THE ROLE OF SOCIAL INVESTMENT IN CANADIAN AFFORDABLE HOUSING

HOW SOCIAL INVESTMENT IN AFFORDABLE HOUSING DEVELOPMENT BENEFITS AND BUILDS CAPACITY WITHIN THE COMMUNITY HOUSING SECTOR

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catalyst
Community Developments

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Purpose

The overall purpose of this document is to provide information and guidance to not-for-profits with land assets interested in pursuing affordable housing developments in British Columbia. This resource focuses on explaining the financing of development, referring to Catalyst Community Development Society's projects as case studies, and demonstrating how social investment successfully contributes to a new, more financially sustainable, funding model. Diversified funding models enable affordable and inspiring non-market rental homes and places for people to work and play, to be consistently delivered to meet community needs, even in the absence of government funding.

This report will become part of a publicly available toolkit documenting Catalyst's business model, helping to build capacity, resilience, and long-term sustainability within the not-for-profit sector of affordable housing development.

This research report was supported by Catalyst Community Developments Society, the Mitacs Accelerate Program, Vancouver City Savings Credit Union (Vancity Credit Union), and the University of British Columbia's School of Community and Regional Planning.

What is Social Investment?

Private capital invested with the intention of positive social outcomes. Also known as "socially responsible" or "impact" investments, these are investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return.

Executive Summary

Many years of underfunding from local, provincial and federal governments has been a critical issue impacting the financial viability (and contributing to the lack of availability) of the affordable rental housing stock in Canada.[1] It was not until very recently, that all three levels of government announced strategic housing plans, including unprecedented capital funding for social and affordable housing delivery. While the Federal National Housing Strategy (2017), Provincial Building BC Initiative (2018), and various municipal housing plans are vital cornerstones of a healthy housing system, the reality is that government funding is not consistent nor guaranteed in the long-term.

In order to ensure the consistent provision of affordable non-market housing, the Community Housing Sector – here considered a sub-set of the not-for-profit, or Third Sector, generally – needs to re-evaluate its dependency on government support. The BC Non-Profit Housing Associations defines the Community Housing Sector as: *"the wide range of local partners who have a stake in building and maintaining a long-term supply of permanent affordable housing. This includes non-profit and co-op sector organizations and housing providers, community land trusts, municipalities, charities and faith-based groups, as well as cause-driven private sector organizations and financial institutions."*[2]

One way to transform the Community Housing Sector's reliance on government funding is to tap into private social investment as part of development financing. Catalyst Community Developments Society is a not-for-profit real estate developer, owner and operator, one of the first of its kind in B.C. Catalyst's development model is unique in that it partners with other non-profits and municipalities with the intention of long-term ownership.

The core components of Catalyst's development model include:

- Mission-aligned non-profit partnerships;
- Long-term co-ownership stake and operation of assets;
- Access to private capital that has traditionally been absent from the delivery of affordable housing; and
- Building an ongoing revenue stream in order to support a more resilient and financially sustainable Community Housing Sector specifically, and Third Sector at-large.

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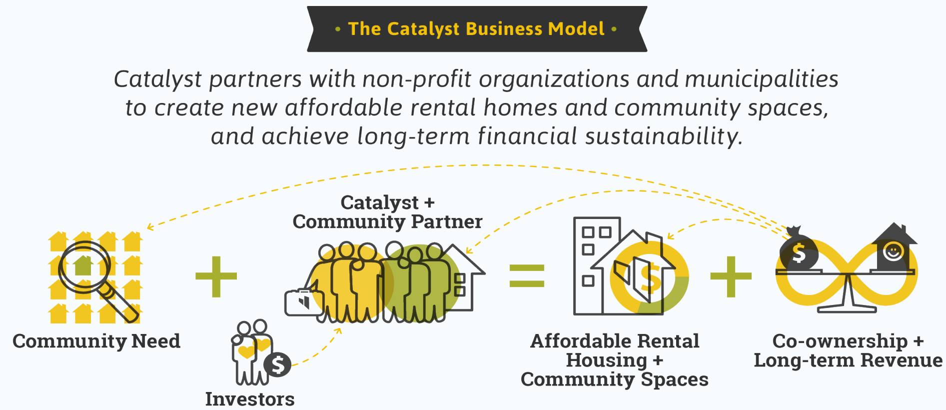
[1] Carlson, Margie (2014). *Alternative Sources of Capital for the Social/Affordable Housing Sector in Canada.* HSC & BC Housing. Retrieved from: https://www.bchousing.org/research-centre/library/housing-affordability/alternative-sources-capital-social-affordable-housing-canada&sortType=

[2]

Figure 1. The Catalyst Business Model.



With a focus on British Columbia, and specifically Metro Vancouver, this report:

- Provides an overview of the existing housing system in Canada;
- Explains the potential role for social investment within the context of affordable housing development for moderate-income rental housing;
- Summarizes the current funding models available to non-profit developers; and
- Introduces alternative financing options that have the potential to make the sector more financially independent of government for projects affordable to moderate-income households (such as Catalyst's project rents, which are affordable to households making between $20,000 - $100,000 per year, as opposed to supported social housing, which will always require government subsidy).

Through research and interviews with social investors, and using Catalyst's projects as case studies, the report articulates the challenges and opportunities associated with incorporating social investment into the overall financing strategy for non-profit affordable housing development, focusing on the pre-construction, construction and takeout phases. It evaluates the successful financing assembly and lessons learned of social investment, in Catalyst's experience, investigates the experiences and insights of social investors in affordable housing projects, and provides evidence to show the contributions of social investments towards a more robust, scalable, and sustainable affordable housing development sector.

Seven Key Findings and Recommendations

How does social investment in non-profit, affordable housing development benefit and build capacity within the Community Housing Sector specifically, and the Third Sector at-large?

1. **Non-Profits with Land are Significant Social Investors in the Community Housing Sector.**

   Social investment is private capital invested with the intention of positive social, as well as financial, outcomes. This report recognizes the significant contribution of non-profit organizations that choose to leverage their land assets through non-profit development to increase affordable housing, community space, and overall positive impact. Maintaining land in community ownership is critical in securing long-term affordability.

2. **Social Investment is Complementary to the Existing Financial Ecosystem.**

   Taking advantage of government grants, low or no-interest loans, and other financial incentives to make affordable housing projects feasible – as has recently become possible through unprecedented federal, provincial and municipal funding – is encouraged. Strategically layering in social investment for affordable housing projects geared to moderate-income households builds capacity among investors and the Community Housing Sector and reduces the overall reliance on government funding while freeing up public capital for projects with steeper affordability needs.

3. **Investor Decision-Making Must be Understood and Challenged.**

   Helping social investors understand that investment in affordable housing can compare in risk and performance, and exceed in impact, to the rest of their portfolio, is essential to scaling the model. The Third Sector can influence investor decision-making by demonstrating their expertise through a track record of successful projects, robust pipelines, professional pitching and reporting materials, and by ensuring competitive, risk-adjusted returns.

4. **Opportunities for Social Investment in Affordable Housing Must be Increased.**

   Investors, unless specialized, may not have established assessment models for understanding the risk and impact of investment in affordable housing projects, limiting their participation. Leveraging the expertise and sharing the models used by existing investors in social-purpose real estate, such as Vancity Credit Union and New Market Funds, will expand the opportunities for social investors to participate in financing affordable housing.

5. **Finding and Assembling Social Impact Investors can be a Challenge.**

   Banks and credit unions are relatively visible, but some alternative sources of capital can be much harder to recognize. Identifying individuals, family offices, funds, and foundations is a challenge. Catalyst has been able to leverage personal relationships for social investment, but that is not a strategy than can be scaled sector-wide. Reaching critical mass through existing investment syndicators, community bonds, dedicated retail products such as RRSP eligible investments, or crowdfunding platforms, show significant potential and merit further investigation.

6. Spreading the Word and Scaling through Partnerships.

Taking the impact of Catalyst's mission-driven development model to scale requires sharing their story through a variety of mediums to reach the widest audience. Catalyst is taking a leadership role by lending their knowledge, expertise and resources through partnerships and collaboration. They are demonstrating to non-profits with land the significance of maintaining that land in community ownership, in order to participate in the solution of securing more long-term housing affordability for more people. Creating strategic alliances, bundling assets through a portfolio-based approach, and building equity and a long-term revenue stream all contribute to strengthening the Community Housing Sector. This in turn, increases the opportunities for investment in affordable housing and makes the projects more attractive. Partnerships take visibility, time and internal capacity to develop.

7. Time is of the Essence.

The current alignment between government, academia and the Community Housing Sector speaks to the urgency of the opportunity to scale the model of social investment in non-profit development and to strategically influence long-term strategies such as policy and legislation.

Methodology & Interviewees

The research methodology involved a literature review, qualitative interviews with social investors and non-profit organizations, and analysis of Catalyst's business model and project financing.

Academic literature on the topic of successful social investment in affordable housing in Canada is emerging, while government housing commitments are evolving rapidly. The literature review consisted primarily of policy documents, research and data reports, some academic and industry papers or theses, and relevant website information. The overarching policy documents that shape the current housing landscape are the Federal National Housing Strategy (2017) and the Provincial Building BC Initiative (2018). See Appendix B: Policy Framework.

Ongoing discussions with Catalyst staff over the course of a four-month internship have substantially informed this report. Six additional qualitative interviews were conducted with social investors and non-profit leaders involved in impact investment and/or affordable housing delivery:

Interviewee	Role & Organization	Description
Doris Koo	Founding Catalyst Board Member; Former CEO of Enterprise Community Partners	Enterprise is an American non-profit organization and one of the first social enterprises in the U.S.
Elizabeth Lougheed Green	Director of Community Investment at Vancity Credit Union	Largest community credit union in Canada.
Garth Davis	Managing Partner, New Market Funds	Canada's first market-based affordable housing investment fund.
Hannelore Gerlach	Oakridge Lutheran Church	Faith-based, non-profit, Catalyst partner.
Joel Solomon	Co-founding Partner, Renewal Funds	A mission venture capital firm investing in Canada and the U.S.
Kira Gerwing	Manager, Community Investment at Vancity Credit Union	Largest community credit union in Canada.
Robert Brown	Founder & President, Catalyst Community Developments Society	Not-for-profit Real Estate Developer, Owner, Operator

The interviews were in-person, semi-structured, and provided an open-ended format to ascertain prominent ideas, themes, sentiments, and experiences relating to the incorporation of social investment into the financing of affordable housing development and the potential it presents in terms of scaling operations and contributing to a sustainable Community Housing Sector. The report does not provide a detailed cost-benefit analysis of these ideas or tools. Catalyst's existing, ongoing, and upcoming projects are reviewed. Two developments are analyzed as case studies, exploring the financing assembly process and social investment contribution in detail:

- **Madrona@Dockside Green, 370 & 384 Harbour Rd, Victoria, B.C.**
- **Oakridge Lutheran Church, 585 W 41st Ave, Vancouver, B.C.**

It is Catalyst's view that by actively sharing their own experience in a transparent manner, they will encourage other not-for-profits, faith-based groups, and community organizations with land assets to pursue similar mission-driven, non-profit development business models or partnerships in order to preserve critical community lands under community ownership.

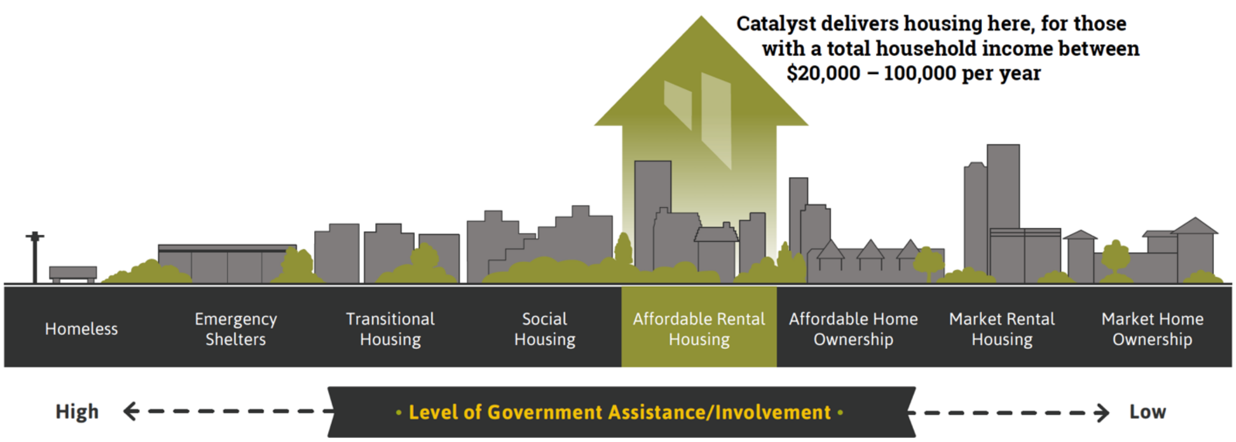
Definitions

Affordable Housing: The Canada Mortgage and Housing Corporation (CMHC) defines housing as affordable when a household spends less than 30 per cent of its gross (before-tax) income on acceptable shelter. Acceptable shelter refers to housing that is adequate in condition, suitable in size, and available at a cost that does not compromise a household's ability to attain other basic needs of life, including needs for food, clothing and access to education. Under this definition, affordable housing applies to all Canadians, and is a ratio of a household's shelter costs compared to their income.

Affordable Rental Housing: This is the type of housing that Catalyst delivers. Sometimes referred to as "workforce housing", "moderate-income," or even "middle-income housing", this report uses the term to describe below-market rental housing, affordable for households with an income between $20,000 - $100,000 per year.

AMI: Area Median Income, of a metropolitan region or census equivalent. In this report, moderate and middle-income households are considered to be those earning approximately between 80-120% of AMI.

Figure 2. Catalyst's Place on the Housing Continuum in Canada



Community Amenity Contributions (CACs): Negotiated contributions from developers to pay for additional community amenities and services that are needed when a property is rezoned to a higher density and the population of an area increases. By sharing the benefits made possible by increased development rights and land value, property developers, through CACs, help to make sure cities remain desirable and functional places to live.[3]

Community Housing Sector: The BC Non-Profit Housing Association (and this report) use the definition: *the wide range of local partners who have a stake in building and maintaining a long-term supply of permanent affordable housing. This includes non-profit and co-op sector organizations and housing providers, community land trusts, municipalities, charities and faith-based groups, as well as cause-driven private sector organizations and financial institutions.*[4]

Core Housing Need: A key concept used by governments to measure trends in housing affordability. Developed by CMHC to refer to households that fall below one or more affordability, suitability (overcrowding), and/or adequacy (repair) standards, and are also not able to afford average market rent in their community.

Development Cost Charge or Levy (DCC/DCL): Fees charged by municipalities on new urban development to pay for general infrastructure upgrading. However, the DCL can only be used to pay for a limited array of items: parks, child care facilities, social and affordable housing, and engineering infrastructure (roads, water, sewer, drainage). While they can be waived, DCLs generally apply to all development, whether or not rezoning is required.

Development Proforma: The standard set of calculations involved in analyzing the estimated costs and financial viability of a proposed real estate development.

Freehold: Also known as "fee-simple", freehold refers to outright ownership of land by an organization to self-govern within the limits of zoning and other regulations.

Hard Costs: Tangible assets required to complete a construction project. They refer to any costs associated with the physical structure, site, landscape, labour and materials.

HILs: Housing Income Limits represent the income required to pay the average market rent for an appropriately sized unit in the private market. Average rents are derived from CMHC's annual Rental Market Survey and are, in reality, significantly below market values.[5] Looking at average rents in the City of Vancouver, for example, the following median household incomes are required for those rents to be deemed affordable:

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[3] Coriolis Consulting Group (2014). *CAC Policy and Housing Affordability Review for the City of Vancouver.* Retrieved from: https://vancouver.ca/files/cov/CAC-coriolis-consultancy-final-report-december-2014.pdf
[4] BC Rental Housing Coalition (2018). *An Affordable Housing Plan for BC.* Retrieved from: https://housingcentral.ca/SITES/HousingCentral/Affordable_Housing_Plan/HousingCentral/Affordable_Rental_Housing_Plan.aspx?hkey=433f9af0-e946-4a37-b827-94f68667dc0b
[5] BC Housing, 2018 Housing Income Limits (HILs). Retrieved from: https://www.bchousing.org/partner-services/non-profit-training-resources/resources-a-z

- Studio: $1,060 per month = $41,500 annual household income
- 1 Bedroom: $1,223 per month = $48,000 annual household income
- 2 Bedroom: $1,552 per month = $58,000 annual household income
- 3+ Bedroom: $1,801 per month = $68,000 - $83,500 annual household income

Housing Agreement: An agreement with a municipality that secures the affordability of a project in return for municipal approvals and/or incentives provided to support the affordability.

Household Income: This is a measure of the combined incomes of all people, gross or pre-tax, sharing a particular household or place of residence. Household Income is often used as an indicator for the calculation of living costs that are deemed affordable.

