

# 4.1.

## HOUSING SUBSIDY PROGRAMS (SERVICE DE LA MISE EN VALEUR DU TERRITOIRE)

June 27, 2017



## AUDIT SUMMARY

### PURPOSE

Evaluate to what extent housing subsidies:

- are being objectively awarded to applicants;
- are subject to rigorous monitoring in their compliance with the conditions set out in the applicable by-laws; and
- meet the priorities of the municipal administration.

### RESULTS

In addition to these results, we have made various recommendations to the business units.

The details of these recommendations and our conclusions are outlined in our audit report, which is presented in the following pages.

Note that the business units have had the opportunity to formulate their comments, which appear after the audit report recommendations.

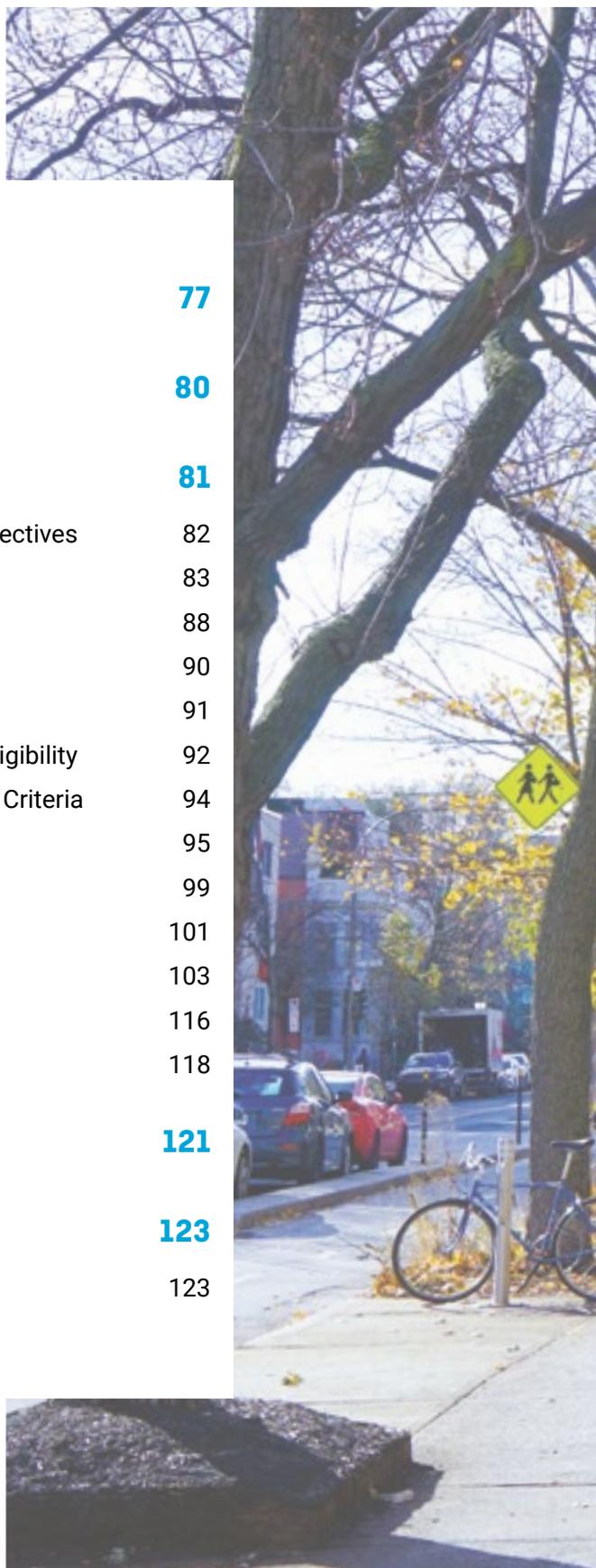
We believe that the Service de la mise en valeur du territoire must justify the results achieved for each of the Subsidy programs in terms of the municipal administration's priorities. This is an opportune time to carry out such an evaluation as the Government of Québec has confirmed the transfer of responsibilities on housing matters and their related budgets in the *Act to increase the autonomy and powers of the Ville de Montréal, the metropolis of Québec*, approved in September 2017.

In our opinion, managing these programs will require a number of improvements with respect to the key findings below.

- Targets originating from the municipal administration's priorities regarding the Plan to Keep Families in Montréal have not been reviewed since they were approved by the Executive Committee in 2014;
- The objectives of the subsidy programs are not defined in measurable terms;
- Rigorous follow-up regarding the receipt of documents required from applicants for the analysis of files has not been demonstrated;
- Compliance with the eligibility criteria following the analysis of applications and compliance with the conditions set out in the by-laws before the granting of subsidies have not been clearly demonstrated;
- The processing times for subsidy applications are not being analyzed;
- The current method for budget monitoring of subsidy programs in the city's accounting system does not take into account the commitment of subsidies when they are approved;
- Current accountability mechanisms do not allow for the provision of all relevant information on subsidy programs with respect to their allotted budgets and the results reached in order to make informed decisions.

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## LIST OF ACRONYMS

**MEC**

Maximum Eligible Cost

**RIRE**

Répertoire informatisé des rues et  
des emplacements

**RQP**

Renovation Québec Program

**SDSR**

Système des demandes  
de subvention à la rénovation

**SHQ**

Société d'habitation du Québec

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(SERVICE DE LA MISE EN VALEUR DU TERRITOIRE)

## 1. BACKGROUND

The Société d'habitation du Québec (SHQ) is responsible for housing in Québec. The SHQ contributes, through its actions, to the well-being of citizens by providing suitable housing conditions based on their financial resources and needs. To carry out its mission, the SHQ specifically promotes the development and implementation of programs for the construction, acquisition, development, restoration and administration of housing with the municipalities, including the Ville de Montréal (the city).

In 2001, the SHQ announced a significant acceleration of investment in housing, by creating several new framework programs for cost-sharing with municipalities, including the Renovation Québec Program (RQP). To achieve this goal, an agreement went into force in 2003, specifying the responsibilities of the city and the SHQ. This agreement helped the city develop its own version of the RQP. Further to the agreement, city council adopted a series of six (6) municipal by-laws aiming to pave the way, each in a specific area of intervention, for the granting of housing subsidies for the following programs:

- Stabilization of Residential Building Foundations;
- Minor Residential Renovation;
- Housing construction and conversion and demolition-reconstruction of non-residential buildings for housing purposes;
- Demolition of Accessory Buildings;
- Residential Renovation and Demolition-Reconstruction;
- Home Ownership.

Through its financial assistance programs, the SHQ also promotes the building of social and community housing for low- and moderate-income households, and for people with specific housing needs. To continue this mission, other agreements between the city and the SHQ were signed from 2002 to 2004, specifying the responsibilities of each party in managing the following government programs:

- AccèsLogis;
- Home Adaptation for Senior Citizens (HASC);
- Program for Residences Damaged by Pyrrhotite;
- Shelter Enhancement Program (SEP);
- Home Adaptation (HAP);
- Logement abordable Québec – Social and community housing;
- Logement abordable Québec – Private housing.

Some agreements provide that the city act as an agent of the SHQ, others that investments be made using cost-sharing. As for the AccèsLogis program, the Government of Québec

has decreed the granting of additional subsidies directly through the RQP. These subsidies, designated as the "AccèsLogis bonus" for the purposes of this audit report, were shared between the two parties.

In 2008, when retention of families became an important issue for the city's vitality and its demographic balance, city council adopted a family policy. The municipal administration at the time was committed to launching a number of actions in the housing sector, including the adoption of a new by-law establishing a subsidies program to aid residential projects intended for families, to be integrated into the RQP. In 2010, other measures were also announced by the Executive Committee, including an additional contribution by the city to the RQP for the Home Ownership program (refund of the "welcome" tax). Also, in October 2012, the municipal council made a declaration aimed at strengthening and implementing measures intended to keep families in Montréal. In August 2013, the Executive Committee approved the 2014-2017 Plan to Keep Families in Montréal, which should continue the actions undertaken over the last few years.

In 2014, the Government of Québec announced in tabling its 2014-2015 budget that it no longer planned to provide funding to the RQP for any new commitments. It nevertheless pointed out that the amounts required to fulfil previous commitments were in fact planned for in the budget. In August 2014, the municipal administration announced its intention to relaunch subsidy programs on its own, using the entire amount that had been set aside by the city within the framework of the RQP in order to meet municipal priorities. The amounts of the RQP subsidies were revised downwards. The city also made known its intention to maintain its contribution to the AccèsLogis bonus.

Thus, in October 2014, city council adopted five new by-laws creating more municipal programs for financial assistance and housing. These new programs, modelled on the preceding ones, are now entirely funded by the city. The programs are as follows:

- **Urban Housing for Families program** (*By-law establishing a subsidy program for the development of projects intended for families [by-law 14-034, previously 08-034]*);
- **Home Ownership program** (*By-law concerning municipal subsidies for home ownership [by-law 14-035, previously 03-168]*);
- **Major Residential Renovation program** (*By-law concerning municipal subsidies for residential renovation and demolition-reconstruction [by-law 14-036, previously 03-013]*);
- **Renovation à la carte program** (*By-law concerning municipal subsidies for minor residential renovations [by-law 14-037, previously 03-006]*);
- **Stabilization of Residential Building Foundations program** (*By-law concerning municipal subsidies for the stabilization of foundations of residential buildings [by-law 14-038, previously 03-005]*).

As for the AccèsLogis bonus, this is not a specific subsidy program, but rather an additional municipal subsidy complementing the financial package for a social housing project that is eligible for the AccèsLogis program. It should be noted that this program provides that an eligible project receive a subsidy representing 65% of the Maximum Eligible Cost (MEC), made up of the basic subsidies from the SHQ (50% of the MEC) and the city (15% of the MEC). The budget required for these subsidies comes from the AccèsLogis program. Since 2002, some supported projects have benefited from an additional subsidy shared between the SHQ and the city, coming from the budget allocated to the RQP. Following the government's withdrawal from new RQP commitments, the city has announced its willingness to maintain its contribution, this being an AccèsLogis bonus. It consists of a maximum subsidy of 15%, calculated in relation to the basic SHQ and city subsidies. To take into account any changes made to budget availability, modifications have been made to the *By-law concerning subsidies for the development of non-profit cooperative housing* (by-law 02-102)<sup>1</sup>.

Following the withdrawal of the SHQ from the subsidy programs, the budget for housing subsidies dropped from \$26.3 million in 2013 to \$13.8 million in 2016. Excluding any disbursements related to previous RQP commitments, the amounts paid out to programs in 2016 were distributed as follows: Home Ownership (33%), Major Residential Renovation (10%), Renovation *à la carte* (32%), Stabilization of Residential Building Foundations (8%) and the AccèsLogis program, social housing bonus (17%).

Subsidy programs are managed by three divisions of the Direction de l'habitation within the Service de la mise en valeur du territoire. The AccèsLogis program falls under the responsibility of the Division du logement social et de l'adaptation de domicile. The Home Ownership program is under the responsibility of the Division du développement résidentiel. The other three programs – Major Residential Renovation, Renovation *à la carte* and Stabilization of Residential Building Foundations – report to the Division de l'amélioration de l'habitat.

When we undertook this audit mission, the Direction de l'habitation was reviewing whether its subsidy programs should be maintained in their present form. Also, on December 8, 2017, the Government tabled Bill no. 121: *An Act to increase the autonomy and powers of Ville de Montréal, the metropolis of Québec*, in the National Assembly of Québec with a view to its forthcoming adoption. A framework agreement on the commitments of the Government of Québec and the city to recognize the special status of the metropolis was nevertheless signed on December 8, 2016<sup>2</sup>.

