

REPORT

Scaling up affordable housing through a 'Build Canada Homes' proposal

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Executive summary

To end homelessness and fulfil the right to adequate housing, Canada needs at least 4.4 million affordable homes, including three million deeply affordable homes for very-low- and low-income households, and 1.4 million homes for moderate- and median-income households.

Current financing approaches under the National Housing Strategy have failed to meet affordability targets. A new approach is badly needed, and if set up properly, Build Canada Homes could deliver this.

Non-market housing is the solution. To address affordability, it must be scaled up to 200,000 new and acquired homes per year – 40 per cent of the federal target of 500,000 homes per year. While this quantum is daunting, lessons from Canada's past and from other countries that have successfully reduced homelessness and housing need suggest that rapid scaling of deeply affordable non-market housing is possible, with the right approach.

This paper is the culmination of a project working directly with non-market developers to figure out a model that Build Canada Homes could employ to unlock affordability in innovative, scalable, and sustainable ways.

We recommend a direct building approach for new construction. The total federal commitment would be \$40 billion a year in housing infrastructure investment to build 80,000 units per year at an average cost of \$500,000 per unit. This is not the cost to the treasury as the asset would stay in federal hands. However, without a breakthrough in the cost of building housing in Canada, some additional direct government investment would be needed to create and sustain deeply affordable units.

Our model proposes the federal government would contract with non-market developers to build on government land, with the resulting housing managed by a non-profit provider. The government would retain ownership of the asset on its land, thus avoiding immediate fiscal impacts. Depreciation would then be offset by rental income remitted by the operator. Like a toll on a new bridge, those with homes pay rent to cover the expenses booked by the government over the life of the asset. Our model could also be applied to acquisitions of market buildings or conversions of other buildings to residential use.

This approach derives from housing finance mechanisms that have been successful in scaling up deeply affordable homes in Canada and internationally. Good practices include:

- A program emphasis on **meeting specific housing cost points affordable for people with very low and low incomes**, often associated with goals like ending homelessness or reducing housing need;
- **Efficiently investing in non-market supply** (public, cooperative, or limited profit mission-based developers) for permanent affordability;
- A significant enough commitment to support **large-scale projects and the cost savings associated with scale** (1-2 per cent GDP);
- **Cost-based** rather than market-based financing;
- **Long-term fixed-rate national government finance** that can have other investment sources (institutional, individual, impact) stacked on them; and
- **Consistent, long-term programs with “revolving” funds** (rent payments return to the fund to provide financing for future projects).

For maximum effectiveness, the federal government should consider entering into portfolio-wide conditional agreements with provinces and territories in return for contributions that would lead to greater affordability and more units built. These could include:

- Increases to social assistance or other rent supplements to bring very-low-income households to a level where they can pay for the costs of their homes;
- A homelessness prevention and eradication plan, including tenure security mechanisms and adequate health/social supports for high-acuity individuals;
- As-of-right zoning for non-market projects;
- Development charge, property tax, and land transfer fee waivers; and
- The contribution of suitable surplus or underutilized government land for non-market housing, preferably under the federal lands program, so there is enough government land to sustain 80,000 new units a year.

1. Introduction: The need to scale non-market affordable housing

To end homelessness and ensure adequate housing for all, Canada needs at least 4.4 million additional permanently affordable homes now, including three million deeply affordable homes (Whitzman, 2023)¹, along with a plan to provide adequate housing for any population shifts in the future.

Current financing approaches in the National Housing Strategy are simply not meeting the affordability challenge. Non-market housing can best meet these needs, but only if it is scaled up to at least 20 per cent of the total housing stock. To meet this target, and assuming Canada were to double housing supply over the next three decades, 40 per cent of new units must be non-market. Finance settings that enable deep affordability will be essential to scaling up non-market housing, both stand-alone deep affordability projects for students, seniors, and supportive housing, and mixed-income large developments that can meet the needs of most people in Canada.

The federal government has proposed a direct building program called Build Canada Homes. Based on Canadian and international best practices, **we expand on how a federal direct building program might work, capitalized with \$40 billion per annum for at least the next decade, to scale up non-market housing supply that meets the needs of very-low to median-income households. This is about 60 per cent of the population and 100 per cent of the population with inadequate housing.**

1 Affordable housing is defined by the Canada Mortgage and Housing Corporation (CMHC) as housing that costs no more than 30 per cent of pre-tax household income, whether rental or ownership. Core housing need is defined as housing that is unaffordable, overcrowded, or in poor repair, where the household would need to spend more than 30 per cent of their pre-tax household income to afford an adequate home in their area. The National Housing Strategy Act holds all Canadian governments (federal, provincial, municipal) responsible for meeting the needs of those who are most vulnerable – that is, those who are currently without a home (homeless) or in the greatest housing need (at risk of homelessness). The National Housing Strategy has targets toward the goal of eliminating homelessness and reducing core housing need, with almost 80 per cent of those in core housing need being very-low or low income. Based on this, and on work by U.S. Housing and Urban Development and CMHC’s former best practices, the federal government now uses five income categories when analyzing housing need:

- Very-low income: households with incomes <20 per cent of Area Median Household Income (AMHI) – usually calculated in the U.S. by metropolitan area or rural region – generally those on fixed incomes, such as pensions or social assistance
- Low income: 21-50 per cent AMHI – generally those reliant on minimum wage employment
- Moderate income: 51-80 per cent AMHI – entry level professionals
- Median income: 81-120 per cent AMHI – the ‘middle class’
- Higher income: 121+ per cent

In this project, “affordable housing” refers to housing that is affordable to moderate- and median-income households (approximately 40 per cent of the population), while “deeply affordable housing” refers to housing that is affordable to very-low- and low-income households most at risk of homelessness (approximately 20 per cent of the population).

The challenge

Canada faces an escalating housing crisis, driven largely by a growing gulf between household incomes and housing costs:

- Although the federal government does not provide an annual consistent homelessness count based on local data, as do countries that have a goal of ending homelessness such as Finland (ARA, 2023), the number of people without secure permanent housing has increased 25 per cent in Ontario in the past two years, and is currently at 81,515 people in that province alone (Donaldson et al, 2025).
- Asking rents² have increased dramatically. A slight cooling in recent months has had no meaningful impact on affordability. There is now no major city in Canada where a sole, full-time minimum wage earner can afford an average one-bedroom apartment, and few where two minimum wage earners can afford an average two-bedroom apartment (Macdonald & Tranjan, 2024). In Vancouver, the average asking price for a two-bedroom apartment is \$3,170 a month, twice what a median-income household can afford, and well over four times what a low-income household can afford (Statistics Canada, 2025; HART, 2023). Rents increased by 71 per cent in Quebec between 2019 and 2025, more than triple the rate of household income increases (Statistics Canada, 2025).
- The median home price divided by the median household income – the widely used international measure of median-income affordability known as “the median multiple” – is now 5.4 in Canada. That is 80 per cent above the level of “affordability” (a median multiple of 3) that Canada achieved in the 1970s and 1980s. In Vancouver, the median multiple is an “impossibly unaffordable” 11.8 - the median ownership home is four times what a median-income household can afford, with a downpayment that only those households in the top income quintile can acquire. In Toronto, the median multiple is 8.4 - almost three times what a median-income household can afford. And this unaffordability has spread to the point that there is no major city in Canada where homeownership is affordable to median-income households (Cox, 2025, pp. 8-9).

Despite National Housing Strategy goals of eliminating chronic homelessness, lifting 530,000 households out of core housing need, and enabling 100,000 new non-market homes by 2028, fewer than 30,000 new non-market homes have been enabled since the strategy’s inception in 2018 – between 2-3 per cent of total

2 That is, rents asked for new units, as opposed to rents for sitting tenants, who are often protected by rent control (Statistics Canada, 2025).

completions (Table 1). At this rate, non-market housing is a diminishing share of Canada's total housing stock: from 6.4 per cent of stock in 1991 to 4.1 per cent in 2021 (Segel-Brown, 2025). Meanwhile, deeply affordable market homes have been lost much more quickly than they are being created (Pomeroy, 2022b).

Table 1: Total unit completions in cities with population greater than 10,000, between 2018-2022, and Census Metropolitan Areas with population greater than 100,000 for 2023-2024 (Source: CMHC Starts and Completions Survey)

Year	Total # of units	Unit # by type		% of total completions	
		Market	Non-market	Market	Non-market
2018	186,475	182,257	4,218	97.7%	2.3%
2019	173,579	169,302	4,277	97.5%	2.5%
2020	187,157	182,767	4,390	97.7%	2.3%
2021	202,610	197,221	5,389	97.3%	2.7%
2022	197,655	191,567	6,088	96.9%	3.1%
2023	188,689	183,567	5,122	97.3%	2.7%
2024	210,543	203,656	6,887	96.7%	3.3%

The commitment

Canada is legally required to progressively realize the human right to adequate housing (Government of Canada, 2019). Based on evidence as to what works in Canada and internationally, Canada needs to recalibrate its *National Housing Strategy* (Government of Canada, 2018) for at least one more decade to ensure, in the following priority order:

1. An end to homelessness: no one in Canada is without an adequate, secure home, with support if necessary;
2. That there is a sufficient supply of affordable and adequate rental housing for low-income households; and
3. That there is a sufficient supply of affordable and adequate ownership housing for middle-income households, if they choose to own a home.