Leasehold Land: A lease is an agreement between a property owner and a lessee. It secures land and determines the price that will be paid for the land and the respective responsibilities associated with operating on that space. Leasehold land, if shorter than approximately 40-50 years, may limit the ability for the lessee to obtain a mortgage.

Market Development: A business model of developing housing is primarily motivated by producing financial returns to owners or shareholders.

Market Housing: Regular market housing (rental or homeownership), where the cost is determined by the open market.

Moderate-Income: BC Housing currently defines as:

a. *For residential units with less than two (2) bedrooms, a gross household income that does not exceed the median income for families without children in B.C., as determined by BC Housing from time to time based on data provided by Statistics Canada.* ***For 2018, this figure is $71,200.***
b. *For residential units with two (2) or more bedrooms, a gross household income that does not exceed the median income for families with children in B.C., as determined by BC Housing from time to time based on data provided by Statistics Canada.* ***For 2018, this figure is $104,440.***[6]

Middle-Income: BC Housing currently defines as:

a. *Units with less than two (2) bedrooms: Middle-income households are those whose gross household income does not exceed the 75th income percentile for families without children, as determined by BC Housing from time to time based on data provided by Statistics Canada.* ***For 2018, this figure is $111,750****.*

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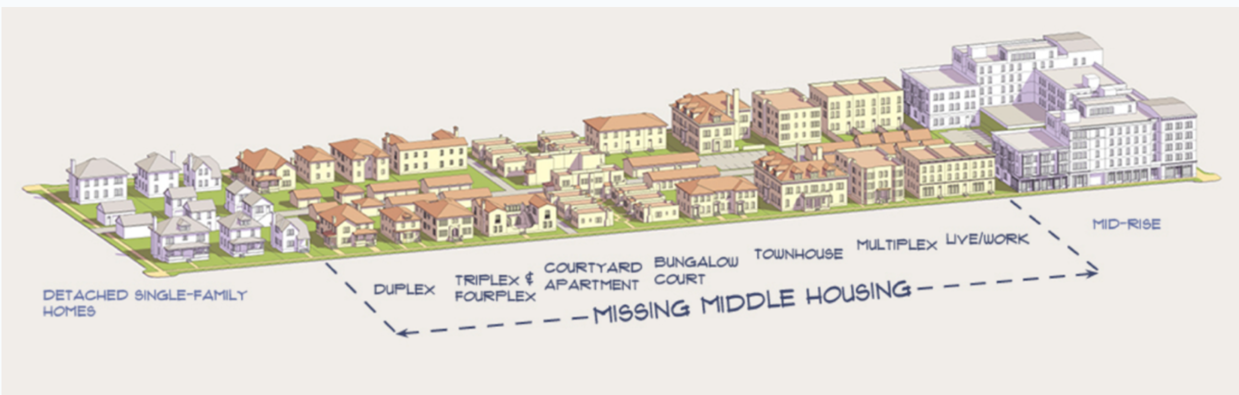
[6] BC Housing, *Glossary*. Retrieved from: https://www.bchousing.org/glossary#L

b. *Units with two (2) or more bedrooms: Middle-income households are those whose gross household income does not exceed the 75th income percentile for families with children, as determined by BC Housing from time to time based on data provided by Statistics Canada.* ***For 2018, this figure is $152,870****.*[7]

Missing Middle: Often refers to renter households that have combined incomes between approximately $30,000 - $80,000 but have difficulty finding affordable, adequate and suitable rental housing in the private market. The term is also used to refer to a range of multi-unit or clustered housing types compatible in scale with single-family homes that help meet the demand for walkable urban living:

Figure 3. Missing Middle Housing. Source: Opticos Design, Inc.[8]



Non-Market Housing: Any housing protected from market economic forces, preserving affordable rents or ownership in perpetuity. In Canada, this segment represents 5% of total housing.

Non-Profit Development: A business model is conducted by a not-for-profit organization and is primarily motivated by providing affordable homes for those not served by the market. Non-profit development removes the traditional profit expectations in lieu of additional social benefits.

Social Housing: In this report, Social Housing refers primarily to the categories of non-market housing where costs are subsidized by government, and support services are attached e.g. emergency shelters, transitional housing, supportive housing.

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[7] Ibid.
[8] Opticos Design, Inc. *Missing Middle Housing.* Retrieved from: http://missingmiddlehousing.com/.

Social Investment: Private capital invested with the intention of positive social outcomes. Also known as "socially responsible" or "impact" investments, these are investments made into companies, organizations, and funds with the intention to generate measurable social and environmental impact alongside a financial return.

Soft Costs: Expense items that are not considered direct construction costs, including architectural, engineering, insurance, legal, permitting and consulting fees.

Patient Capital: A relative term related to how long you have to repay a loan or investment. The more patient it is, the longer the recipient has to repay and the greater the potential to meet return requirements and increase project affordability.

Triple Bottom Line: A framework in which social, environmental and financial impacts are achieved simultaneously.

Introduction

Housing System in Canada

In a country as wealthy as Canada, why are many Canadians struggling to afford housing? In looking at our housing system, encompassing the public, private and non-profit building, financing and regulatory environment, 95% of housing is supplied, designated and maintained by private market mechanisms. This leaves only 5% of households living in non-market housing, in contrast to other parts of the world, such as Europe, where the average amount of non-market housing is closer to 20%.[9]

Despite almost complete reliance on market dynamics in the provision of housing, government policy has played a large role in establishing and maintaining Canada's current system. Through the Dominion Housing Act (1935), the National Housing Act (1938), and the establishment of the Canadian Mortgage and Housing Corporation (CMHC) in 1946, the federal government has contributed to an aspirational culture of homeownership by privileging homeowners at the expense of renters and those excluded from the market system. A steady stream of homeownership assistance programs since the early 1970's, such as the RRSP Home Buyers' Plan and the First Time Home Buyer's Tax Credit, has maintained the national homeownership rate at just under two-thirds of the Canadian population.[10]

Federal investment in housing began out of a need to create economic growth, jobs, and housing post-World War II for veterans, their newly formed families, and the expected population expansion. It included major studies of housing and urban development, land assembly and servicing, public housing, and the financial support for municipal planning from the 1940s until the early 1990s. The first Canadian social housing legislation was introduced in 1938 and included the construction of publicly-owned and provincially managed low-rent housing. Later, motivated by a planning movement called "urban renewal", the government's role in the provision of social housing began in earnest in the 1960s when high-density public housing projects were built. While these initiatives resulted in the construction of approximately 250,000 social housing units across Canada (8% of which landed in B.C.), they erased many existing low-income neighbourhoods and displaced the families that lived there.[11]

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[9] Hulchanski, D. (2001) *A Tale of Two Canadas. Homeowners Getting Richer, Renters Getting Poorer.* P. 1. Retrieved from: http://www.urbancenter.utoronto.ca/pdfs/researchbulletins/02.pdf

[10] Hulchanski, D. (2003). *What Factors Shape Canadian Housing Policy? The Intergovernmental Role in Canada's Housing System.* P. 3. Retrieved from: https://www.queensu.ca/iigr/sites/webpublish.queensu.ca.iigrwww/files/files/conf/Arch/03/03-2/Hulchanski.pdf

[11] McAfee, A. (2015) *Housing and Housing Policy.* The Canadian Encyclopedia retrieved from: https://www.thecanadianencyclopedia.ca/en/article/housing-and-housing-policy/

Much of Canada's existing purpose-built market rental housing stock was built between the 1950s – 1970s. Private development of rental housing effectively halted when the federal government eliminated tax incentives in the 1970s and 1980s. While investment in rental housing was thus discouraged, the development of stratified condominium buildings became significantly more profitable in areas zoned for higher densities. The government failed to support renter households by allowing the loss of lower-rent housing stock at this time, not requiring the replacement of rental units when buildings were redeveloped, and by insufficiently funding social assistance benefits and other social supports related to housing stability.[12]

As a means to save money, beginning in the late 1970's and continuing through 2016, federal investments in social housing programs were drastically declining. The focus shifted towards funding non-profit organizations, co-operatives and municipalities in order to provide affordable housing. During this time, more than 220,000 units of non-profit and co-op housing were built.[13] In 1993, the federal government cut federal cash transfers altogether and unilaterally devolved administration of federal programs to provinces and territories, determining that housing and municipal/urban affairs were "more properly the responsibility of the provinces".[14] Provinces were not equipped to maintain spending levels in social housing, and different provincial priorities led to different housing programs across the country.

Towards a Housing Crisis

There has been an increasing gap between the incomes of owners and renters in Canada since the 1990s. The Organization for Economic Co-Operation and Development (OECD) asserts that between the mid-1990s and the mid-2000s, Canada experienced the second largest increase in inequality among all 36-member countries.[15] Income inequality is concentrated within cities and over 80% of Canadians live in urban areas. In Metro Vancouver, income inequality has increased by more than twice the national average since 1982.[16] The 2016 Census revealed that median household incomes of homeowners ($90,278) are double that of renter households ($45,979) in the Metro Vancouver region (Figure 4).[17]

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[12] Hulchanski, D. (2005) *Rethinking Canada's Affordable Housing Challenge.* P. 6. Retrieved from: http://www.urbancentre.utoronto.ca/pdfs/elibrary/Hulchanski-Housing-Affd-pap.pdf

[13] McAfee.

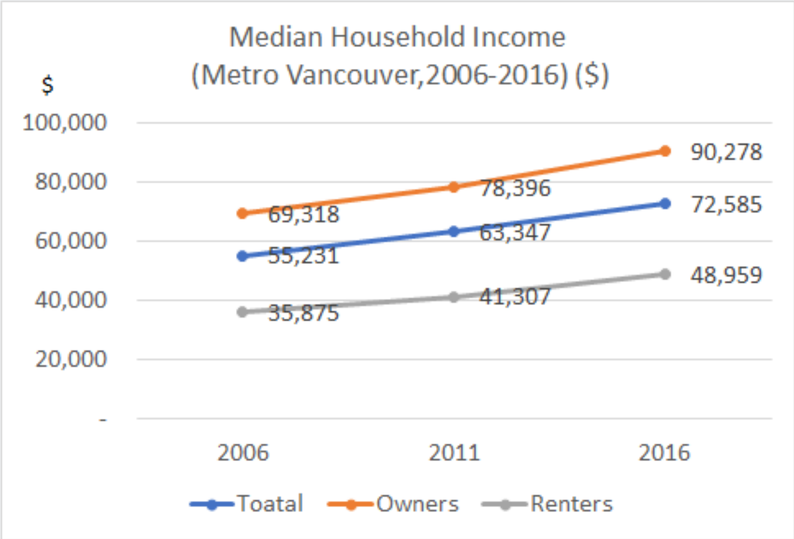
[14] Hulchanski, D. (2003). P. 9.

[15] Walks, A. (2013) *Income Inequality and Polarization in Canada's Cities: An Examination and New Form of Measurement*. Cities Centre, University of Toronto. Retrieved from: http://neighbourhoodchange.ca/documents/2015/02/income-inequality-and-polarization-in-canadas-cities-an-examination-and-new-form-of-measurement.pdf

[16] Fong, F. (2017). *Income Inequality in Canada: The Urban Gap.* Chartered Professional Accountants Canada. Retrieved from: file:///Users/katrinamay/Downloads/G10363-SC_Income%20Inequality%20in%20Canada%20-%20The%20Urban%20Gap_FINAL_ENG.pdf

[17] Metro Vancouver Housing Data Book (2018). *Median Household Income (Metro Vancouver, 2006-2016).* Retrieved from: http://www.metrovancouver.org/services/regional planning/PlanningPublications/MV_Housing_Data_Book.pdf

Figure 4. Median Household Income, Metro Vancouver, 2006-2016.



Source: Metro Vancouver Housing Data book

Meanwhile, the cost of housing has increased dramatically. The 2017 CMHC Rental Market Report, which is generally considered conservative, stated that the average rent for all apartment types in the Metro Vancouver region was $1,297 per month – an increase of 5.9 per cent in one year alone.[18] According to the Canadian Rental Housing Index, in British Columbia there are approximately 1.8 million households, 32% of which are renter households. Nearly half the province is living in housing deemed unaffordable by CMHC standards, with 43% of households in British Columbia spending over 30% of their income on rent and utilities, and 21% spending over 50% of their total income on housing.[19] The vacancy rate increased to 0.9 per cent from a low of 0.5 per cent in 2016, still significantly higher than the 3-5 percent deemed to be healthy.[20] Strong demand for rental accommodations is underpinned by steady population and employment growth, with net migration, increasing employment opportunities and a limited supply of rental housing all contributing to significant rent increases and low vacancy rates. As a result, B.C.'s rental market is ranked as the most critical across Canada.

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[18] CMHC. (2017). *Rental Market Report 2017*. https://www.landlordbc.ca/app/uploads/2017/11/Vancouver.pdf
[19] Rental Housing Index. (2018). http://rentalhousingindex.ca/en/#rhi_prov
[20] CMHC. (2016). *Rental Market Report 2016.* https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/cmhc/pubsandreports/esub/_all_esub_pdfs/68967_2016_a01.pdf?sv=2017-07-29&ss=b&srt=sco&sp=r&se=2019-05-09T06:10:51Z&st=2018-03-11T22:10:51Z&spr=https,http&sig=0Ketq0sPGtnokWOe66BpqguDljVgBRH9wLOCg8HfE3w%3D

CMHC claims that 80% of Canadian households have their housing needs met through the marketplace.[21] This includes most home owners and tenants at the higher end of the rental market, at the exclusion of tenants at the lower end of the rental market, some rural homeowners, and social housing residents. Housing tenure thus represents a divide between the types of households in Canada. The lower income and wealth levels of many renters has had serious implications for the rental supply, as tenants have not had enough money to generate effective market demand for new rental housing.[22] Moderate and middle-income households, that have traditionally been able to access housing that meets affordability criteria without subsidies through the competitive market, have not been able to keep up with the massive price increases in recent years.

More and more renters are generating a social need for suitable and affordable housing. The BC Rental Housing Coalition published an Affordable Housing Plan in 2017 that estimates there is an existing backlog of nearly 80,000 new rental units in addition to 117,000 renter households that require income assistance of some kind to afford the unit they currently rent. The demand for rental housing is estimated to average around 7,000 new households per year over the next ten years. Of these, 2,350 households are projected to be in core housing need, and ***1,150 households are projected to be in the missing middle,*** with household incomes ranging from approximately $30,000 - $80,000 per year.[23] The issue of moderate and middle-income affordability has, therefore, been "thrust onto the public agenda."[24]

Since 2011, the federal government has funded affordable housing through the Investment in Affordable Housing initiative (IAH), expiring in 2019. Canada was spending $1.9 billion (1% of its annual budget) in federal funds cost-matched by provinces and territories to increase the supply, preserve existing, and improve access to affordable housing across Canada.
In a historic announcement in November of 2017, however, amid rapidly deteriorating housing affordability across the continuum and after years of task force recommendations, stakeholder engagement, and public insistence, Canada's first ever National Housing Strategy was introduced. The ambitious $40 billion commitment signifies a meaningful re-engagement by the federal government in housing. The National Housing Strategy is replacing IAH with a series of funding initiatives and programs, including the National Housing Co-Investment Fund ($15.9 billion), the Affordable Housing Innovation Fund ($200 million), and the Rental Construction Financing Initiative ($3.75 billion). Most recently, the provincial government announced the

[21] CMHC Website (2018). *About Affordable Housing in Canada.* Retrieved from: https://www.cmhc-schl.gc.ca/en/Developing-and-Renovating/Develop-New-Affordable-Housing/Programs-and-information/About-Affordable-Housing-in-Canada
[22] Hulchanski, D. (2004) *Finding Room: Policy Options for a Canadian Rental Housing Strategy.* http://www.urbancentre.utoronto.ca/pdfs/home/books/F-R_Chap-1_Introduction.pdf
[23] BC Rental Housing Coalition. (Updated 2018). *An Affordable Housing Plan for BC.* Retrieved from: https://housingcentral.ca/SITES/HousingCentral//Advocacy/BC_s_Affordable_Housing_Plan/HousingCentral/Affordable_Rental_Housing_Plan.aspx?hkey=e2b2a8fc-486b-4a61-bd71-513f23c2990c.
[24] Cox, Wendell & Ailin He. (2016) *Canada's Middle-Income Housing Affordability Crisis.* Frontier Centre for Public Policy. https://fcpp.org/wp-content/uploads/2016/06/Cox-He-Middle-Income-Housing-Crisis.pdf

Building BC Program ($7 billion), representing the largest provincial investment in housing affordability in B.C. history.[25] This unprecedented funding has stimulated significant action, kick-starting affordable development projects, research and policy discussions, while inspiring a host of innovative approaches to project delivery.

