

A FEASIBILITY STUDY FOR CCLC ON AFFORDABLE HOUSING MODELS

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Executive Summary

Background

Access to affordable housing is a significant concern in the City of London, Ontario, with more than 5000 households on the waitlist for social housing. Newcomers are one of the populations disproportionately represented among those in core housing need, meaning spending more than 30% of the household's income on rent. The purpose of this feasibility study is to help The London Cross Cultural Learner Centre, a non-profit organization at London, Ontario supporting newcomers, to identify the advantages and disadvantages of different housing models and to guide them to decide whether they should attempt to develop new affordable housing.

Methods

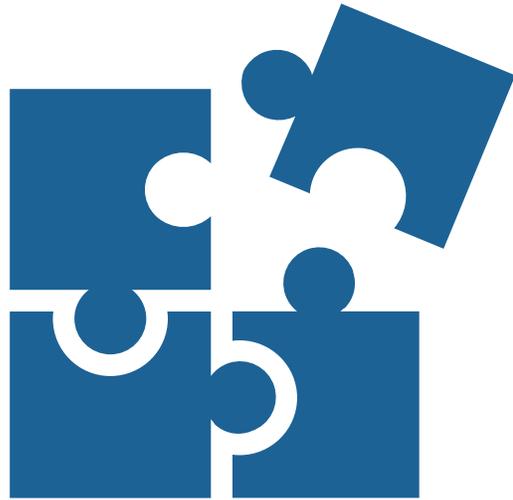
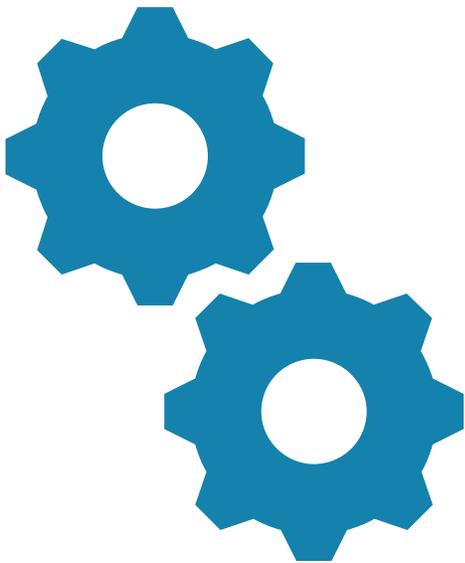
Six in-depth, semi-structured interviews were conducted with housing experts in non-profit organizations and municipal government. These interviews supported a multifaceted analysis of various housing models such as rent supplement, co-investment model, head lease, transitional housing, new build, and renovation with the impact of each model considered.

Results

Different non-profits follow different models with a common goal of providing affordable housing to the people in need. Each model has advantages and disadvantages; however, the choice of the model lies on various factors such as knowledgeable professional board, land possession, excellent balance sheet, the type and form of building, the category of people the organization wants to serve, and the revenue accessible to provide housing units. In terms of funding sources, the Federal government is the largest funder supporting the development of new housing units.

Conclusion

New affordable housing is desperately needed in London and taking the lead on building this housing allows organizations to prioritize those they support. However, there are a range of housing options that vary in cost and permanency. The choice of model entirely depends on the resources the organization possess and can access. The ideal model is new developments, with energy efficient technologies, but these require capital and land. This model provides organizations the greatest level of control and minimizes unintended costs of older housing stock.



Acknowledgements

This study was done in part as a research practicum course within the Nurse Practitioner program at the Arthur Labatt Family School of Nursing, Western University. We would like to thank the Centre for Research on Health Equity and Social Inclusion, Sr. Joan Atkinson of London Affordable Housing Foundation, Jim Foote of Homes Unlimited, Dean Astolfi of Canadian Mental Health Association, Tim Smuck of London and Middlesex Housing Corporation, Melissa Espinoza of London Housing Corporation, Terri Louch, Daffney, and Nicole of Indwell Community Homes for sharing their time and expertise.



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AND SOCIAL INCLUSION



**Canadian Mental
Health Association**
Mental health for all



A Feasibility Study for CCLC on Affordable Housing Models

Introduction and Background

Affordable housing is a broad term that describes housing provided by the public, private, and not-for-profit sectors, which may include rental, ownership, co-operative ownership, temporary, or permanent housing, and is to some degree a lower rent than market rents. In the Canadian context, housing affordability is achieved when housing costs equate to less than 30% of a household's income (CMHA, 2019). Alternatively, affordable housing as a program usually involves housing that is provided at 70% of market rents, 80% of market rents, or is rent-g geared-to-income. It is noted then that housing built through affordable housing schemes might not necessarily equate to housing affordability for families in the lowest income brackets. The City of London in Ontario faces a substantial affordable housing crisis at present. Over 5000 London households are on the wait list for social housing, which is housing provided as rent-g geared-to-income. Those on the wait list include new immigrants, refugees, people who flee from domestic violence, people facing health challenges, those temporary out of work, and those with long-term disabilities. While funding for affordable housing comes from all orders of government, a patchwork of non-profit and charitable organizations deliver the bulk of affordable housing.