The solution

Non-market housing can play a key role in providing permanently affordable housing, especially for very-low-, low-, moderate and, increasingly, median-income households. In the 1970s and 1980s, non-market housing was a major component of Canada's housing supply, an average of 14 per cent of new completions each year (St. Denis, 2023). In much of the world, non-market housing is a significant part of

the housing sector: providing low-cost homes, with support if necessary, to people at risk of homelessness, but also lower-cost homes to moderate and median-income households as a viable alternative to market rental and ownership options (OECD, 2020b).

The recently elected federal government has committed to a target of building 500,000 new homes per year for the next decade, more than doubling current rates (Liberal Party, 2025). Yet, without a significant portion of these homes being non-market, this goal risks further exacerbating the crisis by limiting options for the growing number of households who cannot afford these new homes. Simply building more will not be enough to restore widespread affordability. Federal commitments need to quickly align their targets with mechanisms that ensure permanent affordability.

This report responds to this policy gap by establishing a cost-based model to support the scaled-up delivery of non-market homes. **It proposes a cost-based federal “direct build” model capable of enabling the development of 200,000 non-market housing units over the next three decades.** This target will contribute to re-establishing a previously proven and scalable pathway for public and non-market housing delivery, delivered in the 1970s and 1980s.

2. Proposed model

This proposal builds on prior calls for a “direct build” infrastructure pathway to scale up non-market housing (Meredith & Broadbent, 2023; Hemingway, 2022) and on sustainable approaches to scaling up non-market housing in Austria, Denmark, Finland, and France (Lawson et al, 2024; Pittini et al, 2022) (see Appendix 1).

Based on good practices from Canada’s past and Europe’s present, the focus of this model is on:

- Working backwards from the housing needs of Canadians to the mechanisms that can deliver;
- Setting affordable rents by area and income category; and
- Supporting the scaling of the non-market housing sector to meet both deep and shallow affordability through a mixed-income, cost-based approach.

The model builds on Canadian and international best practices by offering a predictable pipeline for non-market developers. “Direct build” does not mean civil servants laying down bricks and mortar. Instead, it means creating federal housing infrastructure, in partnership with cities, regions, provinces, territories, First

Nations and other Indigenous organizations, non-market developers, community land trusts, post-secondary educational institutions – any mission-based non-market partner with a strong track record in building homes.

Critically, this model has the federal government retaining ownership of the built asset so there is no immediate fiscal impact, as there would be if funds were transferred to another level of government or a non-market provider (Meredith & Broadbent, 2023). Over time, depreciation of the asset on the government's books is offset by the rent that is collected and remitted to the federal government as owner.

The model focuses on new builds but can include acquisitions and renovations from other uses (such as office buildings), as well as significant repairs. While new supply is essential to meet the needs of a growing and changing population, acquisition and preservation of existing stock – particularly some of the estimated 750,000 purpose-built rental (PBR) units constructed prior to 1980 (Lewis, 2016) – can quickly respond to a large-scale crisis and build up non-market assets (Pomeroy, 2022; Suttor, 2016).

To illustrate the model, we have been generously supplied with four pro formas based on approved projects either recently completed or under construction by four active non-market developers across Canada: two in Ontario, one in Quebec, and one in British Columbia. As is the case in the European models, the four non-market developers were asked to focus on one major source of financing (the federal government) covering 100 per cent of construction costs, no land acquisition costs (there are minor land costs related to diligence and legal title), and, for the purpose of this model, no equity from the partner. The model aims for two types of projects:

1. 100 per cent deeply affordable housing – especially for seniors, students, and supportive housing for people with disabilities; and
2. Mixed-income housing, with one-third deeply affordable for low-income households, cross-subsidized by two-thirds affordable for moderate and median-income households.

Housing with supports for seniors or people with disabilities requires health and social services from provinces and territories, which would still be considerably less expensive than incarceration in prisons or hospitals, or reliance on emergency shelters (Jacob et al., 2022).

The model is stackable, meaning it is capable of being combined with institutional, social, and pension investment as well as grants and financing from other levels of government and developer equity for additional units.

The main municipal contributions in this model could include:

- The use of government land at no cost;
- As-of-right approvals, which would require apartment buildings and collective dwellings of up to four storeys in all residential neighbourhoods (for accessible seniors, family, and student housing), with higher buildings within 400 metres of rapid transit and on post-secondary campuses; and
- Waivers of all development charges and property taxes.

The main provincial/territorial contributions could include:

- The use of government land at no cost;
- Waivers of all development charges and property taxes, including educational taxes when charged by that level of government and land transfer taxes;
- Rent supplements for very low-income households (and/or increases in social assistance and pensions) – not included in these pro formas; and
- Health and social supports for seniors and supportive housing.

Example 1: 42-unit supportive housing project, London

Indwell is a supportive housing provider based in Hamilton, which provides 1,300 deeply affordable, supportive homes across western Ontario. This pro forma is based on a real development in London, a mid-sized city. The pro forma is provided by Flourish, an architecture and development subsidiary of Indwell.

The land has been donated and there are development fee and property tax waivers for this non-profit development. The building is on a half-acre lot near services and is four storeys. It provides 42 studio apartments for single adults, with services and common areas on the ground floor. **The building can easily be replicated in any small town or city in Canada, so long as zoning legalizes four storey multi-unit buildings, as should be the case for all residential zones.**

In this pro forma, the total construction cost is a little more than \$15 million, or a little more than \$350,000 per home. The relatively low cost, relative to market units, is due to smaller units (studio apartments), donation of land, and tax waivers. Indwell, like all the non-market developers approached for this project, have a set of basic, largely replicable designs that meet the needs of those who live there. Like the rest of the pro formas, the building is capable of being constructed off-site, if the federal government wishes to support this construction reform.

The rents are set at the amount the Ontario provincial government provides for social assistance for a single person: \$385 per month. This amount is insufficient to pay for the ongoing costs of any form of housing, new or old. There is a small municipally managed supplement included in the pro forma, but the federal government should consider the sufficiency of social assistance in its provincial and territorial negotiations over this program.

Given that Indwell focuses on the needs of high acuity people who have experienced homelessness, this is the one pro forma that requires ongoing health and social service supports, which are costed at \$1.5 million per year. Again, the federal government should ensure that either the provincial government provides these essential services, or that municipalities receive this funding, with an equivalent amount removed from health transfers.

BUILDING INFORMATION	
Province	Ontario
City	London
Population	420,000
Residential Units	42
Day-care spaces	0
Parking	5 (incl visitors & staff)

GFA	30,010 SF
GLA (Residential)	30,010 SF
GLA (Commercial)	0 SF
Land Area	.5ac or .2h

RESIDENTIAL INCOME			
	Total Units	Monthly Rent	Total Amount per Annum
Market	-		\$-
1B	-	\$1,554	\$-
2B	-	\$1,663	\$-
Affordable	-		\$-
Studio	-	\$600	\$-
1B	-	\$915	\$-
2B	-	\$975	\$-
Very Low Income	42		\$194,040
Studio	42	\$385	\$194,040
1B	-	\$385	-
Vacancy and bad debt - Residential	2.00%		\$(3,881)
Net Residential Income	42		\$190,159

OTHER INCOME			
	Total Units	Monthly Rent	Total Amount per Annum
Operating Funding			\$1,506,906
Ministry of Health	1	\$0	\$1,506,906
Vacancy and bad debt - Residential		0%	\$(0)
Ancillary Income			\$7,560
Rent Supplement by Municipality	42	0	-
Laundry	42	15	\$7,560
Vacancy and bad debt - Ancillary		2%	\$(151)
Reconciliation to match source proforma			\$4,086
Net Ancillary Income			\$11,495
Net Other Income			\$1,518,401

Total Effective Gross Income	\$1,708,560
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CONTRIBUTIONS	
Land owned by non-profit	\$208,142
Owner equity	\$0
City - Municipal Fee Waivers & Grants	\$2,652,410
County - Capital Contribution	\$0
Seed Funding	\$120,000
Provincial grant	\$0
Proponent Financing	\$0
Ownership scenario	\$14,651,252
Forgivable Loan (N/A)	\$0
HST Rebate	\$2,172,099
Total	\$19,803,903

EXPENDITURES	
Professional Fees	\$1,471,195
Site registrations	\$31,313
Legal and Organizational	\$109,640
Financing Cost	\$498,353
Fees and Permits	\$94,105
Soft Cost Contingency	\$440,151
Construction Costs	\$12,657,381
Hard Cost Contingency	\$2,121,525
Land / Property Acquisition Costs	\$208,142
HST on Hard Costs, Soft Costs, Land Costs	\$2,172,099
Total	\$19,803,904

SUMMARY	
Total Operating Revenue	\$1,708,560
Total Operating Expenditures	\$1,706,816
Operating Balance	\$1,744
Financing Costs - Principal Repayments over 30yr mtg	\$(0)

Net Operating Income	\$1,744
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Example 2: 170-unit student housing project, Montreal

UTILE is a non-market student housing developer based in Montreal that provides 600 student apartments across Quebec. This pro forma is based on a real development in central Montreal. While the land has not been donated in the real development, the developer was asked to assume free government land in this pro forma. The building is on a 6,250 square foot lot, near transit and services and is 16 storeys tall. It provides 170 studio homes for students.

