project and incurring liabilities in that regard, and conduct of the affairs of the Sponsor, and enactment of bylaws and resolutions of the Sponsor in place of and without interference by any officers, directors or members of the Sponsor, and preservation of and compliance with the rights of the Contributor, and to carry out its decisions, borrowing of money with or without security, and concurrence in any or all of the foregoing.
    - (vi) The receiver shall have first entitlement, out of the assets and revenues of the Sponsor, for its fees and disbursements, and unless otherwise ordered by the court shall be entitled as fees to such reasonable amount as the Contributor may fix.
    - (vii) Where the Contributor is satisfied that a receiver is no longer required, it shall arrange or agree to the termination of the receivership either without condition or on such conditions as the Contributor considers appropriate, unless otherwise ordered by the court.
  - (b) a receivership created otherwise than by or pursuant to the order of the court shall terminate at the end of the eighth day after it becomes effective unless the court directs otherwise within that time. The court may vary the terms of the appointment set out in paragraph (a).



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- (c) the Sponsor undertakes to ratify and confirm whatever the receiver may do pursuant to its mandate, and the Sponsor hereby releases and discharges the Contributor and the receiver and everyone for whom either of them would be responsible from every claim of every nature, whether sounding in damages or not, which may arise or be caused to the Sponsor or any person by reason or as a result of anything done or not done by the Contributor or the receiver or anyone for whom either of them would be responsible unless such claim be the direct and proximate result of gross negligence, dishonesty or fraud and except for accounting for money and other property actually received by it, and the statutory declaration of an officer of the Contributor as to breach and as to the due appointment of the receiver together with a certified copy of any applicable order of the court relating to the receiver shall be sufficient proof thereof for the purposes of any person dealing with a receiver who is ostensibly exercising powers herein provided for and such dealing shall be deemed, as regards such person, to be valid and effectual; and
  - (d) for the purposes of this paragraph, the Sponsor hereby acknowledges and agrees that any breach of Section 1 constitutes gross mismanagement of the Project and of the obligations of the Sponsor under this Agreement.
- (4) All remedies of the Contributor shall be cumulative and may be exercised by the Contributor in any order or concurrently in case of any breach and each remedy may be exercised any number of times with respect to each breach. Waiver of or delay in exercising any or all remedies shall not prevent the later exercise of any remedy for the same breach or any similar or different breach.
- (5) For greater certainty, the Parties expressly agree that the Contributor shall be entitled to pursue whatever proper and available remedies it may wish to pursue, whether specified in this Agreement or otherwise available in law, notwithstanding any wish or convenience of the Sponsor or any other person.
17. ADDITIONAL REMEDIES OF THE CONTRIBUTOR IN CASE OF FUNDAMENTAL VIOLATIONS
- (1) Without restricting or limiting the remedies that the Contributor may otherwise have on breach of this Agreement by the Sponsor, and for the same consideration as is set out elsewhere in this Agreement as well as the additional sum of \$5.00 now paid by the Contributor to the Sponsor which hereby acknowledges receipt of that sum, where
- (a) there is a breach of Section 1 in a manner that in the opinion of the Contributor is substantial, and permanent or sustained, or represents a substantial and sustained pattern of breach, or
  - (b) the Contributor has reasonable grounds to anticipate that paragraph 14(2) may be violated, even if beyond the control of the Sponsor, and the Contributor uses its best efforts, in its opinion, to assist the Sponsor to correct the breach (if not permanent in the opinion of the Contributor) or pattern of breach or to dispel the grounds, and the Contributor gives specific notice to the Sponsor of the breach or pattern or grounds relied upon and that the breach or pattern (if relied upon) is substantial, and permanent or sustained, notwithstanding the best efforts of the Contributor, then
  - (c) the Contributor shall be entitled to buy and the Sponsor shall sell the Project and the Replacement Reserve Fund upon the following terms and conditions:
    - (i) the closing date shall be chosen and specified by the Contributor in a written notice to the Sponsor of the Contributor's intent to buy but shall be no sooner than 3 months after and no later than 12 months after the notice, and the price shall be calculated as of the closing date;
    - (ii) the price shall be one dollar plus the balance outstanding of the unamortized balance of eligible capital costs (if any) plus the actual cost approved by the Contributor and incurred by the Sponsor of capital improvements to the Project and neither financed through the mortgage loan nor paid for out of the Replacement Reserve Fund, less the cost of correcting any breach of the mortgage (including arrears);
    - (iii) there shall be deducted from the price the amount of all encumbrances other than the mortgage to which the Contributor has consented, against the Project or Replacement Reserve Fund and any deficit in the Replacement Reserve Fund;
    - (iv) where by the application of item (iii) or otherwise there is a deficit in the balance of the price payable on closing, the Sponsor shall pay to the Contributor the entire deficit on closing, and this obligation shall survive closing and be enforceable as a debt due and payable by the Sponsor to the Contributor.
    - (v) the Sponsor shall on closing deliver vacant possession of the Project to the Contributor, except that units may be occupied under individual occupancy agreements or leases which, subject to any applicable law relating to security of tenure, expire or may be terminated by the owner within one year after closing or are otherwise acceptable to the Contributor; and

