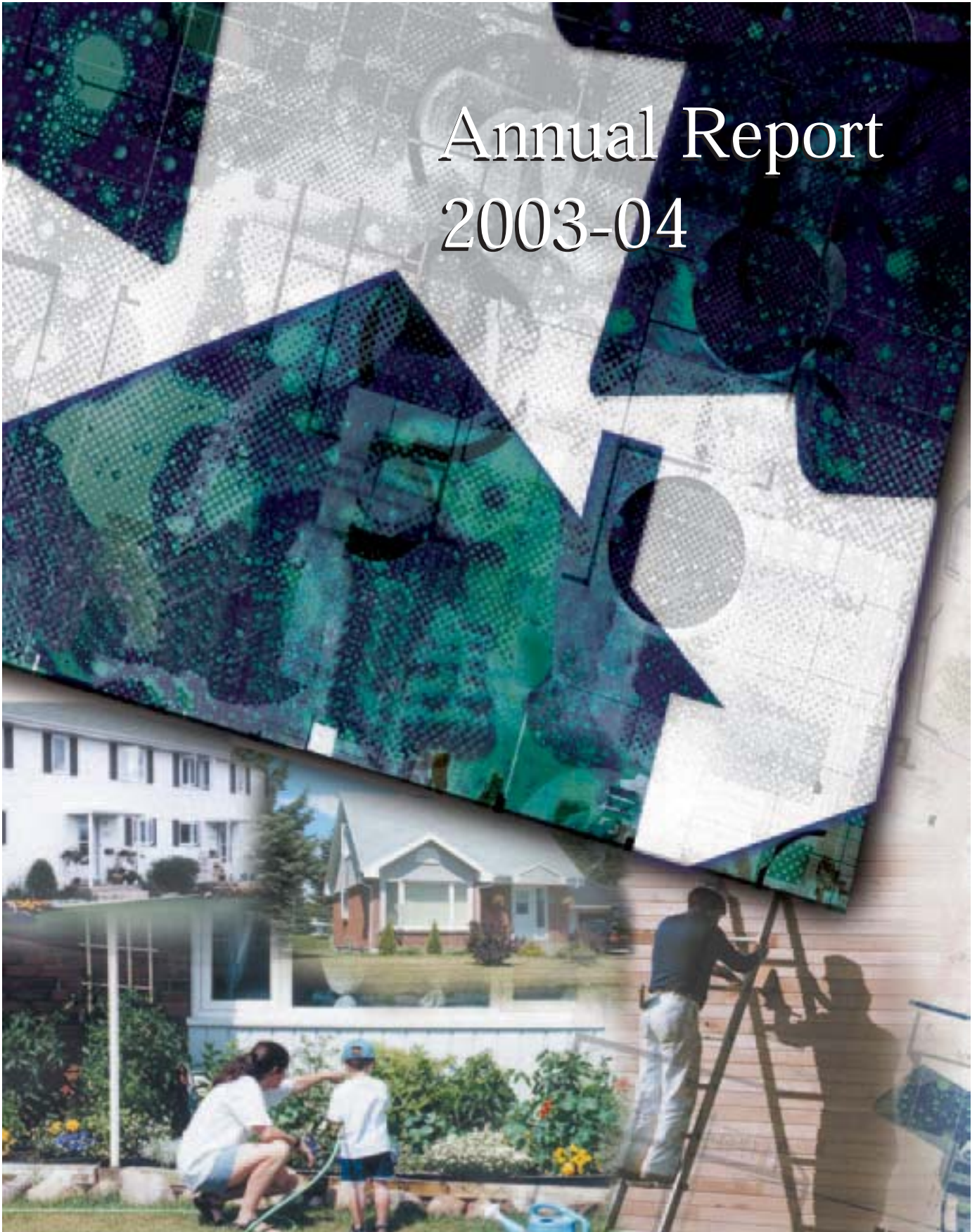


Annual Report 2003-04



National Defence Défense nationale

Canadian Forces Agence de logement
Housing Agency des Forces canadiennes

Canada 

Canadian Forces Housing Agency
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Annual Report 2003-04

Report and financial statement for the year
ending 31 March 2004

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MISSION *We exist to meet the housing needs of military families.*



VISION *We will provide trusted and valued housing services for military families.*

**MESSAGE
FROM THE
ASSISTANT
DEPUTY
MINISTER
(INFRASTRUCTURE
AND
ENVIRONMENT)**



As the Assistant Deputy Minister responsible for the Canadian Forces Housing Agency, I am pleased to note the achievements of this past year.

I would like to extend my appreciation to the dedicated staff who serve the Canadian Forces and facilitate the lives of many of its members on an ongoing basis.

The coming years will bring perennial and new challenges. Both ongoing housing operations and longer term planning and optimization of the housing portfolio, are critical to achieving a safe, suitable and sustainable housing portfolio for the Canadian Forces.

I look forward to working with the Canadian Forces Housing Agency team to support their continued progress in 2004-05.

Karen Ellis
Assistant Deputy Minister
(Infrastructure and Environment)

**MESSAGE
FROM THE
CHIEF
EXECUTIVE
OFFICER**



This year ends on a high note for us at CFHA, as we are pleased to announce that the Treasury Board of Canada has approved our special operating agency status within DND. This is a milestone on our road to becoming the agent of excellence for all residential housing matters at DND.

Treasury Board approval means that not only will CFHA continue to provide housing solutions to CF members and expert advice on residential accommodation to DND, but also that it will be better equipped to do so, as Treasury Board also lifted the moratorium on recapitalization. This expanded

mandate also means that all but one of the SCONDVA recommendations pertaining to CFHA have been fulfilled.