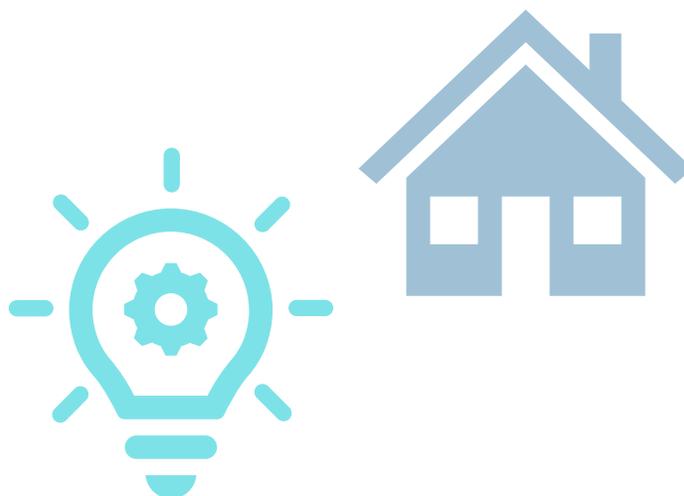
Families in receipt of government financial assistance, known as social assistance or Ontario Works, face some of the largest gaps between income and rental costs. For these families, even most new developments deemed affordable are out of reach. This is an important aspect in terms of the barriers that newcomers face in accessing housing. Consider for example a one-bedroom "affordable" unit that in London at 70% of market rent would cost approximately \$650. A single adult on Ontario Works receives \$390 as their maximum shelter allowance. While assistance rates for families increase with family size, so do "affordable" rents. Therefore, both market rent housing and "affordable" housing as currently developed are out of reach for many newcomer families.

"Families in receipt of government financial assistance, known as social assistance or Ontario Works, face some of the largest gaps between income and rental costs. For these families, even most new developments deemed affordable are out of reach".

Those developments deemed affordable are also subject to long wait lists. This concern leads to considerations of how organizations supporting newcomers can create options that guarantee access for the people who they support.

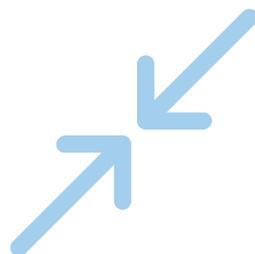
“A one-bedroom “affordable” unit that in London at 70% of market rent would cost approximately \$650. A single adult on Ontario Works receives \$390 as their maximum shelter allowance”.

The London Cross Cultural Learner Center (CCLC) is a community organization that exists to provide integration services and support to newcomers to promote intercultural awareness and understanding. They build a welcoming community where newcomers can succeed. The values they uphold include accountability, advocacy, compassion, diversity, empowerment, and ethics. While doing their best to support newcomers, CCLC has identified housing access as an ongoing challenge. The purpose of this feasibility study is to help CCLC explore the potential of leading the development of new affordable housing and does so by identifying the advantages and disadvantages of different models of housing. To do so, interviews were conducted with the experts of not-for-profit organizations such as London Affordable Housing Foundation, Homes Unlimited, Canadian Mental Health Association, London and Middlesex Housing Corporation, London Housing Corporation, and Indwell Community Homes. Data collected from these experts and subsequent conclusions are presented herein.



Comparative Analysis of Approaches to Creating Affordable Housing Options

Model	Positives	Negatives
Rent Supplement 	<ul style="list-style-type: none"> ➤ Lowest up-front cost ➤ Currently favoured by governments, including new federal supplements ➤ Can make market rent housing work for those on social assistance ➤ Favoured by some landlords ➤ No time required to build new housing 	<ul style="list-style-type: none"> ➤ No permanent capital acquired (i.e. have to pay it forever) ➤ Supplements need to increase with rents if provided in a market rent context ➤ Most government funded supplements are delivered through municipal governments versus being provided to non-profits for administration
Head Lease 	<ul style="list-style-type: none"> ➤ Allows control by the organization as to who is placed in to housing ➤ Some landlords provide incentives to obtain and maintain head lease agreements ➤ Can provide housing access to those with no rental history and no credit score ➤ No time required to build new housing ➤ No large capital costs 	<ul style="list-style-type: none"> ➤ Head lease rental rates are often higher than market rent ➤ Landlords frequently require long-term rental commitments for head leases ➤ The organization is liable for tenancy breaches by the tenant ➤ No permanent capital is acquired
Transitional Housing 	<ul style="list-style-type: none"> ➤ Provides housing stability for those with prospects of improving their housing at a later time ➤ Allows support of a large number of individuals due to regular turn-over ➤ Is (usually) a capital asset 	<ul style="list-style-type: none"> ➤ Requires somewhere affordable for people to move out to ➤ Not a lot of government funding for this model currently (because they want permanent solutions) ➤ Requires capital to develop ➤ Some people stay longer than expected, which affects others in need



New Build



- Lower operational and maintenance costs than older buildings (including products under warranty)
- Can be built with increased energy efficiency
- Systems such as plumbing, electrical, central heating, sewage lines and air will meet current standards and codes
- Built to meet particular needs of anticipated residents
- Full control of the organization as to who becomes tenants
- Becomes a capital asset
- Government funding often available for this model
- Most expensive (10's \$M fundraising)
- Extensive process for government funding access
- Need land, which is one of the most expensive components
- Takes a long time to develop

Renovation/ Conversion



- Not as expensive as new built
- Can redesign spaces to meet functional needs
- Control over who becomes tenants
- Best choice without having up-front money and land
- Becomes a capital asset
- Government funding often available for this model
- Can have high operational and maintenance costs depending on conditions of the space
- Renovation cost may go higher than new built depending on the type or form of building
- Will see increasing capital expenses over time, faster than new build
- Takes some time to develop