In this pro forma, the total cost is a little less than \$50 million, a little less than \$300,000 per home. Unit costs are relatively low because land is donated, there are no development fees or property taxes for this non-profit development, the homes are all studios, there is less common space than in the Indwell example, and construction costs are slightly lower in Montreal. UTILE has also been an early adopter of off-site modular construction (Whitzman, Shiga, and Perwani, 2024). The total rent is \$838 per month for a studio (including electricity and internet), a low-income affordable rent in Montreal, according to HART data. Students are not eligible for provincial rent subsidies, so in this construction model, the below-cost rents would need to be subsidized by a 40 per cent grant component from the federal government (or the amortization period to repay the loan can be extended). Alternately, the federal government could negotiate student rent supplements from the province through a portfolio agreement.

UTILE focuses on student housing. Models attempting to replicate its success across Canada would benefit from free, leased post-secondary school land as part of portfolio agreements with post-secondary institutions.

BUILDING INFORMATION	
City	Montreal
Residential Units	170
Floors	16

GLA (Residential)	97,100 SF
GLA (Commercial)	0 SF
Total Gross Area	129,500 SF

RESIDENTIAL ASSUMPTIONS				
	#	Area (SF)	Rent/Unit	Rent/Annual
Studio	170	350	\$838	\$1,709,520
Total	170			\$1,709,520

SCHEDULE		
	Month	Duration (Months)
Project start	June 2026	
Construction Start	June 2026	24
Construction End	June 2028	
Stabilization Duration		2 months

DEVELOPMENT COSTS				
Category	Amount	Per sq ft	Per Unit	% of Total
Land	\$50,000	\$0.39	\$294	0.1%
Essential Costs	\$39,616,743	\$305.92	\$233,040	79.5%
Accessory Costs	\$1,867,295	\$14.42	\$10,984	3.7%
Capital Expenditures	\$3,233,501	\$24.97	\$19,021	6.5%
UTILE Fees	\$2,492,959	\$19.25	\$14,664	5.0%
Financing Costs	\$300,000	\$2.32	\$1,765	0.6%
Contingencies (Included in other categories)				
Net Taxes	\$2,298,691	\$17.75	\$13,522	4.6%
Total	\$49,859,189		\$293,289	100.00%

FINANCING COSTS					
Source	Amount	Loans	% of Total	Interest Rate	Term
Grant / Equity	\$19,514,419		39.14%	n/a	
"Mortgage Loan (Final)"	\$30,344,770		60.86%	0.00%	30 years
Mezzanine Loan	-		0.00%	n/a	
Total Financing	\$49,859,189		100.00%		

INCOME STATEMENT					
Year 1	2029-06-01	Amount	Per sq ft	Per Unit	% of Revenue
Number of Units	170				
Occupancy Rate	99%				
Revenues					
Potential Gross Income – Residential		\$1,709,520	\$13.20	\$10,056	93.5%
Potential Gross Income – Commercial		-	-	-	0.0%
Vacancy & Bad Debt		\$(34,190)	\$(0.26)	\$(201)	(1.9)%
À la carte Services Revenue		\$153,000	\$1.18	\$900	8.4%
Effective Gross Income		\$1,828,330	\$14.12	\$10,755	100%
Expenses					
Operating Expenses		\$541,285	\$4.18	\$3,184	(29.61)%
Administrative Expenses		\$174,402	\$1.35	\$1,026	(9.54)%
GST/QST		-	-	-	0.00%
Total Expenses		\$715,687	\$5.53	\$4,210	(39.14)%
Net Operating Income (NOI)		\$1,112,643	\$19.64	\$6,545	60.86%

Example 3: 60-unit mixed-income housing, Toronto

Windmill Developments is a market developer based in Ottawa and Toronto, with a new non-market affiliate called Nesting Ground. Windmill provides 1,600 homes in Ottawa, Toronto and Guelph. This pro forma is based on a real development in west Toronto.

In this scenario, the land has been donated by the municipality, and both development fees and property taxes have both been waived for this non-profit development. It is on a 50-by-120 feet lot near transit and services and is nine storeys. In this pro forma, the total cost is a little over \$30 million, or a little more than \$500,000 per unit. Costs per unit are higher than Indwell or UTILE, because the units are larger, and construction costs are higher in Toronto.

This model could be replicated close to bus or light rail transit in any major city across Canada, if minimum building heights of 10 storeys within 200 metres of any heavy or light rail stop was adopted. Larger accessible homes (3-4 bedrooms) could be facilitated with changes to the building codes legalizing smaller elevators and single egress.

The building provides 60 homes in total: 15 studios, 28 one-bedroom, 15 two-bedroom, and two three-bedroom homes. Subsidized studio and one-bedroom apartments are \$1,063 per month, which is affordable to a low-income household in Toronto. Unsubsidized one-bedroom apartments are \$1,700, which is moderate income affordability. Unsubsidized one-bedroom-plus-den homes are \$2,000, while unsubsidized two-, and three- bedroom homes targeting median income households have rents of \$2,550, at the high end of median income affordability. While there is no equity gap here (costs are 100 per cent covered by the financing), only the smaller units can be cross-subsidized by median-income affordability. In this circumstance, a provincial rent supplement would help more low-income households afford larger units.

BUILDING INFORMATION			
City	Toronto	GFA	43,313 SF
Floors	9	GLA (Residential)	35,549 SF
Residential Units	60	GLA (Commercial)	1,091 SF
Lockers	36	Efficiency	84.6%
Parking	5	Land Area	6000 SF

RESIDENTIAL ASSUMPTIONS				
	#	Area (SF)	Rent/ Sft	Rent/Month
Studio low income (subsidized)	15	381	2.79	\$1,063
1B low income (subsidized)	5	603	1.76	\$1,063
1B moderate income (unsubsidized)	13	603	2.82	\$1,700
1B+D moderate income (unsubsidized)	10	611	3.28	\$2,000
2B moderate income (unsubsidized)	15	744	3.43	\$2,550
3B moderate income (unsubsidized)	2	861	2.96	\$2,550
Total (Average)	60	592	3.00	\$1,779

SCHEDULE			
		Month	Duration (Months)
Project start		Jan-22	44
Construction Start		Sep-25	15
Full Occupancy		May-27	1
Occupancy Start		Dec-26	6
Exit Date		Jun-27	
Total Investment Horizon			66

PROJECT FINANCIALS				
	Total	Per GFA	Per Unit	% of Total
Land	\$99,684	\$2.30	\$1,661	0%
Soft Costs				
Licenses & Fees	\$400,295	\$9.24	\$6,672	1%
Consultants	\$1,644,949	\$37.98	\$27,416	5%
Finance	\$2,929,048	\$67.63	\$48,817	10%
Sales & Marketing	\$399,539	\$9.22	\$6,659	1%
Operating Expenses (Rental/Condo)	\$60,834	\$1.40	\$1,014	0%
General and Administration	\$258,448	\$5.97	\$4,307	1%
Fees	\$1,576,773	\$36.40	\$26,280	5%
Contingency	\$183,371	\$4.23	\$3,056	1%
	\$7,453,257	\$172.08	\$124,221	25%
Hard Construction Costs				
Direct Hard Construction Costs	\$21,412,480	\$494.37	\$356,875	71%
Hard cost contingency	\$1,060,354	\$24.48	\$17,673	4%
	\$22,472,834	\$518.85	\$374,547	75%
Total Costs	\$30,025,775	\$693.23	\$500,430	100%

STABILIZED INCOME	YEAR 4
Rental Income	\$1,399,259
Parking & Other Income	\$93,363
Less Vacancy Allowance	2.0% \$(29,852)
Operating Expenses	23.7% \$(353,926)
Net Operating Income	\$1,108,843

LEASING ASSUMPTIONS	
Months to Stabilize	6
Lease up Start	Dec-26
Lease Term	12 Months
Vacancy Upon Stabilization	2%
Turnover Upon Stabilization	20%

PROCEEDS FROM SALE - STABILIZATION	
Exit Date	Jun-27
Residential NOI (Year 1)	\$1,014,749
Cap-Rate	4.50%
Gross Sale Proceeds (Residential)	\$22,549,968
Commercial NOI	
Cap-Rate	
Gross Sale Proceeds (Commercial)	\$-
Legal Fees	\$(56,375)
Less: Selling Fees (1.00%)	\$(225,500)
Net Sale Proceeds	\$22,268,094

PROCEEDS FROM SALE - HOLD PERIOD	
Exit Date	Mar-32
Residential NOI	\$1,149,399
Cap-Rate	4.50%
Gross Sale Proceeds (Residential)	\$25,542,207
Commercial NOI	
Cap-Rate	
Gross Sale Proceeds (Commercial)	\$-
Legal Fees	\$(63,856)
Less: Selling Fees (1.00%)	\$(255,422)
Net Sale Proceeds	\$25,222,930