The Community Housing Sector

The provision of affordable housing cannot be the responsibility of the government alone. At the time of this report, the recent political will to address affordable housing must be understood within the context of a minority Provincial NDP Government and a Federal Liberal Government, with an election in one year's time. The attention and budget allocations are not guaranteed in the long term and have left the Community Housing Sector "vulnerable to government cutbacks, restrictive agreements, little equity in existing projects and a disaggregated asset base."[26]

While government programs that fund affordable housing delivery are welcomed, it is essential for policy makers to also leverage investments, implement policies, and enact legislation that positions the Third Sector as an equal partner with government and market. An expanded role for this sector will help contribute to a robust, sustainable and permanent housing system that responds to the needs of moderate and middle-income British Columbians.[27]

The Community Housing Sector is a passionate and committed group that has contributed much to affordable housing across Canada. In B.C., the sector currently consists of approximately 60,000 non-profit units and 12,000-plus co-operative housing units of long-term affordable housing, delivering 90 percent of the province's total social housing stock.[28] In recent years, the sector has evolved to present mission-driven organizations with land assets an attractive partnership alternative to government institutions and market developers – one that aligns a mission-driven non-profit philosophy with the ability to retain community ownership of the land and deliver secured affordable housing and community space. There are, however, over 600 active non-profit and co-op housing providers in B.C. with dispersed resources and assets. This diversity enables responsivity to communities and specific populations but limits the capacity to scale through multiplication of efforts, inefficiency, challenges in sharing resources and gaining economies of scale, and a wide variation in financial literacy, development expertise, and access to land and capital necessary to undertake a project. It creates a confusing and challenging landscape in which to operate.

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[25] See Appendix __: Additional Resources, for a full list of government housing programs with details.
[26] BC Rental Housing Coalition.
[27] Ibid.
[28] Roy, Kishone (2017). *Make Housing Central: British Columbia and the Affordable Housing Crisis.* Vancouver, BC: Indyhan Books. P.78.

The sector is up to the challenge. A report published in April 2018 by the Housing Partnership Canada explored the skillsets and core competencies the non-profit sector is currently working on that demonstrate a trajectory of adaptation, change, and transformation. The key findings of that research identified:

- (1) Renewal (including improving boards, planning for succession, revising job descriptions);
- (2) Diversification (broader changes including the introduction of a new management structure, new skills, partnerships, joint ventures); and
- (3) Refocusing (such as becoming more business-oriented, developing more corporate structures and senior management, and expanding specialized skill sets).[29]

The recent focus is on organizational structure and human resources, digitization and Information Technology, governance and boards, and most applicably – alternative revenue generation and housing, with 23% of respondents exploring alternative sources of capital.[30] Most non-profit housing organizations were not actively developing new products or business activities to generate revenue, however the emergence of specialized housing development groups, including the Community Land Trust and Catalyst Community Developments Society in Vancouver, were identified as another key trend.[31]

A report released in September 2018 by Carolyn Whitzman, professor of Urban Planning at the University of Melbourne and Lead Researcher for the Transforming Housing Research Network, describes six integrated "game changers" happening right now in the City of Vancouver that "show promise of growing suitable supportive, social and rental housing to the point where 'affordable housing for all' is more than a meaningless slogan." Whitzman points to a strategic alliance of Community Housing Providers that has materialized within the last three years, of which Catalyst is a part, resulting in significant social and affordable housing. [32]

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[29] Housing Partnership Canada (2018). *Skillsets and Core Competencies to Facilitate Business Transformation in the Non-Profit Community Housing Sector.* P. iii. Retrieved from: http://www.housingpartnership.ca/resources-1/
[30] Ibid, p. iv.
[31] Ibid, p. 47.
[32] Whitzman, C. (2018) *Tap Turners and Game Changers: Lessons for Melbourne, Victoria and Australia from Affordable Housing Partnerships in Vancouver, Portland and Toronto*. Melbourne: Melbourne School of Design, University of Melbourne. Retrieved from: https://msd.unimelb.edu.au/__data/assets/pdf_file/0007/2882491/Tap-Turners-and-Game-Changers.pdf

Catalyst History and Model

Figure 5. Catalyst Housing – Benefits for Communities and People.

Established in 2013, Catalyst is a mission-driven real estate developer that works with other non-profits to unlock the value of their real estate assets and reinvest that value back in the form of community owned affordable housing and amenity space. Catalyst's goal is to help their non-profit partners achieve long-term financial sustainability by ensuring that they retain a substantial ownership interest in the property over the long-term. This also results in these important community-owned assets remaining in community hands and creating positive social change.

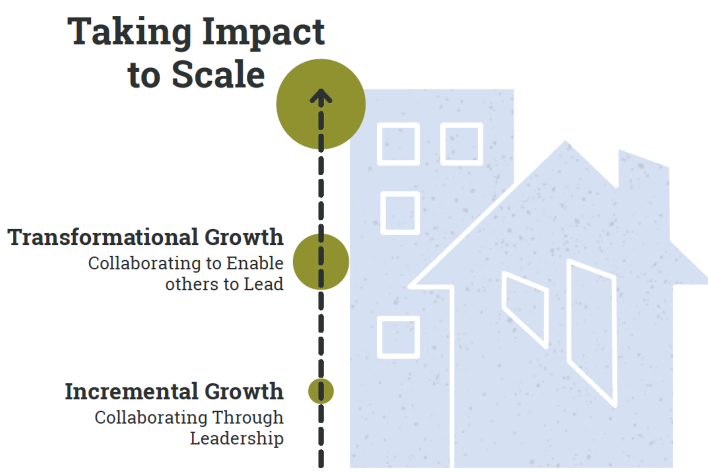
A core component of Catalyst's development model is to access mission-driven private capital that has traditionally been absent from the delivery of affordable housing. Catalyst achieves this by bringing real estate development expertise, capacity, and owner equity, sharing in a project's risk while leading project delivery and operations. Social lending/investment bridges the gap between funds obtained through conventional financing, grants received, and total project costs. These mission-driven investors take a triple bottom-line approach and provide the capital at below-market to market rates (5-13%), as they also consider that they are getting a social and environmental return.

Catalyst, and a handful of other organizations such as the Community Land Trust and the Cooperative Housing Federation of B.C., are successfully proving that social investment can be accessed to help finance affordable housing development, ultimately supporting a more resilient and financially sustainable housing delivery system in B.C. Part of a leading-edge group of mission-driven organizations, Catalyst has undertaken this alternative financing strategy with one completed project (Madrona @Dockside Green in Victoria) and is building internal and sector capacity by strategically incorporating social investment in their approximately 600 affordable rental homes currently under construction with an additional 1,300 units upcoming. Accessing social investment to bridge the gap between conventional mortgages, grants, and owner equity, gives non-profits more autonomy. Government funding for affordable housing is often tied to lengthy application processing, prescriptive operating agreements, as well as rigorous accessibility and sustainability requirements. Non-profit partnerships that are able to incorporate social investment remain flexible to mobilize more quickly, respond to changing housing needs specific to their communities, and to cycle funding and re-draw on investors, building financial independence for future projects.

The counter-argument to incorporating social investment in the financing of affordable housing projects is that a significant amount of government resources have recently been made available to this end. The National Housing Strategy, the BC Budget, and various municipal housing policies have all set ambitious targets to increase the supply of social and affordable rental homes in Canada. In this environment, with no to low-interest loans (~4%), non-repayable grants and contributions, and public land earmarked for Community Housing Sector partnerships, it will potentially increase a non-profits' up-front costs, in favour of longer repayment terms and increasing project affordability over time. From a strategic perspective, however, in an environment of government funding volatility, the opportunity to shift the sector as a whole towards self-sufficiency will require a macro perspective on diversification of sources of capital in order to build capacity, resiliency and longevity for the non-profit housing delivery model.

Catalyst is in the process of negotiating a Limited Partnership with an institutional lender with seven land assets that would enable a portfolio approach to redevelopment. In building a robust pipeline of projects and proving the model is replicable, Catalyst is shifting from incremental sector growth (project by project) to transformational growth. Developing long-term financial independence from government subsidy, and taking that impact to scale, building critical capacity, sustainability and resiliency in the Third Sector.

Figure 6. Taking Impact to Scale. Adapted from Vancity Credit Union.



Development Financing

In order to recognize the opportunity inherent in social investment in non-profit development, it is necessary to understand the financing of all development generally. For any of the housing types across the continuum, there are five core cost components that make up a real estate deal: land, soft costs (including building design, engineering and permitting), hard construction costs, financing and operations.

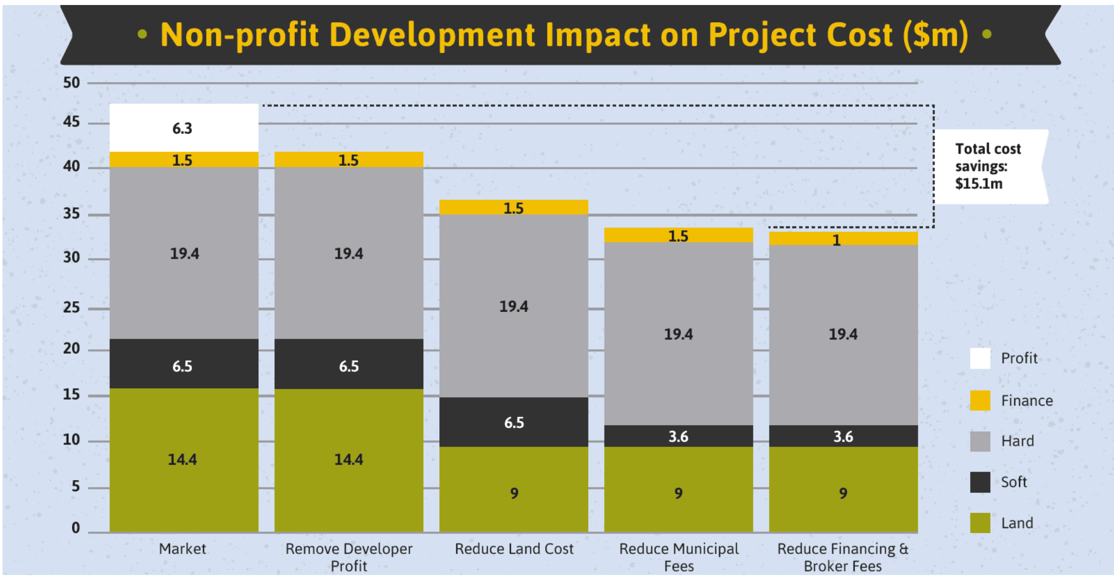
Affordable and market developments share many of the same financing and regulatory challenges, such as access to suitable development sites, zoning constraints and municipal planning bylaws, fluctuating construction costs and operational risks. Successful affordable housing developers must assemble a viable financing package within these parameters in order to see a project get built.

Figure 7 illustrates the impact a non-profit business model has on the cost components of a development. Using real values from one of Catalyst's projects, the Oakridge Lutheran Church redevelopment at 585 West 41st Avenue in Vancouver (hereafter known as OLC), the bar graph demonstrates one possible example of how significant cost savings materialize with a non-profit project. Figure 7 compares what the OLC project cost Catalyst (column 5), versus what it would have cost to build were it subject to a traditional market developer's cost estimates and expectations (column 1). This imaginary project, exactly the same in location, size and scope, would have cost nearly $15 million more to build in a market development scenario. Here is the breakdown:

- **Column 1:** The developer has applied a 15% profit margin.
- **Column 2:** As a not-for-profit, Catalyst is able to remove this significant cost, resulting in a savings of $6.3 million.
- **Column 3:** The land was appraised at a market value of $14.4 million. Oakridge Lutheran Church owned the land, and instead of selling it to a market developer, the Church opted to pursue a non-profit development partnership that is aligned with their community mission. OLC vended the land into the partnership at a reduced rate of $9 million, in exchange for a new place of worship, 22 affordable rental housing units (out of a total of 46), and retail space, co-owned with Catalyst, that will generate a long-term revenue stream for both organizations.
- **Column 4:** Most new developments are subject to municipal fees including DCLs, CACs, and other permitting fees. Because Catalyst is delivering much-needed affordable rental homes with this project, the City of Vancouver waived the DCL and CAC, resulting in a cost savings of approximately $2.5 million.
- **Column 5:** The financing fees in a non-profit scenario are reduced as the fees are relative to the overall project cost, which is lower, non-profits may have access to more

favourable financing terms, and they typically incur lower transaction fees from project lenders. With the OLC project, these savings are estimated to be approximately $500,000.

Figure 7. Non-Profit Development Impact on Project Cost ($m)

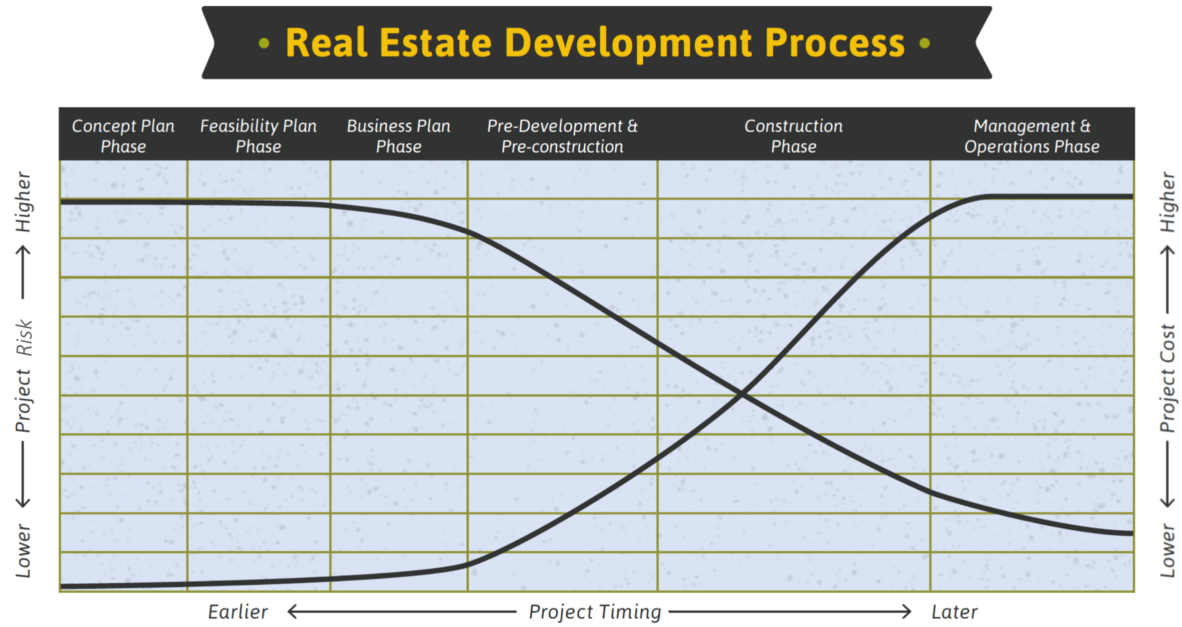


The overall cost savings of a non-profit versus market development scenario, as applied to Catalyst's OLC project, is $14.8 million. These savings directly impact the affordability of the resulting rents. This translates to an annual rent reduction of approximately $800,000, or an average savings of $1,400/unit/month.

Timeline and Process

It is also essential to understand the timeline of development financing and the types of capital required to support each stage of the development process, as illustrated in Figure 8.

Figure 8. Real Estate Development Process



Finance Terms and Definitions

Construction Loan: This is the most substantial loan and pays for the physical construction of the project, typically from a loan through a bank, credit union, CMHC, or BC Housing.

Debt: Borrowed money that must be repaid with interest but does not give up company or project ownership.

Equity: Money directly invested in a project that includes ownership shares or partnership units in the project.

Forgivable Loan: A type of loan which can be forgiven or deferred, in its entirety or a portion thereof, for a period of time by the lender when certain conditions are met.

Grants/Contributions: These are non-repayable contributions and may support any phase of development, from vision through to occupancy.

Mezzanine Financing: Any subordinated debt or preferred equity instrument that represents a claim on project assets which is senior only to that of common shares and partnership units.

PDF: Pre-Development Financing pays for the building design and permitting phase and is repaid through construction financing.

Program Funding: This money typically supports affordable housing projects that include facilities for other social benefits such as community space, licensed childcare facilities, healthcare facilities, etc.

Seed: This money helps with the up-front costs (concept, feasibility, business plan development) of a new affordable housing project or with preserving existing affordable housing.

Social Investment: Private investments with the intention to generate measurable social and environmental impact, that are repaid within a specified timeline and with a financial return.

Take-Out or Term Loan: This money is required post-construction, once a project completes and turns over into operations. It often has longer terms for repayment.

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Community Developments

Project Financing Phases

Concept Plan Phase

What: A visioning process that articulates the mission of an organization and identifies if housing aligns with and reinforces that mission.
Phase cost: <$5K
Phase duration: 1-3 months
Funding source: Typically, self-funded by project partners or grant-supported through foundations or government organizations.

Feasibility Plan Phase

What: Exploration and assessment of community needs, preliminary development concepts, innovation, impact and viability of a project.
Phase cost: ~ $30-50K
Phase duration: 3-4 months
Funding source: Typically, self-funded by project partners or grant supported through foundations.

Business Plan Phase

What: Creation of a strategy around partnership roles and responsibilities, site selection and land tenure options, assembling a development team, fund-raising and financing plan. The risk of capital during these first three phases is very high, as resources invested will likely not be recouped if the development does not proceed.
Phase cost: ~ $75-100K
Phase duration: 4-6 months.
Funding source: Typically, self-funded by project partners or grant supported through foundations.

