

Section 95 Program (1979–1985)

Program Objectives

- to provide modest, affordable housing appropriate to the needs of low- and moderate-income families and individuals
- to produce housing at minimum cost by implementing appropriate cost controls
- to encourage approved lenders to provide capital for low- and moderate-income households.

Program Features

- unilateral federal program
- income-mixing
- 100 per cent financing for eligible costs provided through CMHC-insured loan from NHA-approved lender (CMHC has been providing direct loans, insured by the MIF, on maturity of these loans)
- short-term (typically five-year) renewable mortgage loan at market interest rate; maximum 35-year amortization period
- annual federal assistance equal to difference between cost of amortizing 100 per cent of approved capital cost of co-op's shelter component at approved mortgage interest rate and amortization cost at a rate of two per cent assistance payable for 35 years
- assistance initially used for two purposes:
 - predetermined assistance to bridge gap between co-op's economic rent (actual debt service and operating costs) and its revenue potential at low-end-of-market rent
 - income-tested assistance to bridge gap between co-op's full occupancy charge and reduced charges based on households' incomes (incomes verified annually, for assisted households only)
- predetermined assistance reduced at rate that increases share of co-op debt service paid from co-operative's own resources by five per cent annually, compounded
- reduction in predetermined assistance added to pool of income-tested assistance
income-tested assistance unused by year end may be reserved, provided co-op is not in receipt of continuing provincial or municipal assistance; when reserve exceeds \$500 per unit plus interest, excess must be returned to CMHC
- at least 15 per cent of households must be subsidized, provided sufficient income-tested assistance is available.

CMHC Authority under Co-op Operating Agreement

- right to change Graduated Occupancy Charge Scale for households paying less than regular occupancy charge
- right to define income
- right to inspect co-op's books and records at any reasonable time

- right to approve annual replacement reserve contribution and maximum level of reserve, in consultation with co-op
- right to designate additional eligible replacement reserve expenditures not listed in agreement
- right to designate form of Annual Project Data Report (APDR)
- right to request, for statistical purposes, explanations of information contained in APDR
- right to inspect property
- right to suspend or terminate assistance in event of breach of agreement
- right to be informed when co-op enters into a contract for management, other than an employment contract
- discretionary right to approve allocation of vacant units to non-income-tested occupants if co-op is not meeting minimum 15 per cent low-income households requirement
- CMHC approval required for investment of replacement reserve funds and surplus subsidy funds outside of eligible investments listed in agreement
- co-op may not mortgage or encumber property without CMHC's approval
- co-op may not sell or otherwise dispose of all or part of property without CMHC's approval
- co-op may not lend or give away funds or guarantee obligations of a third party without CMHC's approval (restriction does not apply to member capital)
- CMHC approval of co-op auditor required, other than for auditor with recognized accreditation
- CMHC approval required for changes to incorporation documents that would change co-op's non-profit status.

Accountability Framework

- operating agreement
- annual audited financial statement and information return
- co-op auditor verifies funding of reserves and compliance with agreement and requirements re: administration of income-tested assistance
- co-op fully responsible for operating results.