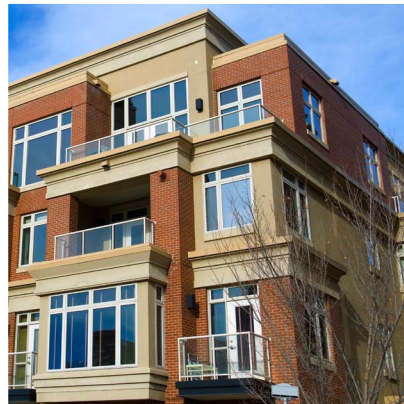


Federal Community Housing Initiative

Phase II (FCHI-2) REFERENCE GUIDE 2021



*Photos taken prior to COVID-19
physical distancing safety measures*

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Last updated: December 2021

This reference guide is effective September 1, 2020 and is to be applied throughout the duration of the program. CMHC reserves the right to amend and enhance this document. It is the responsibility of the housing providers to ensure that they are using the most up-to-date version of this guide, which will be available on the CMHC website under the “Resources” section.

cmhc.ca/fchi

Upon request, CMHC will be able to provide a hard copy of this guide.

Please note the following important changes to the guide since December 2021:

- Section 1.5 Eligibility
- Section 4.5 Services
- Section 7.1 Frequency and approval

1. INTRODUCTION

1.1 Introduction of the reference guide

The Canada Mortgage and Housing Corporation (CMHC) has developed this guide for housing providers that have entered into an agreement under the Federal Community Housing Initiative – Phase 2.

The guide is an operational tool developed to:

- provide a better understanding of the operational guidelines surrounding the administration of the program; and
- show how to properly calculate the rental assistance amounts.

This guide is not part of the agreement and its schedules. It may be updated by CMHC as often as needed to clarify any program guidelines. Housing providers must ensure they use the most recent version available on the CMHC website. If you have a printed version, please ensure that your copy is up to date by comparing its date with the date appearing on page 4 of the online version.

As soon as the FCHI-2 agreement takes effect, housing providers must ensure that all the program’s guidelines are applied. This includes adjusting the rental assistance as of the effective date of the FCHI-2 agreement.

1.2 Program overview

The Federal Community Housing Initiative – Phase 2 (FCHI-2) is a new rental assistance program for community housing providers reaching the end of a federally administered operating agreement. FCHI-2 is neither an extension of an existing agreement nor a continuation of a past program. FCHI-2 is available for the period until March 31, 2028, meaning all agreements under the program will therefore end no later than March 31, 2028. The program targets households with a permanent housing need, either those with an occupancy agreement or a lease agreement lasting a minimum of one year or as otherwise agreed to by CMHC.

The FCHI-2 rental assistance program will provide financial assistance based on the amount needed to fund the difference between the occupancy charge and the rent-geared-to-income for low-income households. The households will not pay more than thirty per cent (30%) of their income for housing accommodation. It targets households with a permanent housing need, either those with an occupancy agreement or a lease agreement lasting a minimum of one year or as otherwise agreed by CMHC.

Please note that it is the housing providers responsibility, as well as the households, to choose the most beneficial rental assistance option. There are several programs and initiatives whose purpose is to support low-income households, and receiving them may affect your eligibility for other programs with similar goals.

The program includes a secondary component reserved for housing providers having difficulty transitioning to the new program model. A limited amount of financial assistance is available through the Transitional funding stream for more vulnerable housing providers. This component provides financial assistance to cover specific eligible operating expenses and will be offered for the first twenty-four (24) months following the expiration of the agreement under a past eligible CMHC program.

1.3 Eligibility

There are two (2) general rules to be an eligible FCHI-2 Housing Provider:

1. Be a housing provider whose federal operating agreement with CMHC has expired or will expire by before March 31, 2028.
2. Be a provider whose operating agreement with CMHC is under one of the following social housing programs:
 - Section 95 (Pre-86) non-profit, co-operative, urban native
 - Section 95 (Post-85) non-profit, co-operative, urban native
 - Section 95 (Post-85) Index-Linked-Mortgage (ILM) co-operatives
 - Section 27, 61 non-profit and co-operatives
 - Section 26 non-profit or Entrepreneur
 - Section 95 Rent Supplement (units currently leased from a private property owner and rented to those in need).

An exception exists for ILM co-operatives where, they are eligible for FCHI-2 as soon as the first mortgage has been repaid and federal assistance (for the operating expenses) has ceased to be paid.

Note that housing providers who meet the general rules and have a rent supplement agreement, or who have another subsidy agreement with their province or municipality can submit a request only for units not covered by those other agreements. Once these agreements have expired, the units may be eligible for FCHI-2, subject to need and available funds at that time.

Breach of a previous operating agreement(s) could affect eligibility for FCHI-2. In this case, CMHC will contact the housing providers to discuss their specific case.

In cases where a housing provider is eligible for FCHI-2, but whose agreement ended before March 31, 2020, CMHC will request additional documents to confirm that the housing provider's status is active and that the housing provider complies with its legal obligations (e.g. financial statements, proof of payment of property taxes, etc.)

Throughout the program, CMHC will identify eligible non-profit housing providers and housing co-operatives and send them an enrolment form at least six (6) months before the end of their agreement in effect with CMHC.

1.4 Rental assistance

Rental assistance is financial assistance calculated based on the amount needed to fund the difference between the occupancy charge and the rent-geared-to-income for low-income households.

The rent-geared-to-income will not exceed thirty per cent (30%) of the household's adjusted monthly income. If the funding allows, a provider may use a rent-geared-to-income level of less than thirty per cent (30%) but not less than twenty-five per cent (25%).

The amount of federal rental assistance is confirmed by CMHC through the FCHI-2 agreement.

1.5 Transitional funding

Transitional funding is reserved for housing providers experiencing challenges transitioning to the new program model. This funding will be reserved for the most vulnerable groups, such as deep subsidy or urban Indigenous projects. It will be granted for twenty-four (24) months from the effective date of the FCHI-2 agreement.

Transitional funding is a complement to the rental assistance component. Eligible groups will receive funding from both streams simultaneously. The analysis process for transitional funding is completed in conjunction with CMHC's review of the housing provider's enrolment for the rental assistance of FCHI-2. First, the amount of rental assistance is calculated (see Section 4). Note that housing charges are of particular importance to this calculation. They should be established at a level that will support the viability of the project. CMHC will accept rents that are reasonably in line with market rents and that support the economic sustainability of the housing provider.

Following the rental assistance calculation, if it is determined that there are additional financial needs, then an additional amount through the transitional funding amount could be offered.

Once the transitional funding ends, the housing provider will continue to receive rental assistance until the end of the FCHI-2 agreement.

1.6 Definitions

The following is a list of the main definitions of this program. Other definitions and their official version are provided in the agreement.

Action plan: the plan submitted by a housing provider which demonstrates how the housing provider will progress and strengthen in four areas: social inclusion, financial viability, governance, and asset management.

Adjusted rent: rent indicated on the lease agreement (for households in Quebec) or the full occupancy charge (for households in other provinces) from which certain services are deducted such as cable services, internet services, etc. as well as the member discount, if applicable. The adjusted rent is used to calculate the amount of rental assistance.

Adjusted Shelter component: the amount calculated where the maximum shelter allowance component (provided by a Social Assistance Program) is reduced by an amount for included services (other than heat and hot water) that a household is required to pay from its shelter allowance component. The adjusted shelter allowance component is used instead of the maximum shelter allowance component when calculating rental assistance.

Annex: form to be completed upon joining the program. The information will be used to assess the housing providers needs for rental assistance and to determine the initial amount of rental assistance and initial number of assisted households.

Base number of assisted households: number of households, as confirmed after the housing provider's first annual review, that will receive rental assistance under the FCHI-2 program, provided that the terms and conditions of the agreement are respected and rental assistance is required. CMHC is committed to cover the rental assistance needs for this number of households so that the rent-gear-to-income level does not exceed thirty per cent (30%).

Gross household income: the combined gross income of every person residing in an assisted housing unit, excluding any financially dependent individuals.

Guaranteed rental assistance amount: the amount of rental assistance, as confirmed through review and acceptance of the first reconciliation submitted by the housing provider under the FCHI-2 agreement, that the housing provider will receive until the end of its FCHI-2 agreement with CMHC, provided that the terms and conditions of the agreement are respected and the rental assistance is required. The guaranteed rental assistance amount will be increased as needed to ensure the base number of assisted households will not pay a rent-gear-to-income housing charge greater than thirty per cent (30 %).

Household: a person or a group of persons who occupy the same private dwelling, and do not have a usual place of residence elsewhere in Canada.

Household's share: the difference between the occupancy charge to be paid and the calculated amount of rental assistance, after adjustments. This is the monthly amount that the household will have to pay if it's not over-housed and if the amount exceeds the minimum occupancy charge.

