

## AFFORDABLE HOUSING SOLUTIONS: FIFTEEN SUCCESSFUL PROJECTS

### Introduction

The study set out to discover and document how affordable housing was being provided in the absence of ongoing government subsidies. The purpose was to identify innovative ideas in putting together housing development packages that were viable, and resulted in meeting the needs of moderate- and low-income households. Once documented, these ideas would be accessible by all in the housing delivery process, such as municipalities, non-profit groups and charitable organizations, and would assist them in creating their own development proposals.

A surprising number of innovative ideas emerged. They are categorized in eight “models” of development that encompass forms of housing, method of financing and tenure arrangements. Fifteen projects encapsulated the key ideas and are documented in detail in the report. A wealth of information about each project enables a full appreciation of their development process, from inception to realization. The main questions were:

- How affordable were the units?
- Was affordability maintained over the long term?
- What made the projects successful?
- Was the specific approach transferable?

### Findings

The fifteen projects resulted in the production of 647 housing units. Five projects used the non-profit rental model, four projects used the ownership model and the remaining six projects each used one of the additional six models.

The table below shows the distribution of units by model and their level of affordability.

**Table 1**

Model	Low Income		Low & Moderate		Moderate Income		Total	
	Project	Units	Project	Units	Project	Units	Project	Units
Non-profit	4	91	1	36			5	127
Life leases					1	161	1	161
Ownership Housing			2	90	2	182	4	272
Guaranteed equity ownership					1	12	1	12
Equity co-op	1	6					1	6
Rental co-op	1	6					1	6
Co-housing					1	19	1	19
Development fund			1	44			1	44
<b>Total</b>	<b>6</b>	<b>103</b>	<b>4</b>	<b>170</b>	<b>5</b>	<b>374</b>	<b>15</b>	<b>647</b>

As the table indicates, rental units are more likely to serve low-income households while ownership housing is better suited to moderate-income households. Both



rental non-profit and rental co-op units maintain long-term affordability as does guaranteed equity ownership. The rest of the models do not.

The study found that some of these models were applied for the first time to the development of affordable housing:

**Life Leases:** Most appropriate for seniors interested in living together. Life leases are an alternative to conventional development in that they rely on downpayments and equity from purchasers who are typically homeowners. Units are usually affordable because they are smaller and because the equity contributions can lower project financing costs. Marketing costs can often be avoided, further enhancing affordability. Owners, however, can resell on the open market, potentially decreasing long-term affordability.

**Ownership Housing:** The sponsorship of ownership housing, condominium or freehold by non-profit groups is relatively new. It has certain advantages relative to rental housing that improve its affordability: it reduces financing costs due to the equity made available by the purchasers and the absence of maintenance and administration costs normally associated with rental units. When the non-profit group acts as the developer, profit margins can be eliminated and marketing costs can be reduced substantially.



A 19-unit building, in North Vancouver, B.C. that combines townhouses and apartments

**Guaranteed Equity Ownership:** This ownership option, also sponsored by a non-profit group, upholds long-term affordability of the units. Purchasers benefit from lower unit prices but must sell their units back to the developer for an agreed price and a guaranteed return on their equity.

A variation on the equity ownership model is the **strata-title ownership**, where each owner has complete and separate title to a unit in a building. This allows the initial pooling of equity resources, enabling some members of the cooperative to help others. Profits are eliminated as units are sold at cost to the members, making the units affordable at the start. However, members are allowed to sell freely at market prices, reducing the affordability of the units for subsequent buyers.

**Rental Co-op:** The rental co-op involves the pooling of resources by a group of people interested in shared accommodation. Typically, shares in the development are purchased—representing a member's deposit that can be used to start the development process. Some members provide interest-free loans, for the benefit of the collective, thus enabling the project to secure financing. When they leave, members resell their shares (deposit) to the co-op at their original full value.

**Co-housing (collaborative housing):** A relatively new way of creating housing, this model is best suited for moderate-income households because of the required equity contributions (15 to 20 per cent of project costs). This option also means choosing a lifestyle because it involves sharing common facilities such as the kitchen, dining room, playroom, workshops, laundry room and guest rooms. The sharing enhances affordability by reducing day-to-day household expenses such as maintenance, repair, laundry and child care. The sharing can also, in special cases, extend to subsidizing a few units for some residents.

As indicated in the table, more than half of the units were provided to moderate-income households or households with substantial equity, usually seniors. Most of the models can serve these households well and are more affordable because they help avoid some of the development and operational costs as well as, in some cases, regular household expenses.