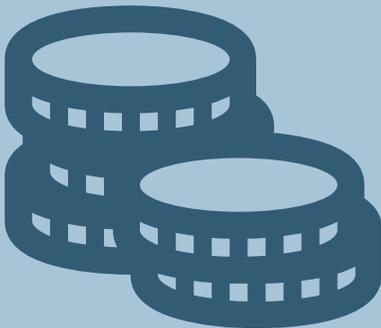
Case Example 1: London Affordable Housing Foundation



London Affordable Housing Foundation

London Affordable Housing Foundation (LAHF) is a non-profit organization that helps low income families gain access to affordable housing. LAHF started their work in London, Ontario, in the year 2000. Affordable housing was already one of the significant issues in the City of London at that time. A congregation of sisters, who played a vital role in the formation of LAHF, were given a large bequest that was to be used to address poverty. This became a starting point for a focus on new builds, and to date the Foundation has developed a townhouse complex, an apartment complex, and is in the process of developing a second apartment complex. Therefore, their work focuses on the 'New Build' model and they have learned a number of challenges and benefits related to this model.

Funding



Government funding is a key consideration if building new affordable housing. Most funding flows from the federal and provincial governments to municipalities, who manager requests for capital support for new affordable housing. This can include the development corporation model, such as in London with the London Housing Development Corporation (HDC). The complexity this funding model faces is that each level of government has particular and often different reporting requirements for accountability. This means both incurred costs and incurred time delays in simply managing funds and fulfilling requirements. Applications can be long,

onerous, and require a significant investment of staff time before there is any guarantee a project will proceed. Overall, it takes five years average to get a project shovel ready, whereas it often needs less than a year to build it and get it occupied. Upon receipt of funding approval, there are still a number of development steps required such as zoning and environmental studies, which often require the support of a consultant, another up-front cost. Rents are often set within these agreements, which will have a long-term impact on the ability of the site to generate revenue to meet ongoing maintenance and repair needs.

The site is another important element within a New Build model. The housing developer should own land for the proposed building. This land may require a zoning amendment or may need the removal of an existing building. Therefore, satisfying pre-conditions costs money and this money is not part of what is usually provided within government funding. Site considerations also relate to neighbours. Affordable housing development planning often faces "Nimbiyism," an acronym that means 'not in my backyard,' a bias that many carry regarding affordable housing. Organized neighbours can put in significant barriers to developing new affordable housing in various stages of development. Particularly, zoning and site planning stages include public consultation processes during which neighbours may provide negative feedback in a variety of forms. Having positive relationships with municipal councilors who will support the application is therefore another important step prior to developing new housing.

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In terms of the building process itself, professional costs are a very high and an unavoidable expense when it comes to affordable housing. It is vital to have a good architect, engineer or someone who can manage the construction to avoid any loss or wastage of money. There are also legal fees to support proper documentation through the development process and into the process of rental agreements. There are also soft costs that are not apparent and obvious at the outset, and these need to be borne by the organization, therefore

requiring available funds above the budgeted building cost. Development charges are a significant portion of the cost through the building process.

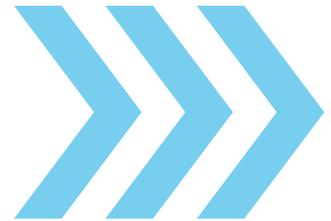
After new affordable housing is successfully developed, the next consideration is regarding managing the space. When working with people who have complex social needs, it is essential that they get supported with social services to stay stably housed. Currently, most housing stability programs are quite extended and tend to only support those who are rostered directly through their programs. Therefore, property managers are often called upon to provide a vast array of referrals for support beyond regular upkeep of the space. Conversely, if on-site support is inadequately provided, this can have a greater negative financial impact due to non-payment of rent or extended vacancies in units. Good property managers oversee the building and one or more qualified maintenance providers needs to be available on short notice. Maintenance is central to keep good relations with neighbours, to satisfy requirements of funders, to sustain permanency of tenancies, and to protect residents.

If organizations are considering the New Build model, they should begin immediately by creating an investment fund. This way the organization can begin fundraising efforts. An investment fund is more appealing than pure charitable fundraising as a social impact type fund with some return on the investment tends to appeal to a broader audience. There is also an opportunity to engage investors in more long-term relationships than often happens with donors, instilling an ultimate sense in pride upon completion of the build. However, to set up this model, several regulatory steps and preliminary conditions must be satisfied. Without proper financial advisors, organizations tend to resort to a charitable donation model of fundraising.



Case Example 2: Homes Unlimited

Homes unlimited is another significant player within affordable housing in London, Ontario. They also focus primarily on a New Build model to bring new housing to the market. Funding sources for these new builds come from all orders of government, federal, provincial, and municipal. They highlighted that apart from government funding, private bank or similar financing also plays a major role in securing funds for a new build. Those funds obtained through government will be subject to a contribution agreement with the City of London, and often similar agreements with the province or federal government. Government support through various funding programs is crucial, and not-for-profit organizations should always be vigilant to see what is available and what is manageable with their balance sheet and projects. Additionally, the rental revenue non-profits make from affordable housing may have some profit or surplus, which they use to enhance existing projects or start new ones. Having the right people in place to start a new build is key, including a knowledgeable Board which includes architects, lawyers, finance people, social housing providers, and even former CMHC staff.



"While new builds include more costs up-front, where they offer significant benefit is in the ability to create modern, efficient buildings that have significantly lower operating costs".

Homes Unlimited provided similar warnings to LAHF regarding the complexity and length of time involved in the development process between project inception and actual building or opening. This includes some high, up-front expenses such as land transfer tax and development charges, the latter which can be \$15,000 to \$20,000 per unit. If repurposing a site, zoning processes can take in the realm of 12 months to complete and can include legal expenses. Any organization planning to build new should have their own funds in place to support 2 years of the development process prior to any building occurring.