This agreement includes a statement that the SHQ will transfer to the city the budgets and responsibility for housing development on its territory. The SHQ also undertook, as of April 1, 2017, to allow the city to manage the budgets provided for its territory based on criteria adapted to its situation and certain government guidelines, in particular the

<sup>1</sup> At the time of its adoption in December 2014 by city council and the Urban Agglomeration Council, the description (new program) was used to distinguish this by-law from the preceding one.

<sup>2</sup> "Réflexe Montréal" agreement.

objectives to be met with regard to implementing housing development programs for low- and moderate-income households. Another agreement was to have been signed on April 1, 2017 to agree to the transfer of responsibilities and amounts for housing programs. At the time of writing of this audit report, that agreement had not yet been signed, and consequently the amounts of the investments planned by Québec and by the city were not officially known. The city was still considering the amounts to be allocated, as well as the specific direction to be taken by the subsidy programs, namely maintaining, modifying or abandoning them.

## 2. PURPOSE AND SCOPE OF THE AUDIT

The purpose of this audit was to assess the extent to which housing subsidies:

- are being objectively awarded to applicants;
- are subject to rigorous monitoring in terms of compliance with the conditions set out in the applicable by-laws; and
- are making it possible to meet the priorities of the municipal administration.

To this end, we examined the objectives of the subsidy programs, the analysis of subsidy applications and calculations, compliance with the conditions set out in the by-laws, analysis of processing times, budget monitoring and accountability.

Our audit work focused on subsidy applications that were considered to be received<sup>3</sup>, after adoption of the five housing subsidy by-laws passed by city council on October 27, 2014:

- *By-law establishing a subsidy program for the development of projects intended for families (14-034);*
- *By-law concerning municipal subsidies for home ownership (14-035);*
- *By-law concerning municipal subsidies for residential renovation and demolition-reconstruction (14-036);*
- *By-law concerning municipal subsidies for minor residential renovations (14-037);*
- *By-law concerning municipal subsidies for the stabilization of foundations of residential buildings (14-038).*

For some aspects, data prior to October 27, 2014 were considered.

We also took into consideration the financial assistance given to the AccèsLogis bonus, since this is funded from the housing subsidy budget. Regarding the processing of these subsidy applications, we have only examined any analyses that supported the granting of these subsidies.

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<sup>3</sup> Applications approved after October 27, 2014, regardless of the date received.

Our work was carried out at the Direction de l'habitation. It was undertaken mainly between August and December 2016, but we also took into consideration information sent to us up to June 2017.

Our audit work consisted of interviewing personnel, examining various documents and conducting surveys that we considered appropriate in obtaining audit evidence. This audit is based on a review of the evaluation criteria presented in Appendix 5.1.

Upon completion of our work, we presented a draft audit report for discussion purposes to the appropriate staff of the Service de la mise en valeur du territoire (Direction de l'habitation) and the Service des finances (Direction du conseil et du soutien financier). Subsequently, the final audit report was forwarded to the Direction générale and to the Service de la mise en valeur du territoire to obtain an action plan and a timeline for its implementation. A copy of the final report was also sent to the Direction générale adjointe, Services institutionnels, responsible for housing.

### 3. AUDIT RESULTS

In the following sections, we will first address the municipal administration's housing priorities and the objectives of the subsidy programs. Then we will address the processing of subsidy applications, budget monitoring and accountability.

- **Urban Housing for Families program** (*By-law establishing a subsidy program for the development of projects intended for families* [by-law 14-034, previously 08-034]):
  - This program aims to support the construction of properties suitable for the needs of families that appreciate and seek an urban lifestyle. It is intended for developers who develop projects that include the construction of housing that meets the needs of these families. Financial assistance of \$10,000 or \$12,500, depending on the type of construction per family dwelling, up to a maximum of \$375,000 per project is available.
  - It is now in force in certain areas of the city as part of the inclusion projects, in conjunction with the Strategy for the Inclusion of Affordable Housing in New Residential Projects of at least 200 dwelling units, of which a minimum of 15% are reserved for social and affordable housing.
- **Home Ownership program** (*By-law concerning municipal subsidies for home ownership* [by-law 14-035, previously 03-168]):
  - This program offers financial assistance to new buyers of certain types of residential units in the city who will occupy their dwelling as their principal residence:
    - › Buyers of a new residential property benefit from a lump sum payment (from \$2,250 to \$6,250) and a refund of the "welcome" tax;
    - › Families buying an existing residential building benefit from a refund of the "welcome" tax and facilitated access to major residential and renovation *à la carte* programs.

- The program offers financial assistance to experienced buyers of certain types of residential units in the city:
  - › Families benefit from a refund of the "welcome" tax.
- **Major Residential Renovation program** (*By-law concerning subsidies for residential renovation and demolition-reconstruction* [by-law 14-036, previously 03-013]):
  - This program relates to the renovation of an entire residential building.
  - It provides financial assistance to owners of residential buildings:
    - › To renovate any parts of their building requiring it;
    - › Financial assistance ranges from \$7,500 to \$47,625, depending on the type of dwelling unit<sup>4</sup>, up to a maximum of \$500,000 (\$750,000 for a non-profit organization [NPO]);
    - › Eligibility for the program is made easier for families.
- **Renovation à la carte program** (*By-law concerning municipal subsidies for minor residential renovations* [by-law 14-037, previously 03-006]):
  - This program offers owners financial assistance to renovate or replace certain exterior or interior components of their residential or mixed-use building.
  - It provides financial assistance from \$1,000 to \$11,250 per dwelling unit, up to a maximum of \$150,000 or 66% of the renovation cost (up to \$275,000 or 75% of the cost of the work for a non-profit organization [NPO]).
  - Eligibility for the program is made easier for families.
- **Stabilization of Residential Building Foundations program** (*By-law concerning municipal subsidies for the stabilization of foundations of residential buildings* [by-law 14-038, previously 03-005]):
  - The purpose of this program is to help homeowners cope with significant expenses caused by foundation instability problems in their primary residence due to ground subsidence.
  - It provides a maximum of \$19,500 in financial assistance.

### 3.1. MUNICIPAL ADMINISTRATION PRIORITIES AND SUBSIDY PROGRAM OBJECTIVES

Following the identification of housing needs in the city, areas of intervention must be prioritized and overall objectives established. One way to achieve these broad objectives is to set up subsidy programs. To assess the extent to which the granting of subsidies has

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<sup>4</sup> Could be a room in a rooming house, a studio apartment or a three-to-six room dwelling unit.

achieved the objectives, they must first be formulated in measurable terms and clearly defined over time. Also, realistic performance indicators and targets must be established to measure the achievement of results.

### 3.1.1. MUNICIPAL ADMINISTRATION PRIORITIES

#### 3.1.1.A. BACKGROUND AND FINDINGS

When the RQP was set up within its jurisdiction, the city had the following broad objectives:

- Work mainly in rundown neighbourhoods;
- Promote socio-economic mixing within neighbourhoods;
- Improve quality of life for residents;
- Maintain the residential housing stock in good condition;
- Consolidate the city's tax base;
- Support the implementation of a housing action plan.

To achieve these broad objectives, the Direction de l'habitation created subsidy programs starting in 2003. In the subsequent years, the municipal administration adopted certain housing priorities, such as the Strategy for the Inclusion of Affordable Housing in New Residential Projects, the Plan to Keep Families in Montréal and the Action Plan to Combat Unsanitary Housing. The subsidy programs already in place were expected to help address most of these priorities.

The Plan to Keep Families in Montréal, adopted by the Executive Committee in August 2013, stems from the family policy<sup>5</sup> whose objective was to keep families in Montréal throughout their residential journey. Over the 2014-2017 period, the Plan to Keep Families in Montréal has been based on a set of measures grouped around four intervention approaches, two of which involve the awarding of subsidies through programs that were the subject of our audit. Targets were established for these two areas:

- Approach 1: Influence the choice of a larger number of buyers:
  - Assistance when buying: 4,040 families (by-law 14-035);
  - Assistance when renovating: 2,200 families (by-laws 14-036 and 14-037).
- Approach 2: Stimulate construction of housing products that meet the needs of families:
  - Encourage the construction of some 1,750 three-bedroom dwelling units (by-laws 14-034, 14-036, 02-229, 02-002).

<sup>5</sup> Adopted by city council in 2008.

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To carry out this plan, the Direction de l'habitation estimated that a budget of \$136.4 million was needed, with nearly \$71 million coming from the SHQ and \$65.4 million from the city. When the plan was submitted, the Direction de l'habitation also stated that its implementation largely depended on the renewal of the two SHQ housing programs (RQP and AccèsLogis) and that abandoning or reducing these programs would necessitate a review of the Plan.

At the time of our audit work, the Plan to Keep Families in Montréal 2014-2017 was in its third year. Although the budget expected from the SHQ for carrying out the planned actions was not obtained, the targets initially set were not revised. We have nevertheless evaluated the extent to which these targets had been met between January 1, 2014 and December 31, 2016. Tables 1 and 2 present the results of the comparison.

**TABLE 1 – PLAN TO KEEP FAMILIES IN MONTRÉAL 2014-2017**  
**APPROACH 1 – INFLUENCE THE CHOICE OF A LARGER NUMBER OF BUYERS**

ASSISTANCE WHEN BUYING AND RENOVATING A PROPERTY	TARGET <sup>[A]</sup>	NUMBER OF FILES APPROVED				% OF TARGET MET
		2014	2015	2016	TOTAL	
<b>BUYING</b>						
<b>Family – 2 br.<sup>[B]</sup></b>	<b>1,400</b>	156	130	122	408	29%
<b>Family – 3 br.<sup>[B]</sup> Experienced buyer – 3 br.<sup>[C]</sup></b>	<b>1,380</b>	80	70	85	235	17%
<b>TOTAL – NEW PROPERTY</b>	<b>2,780</b>	236	200	207	643	23%
<b>Duplex, triplex<sup>[C]</sup></b>	<b>420</b>	126	142	254	522	124%
<b>Single-family home<sup>[C]</sup></b>	<b>840</b>	51	236	580	867	103%
<b>TOTAL – EXISTING PROPERTY</b>	<b>1,260</b>	<b>177</b>	<b>378</b>	<b>834</b>	<b>1,389</b>	<b>110%</b>
<b>TOTAL – PURCHASE (BY-LAW 14-035)</b>	<b>4,040</b>	<b>413</b>	<b>578</b>	<b>1,041</b>	<b>2,032</b>	<b>50%</b>
<b>RENOVATION</b>						
<b>Single-family home<sup>[D]</sup></b>	<b>895</b>	133	69	65	267	30%
<b>Family received buying assistance</b>	<b>1,305</b>	20	30	18	68	5%
<b>Total – Renovation (by-laws 14-036 and 14-037)</b>	<b>2,200</b>	<b>153</b>	<b>99</b>	<b>83</b>	<b>335</b>	<b>15%</b>
<b>TOTAL – APPROACH 1</b>	<b>6,240</b>	<b>566</b>	<b>677</b>	<b>1,124</b>	<b>2,367</b>	<b>38%</b>

[A] Data from a table appended to the decision-making summary submitted when the Plan to Keep Families in Montréal was approved.

[B] Subsidy consists of a lump sum and a refund of the "welcome" tax.

[C] Subsidy consists of a refund of the "welcome" tax.

[D] Data compiled between January 1, 2014 and June 30, 2016. Estimates are based on a survey to identify families. About 56% of beneficiaries responded to this survey. The data were extrapolated.

Note: The abbreviation "br." means "bedroom."

Source: Direction de l'habitation.