CONSTRUCTION FINANCING ASSUMPTION			
	Rate	Amount	%
Construction Facility	0.00%	\$29,768,997	99.1%
Forgivable Loan	0.00%	\$-	0.0%
FCM Loan		\$-	0.0%
Equity Class A		\$(0)	0.0%
Interim Income		\$243,537	0.8%
Deferred costs		\$13,241	0.0%
Equity gap		\$0	0.0%
Total Source of Funds		\$30,025,775	100.0%
Interest Rate:			
Corra	0.00%		
Spread	0.00%		
Total Construction Financing Rate	0.00%		

HOLD PERIOD FINANCING ASSUMPTION	
Financing Type	CMHC
Loan Amount at Stabilization	\$30,636,792
Annual Payment	\$(1,021,226)
Debt Service coverage	1
Term	10
Amortization	30
Interest Rate	0.00%
Sale Date	Mar-32
Net Sale Proceeds	\$25,222,930
Loan Repayment at Exit	\$(25,615,762)
Terminal value	\$(344,529)

Example 4: 168-unit mixed-income housing, Vancouver

Community Land Trust Foundation of B.C. (CLT B.C.) is a non-market cooperative housing developer based in Vancouver, which provides 2,600 homes across B.C. This pro forma is based on a real development in central Vancouver.

The land has been donated by the municipality. The building is on a 112-by-120 feet lot near a major transit station and services, and is 18 storeys. It provides 97 studios, 31 one-bedroom, 23 two-bedroom, 13 three-bedroom, and 4 four-bedroom homes.

In this pro forma, the total cost is \$108,665,600, or a little under \$650,000 per unit. Costs are relatively high for several reasons: there are three and four-bedroom homes being provided, construction costs are higher in Vancouver and the building has stringent environmental standards. For these reasons, there is an equity gap of \$15 million (about 14 per cent of cost) from a pure cost-based model. As is the case with UTILE, this could be accounted in the direct build model, either by a longer period of loan amortization or through increased direct investment.

The 55 subsidized studio apartments are \$1,125 per month, at the upper end of low-income affordability for Greater Vancouver. An additional 42 unsubsidized studios are \$1,800 per month and are affordable for moderate-income households, with the same rent for subsidized one-bedroom apartments. The unsubsidized one-bedroom apartments are \$2,300 per month. The unsubsidized two-, three- and four-bedroom apartments have all been set at \$2,700 per month, which is at the high end of median income affordability.

This model could be replicated within 400 metres of a major train interchange in any major city across Canada, if buildings of up to 20 storeys were legalized in these areas through zoning. Rent subsidies for larger units could be provided by the province as an alternative or supplement to a federal grant, for large, low-income households.

BUILDING INFORMATION			
City	Vancouver	GFA	132,433
Neighbourhood	Downtown	GFA (Residential)	113,764
Address	981 Davie Street	GLA (Commercial)	18,248
Residential Units	168	Efficiency	80.0%
Floors	18	Land Area	13,499 sf

UNIT TYPES	#	% of total	Avg Unit Area	Total SF
Studio	97	40%	377	36,540
1-bedroom	31	20%	592	18,352
2-bedroom	23	20%	807	18,568
3-bedroom	13	15%	1,013	13,163
4-bedroom	4	5%	1,097	4,388
Total	168			91,011

RESIDENTIAL ASSUMPTIONS - Low Income (LI - 33% of units)			
	# of units	Monthly rent / unit	Monthly rent
Studio	55	\$1,125	\$61,875
1-bedroom			
2-bedroom			
3-bedroom			
4-bedroom			
Total	55		\$61,875

Moderate Income (MI - 33% of units)		
# of units	Monthly rent / unit	Monthly rent
42	\$1,800	\$75,600
14	\$1,800	\$25,200
56		\$100,800

Median Income (34% of units)			
	# of units	Monthly rent / unit	Monthly rent
Studio	0	\$0	\$0
1-bedroom	17	\$2,300	\$39,100
2-bedroom	23	\$2,700	\$62,100
3-bedroom	13	\$2,700	\$35,100
4-bedroom	4	\$2,700	\$10,800
Total	57		\$147,100

OVERALL			
# of units	Monthly rent / unit	Monthly rent	Annual rent
97	\$1,417	\$137,475	\$1,649,700
31	\$2,074	\$64,300	\$771,600
23	\$2,700	\$62,100	\$745,200
13	\$2,700	\$35,100	\$421,200
4	\$2,700	\$10,800	\$129,600
168		\$309,775	\$3,717,300

PROGRAM		CASH FLOW Year 1 (Residential only)	CASH FLOW Year 1 (Commercial only)	CASH FLOW Year 1 (Residential & Commercial combined)
YEAR		2026	2026	2026
Gross Annual Rent		\$3,717,300		\$3,717,300
Other revenue - Laundry		\$50,193		\$50,193
Other revenue - Parking		\$6,149		\$6,149
Net Income Residential		\$3,773,641		\$3,773,641
Less: Vacancy Residential	2%	\$(75,473)		\$(75,473)
Effective Gross Income Residential		\$3,698,168		\$3,698,168
CRU 1 - Base Rent			\$142,500	\$142,500
CRU 2 - Base Rent			\$148,800	\$148,800
CRU 1 - Additional Rent			\$53,438	\$53,438
CRU 2- Additional Rent			\$55,800	\$55,800
Net Income Commercial			\$400,538	\$400,538
Less: Vacancy Commercial	4%		\$(11,652)	\$(11,652)
Effective Gross Income Commercial			\$388,886	\$388,886
Gross Effective Income TOTAL		\$3,698,168	\$388,886	\$4,087,054

PROGRAM		CASH FLOW Year 1 (Residential only)	CASH FLOW Year 1 (Commercial only)	CASH FLOW Year 1 (Residential & Commercial combined)
Less: OPEX residential (PUPM)	\$(491)	\$(1,050,184)		\$(1,050,184)
Less: CRR(PUPM)	\$(72)	\$(154,036)		\$(154,036)
Less: OPEX CRU 1 (annual)	\$(22.50)		\$(53,438)	\$(53,438)
Less: OPEX CRU 2 (annual)	\$(22.50)		\$(55,800)	\$(55,800)
NOI Residential		\$2,493,948	\$0	\$2,493,948
NOI Commercial		\$0	\$279,648	\$279,648
NOI TOTAL COMBINED		\$2,493,948	\$279,648	\$2,773,596
NOI		\$2,493,948	\$279,648	\$2,773,596
Gross Capital Budget				\$108,665,600
Less Equity (Grant + equity from Q)				\$(10,055,084)
Net Costs - (Amount remaining to be Financed)				\$98,610,516
Debt		\$74,818,431	\$8,389,440	\$83,207,871
Interest Rate		0.00%	0.00%	0.00%
		0.00%	0.00%	0.00%
DCR		1.0	1.0	1.0
Amortization (yrs.)		30	30	30
Debt Service		\$2,493,948	\$279,648	\$2,773,596
Mortgage Subsidy Required	GOAL SEEK			
Equity Gap				\$15,402,645

These pro formas illustrate the wide variety of non-market housing projects that could be unlocked at scale through the proposed model. The common foundation is access to government land and the ongoing government ownership of the built asset, allowing large-scale investment without immediate fiscal impact to the government's bottom line.

Reducing land and financing costs makes the projects viable at lower rents. This is an important contribution, but the pro formas also show that it is not enough by itself to create deeply affordable units. Tax and fee waivers, direct government grants, and increased income supports may also be necessary in many cases, requiring real and ongoing government investment.

The proposed model offers an innovative and scalable approach to unlocking the value of government land and access to capital. Governments should be clear-eyed that desperately needed deeply affordable units will require additional investment, and they should be bold in enabling it.

3. Scaling up this model

To meet the need for 4.4 million households in housing need at a rate of 200,000 affordable non-market homes per year, a very simplistic calculation of required targets would be:

- 30,000 homes with supports per year, like the Indwell example, intended for seniors and people with disabilities;
- 20,000 student homes per year like the UTILE example;
- 100,000 mid-rise homes like the Windmill/ Nesting Ground example, intended for singles, couples, and families; and
- 50,000 high-rise homes like the CLT B.C. example, intended for singles, couples, and families.

The pro formas in the section above come out to a cost of between \$300,000 to \$650,000 per new home, depending on size, location, purpose and other variables. Singapore and Vienna, where public building is the norm, have costs per square metre that are about half those of Canada (Dsouza, 2025). Acquisition and conversion of underused office buildings into collective housing would be about half this cost per square metre. There are also several ways the federal government could reduce the costs of new homes over time:

- **Reduce approval times** through conditional infrastructure agreements with municipalities, regions, and provinces in return for as-of-right approvals within a set timeframe; provide multi-year portfolio security for large non-market developers through block funding; and
- Invest, as the current federal government has pledged, in **building up an industrial construction sector** with a greater reliance on **pre-approved replicable designs** for small apartment buildings for student, senior, and supportive housing (some of which may take advantage of collective living spaces) and for 3-4 bedroom apartments for families, through building code reforms.