Initial amount of rental assistance: the amount of rental assistance that the housing provider will receive based on a review of the annex and based on a needs assessment and prioritization assessment completed by CMHC.

Initial number of assisted households: the number of households that initially qualify for rental assistance based on the review of the annex and based on a needs assessment and a prioritization assessment completed by CMHC. This number is equal to or less than the number of assisted households the housing provider indicated in the annex.

Minimum occupancy charge: the lowest occupancy charge that a household can pay. This applies to the assisted households under FCHI-2. An household must pay the higher of household's share or the minimum occupancy charge.

Occupancy charge: the monthly housing charge paid by non-assisted households. In other words, in Quebec, the occupancy charge is the rent indicated on the lease agreement. Elsewhere in Canada, the equivalent would be called full occupancy charge.

National Occupancy Standard: (NOS) determines the occupancy standards relating to the size of the dwelling and the household composition. For the rental assistance program, occupancy standards establish the minimum and maximum number of people living in the same dwelling and are based on the National Occupancy Standard (NOS).

Over-housing: a situation in which an assisted household is residing in a unit where the number of bedrooms is greater than the number of persons as established under the National Occupancy Standard (NOS).

Over-housing charge: the difference between the occupancy charge for the household's current dwelling and the occupancy charge for the dwelling for which they are eligible per the National Occupancy Standard (NOS).

Rental assistance amount: the financial assistance needed to cover the difference between the occupancy charge and the rent-geared-to-income charged to the assisted household, while considering adjustments for services and an over-housing charge, if applicable.

Rent-geared-to-income: the monthly gross household income multiplied by the rent-geared-to-income level as determined by the housing provider. The rent-geared-to-income is used in the rental assistance calculation.

Request for Rental Assistance – Annual Household Declaration: form that must be completed at least annually by households requesting rental assistance.

Shelter component: social assistance allowance meant to cover the assisted household's housing expenses.

2. FEDERAL RENTAL ASSISTANCE AMOUNT

2.1 Initial amount of rental assistance

The initial amount of rental assistance is the amount determined by CMHC using the information included in the enrolment annex provided by the housing provider at the time of enrolment. This amount accounts for the needs of households according to their income and other calculation parameters such as the occupancy charge, utilities and even the minimum housing charge.

The initial amount of rental assistance is effective between the execution of the FCHI-2 agreement and the end of the housing provider's first fiscal year under this program. This amount appears in schedule B of the agreement.

The amount will be reviewed by CMHC or its representative at the same time as the annual review of the first financial statements under FCHI-2 program. The most recent calculation worksheets will be used to revise the amount. Following this review, a guaranteed amount will be confirmed.

2.2 Initial number of assisted households

The initial number of households receiving rental assistance refers to the number of households that qualify for rental assistance on the basis of information indicated in the enrolment annex and prioritization criteria. This number may be equal or less than the number of households identified in the annex.

The initial number of assisted households is effective between the execution of the FCHI-2 agreement and the end of the housing provider's first fiscal year under this program. This number appears in Schedule B of the agreement.

During the agreement, the housing provider may offer rental assistance to a higher number of households if it can meet the rent-geared-to-income level of thirty per cent (30%) for all households. This could happen if the financial situation of households improves. In addition, the number of households receiving rental assistance could be lower than this number if fewer households qualify for rental assistance. **In other words, without limiting itself to the initial number of households, the housing provider could offer the entire amount paid by CMHC to a lower or higher number of households.**

Good to know!

In Schedule B of the agreement, the number of households for which CMHC will provide funding necessary to ensure that the rent-geared-to-income level applied to the rental assistance calculation does not exceed thirty per cent (30%) is indicated. Please note that one household refers to 12 months of rental assistance.

Therefore, 2 households subsidized for 6 months each during the year (2 households X 6 months = 12 months) equals 1 household (1 household X 12 months = 12 months).

2.3 Guaranteed rental assistance amount

The guaranteed rental assistance amount is the annual amount of rental assistance the housing provider will receive under the FCHI-2 agreement during its term, provided that the terms and conditions of the agreement are respected and the rental assistance is required.

The guaranteed amount is determined by CMHC during the housing provider's first fiscal year review under the FCHI-2 program. The housing provider will submit the most recent calculation worksheet for each assisted household and the corresponding "Request for Rental Assistance – Annual Household Declaration" forms at the same time as their financial statements. The base number of assisted households will also be determined at that time (see Section 2.4)

Once established, the guaranteed amount will be confirmed in Schedule B of the agreement and an amended Schedule B will be issued to the housing provider.

Good to know!

Housing providers, whose guaranteed rental assistance amount has already been confirmed by CMHC, will have their guaranteed rental assistance amount increased by the amount identified for its subsequent eligible phases demonstrating rental assistance needs. The number of households identified for these phases will be added to the base number of assistance households.

In other words, there will be no initial amount of rental assistance or initial number of assisted households when a housing provider adds eligible phases once the guaranteed rental assistance amount has been determined by CMHC.

Housing providers who already have an FCHI-2 agreement with a guaranteed rental assistance amount and who receive an invitation to participate for a phase of their project that expires in the next few months will be required to provide, at the time of enrolment for that phase, the calculation worksheets for the households seeking rental assistance instead of the usual enrolment annex that accompanies the enrolment letter to participate in FCHI-2.

2.4 Base number of assisted households

The base number of assisted households is the number of households that is used to determine the guaranteed amount of rental assistance. CMHC is committed to providing an amount of rental assistance that meets the needs of the base number of assisted households.

This number is determined at the same time as the guaranteed amount (see Section 2.3). It cannot be greater than the initial number of assisted households.

The base number of assisted households will be fixed for the term of the agreement and will be the basis of future reviews of guaranteed rental assistance amounts.

Once established, the base number of assisted households will be confirmed in Schedule B of the agreement. An amended Schedule B will be issued to the housing provider.

2.5 Review of federal rental assistance

Important: Housing providers that are administered by The Agency for Cooperative Housing (Agency) are not required to submit their calculation worksheets, the “Request for Rental Assistance – Annual Household Declaration” forms or the “Request for review of the Rental Assistance Amount” form when they send requests to the Agency, because the information is gathered through their system.

Where the amount of federal assistance provided by CMHC is no longer sufficient to apply a thirty per cent (30%) rent-geared-to-income level to the calculations of households receiving rental assistance (without exceeding the initial or base number of assisted households), the housing provider may submit a request for a review of the amount to CMHC or its representative.

To do so, the housing provider must complete the “Request for review of the Rental Assistance Amount” form and forward it to CMHC or its representative, along with the calculation worksheets and the “Request for Rental Assistance – Annual Household Declaration” forms, as soon as possible for analysis and approval. CMHC and its representative agree to provide a thirty (30) day response time and to adjust the amount of rental assistance retroactive to the date of additional need and, at the earliest, at the beginning of the current fiscal year. Schedule B of the agreement will be amended accordingly.

CMHC encourages housing providers to submit their request for a review of the amount of rental assistance as soon as calculations show that the amount is insufficient. If the housing provider does not complete a request for review, then CMHC, or its representative, will determine, upon review of the financial statements, the amount of retroactive rental assistance required to meet the needs for the completed fiscal year. If necessary, the amount of rental assistance will also be revised for the current fiscal year at the time of the financial statement review. In order to complete the rental assistance review exercise and pay the retroactive rental assistance amount, CMHC or its representative will require the most recent calculation worksheets and the annual household declarations for the applicable households to confirm the actual need. ***The most recent calculation worksheets and “Request for Rental Assistance – Annual Household Declaration” forms must be received with the financial statements and no later than the end of the current fiscal year or CMHC will not pay the retroactive amount identified in the financial statement analysis.***

Note that if the housing provider has offered rental assistance to more households than the number of households specified in the agreement and a change in circumstances of the household(s) results in the total amount offered by the housing provider being greater than the amount of rental assistance received, which results in the inability to apply the maximum rent-geared-to-income level of thirty per cent (30%) then the housing provider has two (2) options:

Option 1: Finance from its own funds the amount necessary to restore the thirty per cent (30%) rent-geared-to-income level for all households.

Option 2: Reduce the number of households receiving rental assistance to the number of households specified in the agreement. Unfortunately, this option will result in a loss of rental assistance for one or more of the surplus household(s).

CMHC does not provide direction regarding surplus households, however the Board of Directors is encouraged to put in place a clear policy and ensure that households receiving rental assistance are aware of that policy. Eventually, depending on the funds available in the program budget, housing providers may have an opportunity to submit a request to increase their base (or initial) number of assisted households (see section 2.6).

2.6 Increase to the base number of assisted households

It will not be possible to increase the number of assisted households during the term of the agreement except when CMHC, subject to the availability of program budget, invites eligible housing providers to submit an application to increase the base (or initial) number of assisted households in situations where there are additional households in need of rental assistance.