**TABLE 2 – PLAN TO KEEP FAMILIES IN MONTRÉAL 2014-2017**  
**APPROACH 2 – STIMULATE CONSTRUCTION OF HOUSING PRODUCTS**  
**THAT MEET THE NEEDS OF FAMILIES**

ASSISTANCE FOR CONSTRUCTION OF DWELLING UNITS	TARGET	NUMBER OF DWELLING UNITS FOR FILES APPROVED				% OF TARGET MET
		2014	2015	2016	TOTAL	
Urban Housing for Families program (by-law 14-034)	600	93	–	–	93	16%
Demolition-reconstruction of family dwellings <sup>[A]</sup> (by-law 14-036)	170	–	–	–	–	–%
Affordable Housing program – private <sup>[B]</sup> (by-law 02-229)	100	–	–	–	–	–%
AccèsLogis program, regular MEC adjustments (by-law 02-102)	875	89	57	60	206	24%
<b>TOTAL – APPROACH 2</b>	<b>1,745</b>	<b>182</b>	<b>57</b>	<b>60</b>	<b>299</b>	<b>17%</b>

[A] No applications have been received and approved since this program was introduced.

[B] This program has been inactive since 2006. Québec City's involvement was required to reactivate it.

Source: Direction de l'habitation.

For both approaches, note that the targets initially set were not met in the first three years; neither are they on track to be met for 2017.

Also, for approach 1, note that:

- Some 50% of the target of 4,040 families for assistance in purchasing has been reached overall. A review of the more detailed targets reveals that the Home Ownership program exceeded them for the "existing" component, with a result of 110%. However, this same program did not meet the targets for new home acquisition, with an achievement of just 23% of the planned target after the first three years.
- Some 15% of the target of 2,200 families that was set for renovation assistance has been achieved overall. The subsidies granted were primarily for the renovation of residential units for non-family clients. In fact, families seem to have benefited very little in terms of renovation assistance.

It should be noted that the statistics provided by the Direction de l'habitation on renovations to single-family homes were extrapolated from data derived from surveys of subsidy recipients. Since these results are estimates only, and to the extent that the municipal administration considers that the targets are still relevant in assessing the achievement of objectives, we are of the opinion that mechanisms must be put in place to obtain relevant and reliable data.

With respect to approach 2, the Plan to Keep Families in Montréal aimed to increase financial assistance for the construction of family dwellings (three bedrooms) through four programs, including two municipal programs (urban housing for families and major residential renovation) and two others to be carried out in partnership with the SHQ (Logement abordable Québec – private component and AccèsLogis regular MEC adjustments). After three years, we see that two of the programs have contributed to the results, but that the targets are far from being reached, with a result of 17%.

Such outcomes were to be expected following the withdrawal of the SHQ from the funding of the RQP subsidies program. In addition, although the city adopted new subsidy programs in 2014, the fact remains that the amount of subsidies awarded has been reduced compared to the old programs, making them less attractive to citizens or making projects more difficult to implement in the case of the AccèsLogis program. We believe that when the SHQ withdrew from the funding of the RQP, the targets set out in the Plan to Keep Families in Montréal were no longer realistic and either they or the timeline should have been revised. We used the Plan to Keep Families in Montréal as an example, but our observations would apply to any other municipal administration priority in the event of major changes to budget availability. Considering the results obtained, we are of the opinion that the Direction de l'habitation must revise its Plan to Keep Families in Montréal, propose new realistic targets and submit them to the authorities for approval.

## RECOMMENDATIONS

- |                 |  |
|-----------------|--|
| <b>3.1.1.B.</b> | <b>We recommend that the Service de la mise en valeur du territoire periodically review the targets established under municipal priorities, including the Plan to Keep Families in Montréal, and submit them to the authorities for approval to confirm the direction to be taken.</b> |
| <b>3.1.1.C.</b> | <b>We recommend that the Service de la mise en valeur du territoire put in place a mechanism to obtain reliable data in order to measure the achievement of established targets and to make informed decisions.</b>  |

## BUSINESS UNIT'S RESPONSES

### 3.1.1.B. **Service de la mise en valeur du territoire**

*[TRANSLATION] A 10-year strategic housing vision and a 5-year action plan are being developed. The action plan, which will be adopted by city council, will include SMART targets.*

*(Planned completion: September 2018)*

### 3.1.1.C. **Service de la mise en valeur du territoire**

*[TRANSLATION] As part of the program redesign that started in fall 2017, revision of data collection mechanisms. (Planned completion: June 2018)*

## 3.1.2. OBJECTIVES OF RESIDENTIAL SUBSIDY PROGRAMS

### 3.1.2.A. BACKGROUND AND FINDINGS

We mentioned in the previous section that subsidy programs were created to meet the broad housing objectives of the municipal administration. However, objectives must also be established for each individual subsidy program in order to periodically evaluate their effectiveness.

As part of our audit work, we identified the objectives of each subsidy program, as posted on the city website, to determine the extent to which they could be made accountable and their effectiveness periodically evaluated.

**TABLE 3 – OBJECTIVES OF THE HOUSING SUBSIDY PROGRAMS**

PROGRAM	GOALS
<b>Urban Housing for Families (by-law 14-034)</b>	<ul style="list-style-type: none"> <li>• Support the production of housing for families in projects of 200 dwelling units or more that subscribe to the Strategy for the Inclusion of Affordable Housing in New Residential Projects;</li> <li>• Act as an intervention tool in designated areas of the RQP and those subject to urban planning exercises (e.g., programmes particuliers d’urbanisme [PPU]) for which housing production objectives have been stated;</li> <li>• Also act as an intervention tool in development sectors resulting from the draft Montréal Development Plan.</li> </ul>
<b>Home Ownership (by-law 14-035)</b>	<ul style="list-style-type: none"> <li>• Help Montréal tenants access property within the city;</li> <li>• Indirectly encourage developers to build affordable properties, especially for families;</li> <li>• Improve the quality of life of households and encourage families to settle in Montréal, especially young families and those that are already homeowners looking for a larger property and wishing to stay in Montréal;</li> <li>• Increase the number of families that own and occupy existing two- or three-unit above-ground residential buildings to encourage better building maintenance and neighbourhood revitalization.</li> </ul>
<b>Major Residential Renovation (by-law 14-036)</b>	<ul style="list-style-type: none"> <li>• Mandatory restoration of all building components that require it;</li> <li>• Improve the quality of dwelling units;</li> <li>• Revitalize the most rundown areas of the city and tear down vacant buildings in poor condition in all neighbourhoods.</li> </ul>
<b>Renovation à la carte (by-law 14-037)</b>	<ul style="list-style-type: none"> <li>• Prevent the deterioration of buildings;</li> <li>• Encourage their modernization through selective renovation work, particularly in the most rundown areas;</li> <li>• Help families put down roots in Montréal;</li> <li>• Promote the use of energy-efficient products and materials;</li> <li>• Combat unsanitary housing;</li> <li>• Encourage modernization.</li> </ul>
<b>Stabilization of Residential Building Foundations (by-law 14-038)</b>	<ul style="list-style-type: none"> <li>• Help homeowners deal with significant expenses caused by problems of instability of the foundations of their principal residence related to ground subsidence.</li> </ul>

Source: City website.

As we can see, targets have been established for each of the existing subsidy programs. Some are linked to municipal priorities, such as the Plan to Keep Families in Montréal and the Action Plan to Combat Unsanitary Housing. With others (e.g., the Stabilization of Residential Building Foundations program), it is more difficult to align the targets with municipal priorities.

However, we note that the objectives are not formulated in measurable terms. Based on the information obtained, performance indicators and targets to determine the achievement of these objectives have not been established. This situation does not allow the Direction de l'habitation to assess the extent to which the amounts paid in subsidies are helping to achieve the set objectives and, consequently, the effectiveness of the programs.

## RECOMMENDATION

**3.1.2.B. We recommend that the Service de la mise en valeur du territoire reformulate the objectives pursued by each subsidy program in measurable terms, ensure that they are in line with the priorities established by the municipal administration and set targets accordingly so that their achievement and the effectiveness of the programs can be periodically evaluated.**

## BUSINESS UNIT'S RESPONSE

**3.1.2.B. *Service de la mise en valeur du territoire***

*[TRANSLATION] Renovation programs: As part of the redesign of programs that started in fall of 2017, in-depth revision of program objectives to ensure, in particular, that they are linked to the objectives of the Plan that we will table in 2018.*

**Home Ownership and Urban Housing for Families programs:**  
*The Home Ownership program is currently under review in line with the objectives of the administration and the Direction de l'habitation as part of its action plan. Targets are being planned. The Urban Housing for Families program must be reviewed in the context of the action plan of the Direction de l'habitation. (Planned completion: June 2018)*

## 3.2. PROCEDURE FOR PROCESSING SUBSIDY APPLICATIONS

In light of the adoption of the new subsidy programs in October 2014, we examined certain steps in the processing of applications, namely analysis of eligibility, calculation and payment of subsidies, subsequent monitoring of payment and processing times.

In our audit work, we reviewed 25 files for which a subsidy was approved after the new subsidy programs came into effect. The files examined break down as follows: Urban Housing for Families (0, since no applications were received at the time of our work),

Home Ownership (12), Major Residential Renovation (2), Renovation à *la carte* (5), Stabilization of Residential Building Foundations (5) and AccèsLogis bonus (1).

### 3.2.1. ANALYSIS OF SUBSIDY APPLICATIONS SUBMITTED

Clear eligibility criteria must be established and known to applicants when they file their applications. In order for the Direction de l'habitation to approve or refuse applications (as the case may be), mechanisms must be put in place to be able to judge, in a fair and transparent manner, whether they meet the eligibility criteria.

First, we noted that the subsidy programs reviewed were available on the city website and that each made reference to the corresponding official by-law. Each of the by-laws in force contains provisions specifying the scope of application and the eligibility criteria that apply to it. According to the by-law, the eligibility criteria generally cover the following:

- Applicant: their profile (owner-occupant, family, etc.);
- Building: location, use, typology, age, property value, purchase price, condition, etc.;
- Type of work eligible.

For all programs, applicants may submit requests for a subsidy in person to the Direction de l'habitation. Applications can also be mailed, faxed (Home Ownership and the Renovation à *la carte* programs) or emailed (Home Ownership program).

Applications for subsidies will differ depending on the program. For the Home Ownership program, applicants must complete a financial assistance request form. For the Renovation à *la carte* program, following the submission of a subsidy request, applicants must complete an evaluation form. However, in the case of the Major Residential Renovation and Stabilization of Residential Building Foundations programs, there is no initial form to be completed by the applicant. When a subsidy request is submitted, general information must be provided to permit administrative verification. Subsequently, the eligibility of the work to be done is established through a visit by an inspector or subsidy officer. For all programs, applicants must also append certain documents to their request to allow analysis of their eligibility.

Upon receipt, applications for financial assistance are recorded in the computerized Système des demandes de subvention à la rénovation (SDSR). Throughout the processing of an application, all interventions by personnel involved are entered, thus enabling a request to be followed up in real time. At the administrative verification stage, it is possible to validate, if necessary, certain information concerning the building covered by the application, using an interface of the RIRE application<sup>6</sup> (e.g., maximum property value, location, age) to determine eligibility.

<sup>6</sup> Répertoire informatisé des rues et des emplacements.

After this administrative verification, the analysis of the request's eligibility continues with a review of the documents obtained from the applicant and the inspections carried out, where required under the procedure (e.g., in the case of the Major Residential Renovation, Renovation *à la carte* and Stabilization of Residential Building Foundations programs).

Our audit work consisted in ensuring that the required documents had been obtained from the applicants and that they had been reviewed to assess their compliance with the eligibility criteria.

### 3.2.1.1. RECEIPT OF DOCUMENTS REQUIRED TO EVALUATE ELIGIBILITY

#### 3.2.1.1.A. BACKGROUND AND FINDINGS

As mentioned in the introduction, the by-laws governing subsidies set out the eligibility criteria, as well as a list of documents and reports to be submitted by the applicant. Regarding the latter, the Direction de l'habitation has provided, in its internal rules, deadlines for applicants to transmit the required information. Depending on the program, these deadlines vary. They range from 30 to 90 days for renovation programs (Major Residential Renovation, Renovation *à la carte* and Stabilization of Residential Building Foundations) and six months for the Home Ownership program. Depending on the procedure in place, a letter requesting missing documents for possible approval is sent to the applicant. This letter informs the applicant of the deadlines for submitting the information required to complete the analysis of the subsidy application, failing which the file will be closed without further notice.