Similar to suggestions from the LAHF, once a build is online, proper property management is key. A third-party property manager can be a place to start, but organizations will often want to develop in-house expertise in this area. Adequate property management includes custodial staff, leasing staff, as well as sufficient staff to perform maintenance. Proper property management assists organizations both in meeting their own mission as well as meeting funding requirements. Some tenants of affordable housing may have special support needs. They may be suffering from complex issues such as addiction, mental health issues, social issues, etc. The goal of affordable housing is to provide safe and affordable accommodation and support services, or social services are essential to achieve this goal for some. Where in-house supports are not available, organizations could benefit from a partnership with those agencies who can provide social services to their tenants. Additionally, a mixed community makes a stronger community, and when creating affordable housing projects, it is vital to look at the type of community formed out of it. A mixed community can include people with a language barrier, low income, new immigrants, or high-income people who could pay market rents.



"A mixed community makes a stronger community... A mixed community can include people with a language barrier, low income, new immigrants, or high-income people who could pay market rents".

While new builds include more costs up-front, where they offer significant benefit is in the ability to create modern, efficient buildings that have significantly lower operating costs. With maintenance and utilities being key operating expenses that eat into rental revenues, using government financing up-front to build efficient housing significantly increases the likelihood of long-term financial stability. Conversely, if repurposing an old building, it is imperative to study the expenses both in the long-term and short-term. Sometimes, it would be better to demolish or decommission old buildings and start again fresh on a greenfield site considering operating costs, maintenance, and repairs. The challenge with an older repurpose building is that it is not going to be as energy efficient. There may be an increase in heating costs, electrical costs, increase in expense for maintenance and repairs. Operationally, old buildings are stuck with these high-cost structures and lifespans may be only 20-25 years. It can be cheaper to retrofit, but operationally once it is up and operating it is more expensive to run.

Case Example 3: Canadian Mental Health Association, London

The current Canadian Mental Health Association (CMHA) is formed from the amalgamation of a mix of mental health organizations such as WOTCH, SEARCH, and CMHA. CMHA has primarily made use of existing housing, such as purchasing small apartments or multi-unit homes and using them to house individuals they support. However, in recent times they have had limited capital for new purchases and therefore also use a head lease model where they rent a unit and then housing individuals they support in that unit. Multi-unit houses often function within a group home model where there are shared spaces and supports are provided on site. Funding for rent is primarily the shelter allowance of OW or ODSP, at times topped up with a rent supplement. This is generally insufficient for a sustainable model due to stagnant OW and ODSP rates and increasing housing costs. This model is quite dependent on partnerships which might include private sector landlords, funding from health and housing ministries, partnerships with Housing First programs, or relationships with municipal services.



Canadian Mental Health Association
Mental health for all

A benefit of this model is that CMHA can provide supportive housing that includes a variety of levels of support dependent on client needs. Low support might involve independent living with a worker off-site available for support as needed. High support can include 24/7 support for both health needs and activities of daily



living. While this high level of support is quite expensive due primarily to staff costs, from a systems perspective it is still much more affordable than hospital stays. The ratio of staff to residents can vary depending on resident support needs. CMHA focusses on moving support to a person rather than moving people to supports.

Purchases or rentals of small, multi-unit spaces should include consideration of tenant mix. The CMHA has a philosophy of mixed economic housing and mixed acuity. This can help the organization financially if some individuals are paying at or closer to market rent. This can also assist with neighbourhood integration if there is a limit on intensification of social needs. However, this is not always congruent with funding models. Often government funding is reserved for individuals with highest acuity, so this becomes the sole focus of a given site.

Organizations must then balance the ideal scenario against what is realistic in terms of funding requirements. Partnerships with the private sector, including landlords and developers, can also have limiting criteria and so must be approached on a case by cases basis to see if they still allow the organization to meet their mission and vision.

Flow is a consideration that needs to be given to the group home or small development model. Ideally, individuals will achieve both financial and social self-sufficiency and be able to move into housing with lower supports, freeing up existing spaces for new individuals seeking support. However, this can be very difficult in a time when affordable units are not available in the private market and social housing wait lists are very long. Purchasing a duplex, for example, might support the needs of two families for affordable housing, but these families may not be able or interested to move out for many years. Therefore, the costs are lower than building new, but the number of people served may also be low.



To address flow, CMHA has a portfolio of transitional housing, which means individual stays are time limited. This is a trade-off, however, as it means that housing permanence is not achieved, although the number of people served is increased. On the plus side, organization statistics do show that most of the individuals moving through their transitional units are having improved health and social outcomes. However, it is very difficult to enforce the end of a 364 day stay if the individual has literally nowhere else to go. Head leases are also another convenient model for immediately available units at a relatively low initial expense. In this model the organization is technically the signed tenant, but the actual tenant is someone who they support. Drawbacks might include any tension that occurs between the landlord and the resident, where the organization is ultimately responsible. Head leases can often offer longer term tenancy than transitional housing, though because the actual tenant is not on the lease, they don't necessarily build their rental history to support access to future renting opportunities.