While many of us worked hard to prepare our submission to the Treasury Board, it was still business as usual in our 26 field offices. From Comox to Gander, and from Borden to Yellowknife, our expert housing staff managed allocation, repairs, maintenance, and occupants' march-ins and march-outs at some 15,000 MQs.

I wish to extend my sincere gratitude to CFHA staff across Canada for their continued effort and dedication as the Agency continues its transition toward becoming a residential agent of excellence.

Steve M. Irwin
Brigadier-General
Chief Executive Officer

**LIST OF
ABBREVIATIONS**

ADM(HR-Mil) – Assistant Deputy Minister (Human Resources – Military)
ADM(IE) – Assistant Deputy Minister (Infrastructure and Environment)
CBI – Compensation and Benefits Instructions for the Canadian Forces
CF – Canadian Forces
CFAO – Canadian Forces Administrative Orders
CFHA – Canadian Forces Housing Agency
CMHC – Canada Mortgage and Housing Corporation
DAOD – Defence Administrative Orders and Directives
DCC – Defence Construction Canada
DGRPP – Director General Realty Policy and Plans
DND – Department of National Defence
DQOL – Directorate Quality of Life
FHIO – Federal House in Order
HMO – Housing Management Office
MQ – married quarters
QR&O – The Queen’s Regulations and Orders for the Canadian Forces
SCONDVA – Standing Committee on National Defence and Veterans Affairs
SDS – Sustainable Development Strategy



OVERVIEW

CFHA exists for the sole purpose of serving CF members and their families. The Agency's day-to-day activities of allocating residential units and maintaining a suitable housing portfolio are really all about fulfilling a most fundamental need for individual military men and women, and their loved ones.

This report presents a portrait of our customers, and a survey of how our customer service activities responded to their needs in the past year. That account is followed by an update on our operational capability, our realty asset management and planning activities, and finally, our financial statement for the year ending 31 March 2004.

RATIONALE FOR CROWN HOUSING

The ability of CF members and their families to secure suitable accommodation is a key contributor to family well-being and, therefore, to the maintenance of morale. The DND Accommodation Policy states, "In those instances where the private sector marketplace cannot meet the needs of the CF, DND will support Crown intervention."

On close examination of the local markets, however, it becomes apparent that while the size and sophistication of the housing market is important in determining its ability to meet the housing needs of CF members, a number of other factors are equally important in determining housing choice and the ability of the CF member to secure suitable housing in the private market. These factors pertain to the market itself (availability and suitability of rental housing, volatility, resale prices and mortgage interest rates), but also to the specific characteristics of CF members (expected duration of the posting, occupation and stage in the career, and age, stage and composition of the household).

Following a market-by-market analysis conducted soon after CFHA's inception, it was determined that in many instances – including urban areas – the private market is not providing a full range of rental housing that would be suitable for families. Most urban and suburban markets supply relatively unconstrained access to ownership housing, but unlike their civilian counterparts, CF members tend to remain in rental tenure for slightly longer and move with greater frequency back and forth between ownership and the rental market.

Because of the high degree of job-related mobility imposed on CF members, the Accommodation Policy supports tenure choice and advocates that CF members should not be required to purchase housing as the only means of securing suitable housing.

Maintaining a supply of suitable Crown-controlled housing provides one means of supporting CF members' frequent moves, maximizing freedom of choice and supporting the quality of life of CF members.

**CUSTOMER
SERVICE
MANAGEMENT**

The most important call a CFHA employee receives on any given day does not come from the Minister, the Chief of the Defence Staff or even the Agency's CEO: it comes from a member of the CF whose home – or future home – is an MQ. The Agency consists of some 300 skilled men and women who serve these CF members by providing them with the best residential accommodation services they can. The following is an account of their performance in the past year in the activities that directly impact on the lives of CF members.

OUR CUSTOMERS The changing face of CF members

The changing face of the CF has an effect not only on the number of units we need to provide military personnel on bases and wings across the country, but also on the type, size and location of those units. In the next few years, the aging population of CF members combined with low interest rates could cause the demand for military housing to decline. However, the demand for MQs is likely to increase in the longer term, as the number of members in CFHA's key client group (those aged 25 to 34) is expected to rise. Furthermore, the number of members who may be working away from home and family for extended periods should continue at high levels. This could potentially increase military families' reliance on support and assistance such as routine maintenance services while the CF member is away on duty.

**WHEREVER
DUTY CALLS**

The geographic distribution of military personnel across the country also influences our ability to provide a high level of service to our customers. The Agency must continually monitor locations where the CF are concentrating their efforts and thus sending personnel across Canada, as this increases the number of our potential occupants at those locations. For instance, the upcoming relocation of Princess Patricia's Canadian Light Infantry from Winnipeg to Shilo will cause a significant decrease in the demand at one site, and a significant increase at the other.

Changes in the Canadian military lifestyle also have an effect on the type of accommodation that our clients will require in upcoming years. Current trends are shifting toward more intensive and technical training, and a higher operational tempo – more frequent tours of duty and quicker turnaround times between tours – causing yet another change in the demand for CF housing.

Profile of occupants

Our housing units are predominantly occupied by young, non-commissioned CF members, although we also provide housing to officers, foreign military personnel, and civilian government employees. This year, on average, 12,335 CFHA housing units were occupied, 3,546 were vacant, and the vacancy rate was 22 percent. Comparatively, last year, the average number of vacant units was 4,221, and the average vacancy rate was 25 percent. Local CFHA staff at HMOs across Canada oversaw 4,230 march-ins and 4,821 march-outs. The vacancy rate is relatively high to permit the transition of the large numbers of march-ins and march-outs, but also because certain units are earmarked for disposal, and because CF members usually stay at a given location only for a few years.