In the course of our work, we found that, with the exception of one file reviewed, all documents requested from applicants had been received. The exception concerned a Major Residential Renovation program file that was missing some documentation. However, we found no evidence of a follow-up requesting the documents or indicating that they were not required. We are of the opinion that any follow-up to the receipt of required documents should be documented, for example, with the use of a checklist.

Although we tracked all the documents required in the subsidy files, we found that the Direction de l'habitation did not follow up specifically to ensure that the deadlines it had established and communicated to applicants were being met. In most cases, the date of receipt of documents was not indicated, making it impossible to gauge compliance with the established deadlines for submission. We noted, however, that the SDSR application makes it possible to track the time taken to receive documents, since the date of the letter sent to the applicant and the latest date for receiving the documents are recorded. On the other hand, we found that the Direction de l'habitation was prepared to extend the deadline in the case of the Major Residential Renovation, Renovation *à la carte* and Stabilization of Residential Building Foundations programs, since the timeline as recorded in the SDSR application was double that stated in the letter sent to the applicant.

According to the information obtained, it is common practice not to strictly apply the deadline that is communicated to applicants in order to keep a file open. The managers consider that the purpose of the files is home acquisition or the completion of renovation work, as the case may be, plus the payment of the subsidy. They also believe it is unproductive to have to close a file because the deadlines were not complied with and to open another one shortly thereafter, should the applicant re-apply.

We are of the opinion that setting rules and not following them sends a message to applicants that there is a lack of rigour on the part of the city. In addition, not following up on established deadlines increases the time required to complete projects for which a subsidy request is being made. We believe that for tracking purposes, the date of receipt should be stamped on all required documents. We also believe that rigour should be exercised with respect to meeting announced deadlines.

Insofar as the established rules are relevant to the management of file follow-up, we believe files should be reviewed so that they reflect the actual control being exercised.

## RECOMMENDATIONS

**3.2.1.1.B. We recommend that the Service de la mise en valeur du territoire take the necessary steps to document the follow-up after receipt of the required documentation under the housing subsidy by-laws, to demonstrate regulatory compliance.**

**3.2.1.1.C. We recommend that the Service de la mise en valeur du territoire take the necessary steps to follow up on the deadlines communicated to applicants regarding submission of the required documents, in order to demonstrate rigour in applying the rules governing the subsidy awarding process.**

## BUSINESS UNIT'S RESPONSES

**3.2.1.1.B. Service de la mise en valeur du territoire**  
*[TRANSLATION] Use of a seal (stamp) allowing the date to be entered manually on each document and the initials of the person who enters the date of receipt at the city and not at the Direction de l'habitation. A second stamp, signed by the manager, to certify regulatory compliance. (Planned completion: December 2017)*

**3.2.1.1.C. Service de la mise en valeur du territoire**  
*[TRANSLATION] The content of the various letters sent to applicants throughout the application process, as well as the content of the website, will be reviewed to clarify and highlight the various deadlines. (Planned completion: June 2018)*

### 3.2.1.2. EVIDENCE DEMONSTRATING ANALYSIS OF ELIGIBILITY CRITERIA

#### 3.2.1.2.A. BACKGROUND AND FINDINGS

Documents received from applicants must be analyzed to determine compliance with the eligibility criteria set out in the applicable by-laws. Determining their eligibility requires expertise in the matter and it is sometimes difficult for an uninitiated person to judge the merits of the application. The files must therefore demonstrate the evidence of such an analysis.

Under the current procedure, when a subsidy application is approved by the Direction de l'habitation (or delegated person), all the eligibility criteria set out in the program concerned have been met. However, our review of the files selected for all programs, including the AccèsLogis bonus, did not always offer evidence that those responsible for the files approved the documents received from applicants or the latest version of the work program<sup>7</sup> (in case of the Major Residential Renovation program), to determine the eligibility of the subsidy request. Also, in our audit work, we had to search the files for information demonstrating compliance with the eligibility criteria. We did not find any evidence that a person with authority made a decision on whether these criteria were being met. In fact, we had to infer that all the documents in the files met the program requirements and that the eligibility criteria had all been met. In conclusion, we did not find evidence that the documents had actually been studied prior to acceptance, or that this was the most up-to-date version, or that all eligibility criteria had been analyzed.

We are of the opinion that the use of a checklist containing each of the eligibility criteria, on which an authorized person has made a judgment, would demonstrate evidence of their analysis, which would facilitate the file review process by the manager responsible.

#### RECOMMENDATION

**3.2.1.2.B. We recommend that the Service de la mise en valeur du territoire make the necessary arrangements for personnel who are responsible for cases, to confirm the validity of the documents received by initialling and dating them, while formally determining whether the eligibility criteria have been met, in order to demonstrate that the eligibility analysis has been conducted.**

#### BUSINESS UNIT'S RESPONSE

**3.2.1.2.B. *Service de la mise en valeur du territoire***  
*[TRANSLATION] Systematize the practice of using a seal (stamp) certifying that the documents are valid.  
(Planned completion: December 2017)*

<sup>7</sup> Basis for establishing which work is eligible.

## 3.2.2. CALCULATION AND APPROVAL OF SUBSIDIES

### 3.2.2.A. BACKGROUND AND FINDINGS

The calculation of a subsidy must be done in accordance with the provisions laid down in the applicable by-laws. Control mechanisms must be in place to ensure the accuracy and the compliance of the resulting amount. When the subsidy application formalities are completed and the application has been reviewed to determine that the applicant and the home ownership or renovation project meet the requirements of the by-laws, the application is approved.

Within the Direction de l'habitation, subsidies are calculated using the SDSR application. Calculations are based on data that have already been set, as well as on the collection of data specific to each subsidy application. The main elements used to calculate the subsidies are presented in Table 4.

**TABLE 4 – HOUSING SUBSIDY PROGRAMS  
CRITERIA USED TO CALCULATE SUBSIDIES**

PROGRAM	BASIC SUBSIDY CALCULATION
<b>Home Ownership (by-law 14-035)</b>	The subsidy amount awarded is fixed and determined based on buyers' profiles.
<b>Major Residential Renovation (by-law 14-036)</b>	<p>The subsidy is calculated on the lesser of:</p> <ul style="list-style-type: none"> <li>• Total recognized cost: <ul style="list-style-type: none"> <li>– corresponding to the lesser of: <ul style="list-style-type: none"> <li>› the estimated cost of the work;</li> <li>› the price paid (bid); and</li> </ul> </li> </ul> </li> <li>• Maximum amount of eligible renovation work.</li> </ul>
<b>Renovation à la carte (by-law 14-037)</b>	<p>The subsidy calculation is the least of three amounts:</p> <ul style="list-style-type: none"> <li>• Percentage of eligible work costs;</li> <li>• Lump sum amount established per component;</li> <li>• Amount of assistance per dwelling unit within a range.</li> </ul>
<b>Stabilization of Residential Building Foundations (by-law 14-038)</b>	<p>The subsidy calculation is the least of three amounts:</p> <ul style="list-style-type: none"> <li>• Percentage of eligible work and related costs;</li> <li>• Maximum amount of the subsidy depending on the type of work (basic amount, amount granted per pile installed, amount per linear metre replaced);</li> <li>• Maximum subsidy amount for a building, net of previous subsidies in this program.</li> </ul>
<b>AccèsLogis bonus (by-law 02-102)</b>	<p>Maximum of 15% of the total of:</p> <ul style="list-style-type: none"> <li>• the global subsidy from the SHQ:<sup>[A]</sup> <ul style="list-style-type: none"> <li>– 50% of MEC; and</li> </ul> </li> <li>• the basic municipal subsidy:<sup>[A]</sup> <ul style="list-style-type: none"> <li>– 15% of MEC</li> </ul> </li> </ul>

[A] Basic subsidy of the AccèsLogis program.

Source: City website.

As part of our audit, we first ensured in the files examined that the amount of the authorized subsidies complied with the provisions of the by-laws. We also looked for evidence that control mechanisms were in place to ensure the accuracy and compliance of the subsidy calculation.

First, our work showed that in all the files examined, the calculation of subsidies complied with the provisions of the by-laws.

However, beyond the accuracy of the subsidy calculation, the data used to establish each component must be reliable. In the case of the Major Residential Renovation program, we questioned the reliability of the fair value of the work recognized by the Direction de l'habitation (or delegated person), since the unit costs used are based on the 2011 market. Although such a situation did not have any consequences in the two cases examined, since the calculation of the subsidy was limited to the maximum amount of eligible costs, we are of the opinion that the value used to establish the calculation of a subsidy must be updated to be representative of the market.

Second, as far as control mechanisms are concerned, they must deal with factors that could be a source of interpretation or error.

According to the procedure described to us, control mechanisms involve reviewing the file and the signing of an explanatory note by a designated manager<sup>8</sup>. The explanatory note is prepared by the file manager and recorded in the SDRS application. It mainly includes a summary of the main information about the building, the owner, the property value, the cost of the work and the calculation of the subsidy. It may be modified throughout the review of the subsidy request, as long as the type and amount of eligible work and the calculation of the subsidy are not final. The manager responsible must therefore place their signature on the final version of the explanatory note, signed by the person in charge of the file, by way of verification. According to the information obtained, at the time of this signature, the designated manager reviews certain elements of the file on a test basis. Thereafter, the Direction de l'habitation (or delegated person) notifies the applicant that their subsidy has been provisionally approved or denied, by means of a written notice.

In our audit work, we expected to find at least some evidence in the explanatory note that the latest version had been reviewed, since it results from the file manager's analysis of the subsidy application, and also since its approval by the Direction de l'habitation (or delegated person) leads to a commitment of the subsidy allocation. However, while the explanatory note is signed by the manager responsible, in reviewing the file we were not always able to find evidence of a file review to be sure that the calculation of the subsidies was compliant. In some files, we found some indications of a review only in the draft versions of the explanatory note, but not in the final version. Failure to demonstrate the application of a control mechanism suggests that it indeed may not have been applied and that

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<sup>8</sup> In the case of the Home Ownership program, the review is conducted by a designated person, other than a manager.

errors may not have been detected. We are of the opinion that files must show evidence of verification supporting the signature of the designated manager.

In addition, since the Direction de l'habitation (or delegated person) relies on this verification to approve the decision to grant the subsidy and commit the budget allocations<sup>9</sup>, we also believe that, for greater transparency, the manager should demonstrate the nature of their verification.

## RECOMMENDATIONS

**3.2.2.B.** We recommend that the Service de la mise en valeur du territoire put in place mechanisms to use up-to-date unit costs to establish the cost estimates of eligible work for the purposes of determining the subsidy amount from the Major Residential Renovation program in order to ensure a representative market value.

**3.2.2.C.** We recommend that the Service de la mise en valeur du territoire ensure that the persons responsible show evidence in the files that the subsidy calculation has been verified, in order to minimize the risk of errors occurring before the Direction de l'habitation approves the subsidy request.

## BUSINESS UNIT'S RESPONSES

**3.2.2.B.** *Service de la mise en valeur du territoire*  
[TRANSLATION] As part of program redesign that started in fall 2017, revision of these terms and conditions so that they are more representative of the market. (Planned completion: June 2018)

**3.2.2.C.** *Service de la mise en valeur du territoire*  
[TRANSLATION] In conjunction with element 3.2.1.1.B., the manager places his initials in the stamp space on each document, combined with a signature on the explanatory note (existing procedure). (Planned completion: December 2017)

<sup>9</sup> At the time of the approval from the Direction de l'habitation (or delegated person), the budget commitment is made in the SDSR request and not in the city's accounting system.