Pre-Development Funding (PDF) & Pre-Construction Phase

What: This phase includes building design, engineering and permitting. This is the most challenging phase to fund as project risk can still be high, and these activities can be extremely expensive. PDF is repaid through construction financing AND customized social investment to address equity shortfalls.
Phase Cost: ~ 5-15% of total project costs.
Phase duration: 1-3 years.
Funding source: CMHC, BCH, foundations, social investors or self-funded if capacity to do so. PDF is typically repaid on, or shortly after, start of construction.

A Stipulated Price Contract (CCDC2) with the General Contractor may help to mitigate construction costs. While a premium is sometimes applied for this type of contract, it means that the financial liability of completing construction phases on budget is passed on to the builder.

Construction Phase

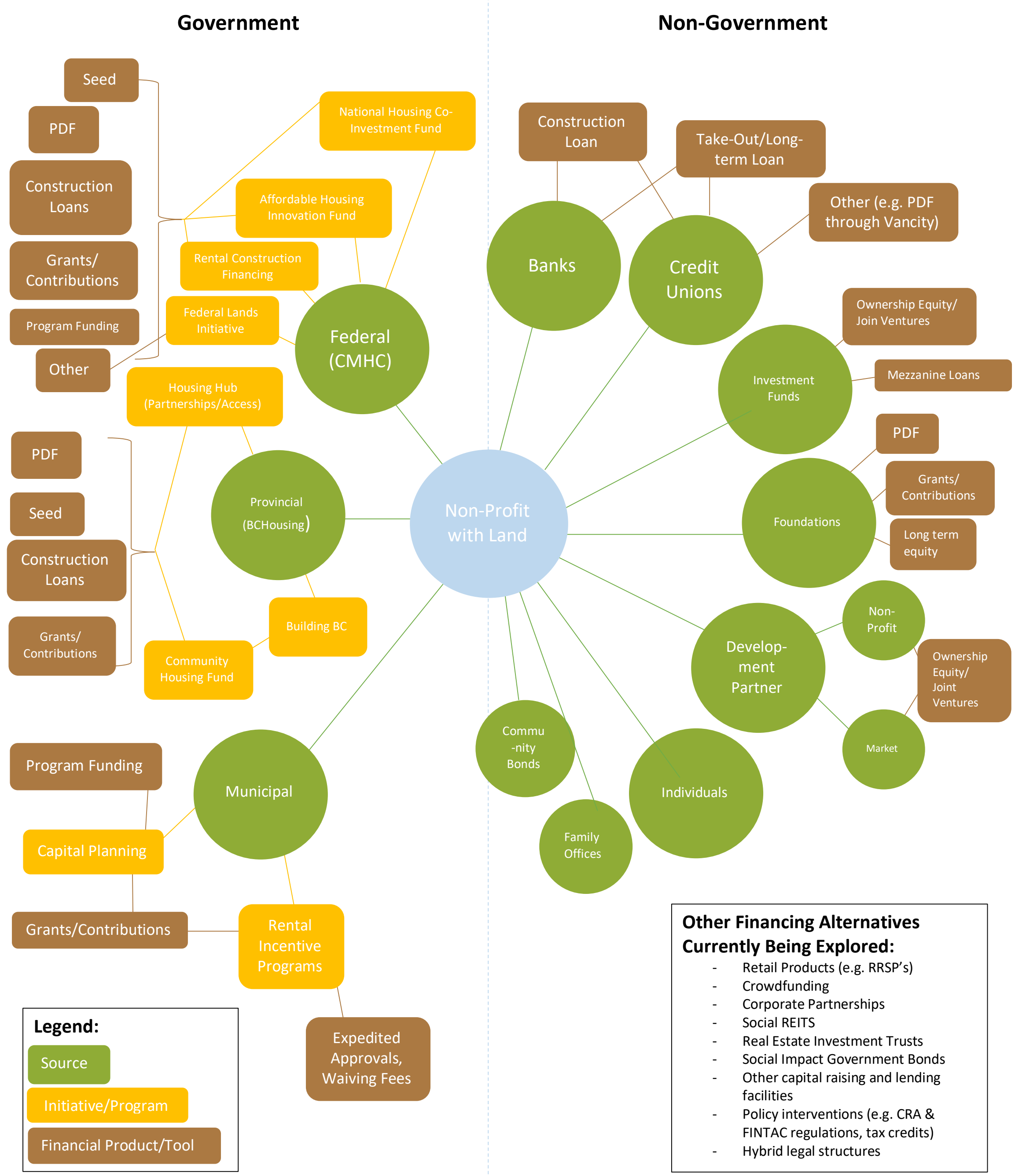
What: This phase represents the actual construction of the development project and is typically financed with a combination of equity and a construction loan. At this stage, the risk of the project has been significantly decreased, however there are still considerable challenges and variables that may occur throughout construction.
Phase Cost: This phase typically accounts for 60-70% of the total project cost. The construction loan amount varies depending on the lender and can range from 60-100% of the total phase cost. The remaining 0-40% of the cost is generated through grants, contributions, as well as social equity. ***Herein lies an opportunity to incorporate social investment.***
Phase Duration: Construction of a multi-family building varies according to size and material, however generally takes anywhere from 12-36 months.
Funding Source: Banks, credit unions, government grants, other contributions, *social investment.*

Management and Operations Phase

What: The building is now complete and occupied. Rents are being collected and operating costs are incurred.
Phase Cost: Typically, at completion, the construction loan is replaced with a Take-Out or Term Loan. These capital resources are issued upon stabilization, or once a project is completed and ready for move-in, in order to repay the construction financing. Some equity is typically required however the exact amount may differ from that required during the construction phase.
Phase Duration: Ongoing. Loan terms are typically 5 or 10 years.
Funding Source: Banks, investment funds, social investors, mezzanine or forgivable loans.

Funding Sources

Figure 9. Non-Profit Development Financing Options for Affordable Rental Housing in Canada



The development of affordable housing projects in British Columbia has traditionally relied almost exclusively on government subsidy. The BC Rental Housing Coalition's Affordable Housing Plan for B.C. confirms that the Community Housing Sector aims to position itself as an equal partner to the private and public sectors in building and maintaining a continuous supply of permanent affordable housing. Diversifying non-profit business practices to employ alternative sources of capital is one of the critical solutions to creating a more financially resilient sector. In the recent period of renewed government funding, championing this long-term concept is even more critical. The Community Housing Sector as a whole must prepare for future periods of government withdrawal, while strategically leveraging the opportunities and strategic partnerships currently being promoted, to set up for sustainable success.

This report speaks to options for layering social investment, in addition to available government grants and conventional funding, into the financing of new-construction, below-market, rental housing. These projects target affordability for moderate-income households (80-120% of AMI), with rents reflecting a maximum of 30% of Housing Income Limits (HIL's) incomes, as published annually by BC Housing and referencing CMHC average rents. Figure 9 is intended to be encouraging. It illustrates the wide variety of options non-profits can potentially access as they assemble their financing plan for developing housing within this affordability range. Non-repayable grants for feasibility work, for example, are a critical early-stage resource in determining a project's potential. What Figure 9 may suggest, is the benefits of engaging a skilled and experienced team to support an organization through what can be a complicated and time-consuming process.

Affordable rental projects typically rely on a combination from the left-hand side of the diagram – a myriad of ever-evolving federal, provincial and municipal financing programs and tools. It is important to check the websites of these government organizations often, as the program names and amount of money available for each change frequently as government priorities evolve.

This report addresses the potential to tap into the right-hand side of the diagram, where non-government funding opportunities exist. Catalyst has successfully incorporated a variety of these social investments, such as credit unions, investment funds, and individual social investors, to bridge the gap between the primary construction mortgage, grants and other contributions, making their projects financially feasible without depending exclusively on government funding.

Non-Profits with Land

All discussion of alternative sources of financing and innovative social investment options must acknowledge the biggest social investor with the potential to make the greatest impact – the non-profit with land assets. Land is one of the most substantial costs in the housing equation in Metro Vancouver. Thus, redevelopment provides these groups with a substantial opportunity to address one of the most acute challenges in our region while increasing their connection to, and service in, the community.

Social purpose real estate ventures are complex undertakings. Non-profits that have committed to including affordable housing in their development vision must explore a number of potential hurdles, including development partner compatibility, joint venture agreements, corporate and legal forms to hold, develop, and operate the housing, taxation considerations, air space parcel registration, relationships between the landowner(s) and the tenure of others using the site, and how activities on the site will be planned and managed once construction is complete. There are several toolkits that exist to guide non-profits with land in navigating this process – from visioning through to operations. See References and Resources for a list of examples.

Despite the challenges, it is imperative for non-profits with land to consider the opportunity they have to participate in solving the housing affordability crisis. Maintaining that land in community ownership through non-profit partnerships, enhances the sustainability, capacity, and asset base of the Community Housing Sector in order to build more affordable homes and community space for more people.

Federal Funding

Released in 2017, The National Housing Strategy is the largest and most ambitious federal housing program in Canadian history, committing $40 billion over 10 years with a goal to create up to 60,000 new units and repair 240,000 units, with a focus on spaces for victims of family violence, seniors, and people with developmental disabilities. Through the Canadian Mortgage and Housing Corporation (CMHC) the federal government is administering a series of programs, such as the 2017 National Housing Co-Investment Fund ($15.9 billion) and the 2017 Rental Construction Financing Initiative ($3.75 billion), to provide access to seed funding, low-cost PDF and construction loans, non-repayable financial contributions, and surplus federal lands. These funds are available to attract partnerships and investments to support the creation of new housing and repair or renew the existing community and affordable housing supply.[33]

Provincial Funding

The Government of British Columbia announced the largest investment in housing affordability in the province's history in their 2018 BC Budget. A total of $7 billion has been committed over 10 years through the five-pillar Building B.C. strategy. To allocate these resources, BC Housing is administering its own series of programs such as the Community Housing Fund ($1.9 billion) and the Housing Hub ($20 million), to provide access to seed funding, low-cost PDF and construction loans, non-repayable financial contributions, provincial land, and no or low-capital equity. The Housing Hub is providing expertise to assist in the planning and development process, project coordination, a place for organizations to collaborate, and partnership

[33] See Appendix C: Financing Options for Affordable Housing Development in B.C.

facilitation between local governments, the Community Housing Sector, Indigenous groups, financial institutions and other industries to create affordable rental housing and homeownership options for middle-income households.[34] Furthermore, BC Housing has led the development of a new Canadian lending institution dedicated to the affordable housing sector, in partnership with Manitoba Housing and the Housing Services Corporation (Ontario), called the Housing Investment Corporation.[35] The Housing Investment Corporation is currently working on the first round of borrowing, focused on take-out financing, and is expected to close in Fall 2018.

Municipal Funding

Municipal governments, while significantly more limited than federal and provincial bodies in terms of their financial resources and legal jurisdiction, still have a number of tools to require, incentivize, and expediate the delivery of affordable housing in their communities. Cities are able to generate affordable rental housing by providing rental incentive programs that waive fees and property taxes, social grants to cover pre-construction costs, using municipal land for project partnerships, expediting processing times, and offering additional height and density to developers in exchange for rental units. The City of Vancouver, in part due to powers bestowed through the Vancouver Charter, has been leading the way in addressing the housing affordability crisis. Vancouver has experimented with innovative policies, taxation mechanisms, rental incentives, and pilot programs. The Empty Homes Tax implemented in 2016, for example, generated $30 million in its first year – funds that are contributing to a $2 billion Vancouver Affordable Housing Endowment Fund to support the growth and preservation of the City's affordable housing portfolio using city-owned lands.[36] This is an excellent example of keeping community lands in community hands.

Alternative Sources of Capital/Social Investment

"Social" or "impact" investment, i.e. private capital that is invested with the intention of positive social or environmental outcomes, has existed as a movement since the 1960's, yet it is still a relatively new concept as applied to affordable housing development in Canada. There are a handful of organizations experimenting with sourcing and incorporating social investment to bridge the gap between conventional mortgages and total project cost without requiring government funding.

Elevating the Third Sector as an equal partner with government and the private market has the potential to meaningfully address the housing affordability crisis. The sector currently owns and operates 90% of the province's social housing stock (it is challenging to differentiate the number of units within that housing stock that are considered affordable to low, moderate, and middle-income households.) The non-profit business model is designed to maximize community

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[34] See Appendix C: Financing Options for Affordable Housing Development in B.C.
[35] Housing Investment Corporation. Retrieved from: https://www.housinginvestment.ca/about
[36] CBC News (April 23, 2018). *Vancouver's Empty Homes Tax to Pull in $30M.* Retrieved from: https://www.cbc.ca/news/canada/british-columbia/vancouver-empty-homes-tax-1.4631597

participation while minimizing costs. When all three models innovate, collaborate, and partner together, they are greater than the sum of their parts.[37] The BC Rental Housing Coalition estimates that the Community Housing Sector has the ability to contribute $461 million annually through land contributions, leveraging equity from assets, and private donations and financing. This is in addition to an annual investment of $691 million each from the federal and provincial governments – in line with what they have already committed to in the 2016 and 2017 budgets.[38]

Vancity Credit Union is at the fore of innovative financing initiatives in B.C., delivering almost the full suite of capital products that support affordable housing development and the Community Housing Sector. In partnership with Vancity Community Foundation, Community Investment, and Impact Real Estate, the credit union was instrumental in helping to launch Catalyst and has continued to provide faithful financing and organization support.

"We believe that by participating in projects like [Catalyst's] Madrona @ Dockside Green we can help to retain and grow community-owned real estate assets, secure long-term affordability, and increase accessibility to much-needed affordable housing for our members."

- Kira Gerwing, Manager, Community Investments at Vancity Credit Union

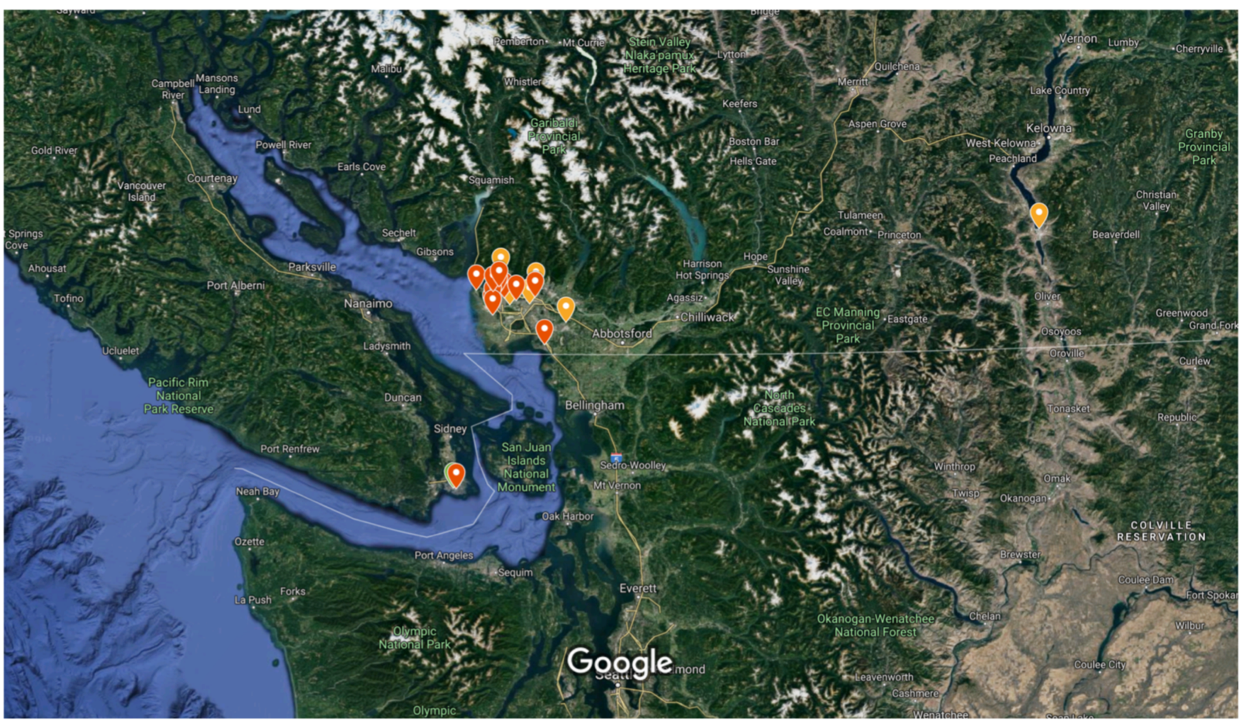
[37] Roy, p.88.
[38] See Appendix C: Financing Options for Affordable Housing Development in B.C.

Catalyst Case Studies

Map of Projects

At the time of this report, Catalyst has two completed projects, eight that are under development (600 units), and another 13 in early feasibility and business planning stages (1,300 units). Figure 10 hyperlinks to an interactive Google map with project details (see also Appendix C – Catalyst Project Spreadsheet and Financing Breakdown).