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- (vi) the Sponsor shall convey and transfer title and possession to whomever the Contributor may require by direction in writing; and
- (d) if the Contributor does not invoke subparagraph (c) or does so but discontinues the enforcement of its rights under that subparagraph or its efforts to carry out the purchase are unsuccessful, the Sponsor shall, not later than three months after written demand, pay to the Contributor the greater of the following:
  - (i) the amount by which
    - (A) the then current market value of the Project (on the assumption that it was then freed of the obligations of this Agreement), or
    - (B) the price for the Project accepted in a purported sale, purchase, lease, disposition or agreement contrary to paragraph 14(2) where this case arises,whichever is the greater, plus the Replacement Reserve Fund, exceeds the price specified in item (c)(ii); or
  - (ii) the amount of \$1 000 multiplied by the number of dwelling units in the Project;but the Contributor shall not, by pursuing its rights under this subparagraph, be precluded from later invoking or reinvoking subparagraph (c) at any time before the amount specified in this subparagraph is paid.

However,

- (e) the purchase referred to in subparagraph (c) shall not take place and the payment referred to in subparagraph (d) shall not be required if the breach or pattern of breach relied upon is cured and any grounds to anticipate that paragraph 14(2) may be violated are dispelled before the date fixed for closing or the date upon which the payment is to be made as the case may be;
  - (f) the Contributor may, as it wishes, delay or postpone the closing referred to in subparagraph (c) (subject to the limit specified in item (c)(i)) or the payment referred to in subparagraph (d), regardless of whether and when the Contributor pursues any other remedies; and
  - (g) the Contributor shall not be entitled to the remedies in this paragraph where the breach or breaches or grounds giving rise to them are the direct result of breach by the Contributor of this Agreement and are corrected promptly by the Sponsor on correction by the Contributor of its breach.
- (2) Notwithstanding paragraph 16(4), on completion of the purchase of the Project and Replacement Reserve Fund by the Contributor pursuant to subparagraph (1)(c) and payment to the Contributor of the amount (if any) required by item (1)(c)(iv), or on payment in full to the Contributor of the amount called for in subparagraph (1)(d), this Agreement shall be terminated except that paragraph (3) shall not be terminated thereby.
  - (3) Where the Contributor purchases the Project pursuant to subparagraph (1)(c) and intends to direct that title be in the name of another person or to sell or otherwise dispose of the Project and receives the amount (if any) required by item (1)(c)(iv), the Contributor shall use its best efforts to ensure that the other person or purchaser is a bona fide non-profit or co-operative organization.
  - (4) The Sponsor agrees that it is the intention of this Agreement that neither the Sponsor nor its members obtain any benefit from any increase in value of the Project nor from the disposal of it in whole or part, and that the existence and operation of the Project are possible only because of the support, financial assistance and possibly loan insurance or capital financing provided by the Contributor. Accordingly, and in view of the fundamental purpose of this Agreement as stated in Section 1, the Sponsor agrees that the entitlement of the Contributor to exercise its rights and remedies under this Section 18, as well as under all other provisions of this Agreement, is and always will be fair and reasonable, and does not and will never constitute any penalty or forfeiture.