While it would also be possible for the federal government to improve its grant and financing schemes to enable more deeply affordable non-market housing and create greater opportunities for institutional and social investors to stack onto the model, the requirement for 2-5 per cent returns for investors (including social investors) make deep affordability more challenging. Simply put, traditional grant and finance approaches will struggle to meet this scale.

Based on these pro formas, the current Liberal commitment to create a Build Canada Homes program – \$10 billion in low-cost financing and capital over an

unspecified period plus \$25 billion for construction innovation (Liberal Party, 2025) – would build about 20,000 new affordable homes at an average cost of \$500,000 each. While this might suffice for a pilot, it would not have an appreciable impact, either on need for affordable homes, or on the quantum of homebuilding in Canada. Even if that \$10 billion focused entirely on acquisitions and office conversions to residential, it would not be enough to significantly reduce homelessness or housing need.

In the most expensive scenario (new build only, 100 per cent federal equity), a \$40 billion per annum federal infrastructure initiative for the next decade (2 per cent of Canada's GDP, an equivalent annual amount to France) could wholly finance 80,000 new non-market homes per year at an average cost of \$500,000 each. Eight hundred thousand new affordable non-market homes would more than double non-market housing in Canada. Especially if the program increased deeply affordable supportive, student, and seniors' housing, it would materially address homelessness and housing need.

With the capacity for provincial and municipal governments, and for institutional and social investors to stack on this investment, an even bigger impact can be imagined. Provincial and territorial governments have the same accrual financing abilities as federal governments, and they can donate land to this scheme. Municipal governments can donate land and guarantee rapid approvals. Private and social capital would need to be closer to a bond rate of return (2-5 per cent per year), but could also contribute to this investment, especially with federal government guarantees and tax incentives (as is the case in Austria, Denmark, and Australia, as described in Appendix 1). A matching amount from these sources could support another 80,000 new non-market homes a year.

If these homes could be replicated across Canada using pre-approved designs, rapid as-of-right approvals, and block funding to support the growth of an industrial construction pipeline, cost savings could bring the funding to enable 40,000 more non-market homes per year, and 400,000 homes over the decade.

This housing infrastructure program, whether solely federal or with income from other levels of government, institutional or social investors would draw on key lessons for success discussed in the appendix to this report:

- **An efficient and rights-based focus** on non-market developers providing income category-based affordability (Canada 1940s to 1980s, Finland, France, Austria today);
- **A commitment to end homelessness** (Finland, France);

- **Predictable and long-term mechanisms** (Canada 1970s to 1980s, Austria, France, Denmark, Finland);
- Cost-based **funding** structured to reflect actual development and operating costs, ensuring rent levels remain affordable without permanent subsidies (Austria, Denmark, Finland);
- Revolving capital, since the federal government is effectively paying itself back: Rent revenue can be recycled to support future developments, creating long-term program sustainability (Australia, Austria, Denmark, France, Finland); and
- Integrated land and planning policies: Success depends not only on financing but also on public land contributions, zoning, building code reform, and rapid approvals and taxation waivers (Australia, Canada in the 1940s to 1980s).

Canada can draw directly from these lessons in designing a world-leading program. Federal leadership can create a permanent platform for large-scale, non-market housing development that meets both immediate and long-term affordability goals.

Appendix 1. Canadian and international best practices in financing affordable non-market housing

There are three main non-market actors in Canada:

- **Public housing** provided by a level of government: municipal, provincial, federal, First Nations, Metis, Inuit (about two-thirds of current non-market stock);
- Non-profit **community housing** provided by charities and social purpose organizations, including most supportive housing and community land trusts (about 20 per cent of current non-market stock); and
- Non-profit **cooperative housing**, run by residents (about 15 per cent of current non-market stock) (CMHC, 2023).

Governments around the world support non-market housing to:

1. End homelessness and housing need;
2. Prototype and showcase new design and construction innovation;
3. Provide counter-cyclical economic stimulus; and
4. Efficiently use government subsidy – the best way to provide permanent affordable housing.

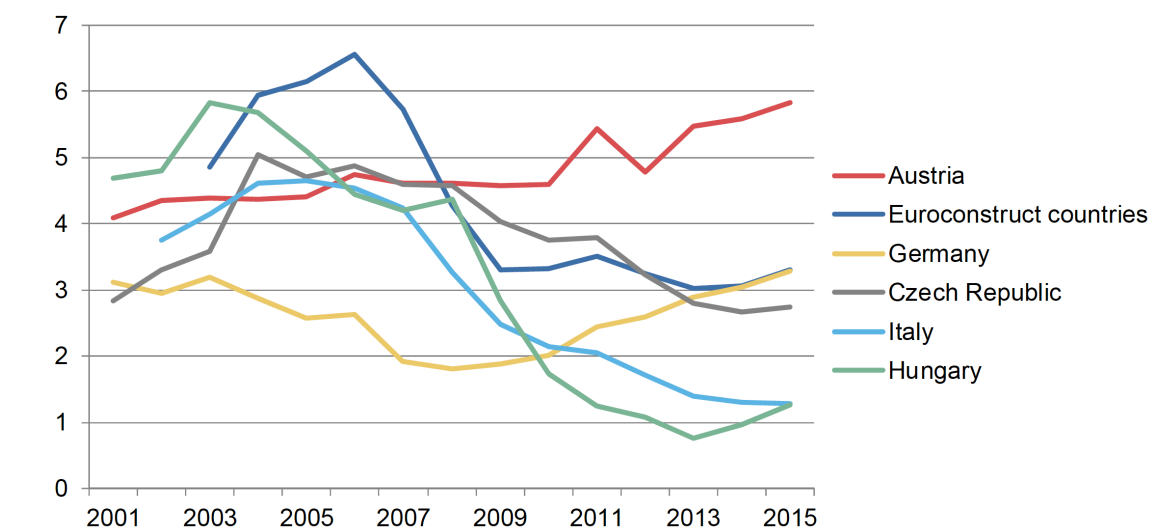
End homelessness: Finland is one of the few countries where homelessness has significantly decreased over the past three decades, due to government investment in permanently low-cost housing with support. A stable production pipeline of 7,000-9,000 new affordable apartments has been built every year for more than 15 years by public, cooperative, and community developers in this country of 5.6 million (adjusted for the Canadian population, this would be 50,000-63,000 homes a year) (MuniFin, 2022). France created 1.8 million non-market homes in the two decades after a national law required all municipalities to plan for 20 per cent non-market housing. This is more than 100,000 homes a year; adjusted for the Canadian population, this would be about 60,000 low and moderate income homes a year (Maaoui, 2023). Three-quarters of French non-market homes are intended to house homeless people, with 440,000 French people removed from homelessness between 2018 and 2022 (Government of France, 2023).

Prototype and showcase design and construction innovation: St. Lawrence neighbourhood in Toronto was considered risky when it was first developed by

federal-provincial-municipal partnerships in the 1970s (Hulchanski, 1990). The densities of St. Lawrence – with eight-storey family-friendly buildings set along a linear park – were considered too tall for public acceptance, and the notion that market condominiums on leased land, adjacent to public housing and non-market cooperatives, would sell at a competitive price was considered absurd. Yet, 50 years on, this development of one-third each low-income public housing, moderate-income cooperatives, and median-income condominiums are successful communities that have been emulated nationally and internationally. The public housing and cooperatives are still affordable to low- and moderate-income households, while the market condominiums have become unaffordable to median income households. A community land trust covering all the neighbourhood could have prevented that outcome.

Provide economic stimulus: Non-market housing is often used as a counter-cyclical economic stimulus during a downturn. An effective example is Australia 2010-13, when three new programs – the Social Housing Initiative, the National Rental Affordability Scheme, and an energy-efficiency renovation program - were credited with helping the economy recover from the Global Financial Crisis (Community Housing Industry Association, 2020). In Austria, the high reliance on government-funded non-market housing meant that when other European countries were heavily affected by the global financial crisis, Austrian housing starts remained stable and high (IIBW, 2016 – Figure 1)

Figure 1. European housing starts per 1,000 inhabitants 2001-2015 (IIBW, 2016: 6), demonstrating effectiveness of Austrian non-market model during an economic downturn



Source: Euroconstruct, IIBW

Efficiently use government subsidy: Infrastructure financing for non-market housing is more efficient in the long term, because homes managed by non-profit providers remain more affordable over time. A recent comparison of cooperative housing in six Canadian cities found that similar sized and located market units were 20 per cent more expensive than non-market units after two decades and 33 per cent more expensive after three decades (Suttor et al, 2022).

Canadian precedents

Canada's non-market housing has undergone multiple transformations since the postwar period, with each phase reflecting changing political will, fiscal priorities, and inter-governmental relations. The 1940s to 1960s were marked by grant-based models, the 1970s and 1980s by financing-based frameworks, and the 1990s onwards by financing for market affordability, with a residual non-market element. A new financing model must be grounded in an understanding of these policy trajectories – particularly the lessons from promising practices in the past.

