

MARCH 2024

Housing Supply Mix Strategy 4b: Not-For-Profit and Co-op Housing

Canada needs to rebuild the not-for-profit housing sector



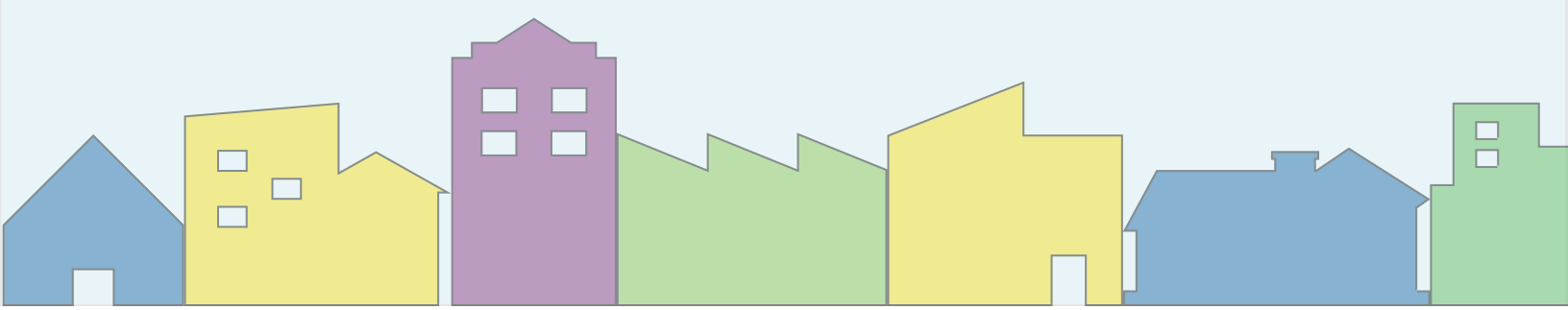
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SUPPLY MIX RESEARCH
SUBMITTED TO THE TASK FORCE
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The Issue

Not-for-profit developers, housing co-operatives, community land trusts (CLTs) and community housing corporations reduce costs by accepting lower profit margins than private developers. As a result, they are capable of delivering more affordable and low-carbon housing per dollar, in perpetuity. If granted preferential federal financing, access to public land, construction grants and a range of other supports (like those provided to private developers) the NFP development sector could build affordable non-market housing at scale, cross-subsidizing lower rents with middle and moderate rental units for long-term self-sustainability, and re-invest revenues in more non-market housing.

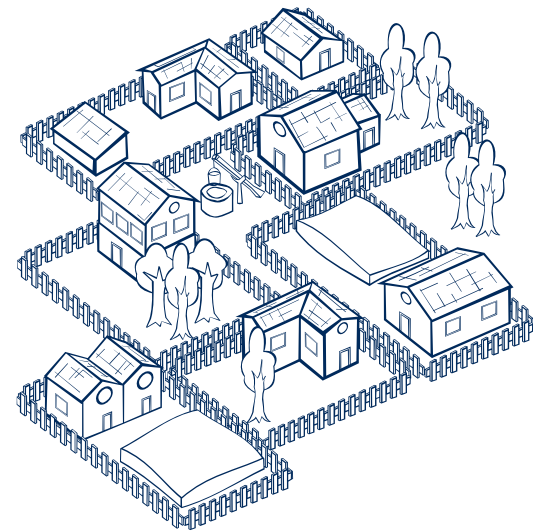
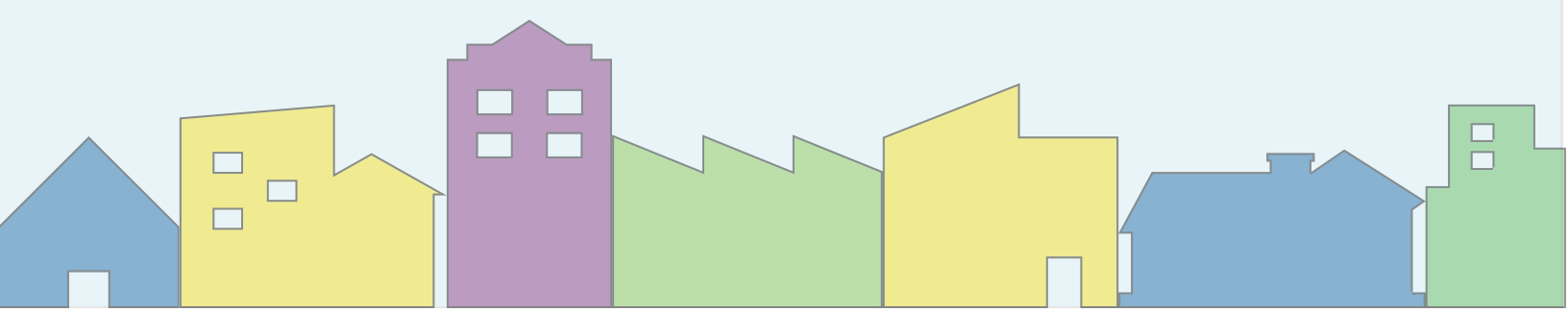