SERVICES PROVIDED TO MILITARY FAMILIES

Military family housing in Canada is allocated and maintained by 26 local CFHA HMOs. The dedicated DND personnel at local CFHA offices foster good customer relations, oversee real estate management operations, coordinate rent appraisals and rent collection, and manage leases on a daily basis. The Agency's field operations staff applies departmental procedures with great professionalism, but it is their goodwill that occupants notice and appreciate the most. HMO personnel routinely go above and beyond reasonable expectations to make military families feel at home.

At march-in, it is not uncommon for local CFHA staff to fax or e-mail floor plans and maps to occupants in advance, and to take the time to show them around their new house and neighbourhood once they arrive in the community. During families' stay in military housing, they can count on the support of many CFHA staff members in times of need, be it Hurricane Juan in Halifax, frozen pipes in Cold Lake, or a gardening problem in Esquimalt. Such a level of personal attention is especially comforting when duty calls a CF member away from his or her family. CFHA is proud to contribute to the sense of community that prevails on CF bases, which makes military housing an attractive option for young families.

SELF-HELP PROGRAM

Do-it-yourself programs are a long-standing tradition within the CF; they predate the establishment of CFHA. Repairs and improvements supported by the Agency's Self-Help Program include painting basements, installing clotheslines, and even improving common spaces by planting flowers or setting up seasonal hockey rinks. Over the years, the program has blossomed from being a way for occupants to make minor repairs quickly to being an effective means of fostering pride in the community. The Self-Help Program is very popular with occupants, and is managed directly at the local HMO level for maximum efficiency.

Town Hall Meetings

HMOs occasionally hold Town Hall Meetings to inform occupants of activities and issues that have an impact on their community. This is a most welcome venue for occupants to comment on housing operations. CFHA staff uses the opportunity to verify the correlation between the services they provide and overall customer expectations. In 2003-04, Borden, Halifax, and Gagetown held Town Hall Meetings to discuss issues such as upcoming disposals, relocations due to the Recapitalization Program, and the future of collective recreational space. Housing Managers are encouraged to develop relationships with the local Community Council in order to foster communications and cooperation by obtaining residents' feedback on issues and matters of concern.

**SERVICES
PROVIDED BY
HEAD OFFICE**

Online services

This past year saw the launch of an Internet site and an intranet site to permit the flow of information to employees, customers and stakeholders across Canada. These websites are continuously evolving in terms of content and design to ensure that CFHA's staff and customers have access to relevant information in a timely manner. The Employee Corner, accessible strictly to CFHA users, provides easy access to national guidelines, key policy documents, frequently used forms and current organizational charts, staffing notices and interactive telephone listings. The general interest site, widely accessible through the Defence Information Network and the World Wide Web, provides staff, occupants and stakeholders with information on CFHA's reporting structure and housing locations, as well as a comprehensive frequently-asked questions section that addresses ongoing issues such as rent, allocation, and repairs and maintenance.

Emergency After-Hours Response Service

The CFHA Head Office also provides assistance to local HMOs by operating the Emergency After-Hours Response Service. This service, staffed by the Corps of Commissionaires since 1998, answers occupants' emergency maintenance calls outside of business hours, 24 hours a day, 7 days a week, by dispatching the appropriate contractor. In 2003-04, the Emergency After-Hours Response Service followed up on 6,481 occupant calls, most of them dealing with heating, plumbing and flooding. This is a very successful initiative, and it is well appreciated by occupants and their families.

Customer service monitoring

CFHA continues to improve customer and client satisfaction by evaluating feedback obtained through regular surveys and information forums. For instance, in the first two quarters of 2003-04, CFHA conducted a survey on the implementation of new Canadian Forces Fire Marshall regulations. Feedback obtained from local CFHA offices is also evaluated and incorporated into Agency practices. This supports the Agency's focus on customer service and consistency.

The number of overall occupant complaints remains relatively low this year. In relative terms, the total number of complaints is equivalent to about 8 percent of the total number of personnel residing in MQs. The establishment of a performance standard for responding to occupant complaints has resulted in most issues being addressed in a timely fashion, in accordance with the complaint resolution process and the occupants' needs.



OPERATIONAL CAPABILITY

CFHA's operational capability – in other words, the Agency's ability to attain its objectives – is ensured by a proud and dedicated workforce, valued partners and stakeholders, efficient business systems, fair and consistent procedures, and a sound regulatory framework. The following is an overview of the Agency's operational capability for the past year.

OFFICIAL CONTEXT

The special operating agency model provides greater flexibility in return for commitment to clear performance levels. However, this does not mean that CFHA veers from sound Government of Canada rules and regulations on housing matters, realty assets and the environment.

Published in September 2002, Accommodation for the Canadian Forces: A Vision for 2020 (Accommodation Vision 2020) is a direction document of particular consequence for CFHA. Accommodation Vision 2020 speaks to the values that govern the accommodation needs of CF members and their families. It also outlines specifically how these accommodation goals should be attained in day-to-day operations. Most CF members, at some point in their careers, require single quarters, MQs, training accommodation, or transient accommodation. Accommodation Vision 2020 provides an overview of these housing needs, and of the level and variety of services that military personnel requires.