In such a situation, a call for applications will be sent to eligible housing providers.

Note that a housing provider may decide to assist more households using its own funds. This decision only involves the housing provider and CMHC has no commitment towards this funding.

2.7 Decrease of rental assistance needs

Each year, the rental assistance need is confirmed through the reconciliation of federal assistance during the financial statement review. Any excess of funds is reimbursed to CMHC.

In the event that there is a decrease in the rental assistance need, the housing provider or CMHC may choose to open a dialogue about decreasing the base number of assisted households and/or the guaranteed rental assistance amount.

CMHC could suggest a decrease if there is a substantial reimbursement of rental assistance after several financial statement reviews.

3. RENTAL ASSISTANCE APPLICATION

3.1 Eligible households

In order to receive rental assistance, a household must be in housing need. This usually means that a household must spend more than thirty per cent (30%) of its gross income on housing.

The household must have at least one occupant eighteen (18) years or older or otherwise emancipated, in accordance with applicable laws. In addition, all household members must be entitled to reside in Canada, and the dwelling must be the primary residence of all the occupants (except for children in shared custody situations).

Households will not be able to receive financial support from another source for rental assistance if they wish to be eligible to receive rental assistance from FCHI-2. If the household receiving rental assistance were to receive any funding (municipal, provincial, federal or other), including any amount, support or rental assistance similar to the type of assistance provided under FCHI-2, the assisted household would have its FCHI-2 rental assistance amount suspended.

Lastly, household eligibility is defined and changes based on two main criteria: mainly household income and household composition.

3.2 Household composition

A household can consist of several types of occupants:

- A person living alone;
- A person and spouse (of each family in the household, if the household is formed by more than one family);
- Any parent residing with a child or person legally responsible for a child;

- Any relatives sharing a housing unit;
- Any unrelated persons sharing a housing unit;
- Any current signatories to the lease or occupancy agreement.

Individuals who are financially dependent on the occupants are not considered occupants for the purposes of calculating rental assistance. These people are the following:

- an individual who is attending a recognized learning institution on a full-time basis and under the age of twenty-six (26);
- a child (under the age of eighteen (18)), without dependents, who is not attending a primary, secondary or post-secondary institution as a full-time student; and
- an adult or child with a severe and permanent recognized disability which requires constant and daily care.

3.3 Included income

The included sources of income of all household occupants must be considered and totaled for the purposes of the calculation. **The gross amounts**, meaning the amounts before all tax or other deductions, must be considered. The income of financially dependent individuals must not be included.

The total gross household income is equal to the sum of the following income items:

- Employment earnings and income (including pensions and employment benefits)
- Investment income
- Other government transfers
- Other cash income

Employment earnings and income (including pensions and work annuities)

- Employment earnings and income from gross salary, payment of overtime, tips, commissions, bonuses, vacation bonuses, other bonuses and other taxable allowances.
- Gross income from self-employment (or a small business) less the tax deductions provided for by the Canada Revenue Agency, excluding depreciation costs. If the work is done in the household's dwelling, the rent, parking and utility expenses, included in the operating expenses, must be added to the total income. Child care expenses are not recognized as an operating expense. For the purposes of the calculation, this income cannot be negative. If it is negative, it is deemed to be zero. In this situation, it is suggested that the average of the last three (3) years be used to estimate the income.
- Disability benefits, meaning the short or long-term disability insurance amounts received on a regular and periodic basis, including any amounts received retroactively. Also included are payments received relating to an occupational accident, an illness or a disability and paid by a workplace health and safety body (excluding lump sum payments).
- Amounts received from membership in a pension plan of one or more employers. This includes pensions paid to widows or other relatives of a deceased with pension rights as well as annuities and pensions received from Canada, the provinces and/or territories, an insurance company or other sources, pensions received under a registered retirement savings plan in the form of a life annuity, a fixed-term annuity, a registered retirement income fund (RRIF) or an income-averaging annuity contract. Pensions received from overseas must also be included in income.
- Amounts received as Employment Insurance (EI) benefits.
- Amounts received under the Canada Emergency Response Benefit during the pandemic.

Investment income

- The interest and dividends received for bank deposits, bonds, debentures, securities, stocks, insurance policies, mortgages, investment securities or any other type of investment.
- The net rental income from real estate or agricultural property and investment earnings.

Other government transfers

- Amounts received under Social Assistance Programs, including allowances for employment limitations.
- Age-related government benefits, such as the federal Guaranteed Income Supplement program, spousal allowances and income supplements paid by the provinces.
- Government benefits received for a severe and prolonged disability or illness.

Other income

- Amounts received as alimony, separation or maintenance allowances. Alimony or maintenance allowances must be included in the gross annual income even if they are not declared as taxable income. Household occupants who pay alimony or a maintenance allowance can deduct the amount paid from their gross income if they can prove, with supporting documents, the payments to their spouse and/or child.
- Periodic support from people who are not household members.
- Income of people who take care of children in their own home.
- Income of people who offer room and board to unrelated people (for example, Airbnb).
- Withdrawals from a registered retirement savings plan (RRSP) or other registered investment fund, lump sum payments or received on a periodic basis.

3.4.Excluded income

The following income must not be included in the calculation of gross household income:

- Income of children or individuals aged under twenty-six (26) if they are studying full time at a recognized educational institution;
- Scholarships and non-repayable bursaries (educational or other);
- Student loans;
- Allowances or subsidies for the payment of child care services, transportation, tuition fees and academic materials, as well as allowances for living outside of the primary residence paid to participants in employment and skills development programs;
- Subsidies paid under a registered education savings plan (RESP) for a child in the household;
- Interest, dividends or other income generated by investments in a Registered disability savings plan (RDSP) or RESP for a household member;
- Benefits paid to a parent or a guardian for the benefit of a child whose parent is disabled or deceased;
- Allowances for work away from home (including travel) including financial compensations received to cover the costs of volunteer work;
- Inheritances and death benefits from the Canada Pension Plan;
- War service grants;
- Lottery winnings;
- Earnings from the sale of personal items;

- Capital gains;
- Insurance benefits (such as reimbursement for care received, medications, etc.);
- Federal, provincial and territorial family allowances;
- Allowances for children placed in foster care;
- Sales tax credits (provincial and federal taxes, if applicable);
- Income tax refunds;
- Lump sum settlement from an insurance company;
- Lump sum amounts received from a workplace health and safety body;
- Amounts awarded by a court (apart from alimony and separation and maintenance allowances);
- Donations received from a religious, charitable or benevolent organization;
- Investments that are locked in until retirement;
- Refunds of pension plan contributions;
- Severance pay;
- Home care allowances;
- Gifts or occasional payments of little value;
- Loans;
- Payment received pursuant to the *Indian Act* (Canada) under a treaty between Her Majesty in right of Canada and a band, other than funds for post-secondary education;
- Payment received as a special allowance as part of the Resettlement Assistance Program established under the Immigration and Refugee Protection Act (Canada);
- Special disability allowances paid to a beneficiary as part of a government support program for persons with disabilities;
- Allowances paid to a child with a disability or for the child's benefit;
- Disability benefits if paid in a lump sum (other than the retroactive payment of a periodic benefit);
- Subsidy paid by the Government into a registered disability savings plan (RDSP) established for a household member;
- Benefit received as a Canadian war veteran;
- Payment received under the federal Extraordinary Assistance Plan (Canada).

3.5 Proof of occupancy and income

In order to verify a household's eligibility for rental assistance, the housing provider will be responsible for gathering all proofs of household composition and income at least annually in addition to having the "Request for Rental Assistance – Annual Household Declaration" form signed. This requirement may be more frequent if the households declare changes to their composition and/or income. Households must notify the housing provider immediately of any changes to their composition or income.

Important: For variations in gross household income (increases or decreases) of less than twenty-five (\$25) dollars per month, the housing provider is not required to recalculate the amount of rental assistance immediately and may wait the end of its fiscal year (or reference period) to do so.

In addition, FCHI-2 allows a flexibility when there's a difference of less than \$25 per month in terms of gross household income, the housing provider is not required to make any adjustments to the calculation of rental assistance at the end of its fiscal year (or reference period). To ensure consistent treatment of assisted households in this and other matters, we recommend that the housing provider adopt and publicize a subsidy-administration policy that clearly sets out its practices in managing the program.

The “Request for Rental Assistance – Annual Household Declaration” form will allow the housing provider to collect this information. This form is available on the CMHC website cmhc.ca/fchi. The housing provider may offer the household a period of up to a maximum of four (4) months to collect all the documents necessary to renew their rental assistance application. After this period, if the household has not provided all the requested documents, the rental assistance will cease and the amount paid during that period will have to be reimbursed.