## 18. AMENDMENTS

This Agreement may be amended by the Parties, provided that the amendment is in writing and signed by the duly authorized signing officers of both Parties. The Schedules may be amended and replaced by the Contributor alone as provided under this Agreement and notice thereof shall be given to the Sponsor.

## 19. TERM OF AGREEMENT

- (1) Subject to paragraph 19(2) and paragraph 17(2), this Agreement shall continue in force until the expiry of 35 years from the date of the first contribution under Section 8 of this Agreement.
- (2) Where the Contributor is satisfied that the Project will not be proceeding under the Urban Native Non-Profit Housing Program, this Agreement shall be terminated.

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## 20. VALIDITY

- (1) It is intended that all provisions of this Agreement shall be fully binding and effective between the Parties, but in the event that any provision or part of a provision is found to be invalid or unenforceable for any reason whatever, then the particular provision or part of the provision shall be deemed inoperative or severed from the remainder of this Agreement and this Agreement as so modified shall remain in full force and shall be interpreted and applied as may most nearly accomplish the intention of the Parties as set out in this Agreement.
- (2) Where the Project is located in New Brunswick, Newfoundland, the Northwest Territories, Nova Scotia, Ontario, Saskatchewan or Prince Edward Island, the provisions of Schedule "F", attached to and forming part of this Agreement, apply.

## 21. MISCELLANEOUS

- (1) Delivery of any document or process respecting this Agreement shall be deemed to be effective not later than one week after its mailing by prepaid Canadian registered mail to the intended recipient's last known address, notwithstanding non-delivery in fact.
- (2) No consent by the Contributor shall be valid unless given in writing.
- (3) This Agreement is not assignable by the Sponsor, except on such terms and conditions as the Contributor in its sole discretion may approve in writing.
- (4) This Agreement is binding on the Parties, their heirs, successors, administrators and assigns. For greater certainty the Parties agree and declare that the liabilities, obligations, agreements, consents, acknowledgements and authorizations binding the Sponsor under this Agreement shall equally bind every other person who may acquire or hold any right of ownership or possession in, or to any revenues of, the Project or any part of it or the assets of the Sponsor.
- (5) This Agreement is to be read with all changes in gender and number required by the context. Where an obligation falls on more than one person, the obligation is joint and several. The use of headings in this Agreement is for convenience of reference only.

## 22. SOLE AGREEMENT

This Agreement with its Schedules "A" to "G", inclusive of both, represents the whole Agreement between the Contributor and the Sponsor respecting the Project, and there are no warranties, representations, conditions or collateral Agreements except as set forth in this Agreement and Schedules.

IN WITNESS WHEREOF this Agreement has been executed by the Sponsor under its corporate seal by the hand of its duly authorized signing officers and signed by the proper signing officer of the Contributor.

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LEGAL DESCRIPTION

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## DETERMINATION OF ELIGIBILITY

In order to be eligible for selection to reside in a unit which is in receipt of contributions under the NHA, a household must have an annual income which is at or below the Core Need Income Thresholds set out in an appendix to the letter of commitment with is Schedule "G" of this Agreement. These thresholds will be reviewed and revised annually by the Contributor.