In 2003-04, DQOL drafted new Functional Accommodation Standards to support the DND Accommodation Policy. These standards refer to basic characteristics of living accommodation, such as square footage, number of bedrooms and bathrooms, and privacy. Functional Accommodation Standards apply to all Crown-controlled residential, training and transient military living accommodation owned by DND in Canada. All recapitalization activities of DND or CF living accommodation will use the new Functional Accommodation Standards as guidance in the definition and development of project requirements, regardless of the scope of the work.

While Functional Accommodation Standards provide clear guidelines for renovations and upcoming construction projects, other issues are on the way to being clarified as well, on different levels. In November 2003, ADM(IE) was tasked by the Accommodation Board to examine issues related to responsibilities in the area of residential accommodation management. Under the leadership of DGRPP, a working group was established to examine how responsibilities were divided between CFHA and the bases for municipal-type services. This initiative will serve to clarify roles and responsibilities between various stakeholders, which will unquestionably serve to nurture the critical relationship between local CFHA offices and base and wing staff, and therefore raise the level of service to CF members.

**PARTNERS AND
STAKEHOLDERS**

The Agency's partners and stakeholders include many DND "Level 1s," such as Environmental Commands and Assistant Deputy Ministers, and other groups reporting to them, such as Base and Wing Commanders, and various Directorates. CFHA reports to ADM(IE), and it relies on the Accommodation Board, jointly chaired by ADM(IE) and ADM(HR-Mil), for direction on short-term outcomes and long-term objectives. Agency personnel have daily contact with members of DQOL, the ADM(HR-Mil) Directorate responsible for accommodation policy. The Agency routinely collaborates with members of the Directorate on official working groups, or on ad hoc teams assembled to write briefings for senior officials, correspondence for the Minister of National Defence's signature, media responses, and communication products intended for occupants.

In the field, CFHA personnel maintain working relationships with the Base or Wing Commander's staff at all sites where the Agency provides housing. CFHA's partnership with base and wing staff positively contributes to the well-being and morale of CF members and their families. It is only through this close cooperation that a high level of support to the military communities can be achieved. At Head Office, military personnel provide a critical link between CFHA and its stakeholders and partners, and allow for effective communication with local Base or Wing Commanders, and with National Defence Headquarters counterparts.

Routine operations at CFHA are made possible by the Agency's reliance on the services provided by other governmental organizations. For instance, Canada Lands Company manages strategic real estate disposals, Public Works and Government Services Canada and DCC tender contracts for construction, renovation and disposal projects, and CMHC establishes fair market value for MQs.

Memoranda of understanding

A template for memoranda of understanding was included as part of the Agency's submission to the Treasury Board, which was reviewed and endorsed by the various departmental Level 1s and approved as part of the Treasury Board submission. Memoranda of understanding for service delivery between CFHA and all bases and wings continue to be developed and revised annually.

With significant recapitalization activities proposed in future years, CFHA is committed to further refining and improving the procedures with respect to occupant moves. This year, CFHA drafted an issuance of instruction and a CANFORGEN relating to occupant moves, to further clarify and communicate the procedures in anticipation of increased occupant moves resulting from the Recapitalization Program.

**STANDARD
PROCEDURES
FOR FAIR AND
CONSISTENT
SERVICE**

With such a large portfolio throughout the country, it is necessary to ensure that all occupants are treated fairly and that services are consistent. CFHA continues to work with DQOL staff in order to update the living accommodation regulatory framework. Existing QR&Os and CFAOs will be replaced by a policy DAOD and a DND Accommodation Guide that are aligned with the Department's Accommodation Policy and with Accommodation Vision 2020, in order to better reflect the CF of today and the future.

CFHA's internal procedures and instructions are being standardized and converted into the online Manual of Instruction and Guidance. Standardized procedures and instructions are drafted in collaboration with Housing Managers, reviewed by General Managers, and then made accessible on the Employee Corner of the CFHA website. The Agency anticipates the completion of the entire manual in 2005, with updates on an ongoing basis.

CONTRACTING

At the beginning 2003-04, a pilot contracting activity was conducted at Esquimalt, Gagetown and Montreal. The three main objectives of this project were to reduce contract administration, to achieve economies of scale with regard to monetary and administrative resources, and to increase customer satisfaction through a streamlined interface between contractors and occupants. The Agency is currently evaluating the success of that pilot project, and reflecting on lessons learned.

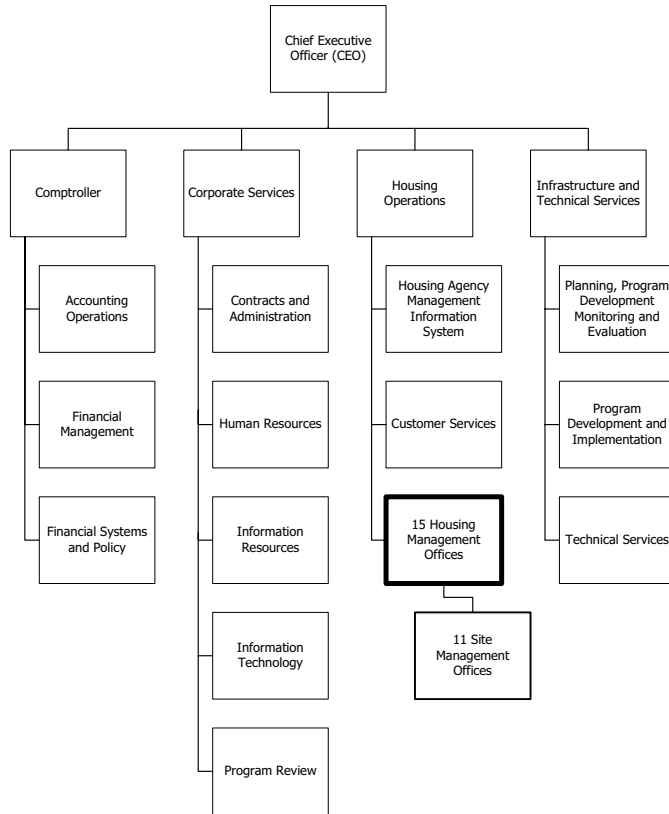
WORKFORCE

As of 31 March 2004, CFHA employed roughly 94 people at its Head Office – including 4 military appointments – and 201 people in local offices across Canada.