The housing provider must keep on file all documents received from households that demonstrate their eligibility.

Note that proof of attendance at an educational institution must be provided for children between the age of eighteen (18) to twenty-six (26).

3.5.1 Proof of occupancy

Through the “Request for Rental Assistance – Annual Household Declaration” form, households must supply the housing provider with the following information:

- The names of all occupants and the relationships between them. This information is also needed to determine the occupants’ dependency. It will also be needed to determine if the household is over-housed (see section 4.8).
- The age of the children and students. This is necessary to establish exceptions involving the incomes of students.
- A declaration that all the information provided is accurate and complete, including a commitment to immediately declare any change in the household composition and an authorization to disclose personal information to CMHC and its representative.

Note that any adult whose name does not appear in the “Request for Rental Assistance – Annual Household Declaration” form may not reside in the dwelling.

3.5.2 Proof of income

All members of the household, except those identified as financially dependent, must submit sufficient proof of their current income. Note that any income paid retroactively must be considered as paid in the year of receipt. Proof of income must be submitted to the housing provider who will keep it in a file dedicated to each household. If necessary, they may be verified by CMHC or its representative.

Households must provide an annual declaration confirming that the information provided with respect to income is accurate and complete, including in particular a commitment to immediately declare any change in their income, whether it be increases or decreases, and an authorization to disclose personal information to CMHC and its representative.

As a reference, the following list indicates the eligible and sufficient proof for the main types of income. Note that one proof of income per type of income is usually sufficient if it is on this list.

Type of income	Verification required
Employment income	<p>The most recent pay slips covering a two-month period and showing the name of the employee, the name and contact information of the employer, the payroll period covered, and the gross income earned.</p> <p>An employment confirmation letter providing the same information signed by a company officer may be accepted. This letter may also be sufficient if the job has been held for less than two months.</p>
Income from self-employment or a small business	<p>The audited financial statements for the most recent fiscal year prepared by a certified auditor or a copy of the most recent notices of assessment and the company's income statement, along with all other information needed to calculate business deductions. The proof of income statement (option "C" print) from the Canada Revenue Agency is also acceptable.</p> <p>If the self-employment work is recent and the above-mentioned documents are not available, a solemn declaration of income and expenses forecast for the year will be sufficient.</p> <p>Self-employment and small business income must be verified retroactively each year to confirm the estimated income amounts.</p>
Employment Insurance	An Employment Insurance slip, identifying the recipient, gross income, and payment dates and frequency. Copies of cheques or a detailed deposit notice may be sufficient.
Benefits	All benefit slips must identify the recipient, gross income, and payment dates and frequency.
Social assistance	A copy of the letter of eligibility or other official document identifying the recipient, the number of beneficiaries and information on the amounts.
Pension/ annuity income	A statement identifying the recipient, gross income, and payment dates and frequency. Copies of cheques or a detailed deposit notice may be sufficient.
Alimony or other family support income	A copy of the legal agreement, court order, copies of cheques, lawyer's letter, letter from a competent authority identifying the beneficiary, amounts paid, and the payment frequency and dates. A copy of the bank statement, showing the amounts and frequency of payments, accompanied by a letter from the payer may be acceptable documents in absence of the other proof indicated above.
Interest and earnings	Copies of bank and investment statements identifying the beneficiary, amounts received, and the payment frequency and dates.

To ensure that they are a low-income household, it is recommended that you obtain the most recent notice of assessment from the Canada Revenue Agency when the household first applies for rental assistance. Then, to ensure that all household members' income are accounted for and accurate, it is recommended that you obtain the most recent version of that same document during the annual review of the calculations to assess if the income declared in the past is representative and make retroactive adjustments if deemed necessary, of the sums received in excess.

The notice of assessment could also be used in the following situations:

- Need to confirm income from tips, bonuses, commissions and/or overtime work
- Need to confirm income declared in the past and to make retroactive adjustments for overpayment of rental assistance
- Cases where no income was declared
- Suspicion of false declaration

The most recent notice of assessment from the Canada Revenue Agency cannot be used as sole proof of income.

In cases where household income varies widely from month to month, as happens with seasonal workers, salespeople paid on commission or temporary workers, the housing provider must use a reasonable and sufficient calculation method to account for these variations throughout the year. The same method must be used for all households in these situations.

For households with self-employed individuals or small business, it is recommended to request proof of income for the past year and projected income for the current year. At the end of its fiscal year, the housing provider should confirm with the household the actual income earned in order to make adjustments to the rental assistance amount before closing its fiscal year and submitting the documents to the auditor.

4. RENTAL ASSISTANCE CALCULATION

4.1 Determination of monthly household income

The rental assistance calculations must be done at least once a year. If household income increases, the rental assistance amount will decrease and vice versa. In the event of a change in income, and in order to facilitate its administration, the housing provider may determine an effective date of the new amount of rental assistance no later than the first day of the second month following when the change occurred. However, it is recommended that the change be made as soon as possible to align the needs with the rental assistance. It is also necessary to ensure that the housing provider's procedure is known by households and applied consistently.

If households declare inaccurate income amounts during the year, the rental assistance amounts must be adjusted retroactively at the time of the annual review of the calculation with the notice of assessment from the Canada Revenue Agency or any other sufficient supporting documents.

As previously mentioned, in order to determine the monthly household income, the housing provider must receive a completed "Request for Rental Assistance – Annual Household Declaration" form from the household, including the proof of occupancy and monthly income from all occupants.

The following data conversion table based on the frequency of income collection will help you determine monthly income.

Income frequency	Factor
Annual	Divide by 12
Weekly	Multiply by 4.333
Every two weeks	Divide by 2 and multiply by 4.333
Twice a month	Multiply by 2
Daily	Multiply by 21.66

Example: If the household income is \$28,000 a year, its monthly income is:

$$\mathbf{\$28,000 \div 12 = \$2,333.33}$$

If the household income is \$800 every two weeks, its monthly income is:

$$\mathbf{\$800 \div 2 = \$400}$$

$$\mathbf{\$400 \times 4.333 = \$1,733.20}$$

Important: There is no minimum amount of rental assistance prescribed by CMHC. It is up to the housing provider to establish a minimum, if any.

4.2 Income from social assistance

There are two types of income from social assistance:

- income with an explicit shelter component
- income without an explicit shelter component

The shelter component (so named) is meant to cover the assisted household's housing expenses.

4.2.1 With a shelter component

A. The sole source of income being social assistance:

Households receiving social assistance payments pay the higher amount between the adjusted shelter component for their household size or the rent-geared-to-income.

To determine the adjusted shelter component, the maximum shelter component will be reduced by an allowance for services (other than heating and hot water) that the households are required to pay with that amount. Allowable services that may be deducted are included in the calculation worksheet and are based on services that are included in the maximum shelter component amount.

Example: Kayla lives alone and receives \$785 from social assistance including an amount of \$375 as a maximum shelter component. In addition to the costs of electricity, heating and hot water, she has to cover the costs of insurance for her personal contents as well as the cost for the telephone line for the telephone entry system. Allowances for the costs of electricity, insurance and telephone based on the calculation worksheet add up to \$95.

$$\text{Kayla's rent-geared-to-income is: } \$785 \times 30\% = \$235.50.$$

$$\text{Kayla's adjusted shelter component is } \$375 - \$95 = \$280.$$

The rent-geared-to-income that will be used for the rest of the calculation is: \$280 (the higher between \$235.50 and \$280).

Important: When there is more than one occupant receiving social assistance in the same household, they are to be added together prior to adjusting the services.

B. With additional income from other source:

Two scenarios are possible. The first (scenario A) occurs when social assistance income is impacted by other income and the second (scenario B) when social assistance income is not impacted by other income. In the second scenario, an additional steps must be completed in order to determine the rent-geared-to-income.

SCENARIO A

This scenario applies, in one of the following cases:

- One occupant receives social assistance and income from another source.
- One occupant receives social assistance and another occupant receives income from another source, but this income causes a deduction to the first occupant's social assistance. The latter is mostly in the case of families or couples.

The housing provider must complete the following steps:

1. Calculate the adjusted shelter component by identifying the maximum housing shelter component for this benefit unit size:
 - a. Identify the maximum shelter component for household size;
 - b. determine the appropriate allowance for services (other than heating and hot water) that the households are required to pay with that amount (adjusted shelter component);
 - c. calculate the adjusted shelter component by reducing the maximum housing shelter component by the total allowances. Allowable services that may be deducted are included in the calculation worksheet and are based on the services that are included in the maximum shelter component amount.
2. Calculate the rent-geared-to-income (RGI) by multiplying the rent-geared-to-income level (twenty-five per cent (25%) to thirty per cent (30%)) by the household's total gross monthly income (net income from social assistance, plus other gross earnings).
3. Select the highest amount between the rent-geared-to-income and the adjusted shelter component.