### 3.2.3. CONDITIONS FOR DISBURSING SUBSIDIES

#### 3.2.3.A. BACKGROUND AND FINDINGS

The payment of a subsidy<sup>10</sup> must be made when all the conditions in the relevant by-law have been met (e.g., time required to carry out the renovation work, receipt of documents or reports confirming compliance of the subsidized work, receipt of the notarial deed). Mechanisms must be put in place to ensure that these conditions have been met. Conversely, failure to comply with the conditions set in the by-law should delay or even cancel the payment of the subsidy. Oversight of the conditions should be documented.

In the course of our audit, we looked for evidence from the selected files that mechanisms were in place to ensure compliance with the conditions set out in the by-law, before the subsidy was paid.

Depending on the procedure in place, after approval of the subsidy application by the Direction de l'habitation (or delegated person), the file, in the case of the Major Residential Renovation, Renovation *à la carte* and Stabilization of Residential Building Foundations programs, is taken over by a subsidy officer of the Programme de subvention à la rénovation Section. Throughout the execution of the work, the officer is in contact with the applicant in order to receive the expected documents and to follow up on the work carried out, in particular by making site visits. When all the conditions set out in the by-law have been met, the manager responsible authorizes a request for a cheque to be issued.

As part of our audit work, we expected to find evidence that mechanisms had been put in place to ensure that subsidy conditions had been met. However, in reviewing the selected files we did not find evidence that all the conditions set out in the by-laws had been met. In the following paragraphs, we will make some observations.

For example, in several files reviewed that related to the Home Ownership, Renovation *à la carte* and Stabilization of Residential Building Foundations programs, although the documents meeting the conditions were generally found in those files reviewed, we did not find evidence that they had been received before the subsidies were disbursed. We also saw no evidence that they had been analyzed by the persons responsible. In such a situation, we are not in a position to say that all conditions had been met before the subsidies were disbursed. We believe that files should show evidence pertaining to the date on which the documents were received and evidence that they were analyzed prior to the payment of the subsidies.

<sup>10</sup> The subsidy is paid in one instalment for the Home Ownership, Renovation *à la carte* and Stabilization of Residential Building Foundations programs, but is paid in four instalments under the Major Residential Renovation program.

Our review of the selected files also revealed other situations where we had no evidence of compliance with the conditions set out in the by-laws prior to the payment of subsidies. For example:

- Major Residential Renovation program:
  - One of the conditions required by the by-law is the prior approval of any changes to the work originally authorized. Examination of one file did not provide us with evidence of prior approval, although the applicant was reminded of the condition in writing.
  - One of the conditions of the by-law is the receipt of an attestation from the contractor that the work is compliant with the building code. Another condition is that an attestation must be obtained from an engineer indicating that the work has been carried out in accordance with the plans and specifications. However, examination of one file did not provide us with evidence that these two conditions had been met.
- Renovation à la carte program: One of the conditions is that the work must be completed on time before the subsidy is paid. The by-law also provides that, at the owner's request, the Direction de l'habitation (or delegated person) may grant an extension. In reviewing the files, we were not able to find evidence that the completion time had been analyzed, since the date of work completion was not included in any of the documents reviewed. It should be noted that the by-law provides that, in the event of a failure to meet the deadline, the subsidy application and approval must be cancelled.
- Stabilization of Residential Building Foundations program: One of the applicants must be an owner-occupant at the time the subsidy is paid. Although this requirement was already verified when judging the eligibility of the application, we did not find evidence that the verification had been performed prior to the payment of the subsidy.

To correct the situation, we are of the opinion that the person in charge of the file should make a judgment on the compliance with the conditions set out in the subsidy by-law before the subsidy is paid.

## RECOMMENDATION

**3.2.3.B. We recommend that the Service de la mise en valeur du territoire put in place a control mechanism to ensure that the personnel responsible sign an attestation that all conditions set out in the by-laws have been met prior to the payment of subsidies to ensure compliance with laws and regulations.**

## BUSINESS UNIT'S RESPONSE

**3.2.3.B. *Service de la mise en valeur du territoire***

*[TRANSLATION] The signatures on the explanatory note of the person in charge and the manager already serve this purpose. We will add a sentence on the explanatory note making the attestation more visible. (Planned completion: December 2017)*

### **3.2.4. MONITORING OF COMPLIANCE WITH SPECIFIC CONDITIONS**

#### **3.2.4.A. BACKGROUND AND FINDINGS**

With some subsidy programs, applicants who have received a subsidy may have to meet certain conditions for a specified period in order to retain the right to the subsidy. The Home Ownership and Major Residential Renovation programs include such conditions. The beneficiary of a subsidy must undertake to comply with these conditions for the prescribed period. This commitment is recorded in the Québec Land Register so that any potential buyer can be aware of it.

In accordance with the applicable by-laws, failure to comply with these obligations results in reimbursement of the subsidy for the remaining period on a pro rata basis. To ensure that applicants abide by these obligations, there must be mechanisms in place to detect non-compliance.

In our audit work, we wanted to ensure that the Direction de l'habitation could count on the existence of such mechanisms. Table 5 presents the specific conditions of these two programs and the mechanisms that are in place to detect non-compliance.

**TABLE 5 – HOUSING SUBSIDY PROGRAMS  
 MECHANISMS IN PLACE TO DETECT NON-COMPLIANCE  
 WITH SPECIFIC CONDITIONS**

SPECIFIC CONDITIONS TO BE MET	MECHANISMS TO HELP DETECT NON-COMPLIANCE WITH COMMITMENTS
<b>HOME OWNERSHIP PROGRAM (BY-LAW 14-035)</b>	
<p>The beneficiary, or one of the beneficiaries, of a subsidy must remain the owner-occupant during the three years following the date of the notarial transaction, unless he or she has acquired another property on the territory of the city within a period of less than one month.</p>	<ul style="list-style-type: none"> <li>• A commitment signed by the beneficiary at the time of acquisition protects the Direction de l’habitation;</li> <li>• In the event of a sale of the subsidized unit, the acting notary has the professional responsibility to repay the portion of the subsidy calculated for the remaining period;</li> <li>• Mechanisms for detecting changes of address, using an interface between the Direction de l’habitation’s SDSR system and the RIRE application that is used to issue property tax bills.</li> </ul>
<p>In the case of a residential building, it must not be converted into divided co-ownership within three years of the subsidy being granted.</p>	<ul style="list-style-type: none"> <li>• A commitment signed by the beneficiary at the time of acquisition protects the Direction de l’habitation.</li> </ul>
<b>MAJOR RESIDENTIAL RENOVATION PROGRAM (BY-LAW 14-036)</b>	
<p>For a period of five years from the date of the last subsidy payment, the owner undertakes that the subsidized property will not change its type of occupancy.</p>	<ul style="list-style-type: none"> <li>• Mechanisms have not been put in place for all aspects foreseen in the Regulation.</li> </ul>
<p>The "landlord-occupant" agrees to continue occupying the premises for a period of three years from the date of the last payment of the subsidy.</p>	<ul style="list-style-type: none"> <li>• Proof of residency (control implemented during 2016).</li> </ul>
<p>The landlord agrees to comply with certain rent control measures after the work is completed.</p>	<ul style="list-style-type: none"> <li>• Proof of rent required (control implemented during 2016).</li> </ul>

Source: By-laws for the corresponding subsidy programs.

With regard to the Home Ownership program, we are of the opinion that the registration of the beneficiaries' commitment in the Québec Land Register, combined with the monitoring mechanisms already in place, will provide the Direction de l'habitation with a reasonable assurance of compliance with the specific conditions.

However, in the case of the Major Residential Renovation program, monitoring mechanisms have not been established to ensure compliance with one of the conditions. With regard to the other two specific conditions, mechanisms were put in place by the Direction de l'habitation. We believe, however, that simple enforcement mechanisms must be established for all special conditions in order to comply with the by-law pertaining to the subsidy.

### RECOMMENDATION

**3.2.4.B. We recommend that the Service de la mise en valeur du territoire implement simple enforcement mechanisms to ensure compliance with all specific conditions concerning the Major Residential Renovation program in order to comply with the provisions of the applicable by-law.**

### BUSINESS UNIT'S RESPONSE

**3.2.4.B. *Service de la mise en valeur du territoire***

*[TRANSLATION] As part of the program redesign that started in fall 2017, revision of methods related to the requirements and their appropriate monitoring mechanisms. (Planned completion: June 2018)*

## 3.2.5. TIME REQUIRED FOR PROCESSING SUBSIDY APPLICATIONS

### 3.2.5.A. BACKGROUND AND FINDINGS

Depending on the programs in effect, there are several stages in the processing of subsidy applications, from the receipt of an application to the final payment of the subsidy. In addition to Direction de l'habitation staff, several other personnel are involved in processing these applications, each contributing to the overall processing time. These are external parties (e.g., applicants, engineers, architects, contractors) or individuals from other business units (e.g., boroughs). Given the large number of subsidy applications and the processing time associated with the very nature of the programs and their requirements, effective tools must be available to enable the staff involved to monitor files on a daily basis. These tools should include periodic management reports on processing times, in order to assess the level of service provided.

As part of this audit, we wanted to know the extent to which subsidy applications were being processed within a reasonable timeframe.

Note that subsidy applications are processed using the SDSR application and that each step in the process, from the receipt of a request to the payment of the subsidy, is recorded along with the corresponding date. This SDSR application makes it possible to know on a daily basis the evolution of subsidy request files. Although the data is recorded and it is possible to calculate the timeframe between two stages of processing, management reports on such timeframes are not being regularly produced, which does not facilitate analysis and monitoring.

Regarding the current operations of the Direction de l'habitation, we have analyzed the processing times of subsidy requests based on data recorded in the SDSR application. We looked at active files between from July 14, 2014<sup>11</sup> to June 30, 2016. During this period, some 5,081 files were processed. As shown in Table 6, 49.2% (2,501/5,081) of files were closed with subsidies and 40.2% (2,041/5,081) of files were closed without subsidies. Also, as of June 30, 2016, 7.9% of files (402/5,081) were open and approved, and 2.7% of files (137/5,081) were open but not approved.

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<sup>11</sup> These were files that had been received, approved and closed with or without subsidies since July 14, 2014, the date on which the SHQ ended the RQP. All applications for financial assistance received before July 14, 2014, in accordance with the old subsidy programs and which had not been approved by that date, are deemed to have been received in conformity with the new programs.

**TABLE 6 – ACTIVE FILES FROM JULY 14, 2014 TO JUNE 30, 2016  
BASED ON PROGRAM AND BY-LAW**

PROGRAM	CLOSED WITH SUBSIDIES	CLOSED WITHOUT SUBSIDIES	OPEN APPROVED	OPEN NOT APPROVED	TOTAL	
					NO.	%
Urban Housing for Families (by-law 14-034)	1	4	4	–	9	0.2
Home Ownership (by-law 14-035)	1,649	474	191	32	2,346	46.2
Major Residential Renovation (by-law 14-036)	73	558	20	23	674	13.3
Renovation à la carte (by-law 14-037)	404	627	138	62	1,231	24.2
Stabilization of Residential Building Foundations (by-law 14-038)	354	377	33	19	783	15.4
AccèsLogis bonus (by-law 02-102)	20	1	16	1	38	0.7
<b>TOTAL</b>	<b>2,501 49.2%</b>	<b>2,041 40.2%</b>	<b>402 7.9%</b>	<b>137 2.7%</b>	<b>5,081</b>	<b>100.0</b>

Source: Extracted from the SDSR applications database.

In our analysis of processing times, we specifically examined closed applications, with and without subsidies. These two categories account for almost 90% of the files that were active during the reporting period.