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Case Example 4: Indwell Community Homes

Indwell Community Homes is a faith-based organization that has provided affordable housing for approximately 40 years. Their focus is on housing with supports and a model they term ‘involved housing’ meaning that tenants are actively engaged in their building as a community. As landlords, they try to build relationships with their tenants and staff and allow them to build a relationship with others. Building and fostering relationship is significant for Indwell Community Homes. They try to provide the best supports possible to the individuals who live in their buildings. For instance, they provide additions workers, nursing staff, and other professionals to support the diverse needs of tenants. Teamwork is a key priority to ensure the success of the tenancy of those who they support.

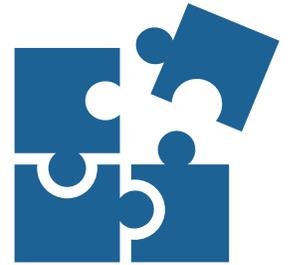
“As landlords, they try to build relationships with their tenants and staff and allow them to build a relationship with others. Building and fostering relationship is significant for Indwell Community Homes”.



With a focus on new builds or major rebuilds, Indwell provides permanent housing options. They are established in Hamilton, Brantford, Woodstock and Mississauga areas, most recently moving into London. Affordability is a key consideration of their housing. The source of income of their tenants generally includes pension, ODSP, Ontario Works, CPP, or old age benefits. Therefore, they set their rents at the affordability level for ODSP or the income the person earns per month. In London, this is about \$550 to start. This allows the person to afford his or her home for long-term and will enable the person to enjoy other necessities like groceries, toiletries, cleaning supplies, a bit of social recreation, and commuting when needed. The tenant does not have to choose between shelter and food on the table and can afford both. Tenant supports vary from monthly to daily or even multiple visits daily as required.

Partnership is a key element in making new affordable housing happen for Indwell. This can include partnerships with other faith-based organizations, such as a Baptist church out of Hamilton that used land they owned to build new housing stock. Indwell then partners by leasing out the units for their tenants, a form of head lease. If the Church wants to sell the building in future, Indwell Community Homes has the first right to purchase the property.

“The tenant does not have to choose between shelter and food on the table and can afford both”.



A new build (or major renovation) model is beneficial for Indwell as it allows them to build in affordability by using up-to-date products and high levels of energy efficiency. This means that rents can then be set at an affordable level as operating costs are controlled. Additionally, Indwell property manages their own buildings, allowing them to have full control of maintaining high property standards. This also increases affordability as high standards means low vacancies, thus reducing operating costs. Having engaged, in-house property management also allows for responsive rent adjustments should tenants face challenges or changes in circumstances. Onsite property managers and onsite health and social supports work together to create a culture of quality and safe housing. The biggest challenge with new builds is that they are unable to build fast enough to keep up with tenant demands. The new build process is slow with many delays taking years before building actually starts. This can include community resistance through various public site planning processes, sometimes a key concern in smaller communities where less building occurs.



Case Example 5: London and Middlesex Housing Corporation

London Middlesex Community Housing (LMCH), formerly known as London Middlesex Housing Corporation (LMHC), is one of the largest providers of affordable housing in London, Ontario. They are somewhat unique as opposed to the other non-profits interviewed in that the City of London is the sole shareholder of the organization and they function within a highly regulated context of social housing provision on behalf of the City, as divested by the Province of Ontario. Because of this, they don't develop new affordable housing, but rather manage the existing stock. This stock is significant, constituting 6000 rent-geared-to-income (RGI) tenants in housing units in London and Middlesex County. These tenants occupy 3282 units which equates to over 50% of the affordable housing stock in London. Conditions of their delivery are to support those in greatest need, to be 100% RGI, and to meet maintenance adequacy.



The RGI model has created some challenges for LMCH over time. Without having a mix of market rent units, rental revenues are insufficient to meet capital expenses and therefore they depend on the City of London to supplement their services financially on an annual basis. They also have no additional funding to provide tenant supports, therefore seeing the impact of housing some of London's most vulnerable persons without being able to offer in-home support they may require. This has impacts around unit maintenance and tenant turn-over. They have seen a growing capital repair deficit over time and see a risk of eventually decreasing the number of units they have in stock; quite the opposite scenario of developing new affordable housing. This provides a warning about offering 100% RGI units without a significant additional source of cash flow.

A positive aspect of the RGI model through LMCH is that the units are not transitional, but permanent housing. This essentially means people who come in can stay as long as they would like to stay. During the tenure, if the income of the tenant increases the rent will also increase to approximately 75% of the average market rent. Because of the affordability of LMCH units, there is very little intentional turn-over among residents, meaning those waiting on wait lists for LMCH housing often wait for years unless they have a special priority



status. This affordability is particularly noted for those receiving Ontario Works, with LMCH being the only truly affordable rent apart from rooming house options. However, with 11,000 family units currently accessing Ontario Works, the 3,300 LMCH units are insufficient to meet the housing needs of all families on social assistance.

LMCH does not currently have the legal ability to acquire the capital required to build new affordable housing. However, it is noted that if they were to pursue this option in the future, models of housing mix and tenant mix would be of priority. This would support better financial sustainability to deal with capital repairs over time, as well as creating more vibrant, resilient communities. New builds would also be a significant positive change as LMCH is currently dealing with the challenges of old housing stock that have high energy and maintenance costs.