Example 1: Kayla lives alone and receives \$785 from social assistance and this amount includes \$375 as a maximum shelter component. In addition to the costs of electricity, heating and hot water, she has to cover the costs of insurance for her personal contents as well as the cost for the telephone line for the telephone entry system. Allowances for the costs of electricity, insurance and telephone based on the calculation worksheet add up to \$95. She also received \$200 per month through a side job.

Step 1: Kayla's adjusted shelter component is: $\$375 - \$95 = \$280$.

Step 2: The total income is: $\$785 + \$200 = \$985$.

The RGI is: $\$985 \times 30\% = \296 .

Step 3: The higher of the two (\$296 vs \$280) is considered as her RGI for the purposes of the remainder of the calculation: \$296.

Example 2: Sandra and Kevin are a couple. Sandra receives \$866 from social assistance and Kevin has a monthly gross employment of \$2,044. Sandra's social assistance was reduced from the maximum benefits of \$1,950 due to Kevin's incomes (\$1,950 - \$1,084 = \$866). Her maximum shelter component is \$781. Allowances for the costs of electricity, insurance and telephone line for the telephone entry system based on the calculation worksheet add up to \$95.

Step 1: The adjusted shelter component is: $\$781 - \$95 = \$686$.

Step 2: Calculate the total income: $\$866 + \$2,044 = \$2,910$.

Calculate the RGI: $\$2,910 \times 30\% = \873 .

Step 3: The higher of the two (\$686 vs \$873) is considered as their RGI for the purpose of the remainder of the calculation: \$873.

SCENARIO B

The following steps apply when the household is composed of an occupant receiving social assistance and an occupant who has other income without any impact on the amount received from the social assistance by the other occupant. For example, in a case of families living together (roommates). **Steps outlined in scenario A would apply, and additional steps must be taken in order** to add the rent-geared-to-income to the income of the occupant(s) benefiting from social assistance as well as the rent-geared-to-income to the income of occupants who do not benefit from social assistance.

Example 3: Sandra and Kevin are a couple. Sandra receives \$866 from social assistance and Kevin has a monthly gross employment of \$2,044. Sandra's social assistance was reduced by \$1,084 from the maximum benefits of \$1,950 ($\$1,950 - \$1,084 = \866) due to Kevin's incomes. Her maximum shelter component is \$781. Allowances for the costs of electricity, insurance and telephone based on the calculation worksheet add up to \$95. They live with a second family, which includes Stan who receives a monthly income of \$1,500. Two additional steps (steps 4 and 5) will be required to include his income.

Step 1: The adjusted shelter component is: $\$781 - \$95 = \$686$.

Step 2: Sandra and Kevin total income is: $\$866 + \$2,044 = \$2,910$.

The RGI for Sandra and Kevin is: $\$2,910 \times 30\% = \873 .

Step 3: The higher of the two (\$686 vs \$873) is considered as their RGI for the purpose of the remainder of the calculation: \$873.

Step 4: The RGI for the other occupant (Stan) is: $\$1,500 \times 30\% = \450 .

Step 5: The total of all RGIs for the household is (step 3 + step 4): $\$873 + \$450 = \$1,648$.

Note: In the examples 2 and 3, if Kevin's income was also from social assistance, the two housing shelter components should have been added in Step 1 before making any adjustments for services.

4.2.2 Income without an explicit shelter component

When the household receives income from a provincial social assistance program that does not include a shelter component, the housing provider should complete the calculation in the same way as for households with other types of income. Please refer to section 4.4.

4.3 Rent-geared-to-income level

The total monthly income will be multiplied by the rent-geared-to-income level that can vary between twenty-five per cent (25%) and thirty per cent (30%) depending on what the amount paid by CMHC to the housing provider allows. Note that at all times the rent-geared-to-income level must be the same for all households assisted by FCHI-2, without discrimination. At no time can the rent-geared-to-income level exceed thirty per cent (30%) for any household and must never be less than twenty-five per cent (25%).

The rent-geared-to-income level may vary from one period to another. The housing provider is responsible for calculation adjustments and must be able to demonstrate beyond any doubt that households benefited from the same rent-geared-to-income level at all times.

In the event that the amount paid by CMHC is not sufficient to meet the maximum rent-geared-to-income level of thirty per cent (30%) for all households included in the base or initial number of households per Schedule B of the FCHI-2 Agreement, a request to increase the amount of federal assistance should immediately be sent to CMHC. To do this, a "Request for review of the rental assistance amount" form is sent, accompanied by the most recent calculation worksheets for all applicable households (see section 2.5).

4.4 Determination of rent-geared-to-income

The rent-geared-to-income is calculated by multiplying the rent-geared-to-income level by the monthly gross household income.

It is important to remember the distinctions mentioned above with regard to income from social assistance with a shelter component (see section 4.2).

Example 1: If a household has a monthly gross income of \$2,200 and the housing provider applies a rent-geared-to-income level of thirty per cent (30%), the rent-geared-to-income is \$660:

$$\mathbf{\$2,200 \times 30\% = \$660}$$

Example 2: If the household consists of a worker and a social assistance beneficiary, and the worker has a monthly gross income of \$800 and the social assistance beneficiary has a shelter component of \$390, the rent-geared-to-income is \$630:

$$\mathbf{\$800 \times 30\% = \$240}$$

$$\mathbf{\$240 + \$390 = \$630}$$

Example 3: If the household consists of a worker and a social assistance beneficiary and the worker has a monthly gross income of \$1,600 and the social assistance beneficiary receives a monthly amount of \$644 that does not include a shelter component. If the rent-geared-to-income level is thirty per cent (30%), the rent-geared-to-income is \$673.20:

$$\mathbf{\$1,600 + \$644 = \$2,244}$$

$$\mathbf{\$2,244 \times 30\% = \$673.20}$$

4.5 Utilities

For the purposes of calculating rental assistance, heating and hot water services are deemed to be included in the rent. This means that if the rent includes these services, no adjustment will be made to the rent-geared-to-income. However, if the costs of heating and hot water are not included, an amount for these services must be deducted from the rent-geared-to-income.

Other services, such as electricity, rental appliances, etc. are not subsidized services.

In view of the calculation adjustments relating to services, CMHC determines and makes available the amounts relating to services based on dwelling size, type of housing and regions/provinces. In their annual calculations, housing providers must be sure to use the most recent utility allowances available on the CMHC website. The utility allowances can be found in the calculation worksheet available on the website cmhc.ca/fchi. They will be updated annually in the Spring.

In the case of service fees for which CMHC has provided no amounts, the housing provider must determine a fair and equitable amount for these services. The rent-geared-to-income adjusted for utilities determines the household's share.

In the event of a change to the rental assistance calculation during the reference period due to a change in household composition or income, the housing provider may use the same amounts for services as indicated on the calculation worksheet at the beginning of the reference period. However, if the rental assistance calculation changes due to a change to the occupancy charge, it is recommended that the service amounts be updated to the most recent amounts as indicated in the calculation worksheet tool, available on the CMHC website at cmhc.ca/fchi.

Good to know!

If there are multiple energy sources, consider the energy source used for heating when completing the calculation worksheet.

Here are examples of adjustments, to the rent-geared-to-income, for services, based on the following basic fictional information:

- Monthly gross household income: \$1,600
- Rent-geared-to-income level: 30%
- 2 bedroom apartment, rent of: \$800
- Designated monthly cost for electricity: \$17.43
- Designated monthly cost for heating: \$53.12
- Designated monthly cost for hot water: \$12.45

Example 1: Heating and hot water are included services in the occupancy agreement or lease. Electricity costs are paid by the household. Since the services included are the two (2) services deemed to be part of the cost of rent for the purposes of calculating rental assistance, there is no adjustment to be made.

The rent-geared-to-income is:

$$\mathbf{\$1,600 \times 30\% = \$480}$$

In this example, the rent-geared-to-income of \$480 represents the household's share.

Example 2: Heating is included in the occupancy agreement or lease, but the costs of electricity and hot water are paid by the household. In this case, the costs related to hot water must be deducted from the rent-geared-to-income.

The rent-geared-to-income is:

$$\mathbf{\$1,600 \times 30\% = \$480}$$

We must deduct the cost of hot water \$12.45 from the rent-geared-to-income:

$$\mathbf{\$480 - \$12.45 = \$467.55}$$

The household's share is: \$467.55

Example 3: Electricity, heating and hot water services are included in the lease agreement. In this case, only the electricity costs must be added to the rent-geared-to-income since the other two (2) services are those deemed to be part of the cost of rent for the purposes of calculating rental assistance.