### CLOSED APPLICATIONS WITH SUBSIDIES

For the reference period, we note that 2,501 files were closed following the payment of a subsidy. The average processing time for all the files, as shown in Table 7, was 375 days (a little over a year). Looking more specifically at each of the subsidy programs, we observe that two of them have an average processing time that is shorter than this average, namely the Home Ownership and the Stabilization of Residential Building Foundations programs (about nine months). We also observe that other subsidy programs have had longer than average processing times (20 to 77 months).

**TABLE 7 – ACTIVE FILES FROM JULY 14, 2014 TO JUNE 30, 2016  
OVERALL PROCESSING TIME FOR CLOSED FILES  
WITH SUBSIDIES**

PROGRAM	CLOSED FILES WITH SUBSIDIES		
	NUMBER OF FILES	AVERAGE OVERALL TIME – FROM APPLICATION TO FINAL DISBURSEMENT	
		DAYS	MONTHS
Urban Housing for Families (by-law 14-034)	1	2,318	77
Home Ownership (by-law 14-035)	1,649	299	9
Major Residential Renovation (by-law 14-036)	73	1,185	39
Renovation à la carte (by-law 14-037)	404	596	20
Stabilization of Residential Building Foundations (by-law 14-038)	354	278	9
AccèsLogis bonus (by-law 02-102)	20	841	27
<b>TOTAL</b>	<b>2,501</b>	<b>375</b>	<b>12</b>
<b>(% TIME REQUIRED FOR THE STEP)</b>		<b>100%</b>	

Source: Data extracted from SDSR applications.

As these are average processing times, we do understand that some files take less time and others more. To be able to make an informed judgement, it should also be understood that the home ownership and renovation programs do not have the same degree of complexity since the requirements and execution time of projects are different, depending on the program. In this respect, when the Direction de l'habitation makes its payment forecasts, it estimates that projects involving home acquisition and the stabilization of residential building foundations will in most cases be completed within a year. As for the Renovation à la carte projects, in almost all cases these should be completed within two years. Major residential renovation projects are expected to be completed within two to three years. Lastly, projects related to Urban Housing for Families and the AccèsLogis bonus should be completed within three years.

We therefore examined the age of the files for each of the programs in order to determine their allocations based on various time periods. The results are presented in Table 8.

**TABLE 8 – AGE OF ACTIVE FILES FROM JULY 14, 2014 TO JUNE 30, 2016  
CLOSED FILES WITH SUBSIDIES**

PROGRAM	0 TO 6 MONTHS		6 TO 12 MONTHS		1 TO 2 YEARS		2 TO 3 YEARS		3 YEARS AND OVER		TOTAL NUMBER OF FILES	
	NO.	%	NO.	%	NO.	%	NO.	%	NO.	%	NO.	%
Urban Housing for Families (by-law 14-034)	–	–	–	–	–	–	–	–	1	100.0	1	100.0
Home Ownership (by-law 14-035)	253	15.3	1,010	61.3	355	21.5	28	1.7	3	0.2	1,649	100.0
Major Residential Renovation (by-law 14-036)	–	–	1	1.4	16	21.9	22	30.1	34	46.6	73	100.0
Renovation à la carte (by-law 14-037)	9	2.2	84	20.8	211	52.2	73	18.1	27	6.7	404	100.0
Stabilization of Residential Building Foundations (by-law 14-038)	106	29.9	156	44.1	91	25.7	1	0.3	–	–	354	100.0
AccèsLogis bonus (by-law 02-102)	1	5.0	–	–	8	40.0	8	40.0	3	15.0	20	100.0
<b>TOTAL</b>	<b>369</b>	<b>14.7</b>	<b>1,251</b>	<b>50.0</b>	<b>681</b>	<b>27.3</b>	<b>132</b>	<b>5.3</b>	<b>68</b>	<b>2.7</b>	<b>2,501</b>	<b>100.0</b>

Source: Data extracted from SDSR applications.

Thus, we observe that approximately:

- 65% of files (1,620/2,501) were processed in less than one year. As estimated by the Direction de l'habitation, the vast majority of these files concern the programs of Home Ownership (78% [1,263/1,620]) and Stabilization of Residential Building Foundations (16% [262/1,620]);
- 27% of files (681/2,501) were processed within one to two years. These were mainly files from the programs of Home Ownership (52% [355/681]) and Renovation à la carte (31% [211/681]);
- 5% of files (132/2,501) were processed within two to three years. These were mainly files from the programs of Renovation à la carte (55% [73/132]), Home Ownership (21% [28/132]) and Major Residential Renovation (17% [22/132]);
- 3% of files (68/2,501) took over three years to be processed. These were mainly files from the programs of Major Residential Renovation (50% [34/68]) and Renovation à la carte (40% [27/68]).

We then compared these completion times with those expected by the Direction de l'habitation. The results are presented in Table 9.

**TABLE 9 – EVALUATION OF PERCENTAGE OF FILES EXCEEDING DIRECTION DE L’HABITATION TIMEFRAMES**

PROGRAM	DIRECTION DE L’HABITATION TIMEFRAME <sup>[A]</sup>	NUMBER OF FILES EXCEEDING TIMEFRAME (%)
Urban Housing for Families (by-law 14-034)	3 years	1 (100%)
Home Ownership (by-law 14-035)	1 year	386 (23%)
Major Residential Renovation (by-law 14-036)	3 years	34 (47%)
Renovation à la carte (by-law 14-037)	2 years	100 (25%)
Stabilization of Residential Building Foundations (by-law 14-038)	1 year	92 (26%)
AccèsLogis bonus (by-law 02-102)	3 years	3 (15%)
<b>TOTAL</b>		<b>616 (25%)</b>

[A] Based on estimate of payment period forecast by Direction de l’habitation.

Source: Data extracted from SDSR applications.

This analysis demonstrates that 25% (616/2,501) of home acquisition or renovation projects required a timeframe that exceeded expectations. This is explained in part by the suspension of the study of applications received between July and October 2014, the period during which the city needed to get new by-laws approved by city council, in order to be able to maintain the subsidy programs.

Also, in taking our analysis further, we split the average overall timeframe into two periods, the first being from when the subsidy application was received until it was approved by the Direction de l’habitation (or delegated person), and the second being from approval to final payment of the subsidy. Table 10 presents the average timeframes for these two periods. For all programs, results show that it took about six months until the applicant was informed that their subsidy application had been approved. It took six more months after approval for the applicant to receive the subsidy. Individually, we observe that the programs of Home Ownership and Stabilization of Residential Building Foundations show lower than average results, whereas the other programs show better than average results.

**TABLE 10 – ACTIVE FILES FROM JULY 14, 2014 TO JUNE 30, 2016  
PROCESSING TIMES FOR CLOSED FILES WITH  
SUBSIDIES**

PROGRAM	CLOSED FILES WITH SUBSIDIES						
	NUMBER OF FILES	AVERAGE TIME – FROM APPLICATION TO APPROVAL		AVERAGE TIME – FROM APPLICATION TO FINAL DISBURSEMENT		AVERAGE TIME – FROM APPLICATION TO FINAL DISBURSEMENT	
		DAYS	MONTHS	DAYS	MONTHS	DAYS	MONTHS
Urban Housing for Families (by-law 14-034)	1	351	12	1,967	65	2,318	77
Home Ownership (by-law 14-035)	1,649	171	5	128	4	299	9
Major Residential Renovation (by-law 14-036)	73	389	13	796	26	1,185	39
Renovation à la carte (by-law 14-037)	404	259	9	337	11	596	20
Stabilization of Residential Building Foundations (by-law 14-038)	354	167	5	111	4	278	9
AccèsLogis bonus (by-law 02-102)	20	44	1	797	26	841	27
<b>TOTAL</b>	<b>2,501</b>	<b>190</b>	<b>6</b>	<b>185</b>	<b>6</b>	<b>375</b>	<b>12</b>
<b>(% TIME REQUIRED FOR THE STEP)</b>		<b>51%</b>		<b>49%</b>		<b>100%</b>	

Source: Data extracted from SDRS applications.

We are not in a position to say whether the processing times of subsidy applications were reasonable or not. Overall, we believe that the results of each program should be compared with a benchmark to determine whether they are acceptable. For the purposes of this analysis of timeframes, the processing of applications should be divided into the main steps, which would help identify the areas needing improvement.

Examination of some selected files allowed us to observe two problems that impacted on the overall processing time:

- The first problem concerns the timeframe given to applicants for receiving documents, in order to complete the eligibility analysis or the work needing to be done before the subsidy is approved. This timeframe is not prescribed in the by-laws, but is more of an internal management rule of thumb. As we observed in section 3.2.1.1., there was no

rigorous monitoring of the timeframes required by the city. This not only has an impact on the overall timeframe, but also on the perception that the city is not complying with its own guidelines. We have made recommendation 3.2.1.1.C. on this subject.

- The second problem concerns the timeframe for issuing renovation permits required in the programs of Major Residential Renovation, Renovation *à la carte* and Stabilization of Residential Building Foundations. After the subsidy application is approved by the Direction de l'habitation (or delegated person), the Direction de l'habitation makes a request for a renovation permit from the borough concerned. Based on the information obtained, this procedure had been set up to make the applicant's task easier and to avoid having to deal with several intermediaries. Even though the Direction de l'habitation is not responsible for this delay, it still has an impact on the overall processing time. In the files examined, we noticed that the time it took for a renovation permit to be issued varied from one day to an entire year. Although we have no data on the average time taken to issue permits for all files closed with subsidies, we are of the opinion that this aspect should be examined when analyzing processing times for subsidy applications and that any problems identified should be reported to the Direction générale.

From another perspective, we understand that the Direction de l'habitation requests permits from the boroughs concerned in order to ensure a better service offer. However, after reading the by-laws in force for the programs of Major Residential Renovation, Renovation *à la carte* and Stabilization of Residential Building Foundations, we note that the timeframe allowed for execution of the work is calculated from the date of approval of the subsidy. We note also that this timeframe includes the time taken to issue the permit. However, considering that meeting the deadline for completing the work is one of the conditions required for payment of a subsidy, we believe that the time required to obtain a renovation permit could sometimes have a significant impact on the deadlines. We are of the opinion that to ensure fairness among applicants, the time allotted for completing the work should start from the later of two dates: approval of the subsidy or issuance of the permit. Should the subsidy program by-laws be amended, we think that the Direction de l'habitation should include this point among the changes to be made.

## **CLOSED APPLICATIONS WITHOUT SUBSIDIES (ABANDONED OR REJECTED)**

Our examination of active files between July 14, 2014 and June 30, 2016 showed that 40% (2,041/5,081) of the subsidy applications received did not result in a subsidy. Either the applicant abandoned their request or the Direction de l'habitation rejected it. This percentage seems high to us.

As part of our audit work, we first examined the age of all files that had been active during our reporting period and for which the subsidy application was either abandoned or rejected; then we sought to identify the reasons, to ensure that the decision was justified. To do this, we examined the status of a number of subsidy applications based on a sampling of 12 files involving the programs of Home Ownership, Major Residential Renovation,

Renovation *à la carte* and Stabilization of Residential Building Foundations. An analysis of these results is presented in Tables 11 and 12.