FIGURE 1

CFHA organizational chart



**PROGRAM
REVIEW AND
ACCOUNTABILITY**

The Logic Model

In preparation for the submission to the Treasury Board, the Agency developed an interim performance measurement framework. CFHA is currently collaborating with DND's Chief Review Services to develop a result-based accountability framework for the Agency, which will be based on the Logic Model established in 2002-03. These performance measures will be used in 2005-06 to report on results from the 2004-05 reference period.

Business and technical review

A recent review of business and technical systems allowed the Agency to port applications to a standard Oracle platform, enhancing business continuity and information sharing. That review also laid the groundwork for the Agency to manage its own network environment while ensuring that departmental needs and requirements are met, and eventually allowing the launch of Government On-Line initiatives such as electronic transactions and more open communication with private sector stakeholders in order to provide enhanced services to our occupants.

REALTY ASSET MANAGEMENT

The current CF residential portfolio requires much care to ensure that military families who occupy MQs are safe and sound. For the Agency's dedicated staff members who work on repairs and maintenance, the occupants' health and safety are of paramount importance. The following section provides an update on realty asset management activities at CFHA in the past year.

DESCRIPTION OF THE PORTFOLIO

When MQs were constructed in the 1950s and 1960s, they were built to conventional standards that were efficient for the time, using the DCC "Wartime Housing" blueprints. Rents were assessed by unit type and were the same across the country. Rents were very low, even by 1950s and 1960s standards, and the bases absorbed heating and utility costs. MQs were the accommodation of choice for the CF population, and waiting lists were common at every location.

Due to budget cuts, significant base and station closures took place through the 1980s. The CF started to downsize and there was a low level of investment in housing; this continued into the 1990s. By the time CFHA was created in the late 1990s, the housing portfolio was dated and in poor condition. Since 1998, DND has invested \$400 million in the housing portfolio for maintenance, health and safety upgrades, and municipal infrastructure improvements. Presently, the housing is in a satisfactory condition with regard to the health and safety of occupants. However, much work needs to be done to bring the Agency's portfolio to contemporary standards.

DESIGNATED RESIDENCES

Crown-controlled residential accommodation intended for CF members is made up of two categories: designated residences and non-designated residences. The bulk of CFHA's MQs are non-designated residences, as they are maintained solely to meet the residential accommodation needs of CF personnel in general.

CFHA also manages designated residences, a category that encompasses both assigned residences (units that are specifically allocated to support a function on the base) and heritage residences (recognized as Federal Heritage Buildings in accordance with Treasury Board policy), with some residences being both assigned and heritage. As at 31 March 2004, CFHA's housing portfolio included roughly 50 designated residences.

The Department is developing new DAODs concerning designated residences to ensure efficient management. In the interim, ADM(HR-Mil) drafted an Interim Guidance Instruction on Designated Residences in Canada, expected to come into effect 1 April 2004. The intent of this document is to provide for the implementation of the Designated Residences Policy Framework approved by the Armed Forces Council. The Interim Guidance Instruction will allow the Agency to manage designated residences in a more efficient way, consistently with other Department of DND authorities.

**LIFECYCLE
MAINTENANCE
PROGRAM AND
REGULAR
MAINTENANCE
AND REPAIRS**

Until now, CFHA only had the authority to maintain units; it did not have the authority to engage in renovation and expansion of existing units, and construction of new units. With Treasury Board approval of its special operating agency status on 31 March 2004, the Agency has an opportunity to shift its focus, from sole maintenance of existing assets to a full recapitalization of the portfolio according to contemporary standards. Over the long term, this will reduce the amounts spent on regular maintenance and repairs, and on the Lifecycle Maintenance Program.

In 2003-04, CFHA spent \$24.8 million on the Lifecycle Maintenance Program, the bulk of this sum being spent on replacing doors, roofs and windows, upgrading furnaces, electrical, plumbing and other systems, and improving interior elements. The Agency also spent \$23.2 million in regular maintenance and repairs. All repair and maintenance projects within these budgets were approved according to CFHA's primary focus on protecting the health and safety of the occupants.



**REALTY
ASSET
PLANNING**

The Agency welcomes the challenge of turning a twentieth century group of houses into a twenty-first century portfolio of choice residential accommodation. The following is an account of the Agency's achievements in the past year with regard to long-term planning.

**MONITORING
THE PRIVATE
HOUSING
MARKET**

The Agency must continually monitor the private housing market – and the factors that influence it – in every community where Crown housing is offered to military families. In accordance with the Treasury Board directives that govern all Crown-controlled housing, CF members are expected to rely primarily on the private market to satisfy their housing needs. Therefore, local and national market trends have a direct influence on the need for military housing.