1940s to 1960s: Grant-based era

Direct federal government involvement in non-market housing began during the housing shortages of World War II, when the federal agency Wartime Homes directly built 46,000 dwellings – about 60 per cent of housing production between 1943 and 1946 (Suttor, 2016: 35). However, most of these homes were sold off in the late 1940s, as Wartime Homes transformed into the Canada Mortgage and Housing Corporation (CMHC), with a primary mandate focused on home ownership mortgages, with a residual public housing component.

From 1949-64, 75 per cent of capital contributions came from the federal government, with 25 per cent from provinces. Public housing increased again through federal changes to the *National Housing Act* in 1964, which increased the federal grant share to 90 per cent and added a 50:50 shift for operating costs, including rent supplements for low-income households (Oberlander & Fallick, 1992: 57). This renewed federal approach increased non-market activity ten-fold: from about 1 per cent of production in the late 1940s and early 1950s, to 10 per cent in the late 1960s (Suttor, 2016: 9). Between 1965-73 Canada produced over 115,000 publicly owned homes, almost 13,000 a year (Suttor, 2016: 84).

Direct federal investment was delivered mostly through new provincial public housing corporations (starting with Ontario and Quebec) increasing production capacity. Federal government provided capital, including pre-development costs, and absorbed risk, while provincial governments oversaw land assembly and construction and provided management responsibility (Suttor, 2016). Along with

seniors' housing, student housing became a priority post-1964; by 1967, about 176 university-based projects with 90 per cent of funding provided by the federal government had created homes for 38,000 single students and about 2,000 married students (Oberlander & Fallick, 1992: 56). However, federal direct expenditures were increasingly onerous in relation to both capital and operating costs, while inadequate supply was leading to the stock being dominated by very-low-income households who were most in need (Suttor, 2016).

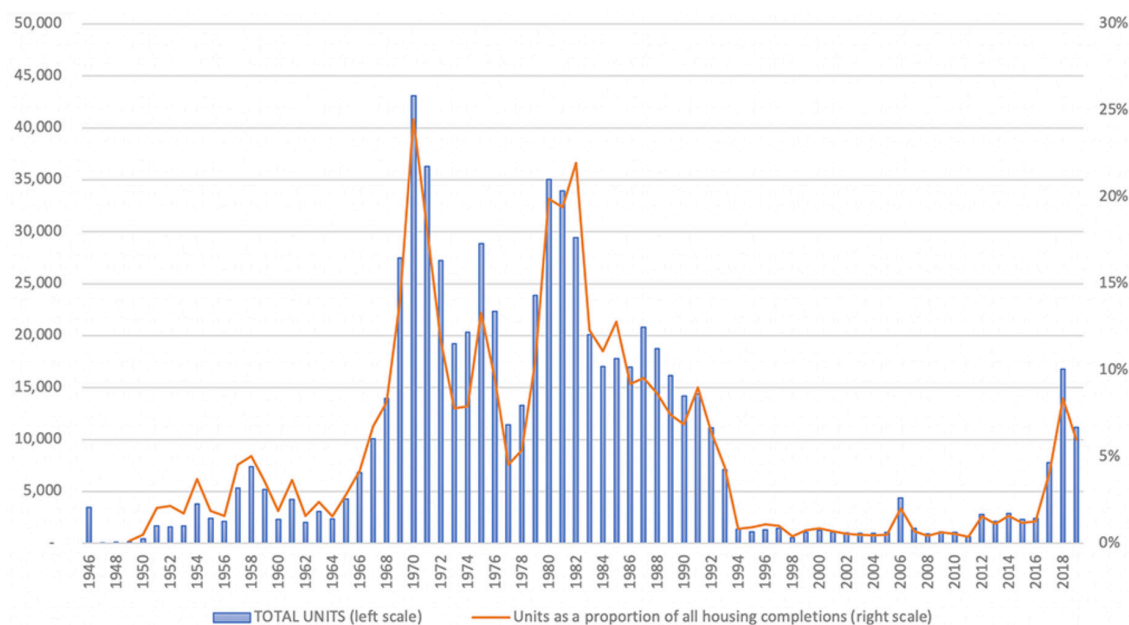
1970s and 1980s: Financing-based era

The next set of amendments to the *National Housing Act* in 1973 marked a pivotal shift from large-scale provincial public housing projects to municipal, community-based, and co-operative housing, and a mixed-income approach (Suttor, 2016). Rather than issuing direct capital grants, CMHC began supporting non-market housing through long-term loans with low-rate, subsidized interest rates. The federal government continued to subsidize operating shortfalls, but this model successfully shifted the capital cost burden towards non-market developers, who were expected to build on a cost-recovery basis (Pomeroy, 2022a).

The federal government had already been supporting a financing-based market rental program since 1946. The Limited Dividend program, which became one of the key sources of financing for purpose-built market rental in the 1950s and 1960s, was aimed at low- and moderate-income households as an alternative to non-market housing. Market developers had to limit profits to five per cent per annum, undertake means assessment of tenants, and charge no more than 25 per cent of income to low- and moderate-income tenants. In return, they received 50-year fixed rate loans covering up to 95 per cent of building costs, at a rate equivalent to the government lending rate (two per cent below bank mortgage rates). This program produced another 100,000 homes, up to 20 per cent of rental completions per year, between 1946 and 1975. However, the low rent conditions were reduced to 15 years, and most of these units reverted to much higher market rents by the mid-1980s – a common situation for market rental (CMHC, 1988).

Mixed-income, non-market financing grew in importance. To promote community, co-operative, and Indigenous housing, CMHC's Section 56.1 and Section 95 were structured as long-term debt instruments that would cover capital costs over time, while providing a proportion of deeply subsidized homes (Government of Canada, 1985). The financial tools of this period – subsidized mortgages and rent-geared-to-income assistance – contributed to the creation of approximately 600,000 municipal public, non-profit and co-operative homes between the mid-1970s and early 1990s (Suttor, 2016; Begin, 1999), an average of 14 per cent of all completions (Figure 2). All provinces established housing departments and began taking on a stronger role in housing policy development and setting of priorities.

Figure 2. Federally assisted affordable housing units 1946-2019 (St. Denis, 2022; figures from Brian Clifford, BC NPHA)



Housing providers got more autonomy through financing-based programs, which promoted mixed-income developments. One of the consequences of mixed-income, however, was that two-thirds to three-quarters of the housing went to moderate- and median-income households, with increasing gaps in deep affordability (Begin, 1999). Whether grants-based and 100 per cent deep affordability (as funding was in the 1940s to 1973) or financing-based and mixed-income (as funding was from 1974 to 1992), it was only a minority of low-income households that were able to benefit (Suttor, 2016). The growing number of individuals with physical, mental, and cognitive disabilities who were de-institutionalized in the 1960s and 1970s³ often required housing with supports, leading to a new supportive housing sector.

During the first half of the 1980s, 1.7 per cent of total federal government budget went to non-market housing, and in the latter half, it dropped to 1.4 per cent (Begin, 1999). Ultimately, the withdrawal of federal operating support in the early 1990s, and the downloading of responsibility to provinces, was a huge blow to the industry's sustainability and growth.

1990s to present: Devolution and stagnation

The 1992 federal budget terminated the federal co-operative housing program; the 1993 budget terminated new commitments to non-market housing (except on reserves); and after 1996, operating agreements were devolved to provinces and

³ No longer in hospitals or other institutions due to disabilities

territories. CMHC's role narrowed to mortgage insurance and research, while capital financing for new affordable builds dropped sharply (Begin, 1999) and non-market housing was pushed out of federal political debate (Suttor, 2016). And households kept getting poorer: across Canada, the gap between social assistance rates and any market-rate housing, including a vanishing number of rooming houses, began to grow (Goldstein, 2020), leading to the need for a new category of very low-income households (HART, 2025).

Municipalities, often in the frontline of homelessness policy, were left with inadequate tools and funds to maintain, let alone expand, non-market housing. The fragmentation of responsibilities led to an inconsistent system, where funding, program design, and outcomes varied significantly across the country. British Columbia stepped in with a provincial program sustaining non-market housing production and maintaining institutional capacity. Quebec created a revolving loan program, Fonds québécois d'habitation communautaire (FQHC). Together, these two provinces supported 70,000 of the approximately 90,000 homes created from 2001 to 2016 (Pomeroy et al, 2019: i), constituting about 1 per cent of total housing completions (Figure 2).

Time-limited investments under the Affordable Housing Initiative (2001–2011), Investment in Affordable Housing (2011–2018), and the National Housing Strategy (2017–present) have provided some support to non-market housing developers and providers. The National Housing Co-Investment Fund, renamed the Affordable Housing Fund in 2024, was launched in 2018 as a \$13.2 billion capital initiative. It aims to leverage public-private partnerships to support new construction, repairs, and land acquisition across the housing spectrum. It reflects a return to financing-based support mechanisms – such as low-interest and forgivable loans – targeted at both non-market and market developers. There is also a grant component. However, its implementation has been marked by significant delays, administrative complexity, and a misalignment with the operational realities of the non-market sector (Task Force for Housing and Climate, 2024). Its emphasis on market-based rents, rather than the low- and moderate-income affordability of programs of the 1970s and 1980s, means that deep affordability is rare (Blueprint, 2022). Meanwhile, almost four times as much money has gone into a market rental financing program whose short-term “affordable” rents do not meet the needs of moderate-income households (Blueprint, 2022).