Table 1: Sector Composition and Recent Trends¹

Sector	Existing		Built 2019-2023	
<i>Private</i>	15,773,607	94.5%	1,180,780	92.7%
<i>Social (public and not-for-profit)</i>	912,054	5.5%	92,438	7.3%

Source: 2023 data.



Research and Findings

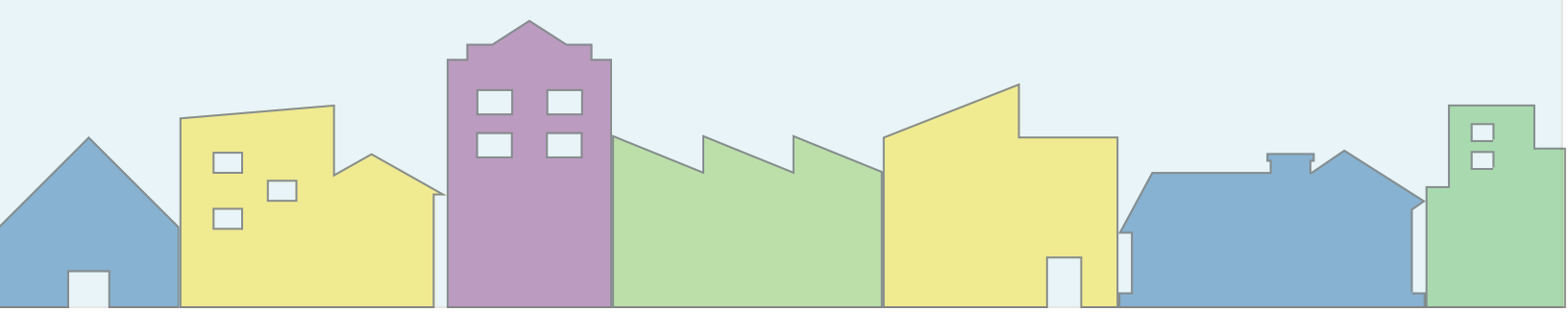
Supporting NFP development with stacked savings

Academic research estimates how successful the NFP development model can be with the following “stacked” savings:

- 20% to 25% savings in project costs by reducing or eliminating the profit margins required by private developers
- 15% to 30% savings in housing costs by leveraging public land
- 27% in savings by waiving municipal development charges and parking requirements²
- Savings in fees by permitting development for NFP projects as-of-right
- Up to 42% reduction in construction costs through leveraging government initiatives aimed at industrializing construction, such as pre-fabrication, mass timber/CLT production and development of repeatable designs and standardized plans³
- Savings through waiving GST/HST for NFP developments (already announced)⁴
- Further benefits and viability through low-cost financing made available to NFP developers to enable greater affordable and climate positive projects

Leveraging public lands for NFP housing would yield more affordable units over time, compared to market-rate developments

Many cities are leveraging their public land to build housing projects in partnership with private developers of which a portion deliver affordable housing. However, in these projects, most of the units are market-rate due to the economics associated with for-profit development. An alternative approach is to leverage public land assets for 100% non-market development, for both social housing and the NFP sector to build housing for a range of household incomes but without the expected profit margin of private industry.