Figure 10. Map of Catalyst's completed or ongoing development projects in B.C. as of September 2018.



Imagery ©2018 Landsat / Copernicus, Data SIO, NOAA, U.S. Navy, NGA, GEBCO, Data LDEO-Columbia, NSF, NOAA, Map data ©2018 Google 20 km

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Community Developments

Project Highlights

Madrona @ Dockside Green, 370 & 384 Harbour Rd, Victoria, BC

Project Timeline	2014 - 2017
Construction Start	July 2016
Move-In Date	December 1, 2017
Project Cost	$9.5 million
Building Type	Wood-frame
Building Mix	Residential Only
Number of Units	49
Number of Storeys	3
Unit Sizes	250-1,130 sq. ft.
Rents	$695/month - $1,650/month
Land	Valued at $1.35 million. Vendor takeback mortgage with Dockside Green.

Description

Madrona @ Dockside Green is Catalyst's first development project. Madrona @ Dockside Green offers 23-studios, 8-one-bedroom apartments, 8-two-bedroom apartments, 5-3-bedroom townhomes, and 5-four-bedroom townhomes. Each home has its own front door and extensive landscaping is incorporated around the building. Catalyst is the developer, owner, and operator of the building.

"Catalyst's innovative non-profit developer model has made it possible to add 49 brand new affordable rental homes in Victoria. I want to say how proud I am, as Mayor of Victoria, of this project. This is perfection."

- ***Mayor of Victoria Lisa Helps***

Affordability

A Housing Agreement with the City of Victoria stipulates that 100% of the homes at Madrona are rented to households with incomes below the Housing Income Limits (HILs rates). Rents are to be a maximum of 30% of HILs and vary depending on the size of the homes. Actual rents range from $695 per month for studios to $1650 per month for four-bedroom townhouses. These rents are between 5% and 15% below what Catalyst is permitted to charge under the Housing Agreement. Annual household incomes at Madrona @ Dockside Green currently range from $15,000 to $66,000 with an average income of $31,000 per year, meaning that Madrona @ Dockside Green's rents are affordable for people making between 36% - 76% of local median incomes. This housing is being occupied by those that really need it.

Financing

> ***"Four years ago, I was living in a tent in Beacon Hill Park. After a year of volunteering at Anawim transition housing, I was offered a job at End of the Roll. A friend who lives at Dockside, noticed the construction of Madrona @ Dockside Green and suggested I apply. I did, and the rest is history. My journey back into community was complete. It is organizations like Catalyst and Anawim House …. that truly believe in Community … that make a difference by offering people in need a helping hand."***
>
> **- Madrona @ Dockside Green Resident**

The financing approach starts at the very beginning of a new development concept. "You always need to be thinking about where money will come from down the road" says Catalyst President, Robert Brown. For Madrona @ Dockside Green, Catalyst had initial discussions with the developer of the Dockside Green community about helping them to deliver affordable housing they had earmarked for the site. Catalyst arranged to buy the land from them for $1.35 million via vendor-takeback mortgage, obtaining ownership of the land up-front, but not transferring payment until completion of the building, at which time Catalyst also received a City of Victoria housing grant of $3.6 million.

The next step was a PDF loan ($200,000), which Catalyst obtained from the Vancity Community Foundation (VCF), as well as a $300,000 non-repayable, mission-based grant from Vancity Community Investment. At that point, money was being sourced as needed, to pay for increasing costs as the project moved along. Catalyst raised an additional $525,000 of equity from social investors – $300,000 from VCF and $225,000 from private, mission-driven individuals. Once the grants and owner equity were confirmed, a construction loan was negotiated with Vancity Credit Union for $6.1 million. The long-term takeout financing was also obtained through Vancity Credit Union ($6.1 million).

New Market Funds provided mezzanine financing ($800,000) structured as a second mortgage. New Market Funds is a multi-fund manager that provides market returns to investors while supporting non-profit partners with post-construction equity that stays in a project long-term while delivering lasting community benefit. Grounded in sound values-alignment, the pioneering partnership between Catalyst and New Market Funds required significant upfront due diligence, reporting and legal costs. ***The collaborative process established a working template and generated key learnings*** that can now be applied to future projects, spreading the original time and cost commitments from Madrona across multiple projects. Developing templates, standardizing processes, and transferring knowledge from experienced groups, such as through the Catalyst-New Market Funds deal, are examples of capacity-building in action within the Community Housing Sector.

Lessons Learned

While sourcing social investment for this first project was somewhat of an experiment, Robert Brown described this project as "relatively easy" to finance. Testing the model – finding investors willing to accept a below-market return (e.g. 5% per annum) in exchange for significant social benefit was made possible due to the high level of trust and pre-existing relationships between the investors and Robert Brown. The guaranteed and significant City of Victoria grant also demonstrated sound financial security to potential investors. Overall, keeping the financing as simple as possible, with the fewest number of participants, made the administration and reporting easier to manage. All projects are like jigsaw puzzles, with different types of funding available from different sources at different times. Assembling social investment for Madrona @ Dockside Green was a resounding success. In terms of replicability, the individual social investors were especially happy with their decision and have indicated that they would like to be involved in future affordable development projects. Inviting them to participate in the launch of Madrona @ Dockside Green and interacting with residents that will benefit from the affordable housing, was a key opportunity to build an emotional connection and demonstrate the social return their investment generated.

"I can't tell you how proud I felt yesterday [at the opening of Madrona]. Honestly, I think that's the best investment I've ever made. Such a good news story all around."

– Rory Holland, Investor

Hannelore, 585 W 41st Ave, Vancouver, BC

Project Timeline	2014 – 2019
Construction Start	Oct 2017
Move-In Date	Early 2020
Project Cost	$33,520,000
Building Type	Concrete and wood
Building Mix	Mixed-Use
Number of Units	46
Number of Storeys	6
Unit Sizes	468 – 916 sq. ft.
Affordability	100% below-market rents
Rents	$1,000/month - $2,539/month
Land	Valued at $14,400,000, vended in for $9,000,000

Description

Catalyst partnered with the Oakridge Lutheran Church (OLC) to redevelop the church's property and create a six-story, mixed-used building with two levels of parking, retail at ground level, a new place of worship and community space on the second floor, as well as four levels of affordable rental housing above. Hannelore will offer 15 studio, 15 one-bedroom, and 16 two-bedroom apartment homes. The venture is a long-term partnership agreement to jointly develop, own, and operate the building. The project is currently under construction.

Affordability
One hundred percent of the units in this project will be below-market rates. Thirty-one percent will be rented at HIL's rates, with rents ranging from $1,000 per month for studios to $1,368 per month for two-bedrooms, geared to those with household incomes between $40,000 - $55,000 per year. The other 69 percent will be rented at the City of Vancouver's Rental 100 incentive program rates, with rents ranging from $1,496 per month for studios, to $2,539 per month for two-bedrooms, geared to those with household incomes between $55,000 - $101,552 per year.

Financing
The church partnership model was a new venture for Catalyst. This initial undertaking involved significant feasibility work in order to figure everything out, which was made possible by a $15,000 grant from the Vancity Community Foundation to OLC followed by another $25,000 grant for legal fees. The church provided the land at a reduced cost of $9 million (appraised at $14.4 million), making OLC the most significant social investor in this equation. The City of Vancouver provided a Housing Infrastructure Grant of $620,000 as part of the rezoning negotiation in return for the affordability commitments, which are secured through a Housing Agreement on title.

The PDF loan was assembled via the GVCAF ($400,000), Vancity Community Foundation ($300,000), and CMHC ($100,000). An individual social investor provided $500,000. Takeout financing is currently still being investigated for this project.

Lessons Learned

> ***"Every Church should meet with Catalyst."***
> **- Hannelore Gerlach, OLC Housing Committee Chair**

OLC was interested in redevelopment for some time but had not found the right partner. Vancity Credit Union, having had a business relationship with members of the church and been involved in supporting Catalyst since the beginning, saw an alignment of values and made the introduction between the two groups. Vancity Credit Union's convening power and their endorsement forged what would become a very special and determined relationship. The learning curve for all involved was high for this project, yet the wealth of knowledge gained – of corporate and hybrid legal structures, holding arrangements, and tax implications – will be carried forward and applied to subsequent faith-based group partnerships, minimizing future time and expenditures. The OLC's willingness to persevere in what was a time-consuming and complicated process is a testament to the trust they had cultivated internally with their redevelopment task force. Their champion, Hannelore Gerlach, for which the building is named, was relentless in her determination to create a legacy for the congregation by maintaining ownership of the property and making the future development a community service. The non-profit developer partner compatibility and trust established between OLC and Catalyst was equally as essential.

The OLC will remain a lifelong partner and friend of Catalyst's, and an invaluable resource for other interested faith-based groups seeking information and advice on the process and experience.

Chorus - Semiahmoo House, 20th Ave and 153rd St, Surrey

Client	Peninsula Estates Housing Society
Status	Completed in 2016
Catalyst Role	Developer, Advisor
Project Cost	$15 million
Building Mix	Residential Only
Description	71 affordable and inclusive rental apartments. 20 homes for people with developmental disabilities.
Affordability	Rents are 10-15% below market with further subsidy for tenants with disabilities.
Financing Highlights	Vancity PCEL: $500,000; BC Housing Capital Grant: $1.1 m

2221 Main St, Vancouver

Partner	City of Vancouver
Status	Construction begins Q1 2019
Catalyst Role	Developer, owner, operator
Project Cost	$53 million
Building Mix	Mixed Use
Description	145 affordable rental apartments on City of Vancouver long-term land lease.
Affordability	100% below market rents
Financing Highlights	GVCAF PDF: $500,000

285 Nanaimo St, Penticton, BC

Partner	PDCRS Housing Society, City of Penticton, BC Housing
Status	In Construction
Catalyst Role	Developer; Co-owner
Project Cost	$12,668,588 million
Building Mix	Residential Only
Description	Four storey, 56-unit rental apartment built on City of Penticton land through long-term lease
Affordability	100% below market rents
Financing Highlights	CMHC Seed Grant: $50,000; BC Housing Owner Equity: $4 million; PDCRS Owner Equity: $250,000; Catalyst Equity: $250,000

2318 St. Johns St., Port Moody

Partners	St. Andrews Church, Kinsight, BC Housing
Status	Rezoning
Move-In Date	Construction to begin Q2 2019
Catalyst Role	Developer, Co-Owner, Co-Operator $25.5 million
Project Cost	Mixed Use
Building Mix	Redevelopment of church property to
Description	create new place of worship, 21,000 sq. ft. non-profit children's centre; 55 apartments and townhomes
Affordability	100% below market rents
Financing Highlights	GVCAF PDF: $200,000; Kinsight purchasing children's centre, BC Housing Financing

43 Hastings St., New Westminster

Client	Community Living Housing Society (CLHS)
Status	In Construction
Move-in Date	Q1 2019
Catalyst Role	Development Manager
Project Cost	$1.7 million
Building Mix	Mixed Use
Description	Six-unit townhouse project for people with developmental disabilities and families. City of New Westminster land through long-term lease.
Affordability	100% below-market rents. 3 homes at HILs rates; 3 homes at shelter rates
Financing Highlights	CLHS Owner Equity; BC Housing Financing

20097 72nd Ave, Langley

Client	Shepherd of the Valley Lutheran Church
Status	Rezoning
Move-in Date	Construction to begin Q2 2019
Catalyst Role	Developer, Co-owner; Operator
Project Cost	$18.6 million
Building Mix	Mixed Use
Description	82 rental apartments for seniors and families
Affordability	100% below-market rents
Financing Highlights	Vancity PDF: $200,000; BC Housing PDF, capital grant and financing

3625 Sawmill Crescent, Vancouver

Partner	VAHA
Status	Rezoning
Move-in Date	Construction to begin Q2 2019
Catalyst Role	Developer, Co-owner; Co-operator
Project Cost	$35.3 million
Building Mix	Residential only
Description	119-unit, five storey, wood-frame rental building in the River District
Affordability	100% below-market rents
Financing Highlights	Vancity PDF: $200,000; PCEL $500,000

600 Queens Road West, North Vancouver

Partners	District of North Vancouver; CARE BC
Status	Rezoning
Move-in Date	Construction to begin Q3 2019
Catalyst Role	Developer, Co-owner; Co-operator
Project Cost	$20 million
Building Mix	Mixed Use
Description	80-unit, 5-storey rental building with CARE BC senior's respite centre on ground floor. DNV land on long-term lease.
Affordability	100% below-market rents
Financing	Vancity PDF: $200,000; PCEL: $500,000

Next Steps for Catalyst

Catalyst is adding momentum to the transformational growth occurring within the Community Housing Sector specifically, and the third sector at-large. They are successfully delivering affordable rental homes and community space while maintaining non-profit, community ownership. Catalyst is leveraging their real estate development expertise, access to alternative sources of capital, and track record of strong projects to achieve creative partnerships with mission-driven organizations.

Internal Capacity

With 600 homes currently under development, and approximately 1,300 more in their development pipeline, Catalyst is operating at full capacity yet continuing to actively consult on new partnerships and opportunities. In order to advance their mission, Catalyst intends on further building internal capability. Since establishing in 2013, Catalyst has grown from one full-time employee to eleven permanent staff members. They are also considering a rotating internship intake for students, to assist with workload while disseminating their business model and objectives and encouraging a career choice within the Community Housing Sector. The ongoing strength of the Board, consisting of expert veterans of the public, private and non-profit housing development sector, and support from their key financial partner Vancity Credit Union, has been integral to the flourishing of the business.

Thinking Big

In order to minimize administration while maximizing results, Catalyst is looking to partner with like-minded non-profit organizations and social investors in order to scale. This means looking to larger players, such as pooled funds, who have networks of qualified social investors as well as the ability to screen and assess projects and mediate perceived project risk. The fees associated with utilizing these services are considered resources well spent, freeing up time for project generation and delivery. Engaging in limited partnerships, that leverage land assets and owner equity, are a key pillar of Catalyst's success. Where possible, partnerships that provide access to multiple redevelopment opportunities and enable a portfolio approach are the ultimate tool to drive transformational growth.

Advocacy

Catalyst is currently developing a 100-year vision to inform their strategic plan and ensure their delivery of affordable rental housing is financially sustainable and stands the test of time. Catalyst is sharing their innovative model through reports such as this, with other non-profit developers, housing societies, faith-based groups and governments in order to strengthen the industry as a whole. Catalyst intends on transitioning into greater advocacy and storytelling, using their momentum to showcase what can be done when you have creative and committed individuals at the helm.

Catalyst obtained a $100,000 grant to fund the documentation of the Catalyst story and model as well as the production of multi-media communications materials as the first steps in their efforts to share Catalyst's message with a broader audience, specifically with non-profits considering redevelopment and social investors keen on impact real estate opportunities.

Community Connections

Catalyst is undertaking a pilot program at their first completed project Madrona @ Dockside Green, producing a shareable report with inspiring recommendations for community building in multi-family housing developments geared at housing providers, funders, developers, investors, planners and government.

Members of Catalyst's team are attending local, regional, and national events and speaking opportunities, further sharing their knowledge and experience. Through first-hand experience, they are able to prove that the non-profit sector can deliver beautiful, affordable, inclusive and sustainable homes for people seeking affordable housing in their communities. The Catalyst non-profit development model serves as an example for other organizations that wish to use their assets to provide much-needed housing. Catalyst will continue to share its model on an open-source basis to assist these groups in executing their projects, building financial sustainability and resilience within the Community Housing Sector.

Summary and Analysis

Support from all Angles

Takeaway

Every individual engaged with for this report fundamentally agreed that the instrument of social investment is a critical piece to build capacity within the Community Housing Sector and make it more resilient over the long-term.

Access to alternative sources of capital is important because, despite recent and unprecedented federal, provincial and municipal support and funding for affordable housing across the continuum, the Community Housing Sector has historically been vulnerable to government cutbacks. This has resulted in a lack of non-market rental development to meet increasing need and a backlog of repairs on existing social housing – contributing to the current housing affordability crisis in B.C. An evaluation of Catalyst's completed, ongoing and upcoming projects, and conversations with the president, CFO, and VP of Operations and Strategic Initiatives over the course of a four-month internship, strongly supported this assessment. Six external interviews conducted with representatives from Vancity Credit Union, New Market Funds, Renewal Funds, Oakridge Lutheran Church, and Enterprise Community Partners corroborated this position, with their experiences in, and enthusiasm for, successful social impact investment in affordable housing. All interviewees acknowledged challenges and opportunities with this approach, as outlined below.

The belief that alternative sources of private capital will strengthen the Community Housing Sector is also evident in the literature and ongoing research. Recent reports published by academia (UBC SCARP, UBC Sauder, University of Melbourne, etc.), government (CMHC, BC Housing, City of Vancouver, etc.) and industry (Housing Partnership Canada, Housing Central, Frontier Center for Public Policy, etc.), are exploring local and international best practices for financing affordable housing, analyzing successful case studies that employ social investment, as well as understanding capacity-building efforts by the Third Sector to achieve financial diversification.