The rent-geared-to-income is:

$$\mathbf{\$1,600 \times 30\% = \$480}$$

Electricity costs of \$17.43 must be added to the rent-geared-to-income:

$$\mathbf{\$480 + \$17.43 = \$497.43}$$

The household's share is: \$497.43

4.6 Minimum occupancy charge

The minimum housing charge is the minimum amount a household will have to pay for a unit without services.

To calculate the minimum occupancy charge, we use the full occupancy charge (lease agreement) from which we subtract the allowances determined by CMHC each year for electricity (if included in the full occupancy charge) and for heat and hot water (even if not included in the full occupancy charge). Also deducted will be the member discount where the household is entitled to it and other services that may be included in the full occupancy charge for an amount not exceeding twenty percent (20%) of the full occupancy charge. This result will be multiplied by twenty-five percent (25%) to arrive at the minimum occupancy charge.

Example 1:

- Occupancy charge (lease agreement): \$1,000
- Parking included: \$30
- Internet and cable included: \$50
- Heat and hot water allowance: \$60

Minimum occupancy charge =
1,000 - 30 - 50 - 60 = \$860

$$\mathbf{\$860 \times 25\% = \$215}$$

Example 2:

- Occupancy charge (lease agreement): \$850
- Member discount: \$150
- Electricity included: \$26 (allowance)
- Heat and hot water allowance: \$50

Minimum housing charge =
850 - 26 - 50 - 150 = \$624

$$\mathbf{\$624 \times 25\% = \$156}$$

The minimum occupancy charge will be payable if the calculated household share is less than the minimum occupancy charge. **In other words, the amount retained must be the greater of the household share or the minimum occupancy charge.**

4.7 Adjusted rent

Adjusted rent is an important concept in the calculation of rental assistance. The adjusted rent is the lease agreement (full occupancy charge) from which we subtract costs related to certain services that may be included depending on the situation of each housing provider.

In determining the adjusted rent, the services to be subtracted from the lease agreement or full occupancy charge are, but are not limited to, the following:

- Cable service;
- Internet service;
- Parking;
- Equipment rental (washer-dryer, refrigerator, oven, air conditioning, etc. With the exception of the rental of water heaters).

The costs of renting water heaters should not be subtracted from the rent amount, as they are closely related to hot water services.

Electricity, heating and hot water services must not be deducted from the occupancy charge (rent). The adjustment for these services will be made to the rent-geared-to-income.

Important: For the Quebec region, the amount of rental assistance is calculated using the rent indicated on the lease agreement minus the member discount, even if the household is not a member of the cooperative. In order to be fair, the member discounts must be deducted from the rent for all households occupying a unit in a cooperative where a member discount is in effect.

4.8 Occupancy standards

The occupancy standards are standards relating to the size of the dwelling and the household composition. For the rental assistance program, occupancy standards establish the minimum and maximum number of people living in the same dwelling.

Suitable housing has enough bedrooms for the size and make-up of resident households, according to National Occupancy Standard (NOS) requirements. Enough bedrooms based on National Occupancy Standard requirements means one bedroom for:

- each cohabiting adult couple;
- unattached household member 18 years of age and over;
- same-sex pair of children under age 18;
- and additional boy or girl in the family, unless there are two opposite sex children under 5 years of age, in which case they are expected to share a bedroom.

A household of one individual can occupy a bachelor unit (i.e. a unit with no bedroom).

In summary, the basic rule of the occupancy standard is minimum one (1) occupant per bedroom and maximum two (2) occupants per bedroom.

Important: The FCHI-2 agreement states that housing providers are required to meet occupancy standards. Although CMHC refers to the National Occupancy Standard, housing providers may apply a different standard where warranted, as long as households receiving rental assistance have no more than one bedroom per person. In this case, households with more bedrooms are considered to be in a situation of over-housing.

4.8.1 Exceptions to the minimum occupancy standard

The following situations illustrate exceptions to the minimum occupancy standard. The housing provider must maintain, in the file of the household concerned by any of these exceptions, information and documentation attesting and proving the exception granted.

- A. Two (2) adults living together as spouses may have separate bedrooms in the case of a justified medical condition.
- B. A household may also request an additional bedroom to meet the needs of a person in the household living with a disability. In line with Canadian human rights legislation, there is an adaptation requirement that obliges housing providers to adjust their rules, policies or practices for discrimination reasons. The housing provider must therefore assess the needs brought to its attention and have reasonable proof to justify them. The housing provider must record in its files any exception to the minimum occupancy standard, including the reason for the exception.

For example, exceptions may include the use of a second bedroom for:

- storing essential equipment (depending on the disability); or
 - providing a bedroom to an individual who is not a household member but who regularly provides care at night, full time, to one of the household members.
- C. A parent with joint legal custody of one or more children may request the appropriate number of bedrooms for them on the condition that the parent provide satisfactory proof of the custody agreement.
 - D. A parent who does not have legal custody of his/her child(ren) but can provide the housing provider with satisfactory proof of the right to visit, may request one or more additional bedrooms if he/she must host them for the night to exercise or enforce his/her right to visit. A parent who is entrusted with custody of one or more children by a court order may request an extra bedroom. A certified copy of the order must be given to the housing provider.
 - E. A pregnant woman may request a dwelling with an additional bedroom provided she supply medical confirmation of her pregnancy.
 - F. A household preparing to host a child as a foster or adoptive family may request an additional bedroom. The housing provider must receive a document confirming the hosting or adoption.
 - G. A household, who, for medical reasons, would have great difficulty with a move can remain in the occupied dwelling. Medical reasons can include stress related disorders, etc. The treating physician must be able to confirm, in a signed document, that the harm caused by the relocation of the occupant would be significant and would have a negative impact on the occupant's health.

4.8.2 Over-housing

Over-housing occurs when an assisted household lives in a unit in which the number of bedrooms is greater than the number authorized under the program guidelines.

4.9 Over-housing charge

When the number of occupants in the household decreases and no dwelling of the correct size is available, no additional charge will be applied.

As soon as a suitable dwelling or a dwelling of a more suitable size is available in an over-housing situation, the housing provider must offer that dwelling to the household. The household will have a maximum of thirty (30) days, set by the housing provider, from the date of the letter offering the suitable dwelling, to accept or refuse the offer. A household that accepts the offered dwelling will not be charged any additional amount from the time when the household is over-housed until the time the household moves into the suitable dwelling offered.

A household who refuses the offer of a suitable dwelling will have a period of six (6) months, starting from the date of the offer from the housing provider, with no additional charge. If the household is still living in the dwelling after this period, the additional charge must be added to its household share immediately. It is important to remember that this additional charge is not part of the lease/occupancy agreement and that the household and the housing provider are responsible for making the necessary arrangements.

A household that accepts a housing offer that does not fully meet the occupancy standard may refuse a new, more adequate housing offer submitted by its housing provider within the following twenty-four (24) months without having to pay an over-housing charge. This exception is proposed in order to avoid the costs associated with frequent moves. It should be noted that if several households are in a situation of over-housing, the housing provider must adopt an internal policy to determine to whom housing will be offered as a priority. This policy must be known to tenants and applied rigorously.

Important: If the housing provider has no unit sizes that match the occupancy standard, the unit of the closest size will be considered the one that applies for the purposes of this policy. For example, a household lives in a three-bedroom unit and according to the occupancy standards the household should be living in a one-bedroom unit but the housing provider only has two and three bedroom units, the household will live in the two-bedroom unit without having to pay an over-housing charge.

Important: When the housing provider joins the FCHI-2 program, it is recommended not to apply an over-housing surcharge for a household already paying a surcharge under the former CMHC programs if there is no adequate accommodation available. However, the surcharge may apply if the household confirms in writing their intention not to move to a more suitable accommodation when one is available. The amount of surcharge must then follow the guidelines of the FCHI-2 program.

The amount of the additional charge is calculated as the *difference between the occupancy charge for the dwelling that is occupied and the occupancy charge for the dwelling the household should be occupying per the occupancy standards (or the occupancy charge for the dwelling offered by the housing provider if a dwelling corresponding to the occupancy standard was not available)*. For example, if the household lives in a two-bedroom unit and, according to the occupancy standards, the household should be living in a one-bedroom unit, the housing provider must do the following calculation:

$$\begin{aligned} &\text{The additional charge =} \\ &\text{the occupancy charge for the two-bedroom unit} \\ &\quad - \\ &\text{the occupancy charge for the one-bedroom unit} \end{aligned}$$

When the occupancy charges vary for the same unit size, the housing provider must determine the average occupancy charge. For example, if there are three (3) one-bedroom units, the housing provider must calculate the average occupancy charge for these three (3) units and use it in the formula above.

Example: A household lives in a two-bedroom unit and the occupancy charge is \$765. According to the occupancy standards, the household should live in a one-bedroom apartment. The one-bedroom units' occupancy charges are \$685, \$680 and \$700.