## FEDERAL RENT-TO-INCOME SCALE (MAY BE REPLACED BY PROVINCIAL SCALE)

For purposes of establishing the rent to be paid, the Contributor and the Sponsor will assess the annual adjusted income of the household in the following manner:

- Assess the income, in whatever form received, of each member of the household; income includes, for example:
  - salary, wages, commissions, rents, investment income, part-time earnings, tips, alimony maintenance payments and child support received from a separated or divorced spouse;
  - Unemployment Insurance Benefits, Social Assistance, Mother's Allowance, Welfare;
  - Old Age Security Pension, Guaranteed Income Supplement, CPP/QPP pension, private pensions or annuities;
  - the first \$5 800 income, in whatever form received, of children or dependents of the household.
- Exclude from income the following, for each household member, if applicable:
  - family allowances, if they were included previously;
  - living-out or travelling allowances of any household member;
  - monies received from insurance settlements, inheritance, disability awards, sale of effects, capital gains;
  - the income, in whatever form received, of children or of dependents, if such children or dependents are in full-time school attendance;
  - work related earnings of a single parent, working spouse or any other household member, excluding the household head, up to \$1 000 per year per qualifying household member;
  - for children or dependents not in full-time school attendance, the above-noted \$1 000 deduction can be applied against income in whatever form received.
- Calculate the total income of all household members, after having considered all eligible income exclusions. The result of this is the "annual adjusted income" of the household.

For the purpose of this rent-to-income scale, a child is a person, related by blood or marriage to other members of the household, and of 25 years of age or less. A dependent is a member of the household who is considered a dependent of another member of this household per the requirements of Revenue Canada. A dependent of 25 years of age or less qualifies for the same income definitions and exclusions provided to children of the household.

If any member of the household is self-employed, the work-related earnings of this household member will be the annual net income, as defined by Revenue Canada, before any personal income tax deductions, plus any capital cost allowance used in the determination of the above net income.

In all cases, a verification/confirmation of the income of household members must be obtained; for example, a statement signed by the employer, or in the case of the self-employed, a copy of the most recent income tax return or other evidence satisfactory to the Contributor.

For the purpose of calculating rent, boarders are considered as members of the household and their income shall be considered on the same basis as other household members in the determination of the rent. Room and board paid to the household head or spouse will not be considered as part of the household's income.

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## BASIC RENT

The basic rent will be determined on the basis of the household's annual "adjusted income", calculated on a monthly basis, and as applied against the following rent-to-income table.

### RENT-TO-INCOME TABLE

#### MONTHLY INCOME AND RENT

Adjusted Income (\$)	Per Cent	Adjusted Income (\$)	Per Cent
192	16.7	349	23.8
201	17.4	358	24.0
210	18.1	367	24.3
220	18.6	376	24.5
229	19.2	386	24.6
238	19.7	395	24.8
247	20.2	404	25.0
256	20.7	416	25.0
266	21.1	428	25.0
275	21.5	440	25.0
284	21.8	452	25.0
293	22.2	464	25.0
303	22.4	476	25.0
312	22.8	488	25.0
321	23.1	500	25.0
330	23.3	508 and up	25.0
340	23.5		

If the household is in receipt of social assistance, whether or not social assistance is the principal source of income, the basic rent will be the greater of the shelter component of welfare or the rent as determined on the basis of the above table, in conjunction with the household's total adjusted income.

## RENT ADJUSTMENTS

- . The basic rent is that payment required on the part of the occupant(s) of the dwelling for fully serviced accommodation supplied with heat, water, hot water, stove and refrigerator.
- . Where the client of the program must pay for any of the services identified as part of a fully serviced unit over and above their basic rent, such basic rent will be reduced by an amount which will take into account the client's additional expenses.
- . Where services other than those identified as part of a fully serviced unit are provided, the basic rent will be increased to reflect the full economic costs of providing such services.
- . There will be no rent maximum set unless specifically approved by the Contributor.
- . For a fully serviced unit, no rent will be set lower than \$32 per month.
- . For an unserviced unit, no rent will be set lower than \$22 per month.