Finally, the concept is explicitly defined as a priority area by senior levels of government. The federal National Housing Strategy and the provincial Building B.C. Initiative have stated that strengthening partnerships with non-profits and facilitating their access to alternative sources of private capital are critical steps in solving the affordable housing crisis. The National Housing Strategy acknowledges that "more flexibility" for provinces, territories, municipalities and the Community Housing Sector is required to enable affordable housing outcomes that are coordinated with federal targets. The federal Affordable Rental Innovation Fund ($208.3 million) launched September 30, 2016, for example, was established to *"encourage new funding models and innovative building techniques in the rental housing market… looking for* *unique ideas that will revolutionize the affordable housing sector."*[39] Six points from the B.C. provincial government's 30-Point Plan for a Fairer Housing Market are related to supporting partners to build and preserve affordable housing. One of these initiatives – the Housing Hub ($20 million) – was specifically established to *"partner with the non-profit sector, for-profit builders, all levels of government and others,"* as well as to *"work with new investment sources, such as pension funds and social impact investors to find the best financing solutions for local projects and local people."*[40]

Support for empowering the Third Sector through access to alternative sources of capital is evident from industry, social investors, academia, and at long last – government. Catalyst's projects contribute to a small but growing number of successful Canadian case studies, incorporating private capital to build social purpose real estate under community ownership while generating a triple bottom line return. The current socio-political climate presents a unique and time-sensitive opportunity to align cross-sector resources to replicate this model in communities across the country.

Taking Impact to Scale

At the heart of support for diversification away from government funding toward alternative sources of capital is the ***support for partnerships between the public, private and non-profit sectors.*** As a mission-driven organization, Catalyst has been leveraging their development expertise, access to private capital, and relationship-building ability to create partnerships with non-profits and municipalities with land. These partnerships secure land – typically the most expensive component of a development project, in a mission-driven co-ownership scenario. This creates a solid foundation of owner equity while predicting a steady stream of future rental revenue, de-risking partnership projects and favourably positioning them to secure conventional as well as social investment. With every project that successfully employs social investment, Catalyst is increasing their reputability among potential investors – and are able to resolve challenges related to feasibility, analysis, due diligence, and legal and corporate constraints, transferring that knowledge into future projects and pitches.

Social investment is complementary to the existing financial eco-system for affordable housing. Government funding is absolutely critical to the health of social housing as a whole. Catalyst is contributing incremental change, project-by-project, to the way in which rental housing affordable to moderate-income households, specifically, is financed and delivered. Relying on alternative sources of capital for these projects, rented at below-market rates but

[39] National Housing Strategy. (2017). *A Place to Call Home*. Retrieved from: https://www.placetocallhome.ca/pdfs/Canada-National-Housing-Strategy.pdf
[40] Homes for B.C. (2017) *A 30-Point Plan for Housing Affordability in British Columbia.* Retrieved from: http://bcbudget.gov.bc.ca/2018/homesbc/2018_Homes_For_BC.pdf

geared at the higher end of the affordability spectrum, leaves more government funding to support housing with steeper affordability needs. When funding is readily available, as is the case right now and seemingly, for the next ten years, governments and the Community Housing Sector must be strategic in how they use it.

Precisely, funding should be most heavily allocated to projects offering steeper affordability with more challenging financial feasibility models. At the same time, government levers that increase affordability yet don't involve direct cash injections, such as decreasing taxes, waiving fees, accelerating processing times, offering higher densities and facilitating access to private capital, benefit all types of non-market housing. In theory, when Community Housing Organizations secure social investment to bridge funding gaps between primary mortgages, grants, and owner equity, they are leaving more government funding available for emergency shelters, transitional and social housing. Working collaboratively, with strategic, long-term vision for a healthy Community Housing Sector as a whole, is thus the most efficient way to deliver sufficient community-owned affordable housing across the continuum, even in periods of government funding withdrawal.

"There was a definite vision from the congregation to not let go of this land, and to create a legacy for future generations. Everything that I was offered and looked at before was connected to market development. It involved space in a building but no longer ownership by the Church… that caused great unhappiness."

- Hannelore Gerlach, OLC Housing Committee Chair

In addition, ***permanently maintaining the land, housing, and community space assets in community ownership through non-profit partnerships is imperative.*** While long-term land lease arrangements with public agencies also make projects feasible, freehold ownership is preferred. Freehold or fee-simple ownership of land is recognized by financial institutions as the most secure form of land tenure, because the property acts as security for a loan. Ownership of land enables the Community Housing Sector to aggregate their assets, share resources and expertise, collaborate for bids on larger sites, and more easily secure private financing to undertake capital renewal or invest in future projects.[41] Transferring ownership outright, from public to non-profit institutions, is a bold move, yet one that could revolutionize the Community Housing Sector's strength and viability. Likewise, non-profit joint ventures that retain the land in community ownership are examples of partnership-in-action, contributing to the transformational growth required to scale the impact of the third sector (Figure 5).

[41] Brown, Robert and Deborah Curran. (2012). *Not-For-Profit Social Purpose Land Development Models: Land Tenure and Operational Governance.*

Challenges

In listening to social investors describe the Community Housing Sector and the challenges of investing in affordable housing projects at the current time, several common themes emerged:

- **Paradigm Shifting.** There are multiple underlying assumptions that need addressing in order to successfully scale this model:
    - **Social Investment as Smart Investment.** Helping investors consider affordable housing projects within their traditional portfolio will be supported by providing reasonable, risk-adjusted returns. Where possible, offering time horizons and rates of return that meet or exceed investor expectations is optimal. Garth Davis, Managing Partner of New Market Funds, Canada's first market-based affordable housing investment fund, suggests that *"people don't like to see their money out for more than 10 years, which drives the internal rate of return, typically between 8-13% per annum."* Nevertheless, fair returns (e.g. 5%) within triple bottom-line frameworks are compelling, encouraging investors to direct capital towards affordable housing and other mission-driven ventures with significant social, environmental and financial impact.
    - **Social Investing versus Donating.** Even among individuals, families, foundations, funds, and other groups that allocate a percentage of their equity to social purpose ventures, the concept of philanthropy – contributing money to promote the welfare of others – is defined by outright donations as opposed to investments that also generate a financial return. This limits the ability of that money to be re-cycled and to multiply its long-term impact. Advertising opportunities to invest in affordable housing while demonstrating the amplification of that impact may encourage investors to re-allocate funds to social investment that would otherwise be donated.
    - **Non-Profit Competence.** The perception that non-profits lack expertise (financial, strategic, organizational, etc.) is pervasive, and limits the ability of Third Sector organizations to effectively fulfill their missions. *"There is a rampant perception that it is less risky to do business with a for-profit company,"* says Kira Gerwing, Community Investment Manager at Vancity Credit Union. And yet, *"Private companies have no obligation to be transparent with their books, whereas not-for-profits are by nature incredibly efficient organizations, that are fully transparent in their stewardship of resources. This perception will only change by proving-by-doing and is why I'm so focused on the partnership with Catalyst – to prove that it is the non-profit sector that will get us where we need to go."*
    - **Non-Profit Financial Literacy.** Increasing the financial literacy and money management expertise of the Third Sector is equally as essential for this model to succeed. *"The hardest part is convincing non-profits with land to employ social investment that owes ~8% as opposed to relying on "free" government money and low-interest 4% mortgages (e.g. banks, CMHC, BCH),"* says Davis. Catalyst has also struggled with this dilemma, attempting to incorporate social investment in order to

continue proving the model on projects where conventional sources of capital already cover all costs. The sector itself needs to endorse the rationale behind financial diversification by accepting some up-front cost increases or trade-offs in lieu of long-term sector benefits.

- **Community Ownership of Land.** Maintaining land in community ownership through non-profit partnerships best positions the Community Housing Sector to deliver permanently below-market rents while building capacity through a secured land asset-base. This means re-evaluating private sector deals that result in the land being transferred to the open real estate market and lost forever.

- **Investor Decision-Making.** *"Investors are locked into very structural, constraining models,"* says Joel Solomon, seasoned social investor and co-founding partner of Renewal Funds, a social venture capital firm investing in Canada and the U.S. A herd mentality is common, and early adopters are rare. In addition, the management of money presents multiple layers of decision-makers averse to risk-taking. Bold leadership and creativity are necessary to adjust financial analysis of risk and impact, in order to experiment with new models. Individuals that invest in market real estate are often best positioned to invest in impact in the sector. They *"seem to be the most willing to take on risk in this sector, as they have the ability to quantify and understand such risk,"* said Robert Brown, based on his experience leveraging two personal relationships to secure social investment for Madrona @ Dockside Green in Victoria.

- **Legal and tax limitations:** There are several regulatory and institutional biases that disadvantage the Community Housing Sector. For instance, charitable organizations are not permitted to own below-market housing serving moderate-income families (unless the tenants are seniors of have a disability). As a result, some non-profits must incorporate separate legal structures. The task can be daunting, adding time and increasing expenses while decreasing the affordability of the project. The Financial Institutions Commissions (FICOM), B.C.'s regulatory body, sees impact investing as higher risk and therefore makes it significantly more challenging to execute. Likewise, Canada Revenue Agency's tax structure does nothing to incentivize investment in social purpose real estate. Nor does Canada have legislation such as the Community Reinvestment Act in the U.S., requiring every lending institution to invest back into the community in which it operates. *"Absent a mature and sophisticated community reinvestment system and low-income tax credit structure as in the U.S., Canada has a significant challenge in finding investors,"* said Doris Koo, a founding Catalyst Board Member and the former president and CEO of Enterprise Community Partners, an American non-profit housing organization and one of its original social enterprises. *"There needs to be a government mandate and solution – this makes for a compelling investment."*

- **Building Capacity is a Catch-22.** Despite many mission-driven non-profit organizations interested in delivering affordable housing and community space, most do not have the ability to undertake a complex redevelopment process. In order to develop expertise, one must execute a multitude of projects. Developing a significant pipeline of projects is only possible for organizations with commensurate experience, risk tolerance, access to land and financing, debt-carrying capacity, and project equity. As development is extremely capital intensive, several interviewees stated it would be most wise to direct investors toward funds and non-profit developers that already exist and have a track record, leveraging the time, resources and experience of the handful of organizations successfully operating in this space instead of starting from scratch. *"Not every non-profit can be a Catalyst,"* remarked Koo, reflecting on the rare combination of human talent and conditioning that have made their organization thrive.

Opportunities

Despite the challenges, many opportunities are inherent to social investment in non-profit affordable housing development:

- **Political Will.** All three levels of government in B.C. are engaged and motivated to support affordable housing right now and for the foreseeable future. It is imperative to recognize the urgency of this unique alignment and to mobilize longer term sustainability planning. The priority areas defined by government and the resources currently committed are encouraging research and innovation. Advocates need to take the findings of their work to make big asks – establishing policy and legislation that supports innovative non-profit partnerships and capacity-building for the Community Housing Sector.

- **Pressure to Invest in Impact.** The significant wealth disparity in Canada is "too obvious" for investors not already investing in impact to ignore. The social problems are too visible. The private sector has not succeeding in meeting the housing needs of moderate and middle-income Canadians, and governments have failed to adequately intervene. Younger generations, especially, are demanding accountability. In B.C., housing affordability is the primary election topic and stories relating to real estate such as inflated pricing, rental vacancy rates, unlawful evictions, homelessness, the missing middle, and overall unaffordability have consistently dominated the news media for several years. The housing crisis presents an opportune juncture to engage with private sources of capital and embolden them to invest in affordable housing solutions.

- **Social Investment is Flexible.** When the Community Housing Sector relies primarily on public money, it is subject to many rules and restrictions that can stifle innovation. The cyclical nature and lengthy processing times of funding applications, the significant affordability, accessibility, and sustainability requirements that may not best respond to local community needs, and the uncertainty of securing adequate financing keep the sector hostage to a system that is not guaranteed. Social investment, on the other hand, has room for creativity. It has the ability to mobilize quickly and efficiently and is flexible to respond to unique circumstances. It can be customized project by project, if necessary. It is often more patient capital, enabling deeper project affordability due to increased repayment horizons.

- **Alignment of Mission.** One of Catalyst's greatest strengths is being a mission-driven organization operating a not-for-profit business model. This presents an appealing option for non-profits with land, who have historically partnered with public entities and institutions, or market developers, to deliver projects that achieve their vision (market development involving the sale of the land, removing it from community ownership into the private sector). Non-profit developers that offer fee-for-service instead of co-ownership do not share in any of the risk, nor do they contribute to building capacity for the sector as a whole. The trust established when two mission-driven organizations share the same community-oriented values and objectives around affordable housing has resulted in many of Catalyst's joint ventures. *"What our non-profit partners really needed was a partner instead of hired expertise, and a long-term revenue stream,"* said Robert Brown. *"There is an element of trust, that we are both in it together, and that the non-profit with land does not feel they were taken advantage of."* Hannelore of Oakridge Lutheran Church stressed that *"without the trusting relationship with Catalyst, we would not have made it through until now."*

Key Findings

When you start with a mission to serve the community by delivering below-market housing, great things are possible. The key findings of this research are summarized in the points below:

1. **Non-Profits with Land are Significant Social Investors in the Community Housing Sector.** An incredible and time-sensitive opportunity exists in redeveloping community-owned land to deliver affordable housing and community space. Maximizing overall social impact is achieved by leveraging the value of the land towards non-profit partnerships, maintaining the land in community ownership and control. The Community Housing Sector as a whole benefits from this approach, as the land assets enable non-profits to build financial independence, especially when using a portfolio approach to aggregating resources, standardizing processes, and maximizing efficiencies while factoring in long-term revenue generation. Non-profits with land have an important decision to make. They must determine if a non-profit, public or private development partner is most aligned with their vision, potentially foregoing attractive up-front profits (from a sale to a private developer) in lieu of the long-term social and community benefits of a non-profit venture. In providing the land – the single most expensive cost input – they become the most significant social investor of all.

2. **Social Investment is Complementary to the Existing Financial Ecosystem.** Government funding, while currently available, has historically been volatile. If all stakeholders agree that steady and consistent development of affordable housing in community ownership is

necessary to meet increasing demand, then diversification of sources of capital will protect the Community Housing Sector, ensuring it is resilient even in periods of government withdrawal. At this stage, social investment is best suited for projects that can operate with minimal subsidy, such as moderate to middle income housing, geared to 80-120% of AMI. Strategically, private equity in these projects alleviates the overall funding demand, meaning more public dollars remain available for housing with deeper subsidy needs such as emergency shelters and transitional homes. Taking advantage of recent government grants, innovation funds, and low-interest loans, while accessing alternative financing for those projects that support it, promotes housing across the continuum.

3. **Investor Decision-Making Must be Understood and Challenged.** Investing in affordable housing projects while making a reasonable return is viable. Encouraging investors to think about how this type of investment can compare in risk and performance, and exceed in impact, to the rest of their portfolio, is essential to scaling the model. Impacting investor decision-making involves challenging traditional concepts of charitable donations and philanthropy. Likewise, conveying professionalism, confidence, honesty and reliability, while demonstrating not-for-profit development and financial expertise through a proven track record, will increase investor confidence in the Community Housing Sector.

4. **Opportunities for Social Investment in Affordable Housing Must be Increased.** Many investors and managers of money do not have experience analyzing non-profit affordable housing models and are afraid to challenge established strategies and assume the risk. For those that are interested, few are able to quantify the value a social purpose real estate developer brings to a deal, resulting in challenges around investor expectations and project realities. In order to expand social investment opportunities, investors need to access the handful of specialized funds and third-party advisors with experience in social-purpose real estate, and to share and replicate the model. Vancity Credit Union and New Market Funds, for example, are experimenting, streamlining and standardizing these processes so that more social investors can participate more easily in financing affordable development.

5. **Finding and Assembling Social Impact Investors can be a Challenge.** Detecting private capital can be a significant challenge. Independent pools of wealth, such as through individuals and family offices, can often be hard to see or access. Traditional sources, such as banks and credit unions, are highly visible yet often extremely risk-averse. Investment funds and foundations with a mandate to invest in social impact present a greater opportunity because of their freedom to choose what, and how much, they invest in. *"The CRA allows foundations to make Program Related Investments (PRI's), investing a portion of their endowment into values-aligned projects with a tolerance for below-market returns,"* explained Elizabeth Lougheed Green, Director of Community Investment at Vancity Credit Union. *"The majority of endowments are currently in mainstream investments. You always need to look at a foundation's investment policies, outlining the percentage they have committed to impact investing and their expectations."* Three interviewees suggested Catalyst consider establishing its own fund or foundation. In the case of a fund, Catalyst

could curate a private base of social investors that understand and can share the proof of concept with other contacts, building grassroots momentum. Reaching out to the public-at-large to participate in funding affordable housing in their communities is an exciting prospect. Dedicated RRSP's, crowdfunding, community bonds, and real estate investment co-operatives are all highly visible financing alternatives currently being explored or tested. These alternative sources of capital allow a non-profit to leverage its community of supporters in pursuing its mission, contributing to an engaged, responsive, and resilient Community Housing Sector.