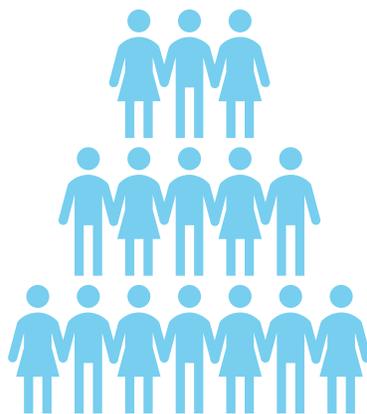
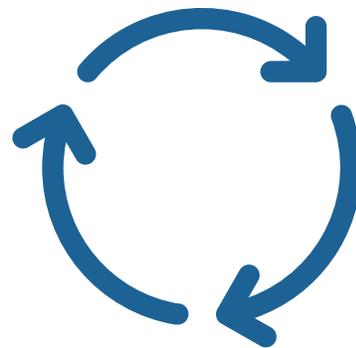
“This affordability is particularly noted for those receiving Ontario Works, with LMCH being the only truly affordable rent apart from rooming house options. However, with 11,000 family units currently accessing Ontario Works, the 3,300 LMCH units are insufficient to meet the housing needs of all families on social assistance”.

Apart from new builds, innovative ways can be found to refurbish existing stock that could lead to more energy efficiencies, better design, and potentially increased units. In the LMCH context this is hypothetical, but it is noted that other housing providers such as Toronto Community Housing have used rebuilds to revitalize old stock, create more mix, and at least maintain the existing number of units. However, a model of rebuilding is still best supported by government grants as this requires significant capital (not as much as new builds, but still significant). As the manager of various housing funding programs, the City of London would be the resource to find support for rebuilding to create affordable housing.

As with the others, LMCH highlighted the importance of having appropriate supports connected to affordable housing. Again, this can range from high support, available 24/7 on-site, to lower levels of intermittent or off-site support. Affordable housing without the necessary social and health supports is a challenge as some tenants will have unsuccessful tenancies, and for the organization this has financial impacts in

addition to the social impacts. The scale and design of affordable housing should reflect the anticipated support needs of the tenants; the built form of the building is significant.

Returning to the discussion of a new build model, it is noted that this creates ideal housing stock but comes at a high cost. It is noted to much higher levels of federal and provincial investment are needed if this is to happen at a rate reflective of the current need. Grants that are only a small portion of total development and operation costs leave non-profits with a huge task if they are to successfully develop affordable housing from scratch. Assistance with everything from land, to waiving development charges, to capital grants, to operational funding could help make new builds a reality more quickly and for more organizations. With adequate funding, agreements can be put in place to ensure that new builds remain affordable for decades or even permanently, otherwise there is a risk that housing will shift to market rent as agreements expire and capital repair needs grow.



Case Example 6: London Housing Development Corporation

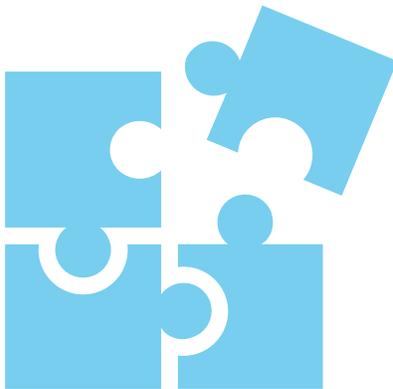
Like the LMCH, the City of London owns the London Housing Development Corporation (LHDC). Their role is to facilitate the distribution of government funding to organizations (private or non-profit) building new affordable housing. Interested partners must officially roster with the HDC to receive support and apply towards any requests for proposals. However, it is noted that organizations applying for funding are best served if they already have a site available and funding to manage up-front expenses. In addition to funding, the HDC serves to build the business plan of different organizations in their roaster list and does the capital and operating budgets for all the developments. Organizations with or without building plans, with some land, or if the organizations want to develop new or renovate an existing space, may approach LHDC for assistance. Those interested in building new should go through the HDC, this is really the only feasible approach at this time.



The organization is responsible for ongoing management of any new builds supported by the HDC, ie. the organization is the landlord and must manage leases, the HDC just helps to get the project off the ground (or in the ground, as the case may be). Organizations who possess land to build and have some up-front money to start up with building could speed up the process of a building because they score more credit points in the application process. That said, currently it is hard to obtain land in London, as most areas are getting used quickly. If CCLC is looking to renovate an existing building, they may look at converting it into duplexes and triplexes. Homes in London are unfortunately getting very expensive. If there is no land and up-front money to start up with building new, renovating an existing building would be the next option. Converting is cheaper than building new depending on the building. However, old buildings have higher operational costs. If the building for renovation is not selected wisely, the renovation costs might go higher than that of creating brand new. Besides thinking about providing affordable housing, CCLC should also think about the support services they want to provide for their tenants. For successful tenancies, support services should also be provided with affordable housing units.

In terms of a sense of costs, the HDC recently announced funding for a new building that has 42 units and their total building costs are about 8.1 million dollars, of which they received 60% from government funding and 40% from mortgages. When planning to build affordable housing, organizations should anticipate land costs, mortgage costs, operating costs, professionals such as architects, legal fees, land transfer tax, property management, administrative costs, contractor fees, architectural fees, designer fees, telephone utility, and development charges. As noted by others, development charges are quite expensive, which might be around \$11,000 per unit. Legal fees are \$20,000 to \$30,000 on average depending on the type of establishment. Contractor fees are quite expensive. For instance, the contractor fee for a 40-unit building might be between five and six million. If CCLC already has a building or land, it would be a huge asset for them. But, if they don't have land to build, then the situation depends on what CCLC is looking for. The HDC would be one of the best resources CCLC could depend upon in moving forward with considering new affordable housing development.

“Besides thinking about providing affordable housing, CCLC should also think about the support services they want to provide for their tenants. For successful tenancies, support services should also be provided with affordable housing units”.