**IDENTIFYING THE
NEED FOR
MILITARY
HOUSING:
HOUSING
REQUIREMENT
STUDIES**

Along with monitoring the private housing market, CFHA relies on Housing Requirement Studies to determine the housing requirement target for each site, broken down by unit size. Housing Requirement Studies also serve to communicate CFHA's long-term vision for each base or wing to the appropriate stakeholders. These studies include a detailed analysis of the local market conditions.

In order to ensure that the portfolio is appropriate, Housing Requirement Studies were updated this year for the 10 highest priority sites, as determined by the Living Accommodation Working Group. Updates are drawn from the original Housing Requirement Studies conducted in 1999-2000, and a variety of other sources, including Agency records, CMHC and Canadian Real Estate Association publications, and the Department's personnel database.

Since 1999, various reports track the changes that may affect occupancy of CFHA units, with particular attention to changes in the size and composition of the local CF member population, and changes and trends in local market conditions. Factors that have been affecting occupancy are identified, and the likelihood of a continuing impact is assessed. Projections of requirement for the coming years are made based on this assessment.

**PROGRAM
PLANNING AND
STRATEGIC
INITIATIVES: THE
RECAPITALIZATION
PROGRAM**

With the approval of the Agency's Treasury Board submission, CFHA is now in a position to make strategic capital investments in renovation and construction projects, concurrently with ongoing disposal activities. The long-term objective for disposal activities is to reduce the size of the portfolio to a point where the vacancy rate still supports recapitalization activities, while rent revenues are sufficient to support operations – in other words, to "rightsize" the portfolio.

These planning and strategic initiatives constitute the Agency's Recapitalization Program. This year, the Agency has developed a Program Charter that elaborates upon the roles and responsibilities of all stakeholders, specifically CFHA and the DND Director Construction Projects and Engineering Policy.

Site-specific planning has been accelerated for the 10 highest priority sites, and all reports and supporting documents for preliminary project approval have been completed. As part of Phase I of the Recapitalization Program, CFHA also conducted a preliminary condition assessment for the portfolios of the 10 priority sites. This was done in order to launch the Recapitalization Program at Borden, Cold Lake, Comox, Gagetown, Kingston, North Bay, Ottawa, Petawawa, Shilo, and Wainwright. In the longer term, the Recapitalization Program will improve housing for CF members at all sites.

To support Phase I of the Recapitalization Program, CFHA initiated the development of design options. Through exploring previous renovations and implementation options, the Agency is well positioned to elaborate the Recapitalization Program further.

**BUILDING A
HEALTHY FUTURE**

Environment

In 2003-04, CFHA produced an annual report on its targets regarding the Sustainable Development Strategy, which was forwarded to the DND Director General Environment in the first quarter of 2004-05. CFHA far exceeded the targets for greenhouse gas emissions for SDS 2000, which represents achievements in the three-year period between fiscal years 2001-02 to 2003-04. The Agency will continue to perfect its approach with regard to pest management plans, HAZMAT plans, and environmental management systems.

Federal House in Order

The FHIO initiative is the Government of Canada's plan for reducing greenhouse gas emissions within its own operations. The 11 departments and agencies that account for 95 percent of federal emissions have agreed to reduce emissions within their operations by 31 percent before the end of 2010. CFHA contributed to this initiative by having initial EnerGuide for Houses tests performed. These tests were started in March 2003 and should be completed by end of summer 2004, at which time EnerGuide advisors should have measured the energy use of 217 houses. CFHA is receiving \$656,000 from the FHIO initiative to retrofit 195 houses according to the EnerGuide for Houses guidelines. In the future, all renovations conducted on houses managed by CFHA will include energy-efficient retrofitting.

FINANCIAL MANAGEMENT

As a special operating agency, CFHA ensures its own financial management, which is based on fiscal accountability, efficiency, and policy compliance. Day-to-day tasks related to financial management at CFHA include establishing rents, and collecting and managing recoverable revenues. The Agency's primary funding comes from rental revenues.

AUTHORITIES

Planning authorities

In anticipation of Treasury Board approval of CFHA's submission, in July 2003 the Deputy Minister and the Chief of the Defence Staff granted planning authority in the amount of \$15 million per year for the next five years, to be invested in the recapitalization of the housing portfolio. As explained in the "Real estate planning" section of this report, 10 sites were selected for the first phase of the Recapitalization Program, and are scheduled for development in 2004-05, mostly through renovation and expansion of existing units.

Financial authorities

Although CFHA's recently confirmed special operating agency status grants it some operational independence, the Agency remains fully accountable to the Department on matters such as financial delegation. This year, CFHA standardized its approach for granting and delegating financial signing authorities, and participated in the Department's overall review of the authorities matrix. The final authorities matrices for both the Department and CFHA are now pending approval by the Minister of National Defence.

REVENUE

Rent revenues

The regulatory basis for setting MQ rents specifies that occupants of government housing must be treated the same way as those who rent similar accommodation from private sources. Rents for government housing should be fair, equitable, and comparable to those paid for a dwelling of similar size and condition in the surrounding market. This level playing field ensures that the rents paid by the 20 percent of CF personnel who live in MQs are comparable to the rents paid by the 80 percent of CF personnel who live on the private market.

DND addresses housing affordability issues through the pay and benefits package. This approach is complemented by the Post Living Differential allowance, which compensates members who are posted to locations with a higher cost of living, whether they choose to live in MQs or on the market. The Post Living Differential is not a housing allowance; it was designed to offset the high cost of living as a whole. Furthermore, it should be noted that CFHA abides by rent control legislation existing in Manitoba and Ontario, and that according to governmental policy, under no circumstances will an occupant of Crown-owned housing be required to pay in excess of 25 percent of the household's gross income.