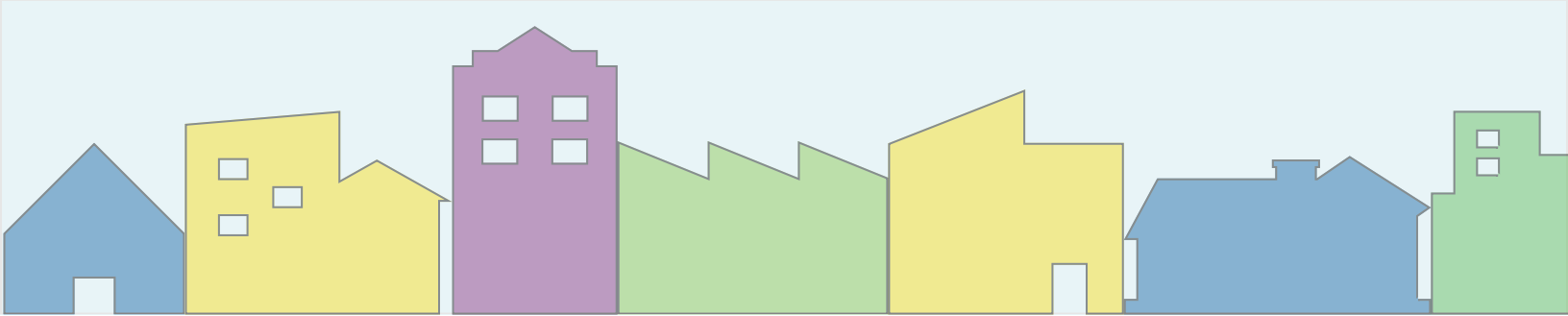
Existing initiatives show that supporting NFP developments can provide housing for very-low income to middle-income households

There are many examples of NFP developers and housing providers leveraging public and private lands who pay off their financing and reinvest in more housing, and/or leverage their existing housing assets to secure more financing to build more affordable housing.⁵ The approach of pairing city-owned land with NFP development for associated cost savings has been successful in Vancouver BC when led by the social purpose non-profit Community Land Trust, established by the Co-operative Housing Federation of BC.⁶ Modelling in Kelowna, BC has shown that it has enough government land to meet core housing needs.⁷ In the United States, not-for-profit developers have built one-third of the social housing stock, or 1.547 million units.⁸

A “middle-income” housing co-operative program in Zurich, Switzerland pairs public land with low-interest loans and requires zero subsidies. In that city, one in five homes is owned and operated by a non-profit co-operative. This model also provides cross-subsidies for lower rent units so lower-income households can also live in these communities.

Not-for-profits can also offer ownership alternatives

Canada has long experimented with alternative, hybrid or community forms of home ownership that reduce purchase prices and maintenance costs for owners. The most common alternatives are co-operatives, co-ownership and CLTs. Also possible are shared-equity mortgages and rent-to-own (already a CMHC program). These types of housing alternatives accounted for 10% of Canada’s housing growth in the 1970s.⁹ Currently, alternative models, including co-ops, co-ownership and CLTs, compose almost 7% of ownership housing and 4% of the overall housing stock.



Key Recommendations for Not-For-Profit and Co-op Housing by the Task Force for Housing and Climate

Top recommendations in the National Task Force on Housing and Climate's *Blueprint for More and Better Homes* include:

- Provide more attractive financing to scale the not-for-profit housing sector by:
 - Using federal programs to reduce the financial barriers facing land trusts, co-ops, charitable housing and not-for-profit community corporations committed to providing affordable housing.
 - Increasing the upper limit of non-repayable contributions and guaranteeing a fixed low-interest rate on loans for not-for-profit projects under the National Housing Co-Investment Fund.
 - Providing greater financial incentives for not-for-profit projects near rapid public transit that meet net-zero and climate-resilient codes and standards.
 - Using the Housing Accelerator Fund to encourage municipalities to remove barriers, including zoning and permitting regulations, for not-for-profit housing developments near rapid transit.¹⁰
 - Allowing not-for-profit housing providers to stack federal, provincial and municipal financing programs so that they can draw on multiple avenues of support and provide greater financial incentives for not-for-profit projects located near rapid public transit that meet net-zero and climate-resilient codes and standards. (Federal)
- Launch and implement the federally funded Co-operative Housing Development Program, committed to in the 2022 Federal Budget working with other levels of government to scale up co-op housing development across the country. (Federally led)¹¹
- Provide low-cost, long-term fixed-rate financing for municipalities to cities to facilitate land acquisition and naturally affordable housing conversion into non-profit housing. (Federal/ municipal)
- Fully exempt charitable non-profit organizations from HST for new affordable housing projects and purpose-built rental projects. (Provincial)
- Implement a targeted training program for non-profit organizations in housing development and management, encompassing essential skills such as project planning, financial management and sustainable building practices. (Provincial)