Suggestions from Experts

Based on the information derived from six expert interviews, a multifaceted analysis is provided of various housing models such as rent supplement, head lease, transitional housing, new build, and renovation with the impact of each model considered. This information will assist the CCLC to investigate whether they are able to develop new affordable housing for the families they serve.

While experts were quite clear that new builds are the most advantageous model, we wanted to give consideration to a couple of other models first, then discuss new builds in detail. In particular, a head lease model offers a unique opportunity to quickly expand the amount of housing for clients of CCLC. As there are current vacant units on the market, this would involve the CCLC agreeing to lease these units, then placing their clients into the units (although this *MUST* be agreed upon with the landlord). This allows the CCLC to expand their housing very quickly at minimal up-front expense. The fundraising requirements would be the equivalent of the rental amount plus a small amount extra to cover any unit damages. Therefore, annual costs for a unit might be in the range of \$15,000, contrasted with around \$190,000 per unit to build brand new. That said, if CCLC were to scale up the head lease model it creates significant ongoing fundraising needs without the creation of any capital for the organization. Funding for head leases from government sources is not currently available as we were able to determine. An even simpler model is to provide housing supplements to clients, allowing them to access market rent housing. This might be as little as \$400 per month per family, thereby minimizing fundraising requirements. The Housing Division at the City of London could assist with developing contracts for rent supplements.

New builds can include major renovations or starting from scratch and can be for permanent or transitional units. At this time, transitional units are not recommended as there is little to no government funding



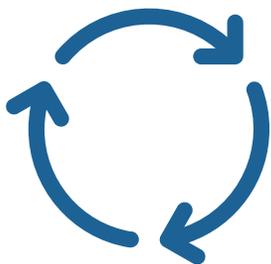
for these. Building brand new can often be the better long-term investment should sufficient funds be available. Rather than building new independently, the CCLC may want to consider partnership with another organization that has similar values but more experience in the area. Indwell presents a strong potential partner due to their success in creating new affordable housing

across southwestern Ontario. A partnership with Indwell or a similar organization might allow CCLC to prioritize their clients into affordable housing while not having to do all of their own fundraising to the tune of millions of dollars. It would be worth having an initial conversation with Indwell to see if this opportunity is available.

Should CCLC decide to pursue developing new affordable housing, which was generally recommended by the experts, there are a number of steps and considerations to be made. At the outset, it is important to know that this will be a long process, potentially 5-7 years, so a strongly supportive Board is essential. This must be congruent with the vision and mission of the organization as it will consume a fair quantity of fundraising capacity. The first step is to acquire land, whether vacant or that can be cleared and that is able to be rezoned if necessary. This might be through purchase or donation. It is noted that the London Community Foundation provides support for new affordable housing, and this might be in the form of assisting to purchase land for a new build. They would be a helpful early partner in pursuing a new build. As recommended, fundraising can also not start too early. Fundraising can take the form of traditional gifts or may be in the form of an investment fund whereby investors are provided a return on their contribution to the fund. Having funds acquired early will support the organization in meeting up-front costs and will increase the strength of their application for government funding.

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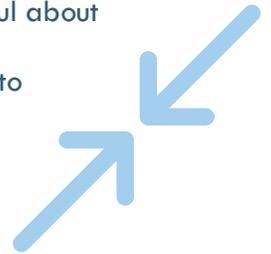
Once land and some preliminary funds are available, the next step is to connect with the HDC. The HDC will assist with a business plan, budgeting, connecting with the right professionals, and ultimately applying for



government grants. Along with the HDC, the CMHC can provide additional support around planning for affordable housing. They are also a connection to assist in obtaining a mortgage for the quantity of costs beyond fundraising and government grants. Both can help connect the CCLC with potential partners in the non-profit or private sectors who might collaborate

on anything from development, to property management, to support services. While the processes related to the HDC and CMHC can be slow, they are crucial for having a successful development outcome.

As part of a new build process, it is imperative for the CCLC to have a precise understanding of the families who will be housed and the spectrum of their needs. This might include being thoughtful about geographic location, unit numbers and size, building design, space for services, ways to build to facilitate community, and culturally sensitive elements. CCLC's long history of supporting families in housing will be an essential and valuable asset in developing the best housing that works long-term for these families.



If successful in building new housing, it is recommended that CCLC also be the landlord and property manager. This allows the greatest degree of control and consistency with their mission over time. Therefore, there should be a philosophy for CCLC about how they could manage their buildings. It is essential to look at the eviction prevention strategies and eviction philosophies. It is imperative to have a big picture of financing, how to afford capital expenses, maintaining, designing community spaces, and supporting the people. For instance, the community kitchen concept would be a fantastic idea if the tenants could come together and cook. It is essential to look at the type and form of units for the people CCLC support in providing affordable housing. CCLC should also think about the support services they want to provide for their tenants. What percentage of people need one-bedroom or two-bedroom units? The most significant part is understanding the precise needs of the people they want to support.



C O N C L U S I O N

In conclusion, building new affordable housing is a significant task for an organization to take on. However, given the current and predicted ongoing housing needs of newcomers, it makes sense for CCLC to take the next steps in pursuing this process. While it is costly and labour intensive, there are the right resources, supports, and experts in London to make it successful. As long as there is sustained commitment from the organization, there is a pathway to success available. The next logical step will be to understand Board and organizational interest in pursuing the process. To assist in this, within the appendices we have provided a series of questions to ask and potential barriers to be overcome.