Average occupancy charge for one-bedroom units:

$$(\$685 + \$680 + \$700) \div 3 = \$688.33$$

Calculation of the additional charge:

$$\$765 - \$688 = \$77$$

The additional charge is \$77.

Note: The average is calculated by adding up the occupancy charges of all dwellings of the same size and dividing the total by the number of dwellings of this size.

4.10 Minimum number of assisted households

Under the agreement, the number of assisted households may not be less than one (1). This is the minimum number of households needed to keep the agreement in effect

If the number of assisted households is zero for a period of twenty-four (24) months or more, CMHC reserves the right to terminate the agreement. The housing provider may nevertheless apply again for the program at a later date when they become aware of an eligible household. CMHC's commitment in this case will depend on the program budget available at that time.

4.11 Annual household declaration

When requesting annual rental assistance, the household must complete the "Request for Rental Assistance – Annual Household Declaration" form. In this form, the household must sign a declaration to the effect that the information transmitted to the housing provider, for the purpose of calculating the amount of rental assistance to which it is entitled, is true and complete and that any change in the household composition and/or income, whether it be increases or decreases, will be communicated to the housing provider without delay.

As mentioned in the “Request for Rental Assistance – Annual Household Declaration” form, the housing provider has the responsibility of informing the assisted household that information contained in their files related to their request for rental assistance will be treated confidentially and stored in a safe and secure space. The housing provider must also inform the assisted households of the guidelines of the FCHI-2, the reporting requirements, the responsibilities of the households and of the federal investment in their housing.

This form is available on the CMHC website cmhc.ca/fchi.

Please note that in order to obtain the consent of the households to have their personal information shared with CMHC, the calculation worksheet must always be submitted with the “Request for Rental Assistance – Annual Household Declaration” form.

4.12 Incorrect statement by a household

The household is responsible for providing accurate information related to all parameters of the rental assistance program. As stated in the form “Request for Rental Assistance – Annual Household Declaration”, in the event that the information provided to the housing provider was incorrect and led to a miscalculation of rental assistance, the household will be responsible for reimbursing any amounts received in excess.

A false declaration can lead to suspension or even termination of rental assistance for this household under the FCHI-2 program, as managed by the housing provider.

4.13 Reference Period

It is up to the housing provider to determine the relevant reference period during which the rental assistance calculations will be effective.

CMHC recommends that the start of the qualifying period be the date on which the annual housing charge increases are applied.

Furthermore, it is recommended that the calculations be verified at the end of the housing provider’s fiscal year so that retroactive corrections are included in the same fiscal year to ensure better monitoring.

Note that there is a flexibility when there’s a difference of less than \$25 per month in terms of gross household income. The housing provide is not required to make any adjustments to the calculation of the amount of rental assistance at the end of its fiscal year (or reference period) if they choose. We recommend that the decision to make these income adjustments or not be subject to a resolution of the board of directors and that it is made known to households receiving rental assistance. It must be applied uniformly to all households.

5. REPORTS

Important: Housing providers that are administered by The Agency for Cooperative Housing (Agency) are not required to submit their calculation worksheets, the “Request for Rental Assistance – Annual Household Declaration” forms or the “Request for review of the Rental Assistance Amount” form when they send requests to the Agency, because the information is gathered through their system.

5.1 Financial Statements

Annually, the housing provider must submit to CMHC or its representative its financial statements, including a reconciliation of federal assistance under FCHI-2 and all accompanying reports, within four (4) months of its fiscal year end. The financial statements must be audited in accordance with Canadian Auditing Standards. These financial reports must be in the format established by CMHC or its representative. Housing providers under the administration of The Agency for Co-operative Housing (Agency) may ask their auditor to continue to complete the Annual Information Returns (AIR).

For the first fiscal year under FCHI-2, the housing provider will also be required to submit the most recent calculation worksheets for households receiving rental assistance and the corresponding “Request for Rental Assistance – Annual Household Declaration” forms so that CMHC can determine the guaranteed rental assistance amount and the base number of assisted households.

After the first fiscal year under FCHI-2, the most recent calculation worksheets and corresponding “Request for Rental Assistance – Annual Household Declaration” forms will be required only if the amount of rental assistance paid by CMHC, in a fiscal year, has not been sufficient to apply a thirty per cent (30%) rent-geared-to-income level to the calculations for the number of households identified in Schedule B.

Whenever the calculation worksheets are submitted to CMHC or its representative, the corresponding “Request for Rental Assistance – Annual Household Declaration” forms must be submitted. The calculation worksheets will not be accepted until the “Request for Rental Assistance – Annual Household Declaration” forms are received by CMHC. This may result in the destruction of the calculation worksheets and failure to receive the requested documents may result in the suspension of the monthly rental assistance payments.

5.2 Annual report on the use of federal rental assistance

At the time the housing provider submits its annual financial statements, a detailed report on the annual use of federal rental assistance received under the FCHI-2 will be required. If the reports are not submitted as requested, CMHC or its representative reserves the right to suspend the rental assistance until the required documentation is provided and properly completed. CMHC or its representative will provide a minimum of thirty (30) days written notice prior to the suspension of the rental assistance payments.

In addition, CMHC will not pay the retroactive rental assistance amounts identified during the annual financial statement review if the most recent calculation worksheets and “Request for Rental Assistance – Annual Household Declaration” forms, do not accompany the financial statements submitted. If the housing provider fails to provide the documentation as requested prior to the end of their current fiscal year, the retroactive amount of rental assistance identified at the previous annual financial statement review will be written off.

5.3 Annual reconciliation of federal rental assistance

On an annual basis, CMHC or its representative will reconcile the rental assistance paid through an annual rental assistance report. The reconciliation is a comparison of the rental assistance payments received by the housing provider and the amounts of rental assistance provided to households. If any of the information provided is unclear, CMHC or its representative may request additional information to verify that the calculations were done according to the program’s guidelines. Unused amounts of rental assistance will be reimbursed by the housing provider and applied against subsequent monthly rental assistance payments or, in exceptionally reimbursed by cheque.

In the event that the amount of rental assistance provided is not sufficient during the fiscal year, federal assistance will be reconciled as follows. First, CMHC or its representative will ensure that **the rent-gear-to-income level used is no more than thirty per cent (30%)** and second, that the number of households receiving rental assistance does not exceed the number of households listed in the most recent Schedule B. It should be noted that a household as identified in Schedule B equals to 12 months of subsidy. Therefore, a household that received 6 months of rental assistance in a 12-month fiscal year is equal to 0.5 households for reconciliation purposes. If the total number of months used in the fiscal year exceeds the total number of months allowed under Schedule B, then the households requiring the largest amounts of rental assistance will be prioritized.

If the amount of rental assistance paid by CMHC to the housing provider is not sufficient, a retroactive amount may be paid for the completed fiscal year and the amount of rental assistance will be revised for the current fiscal year **provided that the most recent calculation worksheets and annual household declarations have been submitted to CMHC or its representative**. It should be noted that households that are in excess of the number of households identified in the agreement must be funded by the housing provider’s own funds.

CMHC, or its representative, also reserves the right to seek reimbursement for amounts that have been incorrectly calculated and paid to households.

5.4 Records and confidentiality

5.4.1 Records

The housing provider is responsible for collecting and keeping personal information about the households relating to their eligibility, household composition and various income sources. These documents may be in electronic or paper form. They must be kept in a secure location and in the strictest confidence for a period not less than seven (7) years, in accordance with the agreement signed with CMHC. They shall then be disposed of securely.

Files on households receiving rental assistance should contain the documents listed below:

- Copy of the lease or occupancy agreement
- All notices of changes in occupancy charge
- All rental assistance calculations by date and accompanied by verified proof of income
- All “Request for Rental Assistance – Annual Household Declaration” forms

- Proof of status in Canada for all household members (if applicable)*
- Documents justifying any exception to the occupancy standards (if applicable)
- Court or other documents concerning agreements about the custody or right to custody of any children (if applicable)
- Documents concerning the status of students (if applicable)
- All other correspondence with the household that may relate to the federal assistance

* The “Request for Rental Assistance – Annual Household Declaration” form will include a statutory declaration to the effect of the right of residence in Canada. If the housing provider has reasonable doubts about the veracity of the information reported, proof of Canadian status may be required.

5.4.2 Confidentiality of information

All information given by households to the housing provider is strictly confidential and must be treated as such. It must be disclosed only to its auditor, officers, employees and the housing provider’s board of directors, as the case may be, for the purpose of making application for rental assistance or administering the FCHI-2 program.

All information gathered must be made available to any legitimate authorities that so request, including as an example CMHC or CMHC’s representatives.