## How affordability was enhanced

The fifteen successful projects relied on various measures to reduce project costs and increase affordability including:

- land acquisition at below market prices;
- land donations;
- leased land owned by a municipality;
- deferred payments for land;
- increased site density;
- charitable organization tax status;
- private donations;
- financing at low interest rates;
- provincial rent supplements; and
- partnerships.

## How the 15 projects succeeded in being built.

The report finds that these 15 innovative affordable housing projects owe their existence to creative thinking, cooperation, generosity and dedication as demonstrated by:

- In-kind contributions of skills experience and expertise from resource groups, development consultants and project staff absorbing a significant percentage of actual labour costs.
- Reductions in land costs per unit of housing through land donations; increased density; deferred or lowered lease payments and favourable market conditions.
- Donations from community groups, local lending institutions, real estate boards, foundations, and cooperatives, as well as benefits derived from a project's charitable status, such as lower GST rate and property transfer tax exemptions.
- Acquisition of buildings or properties at low cost due to temporarily low real estate prices, foreclosed properties, and, in one case, legislation dictating a low sale price.
- Resident Equity established through advance downpayments on presold units; co-op shares of sufficient value to hold property; and resident subsidization of few units for low-income fellow tenants.
- Municipal support that included density bonuses; land leases with favourable terms; interest-free loans to a development fund, property tax rebates; renovation assistance; grants and advice and expertise.

- Low-cost financing such as self-financing, or low interest mortgages provided by benevolent private investors or community-minded financial institutions.
- Partnering with developer or land owner who provides a guarantee, payment of a portion of the financing costs, carrying of land costs until units sell or a vendor-take-back mortgage guarantee. Partnering with registered charities produces favourable conditions for private donations.
- Long-term provincial support in the form of rent supplements, subsidies for renovation, loan guarantees and interest-free loans.
- Proposal Development Funding available from CMHC's Partnership Centre(CCPPPH) and grants for demonstration projects under CMHC's Affordability and Choice Today program.
- Lower downpayments made possible through CMHC's mortgage loan insurance; and
- Media attention which attracted critical support and, in some cases, propelled projects to completion.

In many cases among the fifteen projects, these tools were used in combination to achieve an affordability level accessible to low-income households. These projects demonstrate the possibility to muster the resources required to meet the housing needs of a certain number of households in a community. They also show that these efforts cannot succeed without the cooperation and support from community and governments.

## CMHC and the Canadian Centre for Public-Private Partnerships in Housing

CMHC's Canadian Centre for Public-Private Partnerships in Housing (CCPPPH) promotes and facilitates partnerships to increase the supply of affordable housing. The Centre gives advice on legal, financial and regulatory issues, experiments with new financing and tenure agreements and disseminates information on successful practices.

The Centre actively seeks out partnerships, especially at the grassroots level with such organisations as existing non-profit agencies, previously involved in the provision of social housing, faith groups, ethnic and cultural organisations, builders, developers and municipalities.

The Centre provides a number of tools to assist in developing affordable housing, including:

- “best practices” guides,
- partnership research,
- expert advice,
- new business leads,
- interest-free Proposal Development (PDF) loans, and
- easier access to mortgage insurance to help groups obtain low-cost financing.

## CMHC Research on Producing Affordable Housing in Canada Through Public-Private Partnerships

CMHC has completed a number of research reports and case studies, available through CMHC's Canadian Housing Information Centre. They examine a range of alternative measures, which could be employed to support the creation of affordable housing in Canada through public-private partnerships. The following lists both published reports currently available and upcoming research to be published in the near future.

## Published Research

- *Guide to Affordable Housing Partnerships*
- *The Role of Public-Private Partnerships in Producing Affordable Housing: Assessment of the U.S. Experience and Lessons for Canada*
- *Municipal Regulatory Initiatives: Providing for Affordable Housing*
- *CMHC's Affordable Housing Web Page*  
[www.cmhc-schl.gc.ca](http://www.cmhc-schl.gc.ca)
- *Comprehensive Analysis of Self-Build Housing Experiences*
- *Public-Private Partnerships in Municipal Infrastructure*
- *Housing Trust Funds: Their Nature, Applicability and Potential in Canada*
- *A Workbook to Create Housing Trust Fund in Canada*
- *Municipal Planning for Affordable Housing*
- *Alternate Tenure Arrangements*
- *Philanthropic Support for Affordable Housing*

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## Housing Research at CMHC

Under Part IX of the *National Housing Act*, the Government of Canada provides funds to CMHC to conduct research into the social, economic and technical aspects of housing and related fields, and to undertake the publishing and distribution of the results of this research.

This fact sheet is one of a series intended to inform you of the nature and scope of CMHC's research.

To find more *Research Highlights* plus a wide variety of information products, visit our Website at

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