6. **Spreading the Word and Scaling through Partnerships.** As a purposeful real estate developer, Catalyst is in a position to amplify the impact, programs and services of its partners through non-profit development, access to private capital, and long-term community ownership. Sharing their model with non-profits and investors, as well as housing providers, developers, planners, policy makers, is their next major ambition in taking that impact to scale. Storytelling will be pursued through all mediums available, including reports, whitepapers, workshops, event presentations, conferences, webinars, social media, traditional media, blog posts and video, to reach the largest audience. Inviting investors to construction sites and project launches, hosting specific events and creating customized materials, will be efforts undertaken to inspire a groundswell of investor interest. Replication of the model in communities across the province and Canada-wide will be the ultimate actualization of Catalyst's mission.

7. **Time is of the Essence.** While the affordability crisis continues, the current alignment between government, academia and the Community Housing Sector, speaks to the urgency of the opportunity to strategically influence public policy around affordable housing and community asset development. Building internal capacity, by attracting mission-driven people with real estate and financial experience to work in the sector, will increase opportunities for social impact investment. Transformational growth is possible as these successful examples increase and momentum in the sector builds, resulting in more affordable homes and community space for more people.

Leveraging assets and resources through non-profit partnerships is already contributing to positive social change. With each successful affordable housing project that incorporates social investment and leverages partnerships into strategic alliances, non-profit participants are building internal and Community Housing Sector capacity, sustainability, and resilience. All stakeholders benefit when they collaborate on achieving the same goal.

Conclusion

Amid the volatility of government funding cycles and regulation, and other influences such as the impact of mobile global capital, a Canadian national housing affordability crisis has been materializing for decades. Navigating recent political support and funding at the federal, provincial and even municipal level, the Community Housing Sector in B.C. is working rapidly to deliver non-market, affordable rental housing for moderate and middle-income residents. The sector is endeavouring to diversify sources of capital, build strategic partnerships, streamline operations, and advocate for the changes that will achieve transformational sector growth.

Social investment in affordable housing delivery in B.C. is still in its infancy yet is growing rapidly. Important research is being conducted at this time, specifically in non-profit partnerships and alternative financing options for funding affordable housing development. Keeping community lands within community hands is necessary in order to build the capacity necessary to achieve lasting change. Policies and legislation supporting sector activities must continue to evolve, formalizing the best operating practices and compelling guaranteed government funding commitments.

There are many challenges associated with shifting to alternative financing models, yet the opportunities are tangible and inspiring. The onus is on non-profits with land, socially-responsible investors, and organizations such as Catalyst, to lead by example. Catalyst is proving the success of their mission-driven, not-for-profit development model. They are forging new relationships, building a steady pipeline of projects, and generating reasonable financial returns while reinvesting in future projects. Catalyst's work is made possible through an important mix of decades of experience, strong development expertise, shared non-profit values, and innovative leadership that supports risk-taking. A firm belief in their mission, of unlocking the value of community assets to create vibrant, affordable, and inspiring places for people to live and work in, guide every member of the team.

Relationships with a pool of social investors who recognize the opportunity to invest their capital while generating positive environmental, social, and financial outcomes makes the dream a reality. Catalyst is actively building partnerships – with non-profits, government agencies, financial institutions and investors – or anyone with land or capital and a mission to create affordable housing and community space. Together, all participants are key contributors to a more robust, scalable and sustainable Community Housing Sector.

catalyst
Community Developments

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APPENDIX A

INTERVIEW GUIDE

Interview Guide
Report: How Social Investment in Affordable Housing Development will benefit and build capacity within the Third Sector
Author: Katrina May, Master of Community and Regional Planning Candidate (2019)

Primary Research Question: Who are social investors in affordable housing in B.C., how can social investment be successfully incorporated into the financing of affordable housing development, and how will these partnerships build capacity and sustainability in the sector?

Questions for social investors:

1. Describe your organization's overall investment strategy. Who are your investors?

2. How do non-profit organizations seeking funding become aware of/approach you?

3. What are your motivations in supporting non-profit development of affordable housing?

4. Describe your participation in the financing of an existing or ongoing Catalyst development project.

5. What are the challenges or learning experiences associated with making this kind of investment? Are you satisfied/ have you had a negative experience?

6. Have you invested in similar projects (other than Catalyst) – differences in terms of experience with Catalyst vs others?
    a. Would you invest again?

7. What are the barriers and opportunities for non-profit housing organizations seeking social investment?

8. Do you believe the incorporation of social investment in non-profit affordable housing development will create a more sustainable sector? If yes, how?

9. How do you plan on scaling your involvement in affordable housing? What would encourage you, or others like you, to invest more in this sector?

APPENDIX B

POLICY FRAMEWORK

Agency	Policy	Description	Action Items	Relevance to Non-Profits with Land Assets
National				
Federal Government	National Housing Strategy (2017)	Canada's first ever National Housing Strategy. Re-engagement by federal government in housing, with historic investments.	$40 billion investment in housing across Canada	Recognizes housing as a human right. Significant investment, increases the amount of funding available to all levels of government. New legislation; new community-based tenant initiative; New federal housing advocate; New public engagement campaign; New National Housing Council.
Provincial				
Provincial Government	Homes for BC (2018)	Provincial housing plan focused on stabilizing the market, closing loopholes, improving renter security, increasing supply, and enhancing partnerships	Invests $6.6 billion over 10 years to build affordable housing	Established the HousingHub to partner with non-profits that do not have development experience and connect them to new funding and investment sources
Provincial Government	Temporary Modular Housing	BC gov committed $66 million to COV to build 600 units of temporary modular housing.	Over 500 homes on 8 sites currently in various stages of developments. 156 homes already occupied.	
Provincial Government	20% Foreign Buyers Tax	Tax introduced in July 2016 that applies to all foreign purchases of homes in Metro Vancouver	Money raised from this tax will provide funding for municipal affordable housing projects and financing.	Has significantly cooled foreign purchases
Provincial Government	Home Owner Grant and other property-ownership related taxes and grants	Interest-free loan to new buyers for five years (max $37,500); Exempt the property transfer tax for first-time buyers and for newly constructed homes		Contrary to federal government and the Bank of Canada efforts aimed at preventing households from taking on larger mortgages by requiring banks to perform street tests before issuing a mortgage.

Agency	Policy	Description	Action Items	Relevance to Non-Profits with Land Assets
Regional				
Capital Regional District	Regional Housing Affordability Strategy	Created Feb 2007 to achieve the vision of *safe, adequate, and affordable housing for all of the region's residents* . Included as part of the Regional Growth Strategy adopted in 2003.	Goals: Increase supply of more-affordable housing in region; Reduce number of people in core housing need, especially low-income renters; Reduce number of homeless people, and support the transition out of homelessness. Strategies: Secure more funding for non-market and low end of market housing; Establish and enhance pro-affordability local government policies and regulations across the region; Facilitate community-based affordability partnerships and initiatives; Build neighbourhood-levelsupport for housing affordability; Expand the scope of the Victoria Homelessness Community Plan to the Region as a whole.	To create a policy and regulatory environment that will increase the supply of more-affordable housing; to increase the availability of funds for more-affordable housing; to promote and facilitate community partnerships and individual support that will improve housing affordability; and to focus initially on meeting the needs of those in core need, especially low-income renters.

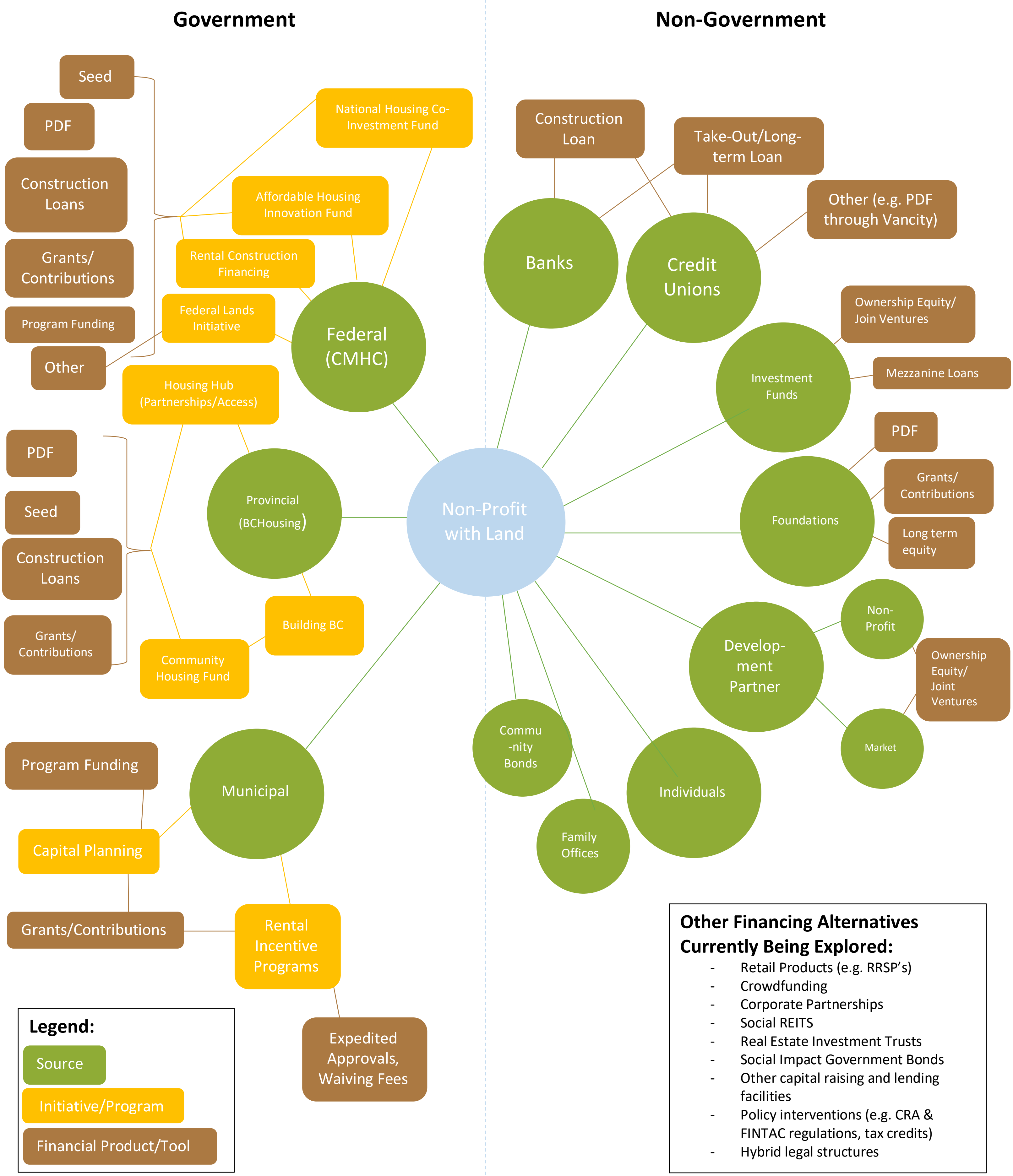
Agency	Policy	Description	Action Items	Relevance to Non-Profits with Land Assets
Regional				
Metro Vancouver	Regional Affordable Housing Strategy (2016)	Federation of 21 municipalities, a treaty First Nation and an electoral area with a shared economy and housing market. Housing strategy to meet the overall objectives within Metro 2040: Shaping our Future, the Regional Growth Strategy adopted in 2011. The strategy outlines actions for Metro Vancouver and recommended actions for other key housing stakeholders such as local, provincial and federal governments, private and non-profit developers, health authorities and TransLink.	Goals: Expand the supply and diversity of housing to meet a variety of needs; Expand the rental supply and balance preservation of existing stock with redevelopment while supporting existing tenants; Meet housing demand estimates for very low and low-income earners; Increase the rental housing supply along the frequent transit network; End homelessness in the region.	This is the second iteration of the Housing Strategy, first adopted by the Board in 2007, providing a renewed vision, shared goals, strategies and actions for tackling the housing affordability crisis. 95% of the region's housing stock is provided through the market, not at a price that everyone can afford.
Union of BC Municipalities	A Home for Everyone: A Housing Strategy for British Columbians (2018)	Actions to address the key issues behind the current housing affordability crisis, prepared by Mayor Greg Moore - City of Port Coquitlam, Chair of Metro Vancouver Regional District and Chairperson of the Metro Vancouver Housing Corporation.	Increase suppy of rental housing; Manage speculative demand; Comprehensive approach to homelessness; All government approach towards housing affordability.	

Agency	Policy	Description	Action Items	Relevance to Non-Profits with Land Assets
Municipal (City of Vancouver only)				
COV	Housing Vancouver Strategy (2017)	Calls for shift towards rental, social, and supportive housing; Introduced policy intended to protect existing affordable	New policy introduced to protect existing supply of affordable housing; Increase supports for renters and the homeless; Commit to aligning and supporting partnerships for affordable housing	Recognizes that affordable and supportive housing requires additional investments and subsidies from all levels of government, including: grants, forgivable financing, ongoing subsidies, bonus density, rent supplements and shelter allowances - Recognizes that additional focus and coordination is required by the City to enable non-profits with significant land assets and values alignment to develop affordable housing - Calls for the development of a social purpose real estate incentive and investment program to support non-profit housing - Calls for a regional partnership table to align investment priorities across non-profits and government - Ensures that City and partner strategies address the needs of specific groups such as women fleeing domestic violence, youth aging out of foster care, and renting seniors facing displacement - Calls for a pilot program to expedite the planning and development process for high-impact affordable housing projects
COV	Housing Affordability Endowment Fund	Announced June 21 2018: $2-billion fund with mandate to preserve and grow affordable housing in the City.	Fund part of a newly approved financial strategy that will take five approaches: continue o secure social housing through inclusionary housing policies; Acquire new housing sites to sustainably deliver future homes; Increase the social housing requirement of large sites from 20% to 30%; Support non-profit housing societies by enabling non-profit ownership of social housing in the DTES and create the Social Purpose Real Estate Program to develop incentives for non-profit housing, faith-based and other charitable orgs; Pursue a multi-year partnership and investment plan with senior levels of government to deploy city land for use in building affordable housing.	Fund a consolidated portfolio containing city-owned land and owned and/or operated buildings and assets. Focused on delivering the Housing Vancouver targets of 72,000 new homes over next 10 years, with emphasis on 12,000 social, supportive and co-operative housing for lower and middle income households.

Agency	Policy	Description	Action Items	Relevance to Non-Profits with Land Assets
Municipal (City of Vancouver only)				
COV	Housing Vancouver Strategy (2017)	Calls for shift towards rental, social, and supportive housing; Introduced policy intended to protect existing affordable	New policy introduced to protect existing supply of affordable housing; Increase supports for renters and the homeless; Commit to aligning and supporting partnerships for affordable housing	Recognizes that affordable and supportive housing requires additional investments and subsidies from all levels of government, including: grants, forgivable financing, ongoing subsidies, bonus density, rent supplements and shelter allowances - Recognizes that additional focus and coordination is required by the City to enable non-profits with significant land assets and values alignment to develop affordable housing - Calls for the development of a social purpose real estate incentive and investment program to support non-profit housing - Calls for a regional partnership table to align investment priorities across non-profits and government - Ensures that City and partner strategies address the needs of specific groups such as women fleeing domestic violence, youth aging out of foster care, and renting seniors facing displacement - Calls for a pilot program to expedite the planning and development process for high-impact affordable housing projects
COV	Making Room	Strategy released in June 2018 (public hearing Sept 2018) suggesting to eliminate single-family zoning, creating new housing opportunities and working towards achieving Housing Vancouver Strategy targets.	Address "missing middle" by allowing duplexes, fourplexes, townhouses and 3-4 storey aparments. Eg. Allow duplexes on RS-1; Ease restrictions and permits for laneway houses; Reduce parking requirements	Allow more lots (rear yard infill development) in Kitsilano with an existing character house; Amendments to the RT-10 District Schedule in Kensington-Cedar Cottage; More clearly differentiate lock-off units from secondary suites intended for longer-term rental housing.
COV	Inclusionary Zoning	Planning ordinance that requires a certain percentage or share of new construction to meet defined affordability criteria.		
COV	Rental-only Zoning	In May 2018, the provincial government passed legislation enabling municipalities to zone undeveloped areas for rental-only, mandate a percentage of units as rental on an undeveloped property, or mandate that existing rental housing remain rental upon redevelopment.	No municipality has currently applied rental-only zoning.	
COV	Empty Homes Tax	BC Gov changed legislation allowing COV to request new tax for vacant homes at rate of 1% of assesed value, the first of it's kind in North America. Tax will generate estimated $30 million in revenue per year. COV has collected $18 million to date.	Study for COV in 2016 assessed 10,800 empty homes. Currently $8 million available to allocate to affordable housing initiatives.	