6. TRANSITIONAL FUNDING

6.1 Eligibility

Transitional funding is reserved for housing providers experiencing difficulty in transitioning to the new program model. Priority is given to housing providers whose financial viability is most at risk if no additional temporary funding for operating expenses is provided during the transition period to FCHI-2.

Transitional funding is provided in addition to the rental assistance component. It is provided only once, for a period of up to twenty-four (24) months from the effective date of the FCHI-2 agreement. For this period, groups will receive funding from both streams simultaneously. Once the transitional funding period is completed, the housing provider will continue to receive rental assistance until the end of the FCHI-2 agreement.

The housing provider can request transitional funding only once per account or phase if under a multi-phase agreement with CMHC. If there is more than one phase, the housing provider will receive an invitation to apply each year an eligible agreement expires.

A CMHC representative will be assigned to each of these groups. This person will discuss with the housing provider about measures to help attain financial sustainability beyond the twenty-four (24) month period of transitional financing.

6.2 Eligible costs

The eligible expenses are operating expenses, such as expenses for maintenance, utilities, insurance, legal fees as well as expenses related to special operational needs of housing providers. Other expenses, such as fees for consulting services and professional fees, may be eligible.

This list is not exhaustive and other operating expenses may be considered, at the sole discretion of CMHC.

6.3 Non-eligible costs

FCHI-2 transitional funding is one-time funding that aims to help housing providers cover their operating costs as they transition from their previous federal agreements to the new FCHI-2 rental assistance model. It is not intended for capital funding purposes. As such, expenses relating to development or renovation projects, such as construction and renovation costs and the contributions to the replacement reserve are not eligible. In addition, advances or deposits paid to consultants or professionals for work to be performed in the future are not eligible, nor are expenses related to advertising, promotion or fundraising.

The list is not exhaustive and other types of expenses, at CMHC's sole discretion, may not be considered.

6.4 File analysis

The analysis process for transitional funding is completed in conjunction with the review of the annex submitted in the enrolment process for the rental assistance of FCHI-2. First, the amount of rental assistance is calculated (Section 4). Then, if it is determined that there are additional financial needs, then an amount of transitional funding may be offered.

The transitional funding amount provided is determined on a case-by-case basis depending on the needs of the housing provider. This need is assessed based on a review of financial history, the most recent budget and benchmarks for certain standardized costs. The funding amount is also dependent of available budget.

An example of a standardized cost is the maintenance expense. Expenditures significantly above the standard amount are often due to expenses incorrectly being charged to the maintenance budget when they are in fact replacement reserve expenses. On the other hand, expenditures that are significantly below the standard may affect the longevity of a project. It is also essential for analyses to be conducted fairly amongst housing providers, and the benchmarked expenses allow for this.

If the initial analysis leads to the conclusion that operating deficits are likely, despite the provision of rental assistance, CMHC will ask the housing provider to submit a budget for the current fiscal year and a triennial budget, for a more in-depth file analysis. The triennial budget is a forecast of the organization's revenues and expenses covering the period covered by the transitional funding. This exercise will encourage planning to ensure sustainability of the housing project beyond the twenty-four (24) month period covered by the transitional funding. The triennial budget also makes it possible to assess the eligibility of certain expenses, and to confirm the amount of funding.

Other documents such as the most recent tax bills, insurance invoices or even explanations of unconventional operating expenses could also be requested to support the file.

6.5 Duration of funding

Transitional funding provides assistance, for a period of up to twenty-four (24) months following the transition date to the FCHI-2 program.

However, at CMHC's sole discretion and on a case-by-case basis, there may be exceptions if a housing provider continues to experience significant difficulty beyond the twenty-four (24) month period.

6.6 Transitional funding amount

There is no set maximum per housing provider. The frequency of payments is determined by CMHC following the analysis of the housing provider's needs. Payments can be annual or in a single lump sum. The housing provider may request that the payments be made monthly if they feel they will benefit from them.

If the housing provider is eligible for both FCHI-2 streams, rental assistance as well as transitional funding will be confirmed in the same FCHI-2 agreement.

6.7 Other obligations

As part of the transitional funding, the housing provider must provide CMHC or its representative with its annual budget, four (4) months before the start of its new fiscal year. Also, if their financial situation has changed, the housing provider can request an adjustment to their transitional funding amount. Requests for additional funding will be assessed based on needs and funds available to the FCHI-2 program.

6.8 Annual reconciliation of Transitional funding

From the first year in which the housing provider receives transitional funding, the auditor must enter the amount received in the revenues and in the Notes of the Financial statements, for follow-up.

Although the transitional funding offer is made for twenty-four (24) months, this funding is reconciled annually. Thus, the amount of any transitional funding surplus in the first year will be carried over to the second year. If the housing provider has a transitional funding surplus after the twenty-four (24) month period, CMHC will request a refund. On the other hand, if the housing provider has a deficit for this period, depending on its needs and the FCHI-2 budget, the transitional funding amount could be revised to cover the accumulated deficit.

However, this deficit may be reviewed to ensure that only eligible expenses for the program are considered. CMHC will analyze the operating results of the housing providers against the FCHI-2 criteria to determine whether a portion of the transitional funding should be returned to CMHC or whether the amount should be increased to fill a gap.

7. ACTION PLAN

7.1 Frequency and approval

The action plan is required throughout the term of the FCHI-2 agreement. Each housing provider who signs an agreement under FCHI-2 must submit a three (3) year action plan within twelve (12) months following the effective date of the agreement. The action plans must be updated every three (3) years, four (4) months before the expiration of the action plan in effect. Housing providers who join within three (3) years of the end of the program must submit an action plan for the period remaining in the program.

An action plan template is available on the FCHI website which will capture the goals and associated milestones. It also tracks progress and provides annual updates.

After receiving the action plan, CMHC or its representative will review the proposed action plan and will contact the housing provider if there are questions or concerns with the submitted plan.

Housing providers are expected to participate actively and in good faith to support strengthening the community housing sector by improving their own long-term operational practices. While the funding under the FCHI-2 agreement is not conditional to the progress demonstrated in the action plan, it is required that the action plan be kept up-to-date throughout the term of the FCHI-2 agreement by reporting annually on the achievement of the milestones, to allow CMHC or its representative to review progress. More details on the annual review are described in section 7.3.

The progress made throughout the agreement will help achieve the program's overall objectives of strengthening and stabilizing community housing and increasing the operational efficiency of housing providers. This provides an opportunity for housing providers to maximize the use of the resources made available to them, for example, CMHC's National Housing Strategy programs and access to services and funds from the Community Housing Transformation Center.

7.2 Content of action plan

The action plan must demonstrate how the housing provider will progress and strengthen its practices in relation to the four areas described below:

1. Governance

Governance refers to the oversight provided by a housing provider's board of directors with the aim of ensuring that the organization remains economically viable and achieves its social mission. A housing provider is well governed when its board fulfils its fiduciary duties, operates in a transparent and accountable manner and sees to it that effective management is in place.

This can include such things as effective decision-making practices, prudent and efficient management of resources and regular updates to procedures (non-exhaustive list).

2. Social inclusion

Social inclusion refers to process of improving the terms on which individuals and groups engage in the community improving the ability, opportunity, and dignity of those disadvantaged on the basis of their identity. It is a situation in which individuals have the resources and opportunities to be involved in society to an extent that is satisfactory to them. Working towards social inclusion means finding and using measures to reduce barriers that restrict the resources and opportunities of disadvantaged groups.

This can include barrier-free design, inclusivity to vulnerable groups, mixed income/tenure models and a dynamic community life (non-exhaustive list).

3. Financial viability

Financial viability refers to the ability for the housing provider to generate sufficient income to meet its operating expenses and debt commitments and saving for future capital needs to maintain housing in good condition.

This can include activities such as adequate rent revenues and financial planning and operating cost control (non-exhaustive list).

4. Asset management

Asset management refers to the sound practices in place to manage the assets from which the Housing Provider derives its income

This can include activities such as member or tenant relations, budgeting, rent setting, filling units in the property, collecting rents and other income, systematic building condition assessments and maintenance programs to ensure units conform to minimum health and safety standards and that the housing units and project are in a satisfactory state of repair; planning for and carrying out capital repairs and replacements; and protecting the Housing Provider's assets against financial loss (non-exhaustive list).

The action plan does not need to cover all these aspects of the management of a community housing provider. Its content would be heavily based on where gaps have been identified.

7.3 Annual review

The achievement of the action plan's milestones will be reviewed annually by CMHC or its representative. The housing provider must submit the results of its achievement of its milestones in an annual report filed at the same time as its financial statements. A template for this annual reporting is available on the FCHI website.

If an action plan objective is not achieved, the housing provider must identify the corrective action to be taken and the time needed to achieve the objective.

Following the review of the annual financial statements and progress on action plan annual milestones, CMHC or its representative could send recommendations to add or modify objectives identified in the action plan.