One feature of post-1990s non-market housing is the emergence of a non-market ownership sector. While financing affordable ownership can be easier (because of the cash influx immediately after development), mortgage rules and inadequate subsidy mean that in higher-cost areas, non-market ownership housing is only available to median-income households (Younglai, 2023).

There has also been funding to support capacity-building and innovation in the non-market housing sector under the National Housing Strategy, such as the Community Housing Transformation Centre, with CMHC Discovery, Solution, and Innovation research benefitting both market and non-market affordable housing providers and government policy-makers. But after three decades of extremely limited funding, development and management capacity in the non-market sector is weak and there are relatively few organizations with the in-house capacity and assets to scale up housing (Pomeroy, 2018). The funding landscape remains fragmented, with uncertainty and instability for non-market developers. Monitoring and data collection are limited and inconsistent, making it difficult to evaluate outcomes by income category, population, tenure type, or geography (Task Force, 2024; Blueprint, 2022).

The post-1990s era is marked by an absence of financing innovation to match housing needs. Emphasis on market affordability has meant a growing gap between rents and what very-low- and low-income households can afford, leading to growing homelessness and housing need (Segel-Brown & Vrhovsek, 2024). While there is a growing amount of supportive housing, including “transitional” housing without long-term tenure security or pathways to permanent housing, there is insufficient oversight linking federal capital funding with provincial health and social supports, while inadequate income to cover operating costs also hampers the growth of this much-needed housing. Student housing has been neglected, and there is a grossly underfunded seniors’ housing commitment, especially when it comes to homes with support, like assisted living and long-term care. Non-market housing continues to decline as a proportion of total housing stock.

Learning from Canada’s past, a good housing finance program should:

- Be led by federal government infrastructure investment, through grants and/or financing;
- Use income-based definitions of affordability for income categories, to ensure that those most in need are prioritized;
- Provide the basis for rapidly scaling up non-market housing as a mechanism for long-term affordability;
- Address the needs of specific populations, including seniors, students, and those requiring social and health supports; and
- Assist very low-income households, particularly within a mixed-income model, with the proviso that ongoing rent subsidies are no substitute for provincial increases to social assistance, pensions, minimum wage, and other forms of basic income.

International precedents

Lawson et al (2024), based on comparative analysis of international affordable housing mechanisms, argue that conditional government investment in non-market housing as infrastructure, as well as support of land policy, are the most cost-effective forms of supporting low- and moderate-income households. Grants and financing should be:

- Linked to policy objectives, as is the case with homelessness eradication in Finland;
- Benchmarked to local costs and income categories, as is the case in the United States;
- Coupled with land acquisition and disposition (i.e. free or low-cost land leases) for non-market housing, as is the case in Austria; and
- Accompanied with municipal non-market targets, as is the case in France (Lawson et al, 2024).

Direct grants may be the most efficient way to subsidize low-cost housing, but they are costly. Financing can engage not only governments, but institutional and social (mission-driven) investors. However, non-market and market affordable housing developers may need to use sales to obtain initial capital. Along with grants and financing, a third form of government funding is tax incentives. A well-designed program would apply clearly defined maximum rents, such as Austria's limited profit rental housing. Finally, rent supplements and other operating subsidies can support development and operations, in cases where rents cannot cover costs. They are particularly important for any form of housing with health and social support (Lawson et al, 2024).

Austria

Austria's non-market housing, which comprises 24 per cent of housing stock in the country, is often cited as a global exemplar of successful cost-based, mixed-income housing that meets the needs of low-income households. Vienna, Austria's capital and largest city⁴, has had ambitious non-market construction for over a century, with 60 per cent of Vienna's two million residents living in non-market housing, either municipal public or provided by limited-profit housing associations (LPHAs) (Housing 2030, n.d.). In Vienna, Wohnsfond Wien (Vienna Housing Fund) acquires land for development and tenders it to the municipality or an LPHA developer through a competitive process emphasizing affordability (including a fixed rent amount per square metre), environmental performance, and architectural quality.

4 Vienna has the powers of a state government in Austria.

Populations such as seniors, young families, students, or asylum seekers, are prioritized within mixed-income communities (Pittini et al., 2021; UNHCE, 2021). Pittini et al., 2021; UNHCE, 2021).

Outside Vienna, there is a greater reliance on LPHAs rather than public housing. Financing for new LPHA builds comes from three stacked sources. Government loans, typically with a fixed interest rate of 1 per cent and with an amortization of 30-35 years, comprise 30-40 per cent of funds. Bank funding comprises another 30-40 per cent, with a typical maturity of 30-35 years at fixed rates that range from 1-4 per cent. Government loans are subordinate to investor loans, meaning that the latter would be repaid first in case of project failure. Equity contributions from the LPHA comprise 10-20 per cent, and there is a small buy-in from tenants of 5 per cent, waived in the case of low-income households. Rents are set on a cost-recovery basis, which ensures long-term affordability while enabling loan repayment into a revolving government fund (Pittini et al, 2021: 9). LPHAs are not allowed to extract more than a set percentage of profit and are required to reinvest surpluses into more housing. In return, they receive exemptions on corporate taxes. There is also a renovation fund for older buildings, repayable over 20 years (Pittini et al., 2021; Housing 2030, n.d.).

Canada can learn from Austria's experience, including lessons about:

- **The capacity of non-market developers to provide a substantial proportion of new housing if the policy settings are right:** 8,000-9,000 non-market homes are built per year (the equivalent to 38,000-40,000 homes in Canada (Last, 2025);
- **Supply stability:** Austria has a higher and much less volatile rate of housing construction per capita than other European countries, including being the only major European country to not have housing construction collapse during the global financial crisis (IIBW, 2016);
- **Cost-efficiency:** The annual cost of affordable housing is 0.9 per cent of GDP, less than half the amount spent in the U.K., which has a much higher reliance on market rent subsidies (Pittini et al, 2021: 9);
- **Equity:** A much lower proportion of renters are in unaffordable housing than in Canada (IIBW, 2016);
- **Creating a sustainable pipeline** of non-market housing through long-term finance and land policy;
- **Encouraging mixed-income, cost-based housing** that meets the needs of low- to median-income households; and
- **Encouraging high-quality non-market housing** through design competitions, mixed-use zoning, and adequate financing.

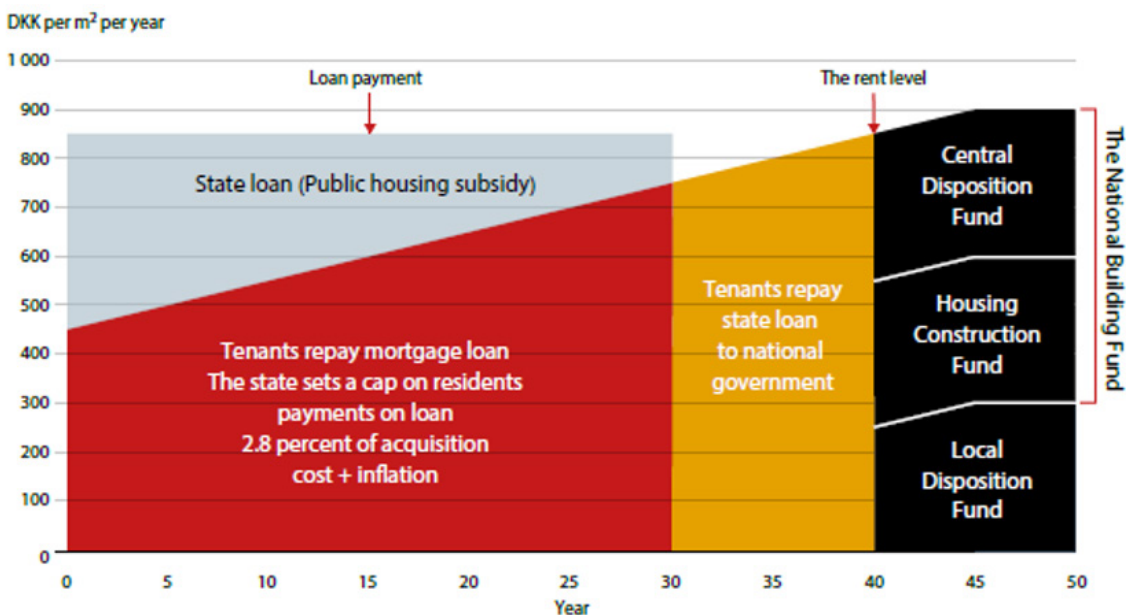
Denmark

About 27 per cent of Denmark's housing is non-market, including limited-equity cooperatives and non-market housing associations, a net increase from 16 per cent in the 1980s (Pittini et al, 2021: 21). Denmark's cost-based model benefits from generous social assistance, which means that, unlike Canada, there are few households who are very-low income.