APPENDIX C

FINANCING OPTIONS FOR AFFORDABLE HOUSING DEVELOPMENT IN BC



Other Financing Alternatives Currently Being Explored:

- Retail Products (e.g. RRSP's)
- Crowdfunding
- Corporate Partnerships
- Social REITS
- Real Estate Investment Trusts
- Social Impact Government Bonds
- Other capital raising and lending facilities
- Policy interventions (e.g. CRA & FINTAC regulations, tax credits)
- Hybrid legal structures

Source	Initiative/ Program	Amount ($)	Time Commitment	Description	Pros	Cons	Relevance to Non-Profits with Land Assets
Federal Funding							
CMHC	Investment in Affordable Housing (IAH)	$1.9 billion	8 years (from 2011)	Federal funds cost-matched by provinces and territories to improve access to affordable housing.	From 2011-2017 IAH has assisted in the creation of 12,281 new units, renovationof 49,131 units, 169,338 households assisted with housing affordability, 19,468 housholds assisted with independent living.		Increase the supply of affordable housing across Canada; Improve and preserve the quality of affordable housing; Improve housing affordability for vulnerable Canadians.
	National Housing Strategy (Overarching Policy)	$40 billion	10 years (from 2017)	Low-cost loans and financial contributions to attract partnerships and investments to support the creation of new housing and repair or renew existing community and affordable housig supply - from shelters to affordable homeownership.	Established housing as a human right (legislation in process). Goal to create 60,000 new units and repair 240,000 units, with a focus on spaces for victims of family violence, seniors, and people with developmental disabilities.		All applications will be evaluated using a scoring/prioritization grid to determine the eligible loan and contribution amount.

Source	Initiative/ Program	Amount ($)	Time Commitment	Description	Pros	Cons	Relevance to Non-Profits with Land Assets
Federal Funding							
	National Housing Co-Investment Fund	$15.9 billion	10 years (from 2017)	$4.7 billion in financial contributions + $11.2 billion in low interest loans.	Will prioritize projects that exceed mandatory requirements, bring more partners and investment to the table, and address needs of vulnerable populations.	Increased competition as funding also available for market developments. Projects must support Canada's climate change and accessibility goals, increasing costs. Processing time may be lengthy.	Fund expected to create up to 60,000 new units of housing and repair up to 240,000 units of existing affordable housing. Projects must meet affordable (30% of units at rents 80% of median market for minimum 20 years), Green (Min 25% reduction in energy consumption over national building and energy codes) and accessible (20% of units must meet accessibility standards and projects must be barrier free or have full univeral design).
	Seed Funding Program			Non-repayable contribution up to $50,000. Additional funds may be available as fully repayable, interest-free loans up to $200,000.	No restrictions on tenure type, building form or future residents.		Seed Funding eligible for projects that have a minimum of 5 affordable units. Includes new construction, conversions from non-residential use or non-affordable housing to affordable residential housing, and renovation of existing affordable units to prevent them from demolition. Housing projects that were previously under a federal operating agreement are also eligible.

Source	Initiative/ Program	Amount ($)	Time Commitment	Description	Pros	Cons	Relevance to Non-Profits with Land Assets
Federal Funding							
	Affordable Housing Innovation Fund	$200 million	5 years (from 2017)	Loans, forgivable loans, contributions, and innovative financing options that support needs across the housin continuum. Targetting the creation of 4,000 new affordable units	Will reduce reliance on government subsidies.	Increased competition (eligible for municipal and provincial governments and market developers as well.) A lot of requirements ie: minimum 10% decrease in energy and GHG emissions; 10% of units must be accessible.	In addition to loans, forgivable loans and contributions, innovative funding such as equity capital investments, minority ownership models and dividend payments, and other funding arrangements are avaiable. Must meet affordability, energy-efficiency, and accessiblity requirements.
	Rental Construction Financing Initiative	$3.75 billion	From 2017-2021	Low-cost loans to encourage construction of rental housing across Canada. Focuses on all rental projects (including market) as long as they have minimum 5 rental units.	Loan offers 10 year term, fixed interest rate, up to 50-year amortization period, CMHC loan insurance. Up to 100% loan to cost for residential space and up t 75% loan to cost for non-residential space.		Must meet affordability, energy-efficiency, and accessiblity requirements.
	Federal Lands Initiative	$200 million	10 years (from 2017)	$	Will ensure surplus federal buildings are suitable for use as housing.	Increased competition (eligible for municipal and provincial governments and market developers).	Must meet affordability, accessibility, enegy-efficiency requirements as well as demonstrate evidence of community need, experience, and financial viabiity (minimum debt coverage ratin of 1.10).

Source	Initiative/ Program	Amount ($)	Time Commitment	Description	Pros	Cons	Relevance to Non-Profits with Land Assets
Federal Funding							
	Federal Community Housing Initiative	$500 million	10 years (from April 1, 2018)	Stabilize the operations of federally administered community housing providers. Maintain current federally administered community housing stock and it's 55,000 households.	Protect tenants living in federally administered community housing as operating agreements expire. Providers will continue to receive funding to subsidise rents.		Phase I: funding over 2-year period to support federally administered community housing projects as long-term areements reach their end dates. Will transition to a Phase II rental support program in April 2020.
	CMHC - BC Bilateral Agreement	$990 million	10 years (from April 1, 2019)	Partnership to support long-term and predictable funding to protect, renew and expland social and community housing, and will support the priorities in Homes for BC (the BC Provincial Government's 30-point plan for housing affordability).			

Source	Initiative/ Program	Amount ($)	Time Commitment	Description	Pros	Cons	Relevance to Non-Profits with Land Assets
Provincial Funding							
Housing Partnership Canada	Housing Investment Corporation (HIC)	$20 million Federal Innovation Fund; $2.5 million from BC Housing, Manitoba Housing, Housing Services Corporation (Ontario)	Announced May 2018	New Canadian lending institution dedicated to the affordable housing sector.	Fixed rate 30+ year loan; housing knowledge; finance expertise & assistance; low-cost administration.		Mission to deliver long-term competitive financing to housing non-profits and cooperative to build mor aforedable hosuing and regenerate Canadian Community Housing Sector portfolios.
BC Housing	Community Partnership Initiatives (CPI)		Established in 2001	Provides advice, referrals to partnership opportunities and long-term financing to help non-profit society create self-sustaining, affordable rental and homeownership housing developments.	CPI has contributed over 5,200 new units of affordable housing in B.C.		CPI funding is not applied toward capital grants or operating subsidies, to be considered, the project must be self-sustaining.
	Provincial Investment in Affordable Housing Program	$355 million	5 years (from 2016/2017)	To create upwards of 2,000 new affordable housing units.			
	Investment in Housing Innovation	$500 million	Announced 2016/2017	To increase the supply of affordabl rental housing for renters.			

Source	Initiative/ Program	Amount ($)	Time Commitment	Description	Pros	Cons	Relevance to Non-Profits with Land Assets
Provincial Funding							
	Housing Hub	$20 million	Announced 2018	New division within BC Housing, established to seek innovative partnerhsips with local governments, non-profit and co-operatve housing organizations, community land trusts, Indigenous groups, faith-based groups, charities, financial institutions and other industries to create affordable rental housing and homeownership options for middle-income British Columbians (income between $50,000-$100,000)	Low-cost financing; Access to land; No or low-capital equity; Project coordination; Collaboration; Access to PDF		Through private and community partnerships, the HousingHub can provide: low-cost financing, no capital equity, expertise to assist in the planning and development process, project coordination, a place for organizations to collaborate, access to pre-development funding.

Source	Initiative/ Program	Amount ($)	Time Commitment	Description	Pros	Cons	Relevance to Non-Profits with Land Assets
Provincial Funding							
	Building BC	$7 billion	10 years (from 2018)	$7 billion over 10 years, representing the largest Government of B.C. investment in housing affordability in B.C. history.			There are five pillars to this program: Rapid Response to Homelessness, providing $291 million to deliver permanent and temporary units in response to homelessness. Over 2000 units have been confirmed. Community Housing Fund: $1.9 billion over 10 years to create 14,30 new rental units across B.C. Indigenous Housing Fund, providing $550 million over 10 years to build and operate 1750 new units of social housing both on- and off-reserve. Supportive Housing Fund, providing $1.2 billion over 10 years to build and operate 2.500 units ofsupportive housing for people at risk of homelessness. Women's Transitio Housing Fund, providing $734 million over 10 years to build and operate
	Regional Housing First Program		Announced 2018	Partnership between the Capital Regional District, BC Housing and CMHC to increase the creation of affordable rental housing, including for those who are homeless, in Greater Victoria.	RFP open to all non-profit housing providers, community groups and private sector firms. Partnerships encouraged.		Investment to develop and acquire new aforable housing units to be owned by the CRD or Provincial Rental Housing Corporation. Units will be operated by successful project proponents or non-profit partners. Provides interim construction (up to 100% of construction cost) and take-out financing.

Source	Initiative/ Program	Amount ($)	Time Commitment	Description	Pros	Cons	Relevance to Non-Profits with Land Assets
Municipal Funding							
COV	Rental Incentive Programs		STIR (2009-2011); Rental 100 (2015-2021); Moderate Income Rental Pilot Program (	A host of incentives to encourage the development of purpose-built rental housing.	Incentive packages give flexibility to developers, enabling customizable solutions for bridging the viability gap for PBR.		Includes waived development cost levies, reduced parking requirements, reduced unit sizes, expedited permitting processes, and additional height and density in exchange for 100% rental units.
	Social Grants			Used to cover pre-construction costs			
	Capital Planning	$125 million (affordable housing)	2015-2018	Support of redevelopment of community facilities through capital planning cycle.			
	Waiving Fees			For non-profits who fulfill City policies, providing housing or amenities	Potential waiving of: DCL's, property taxes, other fees.		
	Program Funding	$30 million (childcare); $55 million (community faciliites)	2015-2018	Contributions towards construction for community facilities (e.g. childcare facilities).			

Source	Initiative/ Program	Amount ($)	Time Commitment	Description	Pros	Cons	Relevance to Non-Profits with Land Assets
Municipal Funding							
	Vancouver Affordable Housing Agency (VAHA)		Created 2012, Reorganized in 2017	Building on City-owned land, VAHA liaises with investment, development, and community partners to create below-market housing options. Mandate to deliver 2,500 new affordable homes by 2021. Currently VAHA has 2,288 units under development (excluding 600 modular units to complete in 2018).			Vision is for all Vancouver residents to have access to affordable, safe, quality homes. Focused on high-quality rental housing for those on low to moderate incomes across Vancouver. Partnership established in May 2018 between VAHA, COV and Community Land Trust to build 1,039 units of affordble rental on seven City-owned sites.
	Vancouver Affordable Housing Endowment Fund	$2 Billion		COV to amalgamate over 200 City-owned and operated assets, in addition to revenue from housing relaed sources such as CAC's, the Empty Homes Tax, and Capital Plan, to support the growth and perservation of the COV's affordable housing portfolio.	Will significantly enhance the COV's ability to deliver on Housing Vancouver targets.		

Source	Initiative/ Program	Amount ($)	Time Commitment	Description	Pros	Cons	Relevance to Non-Profits with Land Assets
Community Housing Sector Funding							
Banks							
Credit Unions					Support development and renovation of community-focused real estate		E.g. Vancity has an impact lending and investment team specifically focused on social-purpose real estate. They offer financing options such as grants, mortgages, and takeout financing.
Individuals				Investors interested in supporting social-purpose real estate.	Potential to build relationships and create an investor pool, re-draw on investors for future projects.		Can be members of the community, organization, faith-based groups, high-net worth individuals, etc.
Foundations							
Vancity Community Foundation	Social Purpose Real Estate Fund			A charitable foundation connected to a credit union. Comprehensive suite of financing and technical supports.	Connects organizations to: real estate development expertise and advisory services, grants for feasibility and business planning, PDF loans with preferred interest rates, Construction and Takeout financing options		Looking for alignment with Vancity priority sectors and areas of impact.

Source	Initiative/ Program	Amount ($)	Time Commitment	Description	Pros	Cons	Relevance to Non-Profits with Land Assets
Community Housing Sector Funding							
Corporate							
Funds					Have already sourced private investors. Vet development projects.		
Family Offices							
Community Investment Funds				Curently successful examples in Nova Scotia, PEI, New Brunswick and Manitoba. Vancity>?			
Grants							
Owner Equity							

Source	Initiative/ Program	Amount ($)	Time Commitment	Description	Pros	Cons	Relevance to Non-Profits with Land Assets
Other Financing Alternatives Being Explored							
	Retail Products (eg. RRSP's)						
	Crowdfunding						
	Social Real Estate Investment Trusts						
	Policy Interventions (eg. CRA & FINTAC regulations, U.S. Low-Income Housing Tax Credit)						
	Hybrid Legal Structures						
	Public Housing Bonds			Housing Partnership Canada, in partnership with the Housing Services Corporation and BC Housing, are exploring creating a dedicated lending facilitiy, raising capital in the bond market.	Toronto Community Housing Corporation has raised money successfully through bonds.	Major challenges: complex, sophisticated process, transaction costs, scale, readiness, adequate cash flow, debt carrying capacity.	The creation of a dedicated low cost lender that would pool capital needs and provide a sustainable, long term source of funding specifically tailored to needs of Third Sector. Financing on a predictable basis, low cost and long term funds available for all providers regardless of size, investment expertise.
	Community Investment Bonds						
	Social Impact Bonds			Privately finance immediate service interventions with long term public savings returned to private investors.	Saskatchewan prov gov launched first Canadian SIB.		

APPENDIX D

BECDEV PROJECTS LTD. AND OAKRIDGE LUTHERAN CHURCH: NOTES ON EVOLUTION OF THE PROJECT

BecDev Projects Ltd. **Oakridge Lutheran Church**

Notes on Evolution of the Project
August 23, 2018 - Rev #2

Item	Discussion	Action

Evolution of this Affordable Rental Housing Project

- **Mission** The original property owner (Charitable Society) had a very strong mission to stay on the property, to make the future development a community service. This mission was critical to the Church's integrity and strength through the process.
- **Ownership and Independence:** The Church had to verify that title to the property was unrestricted by any covenants, registered, or unregistered. And it verified that it could act unilaterally in any negotiation.
- **Credit Union support:** The Church was a member of Vancity Credit Union, (VCCU) which shared the mission and goals of the Church. They had studied the many factors involved in "Social Purpose Real Estate development", supported such initiatives in the past, and recognized the desirable community development characteristics of this project.
- **Development Experience:** Early in the project the Church required and engaged an arms length representative to provide development expertise, due diligence, guidance and participation with its proposed development partner throughout the project.
- **Development Partner Compatibility:** Upon references from both the Owner's Representative and the Credit Union, the Church was introduced to Catalyst Community Development Society, a not-for-profit development partner with extensive project experience and with goals matching and compatible with the Church.
- **Pre-development Funding:** Upon realization of a memorandum of understanding between the Church and a development partner, VCCU advanced both grants and loans to the provisional partnership for research into feasibility studies for financing, preliminary design, legal fees and the city permit process. This funding was crucial to the beginning of the project.
- **Highest vs Best Use:** The intended use of the land for affordable rental housing affected its valuation in comparison to market housing for sale. The reduced value affects both municipal taxation, and re-development value.
- **Financial Costs and Realities:** current high construction costs, reduced land value. and the natural financial position of the church, (a non-profit society) indicated a requirement to partner with a like-minded developer, and seek financing from a like-minded financial institution.

- **A Memorandum of Understanding (MOU): It** was important to begin this early. Each party engaged legal representation for its due diligence. The MOU discussions required the partners to predict all imaginable pitfalls and benefits of the project, as well as proposals for the shared participation of each partner in the development process. It created several financial models to demonstrate the variables in both costs and funding, and to determine the ultimate ownership share of each partner. This negotiation took one year, during which other initiatives were progressing.
- **Joint Venture Agreement:** The achievement of an MOU facilitated working out the finer details of its terms in order to create a legally binding Joint Venture Agreement.
- **Taxation Consideration:** For the Church, there was no tolerance for risk of losing its charitable status; It had to seek professional tax and accounting expertise to protect it's non-profit mission and to create an arms length entity capable of entering into a partnership, and developing the property on behalf of, and in the interests of the Church.
- **Provincial & Federal Support:** The Government of Canada (CMHC) supports affordable housing initiatives by granting funds through provincial housing authorities (BC HOUSING).
- **City Support:** The City has a policy of encouraging affordable housing and provides financial support to projects which fulfill these goals. This support is granted in the form of reductions in community amenity costs, reductions in development cost levies, and grants per housing unit for affordable rental units based upon their level of market rent. These subsidies are traded for covenants on title to guarantee continuity of the affordable housing units for future generations.
- **Zoning and Permit Process:** The two lots forming the church property had to be amalgamated. The proposed occupancy required re-zoning; preliminary designs were submitted to seek city comment and begin the building permit process. The City indicated its support for the project by permitting re-zoning and building permit process to proceed simultaneously.
- **Air Space Parcel Registration:** Since the partners will own various subdivisions of the building space, this division of ownership required that the titles to the parcels had to be determined and registered *before construction* in order to qualify for financing and building permit. This required tolerance from the City legal department, which ordinarily only accepts air space parcel registration after a building is completed and before occupancy.
- **Development Committee:** The Joint Venture Agreement created a Development Committee composed of two representatives of each partner. This committee oversees the development and construction of the project to completion and occupancy.