Since 1997, fair market rent for MQs has been determined annually by appraisers from CMHC, and is based on an assessment of a number of factors, such as the type, size, age, location, and general condition of the unit. Therefore, rents charged for MQs will vary according to these factors and will reflect the rents that would be charged for comparable dwellings in the local market.

Other sources of funding

While the Agency's primary source of funding remains the rents collected for the use of married quarters, CFHA does receive additional government funding to maintain heritage residences, to serve as partial funding of major renovation projects, for environmental projects, and to cover some employee benefits.

In 2003-04, CFHA received \$5 million in funding from DND toward the disposal of surplus units. The Agency was also provided with the opportunity to use \$6.75 million of departmental year-end surplus funding to create a payable at year-end reserve to cover part of the Singles Reimbursement Project, which was submitted at the end of 2003 and is now pending legal review.



IN CLOSING

This year ends with a significant event in the history of CFHA. On 31 March 2004, the Treasury Board of Canada ratified CFHA's special operating agency status within DND. This confirms that our Agency has fulfilled all the requirements placed upon it by the Treasury Board, and all but one of the outstanding SCNDVA recommendations. In the coming years, we will continue to take pride in our supportive role in Canadian military life and to consider ourselves fully accountable to our valued customers. It is with great excitement that we see our efforts rewarded in a way that will allow us to better do what we do best: making sure that everywhere we are, military families are home.



ANNEX A
FINANCIAL
STATEMENT

STATEMENT OF EXPENDITURES
FOR THE YEAR ENDING 31 MARCH

	2004	2003
	(in thousands of dollars)	
Revenue		
Rents	78,250	76,176
DND funding ³	5,109	3,591
Recovery of utility charges	3,242	3,449
Recovery from foreign military training	2,682	2,302
Other revenues	118	202
Total – Revenue	89,400	85,720
Operating expenses		
Salaries and benefits	10,834	10,042
Repairs and maintenance	47,313	45,024
Utility expenses	6,972	7,822
Municipal type services	4,180	2,711
Housing rentals	2,841	3,335
Professional services	1,146	1,949
Other operating expenses	2,385	1,839
Total – Operating expenses	75,672	72,722
Corporate management expenses		
Salaries and benefits	3,456	3,821
Professional services	1,856	1,388
Corporate services provided by DND	27	50
Administrative expenses	918	1,398
Total – Corporate management expenses	6,257	6,657
Total – Expenses	81,930	79,379
Operating surplus before capital expenditures, foreign military recovery and disposal		
	7,470	6,341
Capital expenditures ⁴	2,723	2,209
Proceeds of disposal	3,118	2,895
Total – Capital expenditures, foreign military training recovery and disposal	5,841	5,104
Unused parliamentary appropriations	1,630	1,237

**NOTES TO
FINANCIAL
STATEMENT**

1. Authority and purpose

CFHA was established as a provisional special operating agency under DND in October 1995. The Department receives revenue-spending authority from Parliament with the approval of the departmental Main Estimate. DND funds the operating activities of CFHA from vote-netted revenues generated by rents collected from the housing portfolio and credited to the Defence appropriation. The Agency is also partially funded through departmental appropriation.

2. Significant accounting policies

This statement was prepared using the following accounting policies:

- a) Revenue and expense recognition – Revenues and expenses are recorded on a modified accrual accounting basis.
- b) Capital expenditures – Expenditures of a capital nature are charged to cash authorities (appropriations) in the year of acquisition or construction on a modified accrual basis. Where the total capital expenditure exceeds \$30,000 for the acquisition of new assets, extends the life of existing assets by at least one year, or enhances the capabilities of existing assets, the cost is amortized over the useful life of the asset where such life exceeds at least one year.
- c) Operating results – The CFHA operating results take into account the cost of operating the housing portfolio within DND, inclusive of its share of departmental corporate costs.

3. DND Funding

	2004	2003
	(in thousands of dollars)	
Funding for recapitalization	5,000	38,760
Funding for collective agreements	121	1,190
Other DND funding	(12)	3,257
Total DND funding	5,109	3,591

4. Capital expenditures

	2004	2003
	(in thousands of dollars)	
Property improvements	2,190	1,206
Office improvements	154	0
Informatics equipment and other	379	377
Total capital expenditures	2,723	2,209

5. Lease commitments

The Agency has responsibility for departmental bulk leases related to family housing and has entered into commercial leases pertaining to office accommodation. The minimum lease payments over the next nine years are as follows:

(in thousands of dollars)	
2004-05	1,110
2005-06	734
2006-07	734
2007-08	368
2008-09	514
Total lease commitments	3,460

6. Contingent Liabilities

Litigation has been initiated against Her Majesty The Queen (in right of National Defence) for damages involving leases for the provision of housing in Halifax. The leases in question date back to 1963; CFHA has been managing these leases since April 1996. DND has communicated the necessary information to the Office of the Auditor General in the context of its year-end audit.

Recent policy decisions have determined that the Department may be liable for some rent reimbursements for the years 1997 to 2003. In 2003-04, the Department set aside funds to pay for these reimbursements.

7. Related party transactions

CFHA received services from DND for which the Department was reimbursed.