## CLIENT INCOME FLUCTUATIONS

A client's rent will be set once a year and that rent will not be adjusted during the year for income increases. Rent reductions during the year will however be permitted in instances where a client household supplies documented evidence that its income has decreased to a level which would result in a rent reduction of \$10 per month or more.

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## INITIAL OPERATING BUDGET FOR THE PORTION OF THE PROJECT ELIGIBLE FOR ASSISTANCE PURSUANT TO SECTION 95 NHA

Name of project		
Civic address		
Fiscal/budget year end	Number of units	Loan amount
Interest rate	Amortization Period	
<b>ESTIMATED EXPENDITURES</b>		
Property Tax		\$
Insurance		
Maintenance and Repairs		
Electricity		
Heat		
Water		
Janitorial Services		
Administration		
Provision for Replacement Reserve		
Mortgage Principal & Interest (or Amortization Allowance)		
Bad Debts		
Professional Fees		
Advertising		
Snow Removal		
Garbage Removal		
Other (Specify)		
<b>TOTAL</b>		
<b>ESTIMATED REVENUE</b>		
Rental Revenue		\$
Garage/Parking		
Interest (not including interest earned on replacement reserve fund)		
Other (Excluding Assistance)		
<b>TOTAL</b>		
ESTIMATED AMOUNT OF SUBSIDY ASSISTANCE REQUIRED IN YEAR ONE	\$	
USEFUL LIFE OF THE PROJECT (Where less than 35 years)		







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1. If the Project is located in New Brunswick, Newfoundland, the Northwest Territories, Nova Scotia, Ontario or Saskatchewan, then
  - (i) for the same consideration as is set out elsewhere in the Agreement as well as the additional sum of \$5.00 now paid by the Contributor to the Sponsor which hereby acknowledges receipt of that sum, the Contributor shall be entitled to buy the Project and the Replacement Reserve Fund in accordance with subparagraphs 17(1)(c) and (f) and paragraphs 17(2) and (3), if, between 19 years and 21 years less a day (both limits inclusive) after the date of this Agreement or the date of execution of this Agreement whichever is sooner, it gives written notice to the Sponsor of the Contributor's intent to buy, and subparagraph 17(1)(d) shall be available according to its terms, all not withstanding that there is no actual or anticipated breach of this Agreement by the Sponsor, and subparagraphs 17(1)(e) and (g) shall not apply;
  - (ii) item (i) shall not apply if, no sooner than 16 years after the date of this Agreement and no later than the day before the intended closing date (if any) of the purchase referred to in item (i), the Sponsor or other owner of the Project at the time executes and delivers to the Contributor a grant, in terms satisfactory to the Contributor, of entitlement substantially the same as section 17 of this Agreement to be in force until the expiry of 35 years from the date of this Agreement.
  - (iii) the Contributor's entitlement to buy the Project and the Replacement Reserve Fund, referred to in subparagraph 17(1)(c), shall not be exercisable from and after 21 years after the date of this Agreement or the date of execution of this Agreement whichever is sooner, but this expiry shall not constitute or result in any termination or impairment of any entitlement granted to the Contributor by the Sponsor pursuant to item (ii),
  - (iv) after the expiry described in item (iii), if the Sponsor or owner has not granted to the Contributor the entitlement referred to in item (ii), then on the occurrence of any circumstance described in subparagraph 17(1)(a) or (b) and subject to the obligations on the Contributor set out in the portion of paragraph 17(1) that is between subparagraphs 17(1)(b) and (c), the Contributor shall be entitled to invoke subparagraph 17(1)(d), and
  - (v) the Contributor may pursue its rights under item (i) and under paragraph 17(1) at the same time.
2. If the Project is located in Prince Edward Island, the Contributor's entitlement to buy the Project and the Replacement Reserve Fund, referred to in subparagraph 17(1)(c), shall not be exercisable from and after 35 years after the sooner of the date of this Agreement and the death of the last to die of the individuals signing this Agreement on behalf of the Parties.