Endnotes

1. Full table with additional information can be found here: Cherise Burda and Karen Chapple, “Targeting the Right Housing Supply in Canada: A SUPPLY MIX ANALYSIS FOR THE HOUSING AND CLIMATE TASK FORCE OF THE CLEAN ECONOMY FUND,” *City Building TMU and University of Toronto, School of Cities*, 2023
2. UBC Housing Research Collaborative. “How to build 3.5M affordable homes in 10 years: ideas to address Canada’s housing shortage from Europe,” The University of British Columbia, (2022, June 27), <https://housingresearchcollaborative.allard.ubc.ca/2022/06/27/how-to-build-3-5m-affordable-homes-in-10-years-ideas-to-address-canadas-housing-shortage-from-europe/>
3. Hannah Hoyt, “More for Less? An Inquiry into Design and Construction Strategies for Addressing Multifamily Housing Costs,” Joint Center for Housing Studies of Harvard University, (2020). <https://www.jchs.harvard.edu/research-areas/working-papers/more-less-inquiry-design-and-construction-strategies-addressing>
4. Tim Richter, Mike Moffatt, and Michael Brooks, "The National Housing Accord: A Multi-Sector Approach to Ending Canada’s Rental Housing Crisis," (2023), https://assets.nationbuilder.com/caeh/pages/453/attachments/original/1692060486/2023_National_Housing_Accord.pdf?1692060486
5. CCOC, “Centretown Citizens Ottawa Corporation (CCOC)-Our Story,” Centretown Citizens Ottawa Corporation, (2024) <https://ccoehousing.org/about-us/our-story/>; First National, “Pulling together to meet Toronto’s affordable housing crisis,” RenX, (2020), <https://renx.ca/pulling-together-to-meet-torontos-affordable-housing-crisis>
6. CHFBC, “Community Land Trust—Co-op and Non-Profit Housing”, CHF BC, (n.d), <https://www.chf.bc.ca/community-land-trust/>
7. HART. “Prototype: City of Kelowna and Findings of a National Survey,” Housing Assessment Research Tools (HART) project, (2021), <https://housingresearchcollaborative.scarp.ubc.ca/files/2021/09/HART-Firststage-Final-Sep-20-21.pdf>
8. Rachel G. Bratt, “Nonprofit and for-profit developers of subsidized rental housing: Comparative attributes and collaborative opportunities,” *Housing Policy Debate*, 19(2), (2008): 323–365. <https://doi.org/10.1080/10511482.2008.9521638>
9. Sharon Chisholm and David Hulchanski, "Canada’s housing story," in *Shaping Futures Changing the Housing Story Final report*, [Policy Scotland, University of Glasgow: 2019] <http://neighbourhoodchange.ca/documents/2019/11/canadas-housing-story-2019-chap-4.pdf>
10. Recommendation adapted from the Affordability Action Council’s Affordable Housing Reboot.
11. Recommendation adapted from the Association of Municipalities of Ontario’s Blueprint for Action.

Authors:

Written by Cherise Burda and Karen Chapple

The authors would like to thank the following individuals for their contribution to and/or review of this publication:

Ahmad Al-Musa, Sami Ferwati, Claire Pfeiffer, and Sarah A. Smith

Design by:

Tony Chang

These Housing Supply Mix Strategy briefs are derived from research commissioned by the Task Force for Housing and Climate www.housingandclimate.ca

General inquiries:

Contact us at schoolofcities@utoronto.ca or 1-416-946-7534

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