

Rental Construction Financing Initiative (RCFi) Evaluation Management Response and Action Plan



Objective of the Evaluation: This evaluation examined the relevance, effectiveness, and efficiency the Rental Construction Financing Initiative (RCFi)

Evaluation findings, recommendations, and Management Response and Action Plan Presented to CMHC's Executive Committee on: May 12, 2021

Recommendation	Management Response	Action Plan	Responsibility		Timeline
			Lead	Support	
<p>Recommendation 1: Review and consider how the RCFi could achieve greater affordability, energy efficiency, and accessibility outcomes while continuing to support the creation of new rental supply.</p>	<p><i>We agree with this recommendation.</i></p> <p>The RCFi team has been working closely with client facing teams to negotiate social outcome goals with prospective clients.</p> <p>Furthermore, as part of the prioritization selection process, RCFi has strengthened its selection criteria by considering applications that exceed minimum requirements and focusing on prioritizing applications that offer the highest social outcome scores.</p> <p>Additional analysis is being conducted to identify trends based on actual business observations to consider opportunities and/or options for improvements in order to maximize program outcomes. Part of this work includes a review the social outcomes scoring grid.</p> <p>Proposed changes presented to Treasury Board Secretariat as part of a future program extension includes enhancements to energy efficiency requirements.</p> <ul style="list-style-type: none"> This recommendation supports CMHC's Climate Mandate. Higher standards for EE will lead to higher quality housing supply and aligns with NHCF or other NHS Programs. As RCFi only funds new construction, the expectation is that these rental housing projects will meet or exceed established (accessibility) i.e., ease of physical access standards, to ensure housing stock is representative of societal needs. 	<p>1. Undertake an assessment of RCFi program requirements and potential achievements within the scope of the NHS Stock Take.</p> <p>This will be done in conjunction with the review of the NHS initiatives to assess the adequacy of affordability and other social outcomes (including accessibility requirements).</p> <p>The expectation being to consider:</p> <ul style="list-style-type: none"> What the program can do to enhance social outcomes while achieving the objectives of the initiative. Continues to align with government priorities and CMHC's 2030 aspiration. 	<p>Risk Mgmt., Strategy and Products</p>	<ul style="list-style-type: none"> Housing Policy Multi-Unit Housing Solutions (RCFi, Business Optimization and Planning, Client Solutions, Financial Solutions) Legal 	<p>Dec 31, 2021</p>

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<p>Recommendation 1 <i>(continued)</i></p>	<p>Although RCFi was conceived as a rental supply program, affordability, accessibility and energy efficiency were included in eligibility requirements to align with government direction. Any approach to potential adjustments should be calibrated to take into account the impact on supply within differing contexts.</p> <p>Affordability is deeper under some complementary programs/ initiatives offered by CMHC. RCFi forms part of the suite of tools available to create and facilitate housing across the continuum. The review would include looking at how the program fits within the NHS toolkit and whether there are benefits to having lower thresholds for a program like RCFi.</p>				
<p>Recommendation 2: Continue to examine the current underwriting and servicing arrangement for the RCFi to identify potential efficiencies, taking into consideration the feasibility and risks of alternative options.</p>	<p><i>We agree with this recommendation.</i></p> <p>CMHC will continue its discussions and analysis of program delivery activities to evaluate ongoing risk management and further explore the benefits of continued outsourcing of RCFi underwriting and servicing functions with the intention of maximizing the achievement of the program outcomes.</p> <p>RCFi has also undertaken a re-scoping project:</p> <ol style="list-style-type: none"> 1. to assess any IT system discrepancies in order to identify potential changes needed to align with the underwriting and servicing processes of CMHC’s new CRM system. 2. to ensure system change implementation will not negatively impact program delivery. 	<ol style="list-style-type: none"> 1. Review findings from study conducted by KPMG LLP and CMHC Evaluation Services which explored options for underwriting and servicing aspects of the program. <p>The analysis of program delivery activities will consider cost/benefit, time, capacity development, risk assessment, access to expertise, knowledge of industry norms and practices, training requirements, technology.</p> <p>We will study the results / recommendations and will submit its final recommendation to Sr. Management for Review/Approval.</p>	RCFi	<ul style="list-style-type: none"> • Client Operations (Risk Mgmt. Ops, Agreement Mgmt., Credit Assessment, Prof. Services, Financing Ops) • Multi-Unit Housing Solutions (Business Optimization and Planning) • CRO Oversight • Legal • Human Resources • Finance • Information Technology 	Dec 31, 2021

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<p>Recommendation 3: Review and reconfirm the performance measurement and data collection strategy for RCFi, including:</p> <p>a. Ensuring that data for performance indicators are collected consistently; and,</p> <p>b. Exploring the potential for obtaining tenant information.</p>	<p><i>We agree with this recommendation.</i></p> <p>With respect to performance indicators, RCFi has already undertaken steps to improve the data availability, with the implementation and continuous updating of a working guide that instructs employees on inputting data into the CRM platform, and support employees to ensure data quality.</p> <p>Training has also taken place and will continue among RCFi team members to enhance data collection and quality in the CRM platform.</p> <p>RCFi has also started data importation which contains underwriting datasets.</p> <p>CMHC will continue to establish and refine consistent processes for data capture activities across various reporting groups.</p> <p>Regarding anonymized data on tenants, cross-program/initiative data collection needs will be explored and aligned. The time frame of this work will align with Stock Take or Rental Survey Review Activities.</p>	<p>1. Review and continue to improve current processes in place for data collection and performance measurement activities, loan lifecycle tracking activities.</p>	RCFi	<ul style="list-style-type: none"> Multi-Unit Housing Solutions (Business Optimization and Planning) Client Operations (MU ERIC (Underwriting System)) Information Technology Risk Management, Strategy and Products 	Dec 31, 2021
		<p>2. Scope RCFi into research activities that will leverage third party sources for data collection on CMHC supply initiatives.</p> <p>3. Undertake a review of the data availability of NHS programs, including the RCFi and initiate conversations with Statistics Canada to obtain anonymized data about tenants of NHS funded unit including RCFi units.</p>	Research/ Housing Policy	<ul style="list-style-type: none"> Policy Measurement & Analysis Multi-Unit Housing Solutions (RCFi) Client Operations 	Dec 31, 2021