	2004	2003
	(in thousands of dollars)	
Municipal type services	3,050	2,712
Utilities paid to bases and wings	2,831	3,835
Accommodation obtained from DND	326	3
Other services obtained from DND	59	225
Total related party transactions	6,266	6,775

Table 1. Major maintenance and repairs to CF housing units

	2000	2001	2002	2003	2004
	(number of housing units)				
Building envelope					
Doors	3,132	3,480	1,891	78	339
Foundation	367	554	571	70	117
Insulation	1,300	2,720	1,053	256	89
Masonry	411	260	20	0	23
Roofing	3,155	1,699	1,273	247	662
Siding	1,153	1,306	1,015	69	160
Windows	3,359	4,480	1,886	53	428
Mechanical systems					
Electrical	3,267	3,783	10,370	7,995	9,695
Heating	1,964	2,060	2,150	559	1,015
Plumbing	2,162	3,175	1,517	153	676
Ventilation	663	629	1,644	351	738
Building – General interior					
Bathroom	364	522	1,039	36	206
Flooring	912	424	499	101	157
Kitchen	582	533	695	85	226
Building – General exterior					
Sidewalks, steps and driveways	1,586	2,975	3,123	145	811
Accessory structures					
Garages	531	511	252	85	124
Sheds	274	691	112	10	145

FIGURE A1 Repairs and maintenance expenditures, 2004

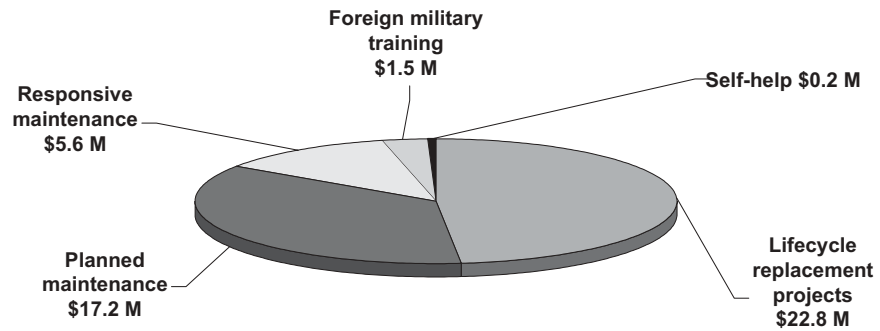
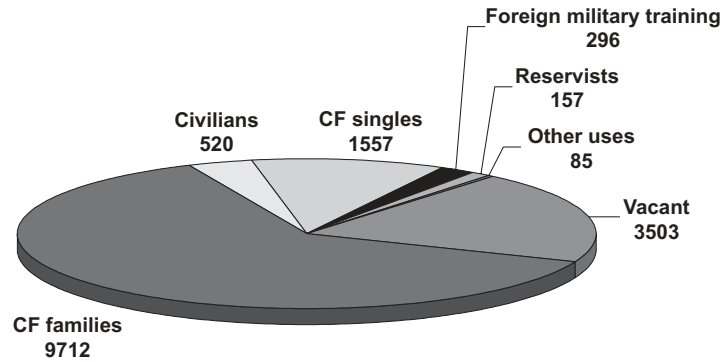


FIGURE A2 Occupancy profile as at 31 March 2004



ANNEX B – REGULATORY FRAMEWORK – The policy framework guiding CFHA programs consists of the following:

RELEVANT STATUTES

Federal Real Property and Federal Immovables Act
Federal Real Property Regulations
Surplus Crown Assets Act

TREASURY BOARD POLICIES

Alternative Service Delivery
Disposal of Surplus Real Property
Open and Fair Real Property Transactions
Project Approval
Real Property Investment
Real Property Revenue
Real Property Policy on Administration
Treasury Board Long-Term Capital Plans

TREASURY BOARD SECRETARIAT PUBLICATIONS AND DIRECTIVES

Becoming a Special Operating Agency
Guide to the Monitoring of Real Property Management
Isolated Posts and Government Housing Directive
Living Accommodation Charges Directive
Management for Government Interest in Private Sector Initiatives
Results for Canadians: A Management Framework for the Government of Canada

DND REGULATIONS, ORDERS, DIRECTIVES AND PUBLICATIONS

Accommodation in Support of the Canadian Forces: A Vision for 2020
CFAO 28-1 – Allotment of Single Quarters and Provision of Quarters and Rations on Temporary Duty
CFAO 28-3 – Married Quarters, Covered Residential Parking and Mobile Home Parks – Allotment, Occupancy and Eviction
CFAO 28-4 – Married Quarters and Singles Quarters Requirements – Policy and Procedure
CFAO 208-1 – Charges for Married Quarters, Single Quarters, Covered Residential Parking, Rations, and Services Supplied to Trailers
CFAO 209-8 – Temporary Evacuation of Married Quarters
CBI Chapter 209 – Transportation and Travelling Expenses
DAOD 4001-0 Management of Realty Assets
DAOD 4001-1 Realty Asset Life Cycle Management
DND Accommodation Policy
DND Interim Guidance – Functional Accommodation Standards
Interim Guidance Instruction – Designated Residences in Canada
QR&O, Volume 1, Chapter 28 – Allotment and Occupation of Quarters
QR&O, Volume 1, Chapter 29 – Works and Buildings
QR&O Appendix 4.1 – Charges for Family Housing Regulations

**ANNEX C –
DIRECTORY OF
CFHA HEAD
OFFICE AND
HOUSING
MANAGEMENT
OFFICES**

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APPENDIX D
HOUSING
MANAGEMENT
OFFICES:
LOCATIONS
AND NUMBER
OF UNITS

ANNEXE D
BUREAUX DE
GESTION DES
LOGEMENTS :
EMPLACEMENT
ET NOMBRE
D'UNITÉS