Cooperatives, about 7 per cent of Danish housing stock, are financed by nationally guaranteed mortgages that comprise 80-90 per cent of all costs, along with 8-12 per cent from 50-year government loans, and 5 per cent tenant equity. Housing costs are about 30 per cent below market, with moderate income affordability for new builds, and low-income affordability for older properties (Pittini et al, 2021: 27). Like Austria, Denmark uses a **universalist** model, rather than the **residual** model used in Canada and the U.S. What that means is that low to median-income households are all eligible for non-market housing (OECD, 2020b). As in Austria, there is some cross-subsidy from higher-income households that helps cost-based viability.

Denmark's National Building Fund, created in 1967, is a key pillar of the national non-market housing model. The National Building Fund is an independent institution outside the state budget. Funding is based on a share of tenants' rents (amounting to 2.8 per cent annually of the total property costs), in addition to housing associations' contributions to mortgage loans (approximately 2 per cent of property cost). Payments are adjusted annually for the first 20 years after loan take-up, and then by a slightly lower rate until the 45th year, at which point rents are maintained at the same level. A share of tenants' rent is used to pay off the housing association's mortgage loan for approximately 30 years, at which point the share is allocated to the state for another ten years. Once this period is over, the share is allocated to the National Building Fund (Figure 3). Approximately one-third of the Fund's resources are used to support the construction of new non-market housing (OECD, 2020b: 14).

Figure 3. National Building Fund financing model funding flow (OECD, 2020a)



Surplus revenues flow into the National Building Fund and are redistributed to support new builds, energy retrofits, and upgrades of older buildings (Lawson et al., 2024). Municipalities guarantee housing provider loans, which means that rather than direct public housing, there is strong local oversight of community housing associations in relation to number of units produced and populations served (Pittini et al, 2021: 21).

Learning from Denmark, Canada can:

- Use **long-term, cost-based revolving finance** to create a sustainable scaled up non-market system;
- **Improve social assistance** to ensure that low-income households can afford cost-based rents;
- Use **municipal government monitoring** to ensure that non-market providers meet local needs; and
- **Scale up mixed-income non-market housing**, such as cooperatives and non-profit housing associations.

France

France's non-market housing stock, aimed at preventing and addressing homelessness, has grown from 11 per cent of total housing stock in 2000, mostly concentrated in a few areas, to 17 per cent by 2020 in a much greater range of communities, mostly because of municipal non-market housing targets (Maaoui,

2023: 1393). France's revolving finance system has facilitated deeply affordable housing as well as design excellence.

France employs a public savings mechanism to fund social housing through the Caisse des Dépôts et Consignations (CDC) – a state-owned financial institution that uses regulated household savings bonds (primarily from the Livret A, a tax-exempt government-backed bond) to provide long-term loans for non-market housing units. These loans are repaid over 40-50 years and offered at fixed, low interest rates set by the government (Housing 2030, n.d.). More than 100,000 units are financed each year through this mechanism, with capital continuously recycled as loans are repaid (Lawson et al., 2018). Land is provided by local authorities and development contributions. Developers are expected to adhere to cost ceilings, and rents are capped based on tenant income categories and project financing terms. As is true for Austria and Denmark, the fund is not **pro-cyclical** or reliant on market upturns, meaning that even during economic decline or recession, such as during the pandemic, CDC can maintain or even increase its investments (Housing 2030, n.d.). This is in stark contrast to inclusionary zoning mechanisms that tax market housing, which decline during recessions, when low-income people need new supply the most (August & Tolfo, 2018, Freemark, 2021).

France's "fair share" legislation, in place since 2000, requires all municipalities to plan for set non-market targets - 25 per cent in most municipalities. If municipalities fail to meet targets, they face fines or senior government stepping in to change zoning and permitting rules. Targets can be met by new build, acquisitions, or renovations, and are backed by finance programs aimed at very-low-, low- and moderate-income households (Freemark, 2021). As is the case in Austria, sustainable and high rates of non-market housing construction have created opportunities for design excellence. In 2021, the top international architecture award, the Pritzker Prize, went to a Paris-area public housing renovation that expanded some 60-year-old flats while creating new units, all without displacing existing tenants. Unlike similar examples in Canada, there was no stock or land transfer to market housing necessary to finance redevelopment (Hatherley, 2021).

France has similar challenges to Canada: long waitlists, difficulty in loan repayments with interest rate rises, and rising costs leading to providers having to use their own funds to make pro formas work (National Housing Council, 2025). Yet, this model effectively links household savings to public-purpose investment, while maintaining a sustainable, off-budget mechanism for social infrastructure financing.

Learning from France, Canada can:

- **Use municipal non-market targets to ensure that everyone has access to housing close to jobs and services;**
- **Stack individual and pension fund savings on government investment, through bond or RRSP-linked instruments;**
- **Reduce reliance on annual budget envelopes;**
- **Focus on the needs of those who are most vulnerable using a rights-based approach; and**
- **Promote design excellence.**

Finland

Finland's non-market and limited profit stock (11 and 2 per cent of housing stock respectively) are both coordinated through the Housing Finance and Development Centre (ARA). The ARA facilitates interest-subsidized loans and partial grants to municipalities, non-profits, and limited profit developers (Pittini et al., 2021). As is the case in France, non-market housing stock is largely owned by municipalities, especially in the capital and largest city of Helsinki, while pre-approved community housing providers focus their efforts on specific problems like homelessness, seniors housing, and student housing (Pittini et al., 2021). The Y Foundation, Finland's largest non-market provider and fourth largest landlord, has been providing a Housing First model since 1985. It currently provides 19,000 homes in 60 communities across Finland and has been one of the main contributors to the country's near eradication of homelessness (Y-Säätiö, 2025).

ARA loans are primarily sourced from the public treasury and offered for up to 40 years at low, fixed interest rates. To ensure affordability, rents are calculated on a cost recovery basis that can be evened out across the housing stock, and tenants are subject to income thresholds.⁵ Units financed through ARA programs must remain affordable for a minimum of 40 years, ensuring long-term tenure and affordability lock-ins (Lawson et al., 2018). There is a catch: the legal framework allows the units to convert to market-level rents beyond the years of funding agreement, but the municipal ownership helps maintain affordability (Pittini et al., 2021).

5 This international model defines affordability based on per cent of an area's median income, rather than fixed national thresholds – an approach recently endorsed in Canadian policy analysis (Whitzman 2023; Government of Canada 2025). Aligning Canada's financing strategy with area-based income bands would improve local targeting and ensure that non-market housing reaches the intended populations.

While the system requires some grant subsidy for supportive housing, most capital is revolved through loan repayments, making the program broadly sustainable. Municipalities are expected to contribute land, further enhancing project viability.

Learning from Finland, Canada can:

- **Finance non-market housing**, both for the aims of ending homelessness and creating mixed-income, well-designed communities;
- **Support a long-term pipeline** of projects via a central agency offering long-term, fixed-rate finance; and
- **Support a portfolio approach**, whereby higher rents in one building may contribute to lower rents in another building by the same provider.

Australia

Canada and Australia have had similar non-market housing trajectories (Suttor, 2011), and now face a similar housing crisis, with impossibly unaffordable ownership housing and inadequate rental choices. Unlike Canada, Australia has recently created a financial instrument that focuses on creating a sustainable non-market housing pipeline.

The Housing Australia Future Fund (HAFF) is designed to attract institutional investment alongside public capital. Since 2018, Housing Australia has issued over A\$2.6 billion in social and sustainability bonds⁶, enabling long-term, low-cost loans to registered non-market housing providers backed by government guarantees (Housing Australia 2024a; 2024b). Lawson et. al. (2024) estimates that there is a need for 433,000 non-market homes across Australia, with a projected need of 727,000 homes by 2036 (the equivalent of 1.1 million homes in Canada). The current quantum is extremely modest, equivalent to what Canada is now producing: 20,000 non-market homes over five years (30,000 would be the Canadian equivalent). In 2024, several major pension funds⁷ partnered with IFM Investors to deploy capital through HAFF for new builds (coming out of the first round of RFPs), making a major shift toward blended finance approaches that can effectively de-risk housing investment for non-market developers (IFM Investors 2024; ACTU 2024). This collaboration finances non-market housing by demonstrating that pension funds can meet its members' investment returns while delivering social benefit (CBUS Super 2022).

6 Affordable Housing Bond Aggregator (ABHA)

7 Also known as superannuation funds. CBUS Super, CareSuper, Hostplus, Rest and IFM Investors collectively represent more than A\$505 billion in retirement funds under management, with a demonstrated capacity to invest at scale (IFM Investors 2024).

The financing model is backed up by a National Housing Accord, a formal, multilateral agreement between all three levels of government that confirms cost-sharing for supportive housing and better integration with municipal and state-level planning policy. However, the model is weak in that it does not focus on low-income households or use rights-based definitions of affordability (Raynor, 2025), and the quantum is not enough to meet housing needs.

Learning from Australia, Canada can:

- **Provide a steady stream of finance to non-market providers; and**
- **Enter in multilateral agreements with all three levels of government to support better delivery of non-market housing.**

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