**TABLE 11 – AGE OF ACTIVE FILES FROM JULY 14, 2014 TO JUNE 30, 2016  
CLOSED FILES WITHOUT SUBSIDIES**

PROGRAM	0 TO 6 MONTHS		6 TO 12 MONTHS		1 TO 2 YEARS		2 TO 3 YEARS		3 YEARS AND OVER		TOTAL NUMBER OF FILES	
	NO.	%	NO.	%	NO.	%	NO.	%	NO.	%	NO.	%
Urban Housing for Families (by-law 14-034)	1	25.0	2	50.0	1	25.0	–	–	–	–	4	100.0
Home Ownership (by-law 14-035)	219	46.2	97	20.5	80	16.9	65	13.7	13	2.7	474	100.0
Major Residential Renovation (by-law 14-036)	330	59.1	157	28.1	63	11.3	8	1.5	–	–	558	100.0
Renovation <i>à la carte</i> (by-law 14-037)	254	40.5	148	23.6	178	28.4	35	5.6	12	1.9	627	100.0
Stabilization of Residential Building Foundations (by-law 14-038)	149	39.5	185	49.1	40	10.6	3	0.8	–	–	377	100.0
AccèsLogis bonus (by-law 02-102)	–	–	–	–	–	–	–	–	1	100.0	1	100.0
<b>TOTAL</b>	<b>953</b>	<b>46.7</b>	<b>589</b>	<b>28.9</b>	<b>362</b>	<b>17.7</b>	<b>111</b>	<b>5.4</b>	<b>26</b>	<b>1.3</b>	<b>2,041</b>	<b>100.0</b>

Source: Data extracted from SDSR applications.

Overall, the ages of the 2,041 subsidy applications that were either abandoned or rejected reveal that 47% of files (953/2,041) were closed in less than six months, 29% (589/2,041) between six months and one year, 18% (362/2,041) after one to two years, 5% (111/2,041) after two to three years, and 1% (26/2,041) after more than three years. The files closed after more than two years were mainly those from the Home Ownership program (57% [78/137]) and the Renovation *à la carte* program (34% [47/137]). We cannot understand why these files took so long to be rejected or abandoned.

Based on the surveys carried out, Table 12 presents the reasons for closing the selected files.

**TABLE 12 – REASONS FOR CLOSING FILES WITHOUT SUBSIDIES**

REASON	HOME OWNERSHIP	MAJOR RESIDENTIAL RENOVATION	RENOVATION À LA CARTE	STABILIZATION OF RESIDENTIAL BUILDING FOUNDATIONS	TOTAL
Applicant's withdrawal	–	–	1	–	1
Not eligible	1	2	–	1	4
Non-compliance with deadlines	2	1	2	2	7
<b>TOTAL</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>12</b>

Source: Data extracted from SDSR applications.

Our audit work revealed the following reasons for files being considered ineligible:

- The cost of property acquisition was too high for the requirements of the Home Ownership program.
- The inspector had not obtained the key to enter the building at the time of the inspection as part of the Major Residential Renovation program (when a subsidy had been requested);
- The renovation work had already been completed (in the case of applications to the programs of Major Residential Renovation or Stabilization of Residential Building Foundations).

In the case of files closed due to failure to meet the deadlines required by the Direction de l'habitation for receiving documents (to allow time to complete the analysis), our audit work reveals that the Direction de l'habitation's decision was justified.

As for the time taken to close files, our work was focused more on files that were closed due to non-compliance with deadlines. For seven of the files, the subsidy application process was aborted after the Direction de l'habitation had established their eligibility or pre-qualification. At this stage, applicants must meet certain requirements, including the payment of fees for examining the file, obtaining bids, powers of attorney, etc. In the case of applications for subsidies when purchasing a home, the deadline is six months. For the renovation programs (Major Residential Renovation, Renovation *à la carte* and Stabilization of Residential Building Foundations), the documents are required within 60 to 90 days during the pre-qualification or preparation stage of the work program.

In our work, we compared the time given to the applicant to send the required documents to the city with the date the file was closed. Table 13 shows the outcomes of seven files

examined based on their closing times, i.e., the number of days from the deadline that was communicated to the applicant following eligibility or pre-qualification, to the date the file was closed.

**TABLE 13 – APPLICATIONS ABANDONED OR REJECTED  
TIME FOR CLOSING FILES WITHOUT SUBSIDIES  
REASON: NON-COMPLIANCE WITH DEADLINES**

TIME TO CLOSING FROM DEADLINE COMMUNICATED TO APPLICANT FOR RECEIVING DOCUMENTS	TOTAL
0 to 90 days (0 to 3 months)	1
91 to 181 days (3 to 6 months)	3
182 to 365 days (6 to 12 months)	1
365 days or more (12 months or more)	2
<b>TOTAL</b>	<b>7</b>

Source: Files selected for examination by the Bureau du vérificateur général.

Our examination revealed that nearly all the files in our sample had been closed more than three months after the deadline given to the applicant. Two files were even closed after more than 365 days; these were two Home Ownership files, for which the completion times were 442 days (15 months) and 799 days (26 months).

These results confirm the situation we addressed earlier: there was no rigorous monitoring of the deadline for receiving documents so that the study of the application could be completed prior to approval. The lack of rigour in closing some files is resulting in files being kept open too long, which skews the data on processing times. This situation is also underlined by the results on the age of files, as presented in Table 11. We believe that prompt closing of subsidy request files in which applicants failed to follow the guidelines of the Direction de l'habitation would require rigorous monitoring and compliance with the agreed deadlines. Otherwise, the real number of active files being processed will be skewed. Also, such a practice can unduly influence the estimation of subsidy payments.

Furthermore, we observed that file follow-up was not uniform. The form or eligibility letter sent to the applicant at the eligibility or pre-qualification stage specifies that, in order for analysis of the file to continue, the applicant must submit all the documents listed, and do so within the prescribed time limit, "*failing which we assume that you have abandoned your project and we will close your file without further notice*".

However, with all the rejected subsidy applications in the renovation programs (Major Residential Renovation, Renovation à la carte and Stabilization of Residential Building Foundations), a letter advising that the file had been closed was sent to the applicant,

and this was done within three to five months after the deadline had been passed. More specifically with regard to the Major Residential Renovation file, while it had been clearly indicated in the pre-qualification inspection form that the file would be closed without further notice at the expiry of the agreed deadline, a reminder letter was nonetheless sent to the applicant six weeks after the deadline, setting another deadline of 60 days.

While the Direction de l'habitation's efforts are laudable in trying to grant the greatest number of subsidies possible, we believe that its approach should be reflected in the requirements it makes of applicants. For example, the Direction de l'habitation should look into the value of notifying the applicant that the file will be closed without notice, if that is not what is being practised. Moreover, sending a reminder to the applicant before closing the file is contrary to the process that we observed in section 3.2.1.1. for application files with subsidies, where reminder notices were not sent. With a view to ensuring that subsidy application files are monitored more rigorously, we believe that the processing of these files should be standardized with respect to whether a reminder letter is sent about the required documents.

## RECOMMENDATIONS

- 3.2.5.B.** We recommend that the Service de la mise en valeur du territoire analyze the processing times for subsidy applications for every housing subsidy program, based on reasonable set deadlines, and identify possible areas of improvement in order to evaluate the city's performance in allocating subsidies.
- 3.2.5.C.** We recommend that the Service de la mise en valeur du territoire promptly close all abandoned or rejected subsidy applications in order not to skew the number of active files to be processed or the estimates of subsidies to be paid.
- 3.2.5.D.** We recommend that the Service de la mise en valeur du territoire establish, if necessary, measurable objectives to reduce the processing times of subsidy applications in order to comply with reasonable set deadlines and thus improve the city's service offering.
- 3.2.5.E.** We recommend that the Service de la mise en valeur du territoire take the necessary measures to amend the current by-laws for housing subsidy programs, in order to take into consideration the date of issuance of a permit when calculating timeframes for work to be done, so as not to disadvantage applicants when they are demonstrating compliance with the conditions prior to the payment of subsidies.

## BUSINESS UNIT'S RESPONSES

### 3.2.5.B. **Service de la mise en valeur du territoire**

*[TRANSLATION] Renovation programs: As part of the program redesign that started in fall 2017, analyze subsidy files in order to identify:*

- 1. The nature and significance of various factors that are taken into consideration in the deadlines for processing applications;*
- 2. Target deadlines for processing financial assistance files;*
- 3. Areas of improvement to be integrated into the redesign of renovation financial assistance programs. (Planned completion: June 2018)*

**Home Ownership and Urban Housing for Families programs:**

*The redesign of the Home Ownership program, presented to the Executive Committee in September 2017, included mechanisms to accelerate the process of granting financial assistance. The by-law should enter into force on May 1, 2018. A program review is also planned for the Urban Housing for Families program. Currently this program, though in operation, has not received a single new application since 2014. (Planned completion: December 2017 [Home Ownership program]; June 2019 [Urban Housing for Families program])*

### 3.2.5.C. **Service de la mise en valeur du territoire**

*[TRANSLATION] Renovation programs: Review of practices (agreed deadlines) based on results of the analysis undertaken following recommendation 3.2.5.B. (Planned completion: June 2018)*

**Home Ownership and Urban Housing for Families programs:** *Actions were undertaken and inactive files are now closed on a regular basis. (Planned completion: September 2017)*

### 3.2.5.D. **Service de la mise en valeur du territoire**

*[TRANSLATION] Renovation programs: Review of practices (agreed deadlines) and setting of objectives based on results of the analysis undertaken following recommendation 3.2.5.B. (Planned completion: June 2018)*

**Home Ownership and Urban Housing for Families programs:**

*The redesign of the Home Ownership program currently under way includes mechanisms to accelerate the process of granting financial assistance. A program revision is also planned for the Urban Housing for Families program. Currently this program, though in operation, has not received a single new application since 2014. (Planned completion: September 2018)*

### **3.2.5.E. Service de la mise en valeur du territoire**

*[TRANSLATION] As part of the program redesign that started in fall 2017, revision of data collection mechanisms. (Planned completion: June 2018)*

## **3.3. BUDGET MONITORING**

### **3.3.A. BACKGROUND AND FINDINGS**

From 2014 to 2016, the Direction de l'habitation had an annual budget envelope of approximately \$11.5 million dedicated to the revitalization of central neighbourhoods, to be used in providing subsidies for the programs of Home Ownership, Major Residential Renovation, Renovation à la carte and Stabilization of Residential Building Foundations, as well as the AccèsLogis bonus.

First, we should note that the processing of housing subsidies involves the commitment of a certain sum when the amount of a provisional subsidy has been approved by the Direction de l'habitation (or delegated person). Subsidies are paid only when the acquisition of the property is completed or the renovation work is finished, and when all the conditions set out in the by-laws have been met. Under the current programs, the disbursement of subsidies can take one, two or even three years.

We should also note that the Direction de l'habitation uses the SDSR application to process subsidy requests (from receipt to final payment). All commitments and subsidy payments are recorded via this SDSR application. Although it is only an auxiliary application to the city's accounting system, the two systems do communicate with each other when issuing subsidy cheques.

In our audit, we wanted to examine how the budget envelope was distributed among the current subsidy programs. We also wanted to assess whether this budget allocation was in keeping with the city's priorities in housing policy (e.g., the Plan to Keep Families in Montréal). Lastly, we examined how this envelope was being used in the granting of subsidies.

Each year, when the budget envelope is being distributed among the subsidy programs, the Direction de l'habitation must first take into consideration any commitments made in previous years which, according to its forecasts, will need to be disbursed that year. The balance of the budget envelope will then be available for disbursements arising from new subsidy applications.

To evaluate the extent to which the funds in the budget envelope were being allocated in line with the city's priorities, we examined working documents obtained from the Direction de l'habitation. Our examination revealed that the distribution of funds among the subsidy programs basically corresponded to the total disbursements of the previous

year, and not to the priorities arising from the targets set. Since some subsidy programs had not stimulated the desired public interest and had failed to generate sufficient volumes of applications, the Direction de l'habitation was able to respond to all requests received and did not have to choose among programs, nor prioritize which clientele to support. For example, the Direction de l'habitation did not have to screen the applications received under the Home Ownership and Major Residential Renovation programs to favour families, so as to meet the targets of its Plan to Keep Families in Montréal and to reject subsidy applications not coming from families. Based on the information obtained, it would have been desirable to allocate the housing subsidy budget according to priorities, but to do so would have required sufficient public demand. On this subject, we believe that a review of the subsidy programs should be carried out to meet the set targets. We will come back to this point in the section dealing with accountability.