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Glossary of Terms

1	Affordable Housing	Housing for lower and middle-income households where those households are paying no more than 30% of their family income for housing costs.
2	Apartment	A self-contained (kitchen, bathroom and living space) unit in a building with multiple units.
3	Deposit	Money that a tenant may have to give to a landlord to hold a rental unit.
4	Duplex/Triplex	A building with two units (duplex); a building with three units (triplex)
	House	A dwelling that usually includes some outside property and is separated from other units.
5	Landlord	A person who rents out housing (apartments, townhouses, rooms, etc.) to you. They are also responsible for collecting rent and keeping the housing in good repair and good condition. The landlord may use a property manager.
6	Landlord and Tenant Board	Like a court, the Board settles disagreements between landlords and tenants using the Residential Tenancies Act (2006).
8	Lease	This is a written contract that the tenant and a landlord both sign. A lease will outline things like how much, how often, and when rent must be paid. The tenant must be given a copy of the lease. The contract may be binding for a year or more.
9	Market rent	Rent that is not subsidized
11	Non-Profit Housing	This is housing provided by community agencies that are officially registered as a not for profit.
12	Ontario Works (OW)	A form of social assistance for those who are temporarily out of work.
13	Ontario Disability Support Program (ODSP)	A form of social assistance for those with medium term or permanent work-limiting disabilities.
15	Rent	Money that a tenant pays a landlord for the right to live in a rental unit. This money may be paid weekly or monthly, depending on the agreement a tenant has made with the landlord.
16	Rent Geared to Income (RGI)	Housing subsidized by the government or a community agency that provides rent based on your household income. It is called rent-geared-to-income housing, subsidized housing, low-income housing or social housing.
18	Rent Supplement	A rent supplement is a housing subsidy provided by the government (service managers) to bridge the gap between the full market rent for a rental unit and the amount of rent a household can pay based on its income. The rent-geared-to-income (RGI) portion of rent paid by the household is usually 30% of the household income (Ministry of Municipal Affairs and Housing, 2019).
20	Subsidized Housing	This is housing, which is subsidized by the government with rents based on your household income. It is called rent-geared-to-

21	Supportive Housing	income housing (RGI), low-income housing, subsidized housing or government housing. Housing where services are provided to tenants. This can include help with home maintenance and daily activities or health care.
22	Residential Tenancies Act (RTA)	The law that sets out rules for tenants and landlords in Ontario.
23	Tenant	A person who lives in a rental unit and is responsible for paying rent to the landlord.
24	Transitional Housing	Transitional housing refers to a supportive – yet temporary – type of accommodation that is meant to bridge the gap from homelessness to permanent housing by offering structure, supervision, support (for addictions and mental health, for instance), life skills, and in some cases, education and training.
26	Unit	A self-contained space (your kitchen, bathroom and living space) for which you pay rent.

Appendix A

Questions CCLC should try to answer before attempting to develop new affordable housing

- 1 What are the specific needs of CCLC in providing affordable housing? How and why would CCLC want to build? What is the term 'affordability' mean to CCLC?
- 2 What type or form of buildings or units would work for CCLC? What is your demographic? Who do you want to serve? What model of housing do you want to adopt when you plan to create affordable housing? Do you know what type and form of accommodation are available in the community? How many families are you planning to serve? What kind of housing are you looking to take care of or to build or develop?
- 3 How will CCLC adequately support their people? What type of support will CCLC for their clients? Do you have people who need individual assistance? How are you going to meet the support needs?
- 4 What is your plan to connect with experts including architects, lawyers, consultants, property managers, engineers, and contractors?
- 6 Are you willing to partner with other organizations for this project? With a partnership, what can you offer and what do you expect from other partners?
- 7 Do you have good connections and relationships with federal and provincial governments as well as the City? How will you communicate your plans to the public?
- 8 What type of community do you want to create with new affordable housing?
- 10 How will you address potential push-back from the community? How will you get the community to promote your plans?
- 11 Are you going to pursue government grants to complete your project? Will you require a mortgage?
- 12 Do you want to be an involved landlord who can provide supports to your tenants? What strategic plan do you have to become an effective landlord?
- 17 Will your site include community spaces?
- 18 Do the people you support like the concept of a community kitchen? Do they need specific amenities?
- 20 Are you willing to consider becoming a rostered partner of London Housing Development Corporation?
- 21 What eviction prevention strategy and philosophy do you have?

Appendix B – Common Barriers

Barriers to achieving federal government funding for creating a new build:

- Lengthy process and can get held up in bureaucracy even when shovelled ready. Funding through the government is for large, complex, time-intensive projects.
- The housing provider must meet many preliminary conditions such as zoning amendments, removal of an existing building, environmental studies, soil tests etc.
- Money is needed up-front for processes to satisfy pre-conditions.
- The City has regulatory barriers that need to be attended to throughout the development process.
- Lack of availability of land.
- Limited resources are available to meet the support needs of tenants.

Barriers to receiving a donation

- There is a balance between charitable donations, where a receipt can be provided, and investment funds, where investors need to be provided a return on their investment.

Barriers from neighbourhood

- Nimbyism related to affordable housing.
- Neighbours resisting the development through various phases of required public consultations.

Financial Barriers during and after creating

- Professional costs are a very high and unavoidable expense.
- It is vital to have good architects, engineers, lawyers, finance people, consultants, property manager, and even former CMHC members.
- Huge expenses with development charges, land transfer tax, property taxes, municipal taxes, administrative costs, contractor fees, architectural fees, and designer fees.
- Operational and maintenance costs go on indefinitely. These can create a pressure to raise rents in spite of original affordability goals.