As for the management of the budget envelope in the city's accounting system, the Direction de l'habitation administers its budget envelope to meet its operating budget. It has to plan its yearly expenses on an annual basis.

In our opinion, financing the subsidies out of the operating budget makes the management of housing budgets risky, since the progress of planned projects is often beyond the control of the Direction de l'habitation. When a subsidy application is approved by the Direction de l'habitation, it implies that funds are committed for work to be carried out over a period of up to three years, among other things. But there is no assurance that the budgets for this will be renewed in subsequent years. In addition, if renovation projects have to be delayed in the course of the year, the disbursements will not be made as planned. Such a situation would entail the risk of creating budget surpluses at the end of the year that could not be used by the Direction de l'habitation since, in the accounting system, they would be transferred to accumulated surpluses. Furthermore, the Direction de l'habitation would have to disburse the subsidy the following year, which would reduce the amounts available for granting new subsidies (new commitments). We are of the opinion that using a disbursement budget is not a suitable method for managing subsidy programs.

In examining the financial results of the last few years, we noted that in 2016 only \$6.8 million was disbursed, compared to a budget of \$13.8 million. The discrepancy can in part be explained by disbursements that were planned for the AccèsLogis bonus but not carried.

Our research shows that, for several years, other Québec municipalities have been administering their subsidies based on their Three-Year Capital Works Program. This allows them to commit budgets when the subsidies are approved and thus avoid losing part of them if the disbursement forecasts do not work out as expected. Considering that housing subsidies, by their very nature, cannot be capitalized, this method is debatable. To facilitate management of the budget envelope dedicated to housing subsidies, we think that other options should be studied (e.g., a dedicated fund for subsidy programs). We are of the opinion that a review is in order, given that a framework agreement on the commitments of the Government of Québec and the city to recognize the special status of the metropolis was signed in December 2016. As mentioned in the introduction, this provides for

the signing of another agreement regarding the transfer of housing responsibilities and related budgets currently administered by the SHQ. Given that the budget envelope to be administered will be even larger, we believe that the accounting mechanisms should be reviewed to facilitate their management.

## RECOMMENDATION

**3.3.B.** We recommend that the *Direction générale* review the accounting mechanisms for budgets dedicated to housing subsidy programs, in order to determine the most suitable method for administering them, with a view to facilitating their management and ensuring that these funds are used for their intended purposes.

## BUSINESS UNIT'S RESPONSE

**3.3.B.** *Direction générale*

*[TRANSLATION] At the request of the **Direction générale**, the **Service des finances** has already begun a review of the possible avenues for managing the budgets dedicated to housing: operating budget, loan by-law (even if this spending cannot be capitalized) or other formulas. The review will be completed in 2018. (Planned completion: June 2018)*

*If required, changes to the way these budgets are managed will be implemented in the 2019 budget. (Planned completion: budget 2019)*

## 3.4. ACCOUNTABILITY

### 3.4.A. BACKGROUND AND FINDINGS

Accountability must demonstrate the alignment between mission, priorities and results achieved. It requires that structured accountability mechanisms be put in place to hold those responsible accountable for their management of the activities being carried out. These accountability mechanisms must also enable the managers responsible to report on the achievement of set objectives.

Regarding the management of the programs for housing subsidies, management reports should be produced periodically to evaluate the results obtained for each of the programs. These reports should at a minimum establish links between the budgets allocated, the number of subsidy applications anticipated and received, the number of applications authorized, the amounts committed and disbursed for each program, and the results compared to previous years.

Considering that the subsidy programs have existed for some years, periodic reports should make it possible to reconcile the results achieved for each of the programs with the

objectives set. In addition, results should be compared to the cost. These reports should also permit an assessment of the effectiveness of existing programs.

As part of our audit, we evaluated whether the accountability mechanisms in place were able to provide relevant and useful information to aid the decision-making of the Direction de l'habitation and the municipal administration.

We found that many management reports had been produced monthly for the Direction de l'habitation. Reports were also produced for the responsible elected official on the Executive Committee. We examined the following accountability documents as they related to the subsidy programs:

- *Bilan des programmes municipaux d'aide financière en habitation (November 2014 - April 2015)*: This was conducted to assess the impact of the new financial terms and conditions of municipal programs. In our opinion, when this report was produced, little time had elapsed since the programs were created. No further reporting was subsequently produced for these programs.
- 2017 Budget Estimates: These were produced by the Service de la mise en valeur du territoire and submitted to the members of the Commission sur les finances et l'administration in December 2016. In this document, the Direction de l'habitation summarizes its objectives and achievements for the past year (2016), and objectives for the following year (2017). Regarding the subsidy programs, we note that the 2016 targets were not measurable. Most of the stated achievements are quantified, but we are unable to assess the achievement of the objectives. The primary purpose of the exercise is to approve the budget of the Service de la mise en valeur du territoire and, in turn, that of the Direction de l'habitation. However, the information presented does not permit an evaluation of the actual performance of the subsidy programs for the previous year.
- Mid-term review of the Plan to Keep Families in Montréal (June 2016): Since this Plan has come into force, it has been the first accountability report submitted to the elected official responsible for housing on the Executive Committee. It should be noted that the Plan to Keep Families in Montréal, adopted by the Executive Committee on August 21, 2013, had set clear objectives and targets. In addition, the overall objectives of this Plan had been recognized as housing issues for the city. Costs had also been estimated for the Plan.

Upon examining this document, we noted that the mid-term accountability review of the Plan identifies set targets for the acquisition of residential dwelling units, and the renovation and construction of family dwellings<sup>12</sup>, which are then compared to the results obtained for housing units. This accountability review also identifies possible solutions to correct the situation, but does not specify what actual corrective actions will be specifically taken (e.g., no decision was made to increase the proposed lump sums). Furthermore, we note that no reconciliation has been made between the results and the budget allocations granted, which we believe would have been appropriate.

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<sup>12</sup> Dwelling units with three or more bedrooms.

In addition, we did not find any specific accountability for each of the renovation and home ownership programs (Major Residential Renovation, Renovation *à la carte* and Stabilization of Residential Building Foundations) – the subject of our audit. As mentioned earlier in this report, the objectives set for each of the subsidy programs have not been expressed in measurable terms, which makes it difficult to report on the results achieved in comparison with the objectives. On the other hand, aspects of these programs were taken into consideration in the mid-term review of the Plan to Keep Families in Montréal in so far as they contributed to the achievement of targets.

In conclusion, we are of the opinion that after three years of subsidy programs, the Direction de l'habitation should justify the results achieved for each one in terms of municipal administration priorities. Such an evaluation would be useful in making decisions regarding each program – whether to maintain, revise or abandon it – as appropriate. We believe that the time is ripe for such an evaluation since an agreement will soon be signed with the Government of Québec on the transfer of housing responsibilities and corresponding budgets.

## RECOMMENDATIONS

**3.4.B.** We recommend that the Service de la mise en valeur du territoire put in place periodic accountability mechanisms for each of the housing subsidy programs that relate to the objectives set and that reflect the priorities of the municipal government, in order to evaluate the achievement of expected results.

**3.4.C.** We recommend that the Direction générale obtain an evaluation of the results achieved for each subsidy program in relation to the municipal administration's priorities, in order to be able to make informed decisions about its future, i.e., whether to maintain, revise or abandon it.

## BUSINESS UNITS' RESPONSES

**3.4.B.** *Service de la mise en valeur du territoire*  
[TRANSLATION] A 10-year strategic housing vision and a 5-year action plan are being developed. The action plan will include, among other things, SMART targets and accountability mechanisms.  
(Planned completion: September 2018)

**3.4.C.** *Direction générale*  
[TRANSLATION] The Direction générale agrees with this recommendation: it will ask the Service de la mise en valeur du territoire to provide an accountability report annually starting in 2018, taking into account the objectives of the Plan d'action en habitation that this department is tabling in 2018, and the objectives specific to each of the programs.  
(Planned completion: August 2019)

## 4. CONCLUSION

In October 2014, city council adopted five new by-laws supporting five housing subsidy programs, demonstrating its willingness to financially support property acquisition and residential renovation, despite the withdrawal of financial assistance by the Government of Québec, as announced in its 2014-2015 budget. The new by-laws replaced those that had existed since 2003.

This decision made it possible, among other things, to continue encouraging families to stay in Montréal by granting them more advantageous subsidies when purchasing a property and by facilitating their qualification for renovation programs (Major Residential Renovation, Renovation *à la carte*). The targets of the Plan to Keep Families in Montréal, developed by the Direction de l'habitation and adopted in August 2013 by the Executive Committee, were kept despite the Government of Québec's withdrawal from the Renovation Québec Program in 2014 and the knowledge that some targets could not be reached without Québec's contribution.

Considering that funding for housing subsidies comes out of public funds, the Service de la mise en valeur du territoire must demonstrate that such subsidies are being granted objectively and that all the requirements set out in the by-laws are being met at the scheduled time. The established procedure for processing subsidy applications must therefore be sufficiently rigorous and in compliance with the by-laws. In our audit work, we were not always able to obtain evidence of any such rigour with respect to follow-up on documents received in order to judge the eligibility of applications. Also, we were not always able to obtain evidence that the eligibility criteria and conditions were being met, either before or after the subsidies were paid, depending on the case.

Although processing times for subsidy applications were summarily established by the Direction de l'habitation for each program for budget forecasting purposes, we found that the Direction de l'habitation does not always measure them systematically. In our opinion, this situation neither allow us to evaluate the efficiency of the city's service offering for each of the programs nor to identify, where appropriate, the improvements to be made.

The budget envelope for housing subsidy programs is managed from the operating budget, while the Direction de l'habitation commits its subsidies over a period ranging from one to three years, with no certainty that the budget envelopes will be renewed from one year to the next. We believe that the accountability method for subsidies should be reviewed in order to facilitate the management of budget envelopes and to ensure that all funds are used for their intended purposes.

Lastly, program-specific accountability mechanisms have not been put in place to evaluate the extent to which each program's specific objectives are being achieved. The fact that these objectives are currently expressed in non-measurable terms makes it difficult to evaluate them. With regard to municipal administration priorities, a mid-term review has been produced for the Plan to Keep Families in Montréal. This review shows that the set targets are unlikely to be achieved by the end of 2017.

4.1. | HOUSING SUBSIDY PROGRAMS  
[SERVICE DE LA MISE EN VALEUR DU TERRITOIRE]

Considering our overall findings and the amount of funding disbursed by the city since 2014 – almost \$29 million – we believe that the Service de la mise en valeur du territoire must justify the results achieved for each of the subsidy programs in terms of the municipal administration's priorities. We also believe that the timing of this evaluation is appropriate since an agreement is expected to be signed regarding the transfer of housing responsibilities and related budgets by the Government of Québec under Bill 121 (law on the metropolis).

## 5. APPENDIX

### 5.1. PURPOSE AND EVALUATION CRITERIA

#### PURPOSE

The purpose of the audit was to evaluate the extent to which housing subsidies:

- are being objectively awarded to applicants;
- are subject to rigorous monitoring in their compliance with the conditions set out in the applicable by-laws; and
- meet the priorities of the municipal administration.

#### EVALUATION CRITERIA

- A general objective guides the allocation of subsidies within the framework of the programs adopted by city council.
- All subsidy applications are analyzed on the basis of recognized criteria within a reasonable time.
- The calculation and payment of subsidies comply with the provisions set out in the housing subsidy by-laws.
- Following the payment of subsidies, a follow-up on the beneficiaries' obligations, as provided for in the by-laws (special conditions), is performed.
- Accountability mechanisms are in place to demonstrate the use of the housing subsidy amounts in relation to the priorities established by the municipal administration.

4.1. | HOUSING SUBSIDY PROGRAMS  
(SERVICE DE LA MISE EN VALEUR DU TERRITOIRE)