

Sponsorship and Funding of Investment in Affordable Housing Construction

Funding and sponsorship of new construction, 2011–2016

THE RESEARCH

What types of Canadian organizations sponsor or support the development and construction of new affordable housing? CMHC commissioned Malatest Research to conduct an analysis of information about the sponsors and supporters of housing projects funded under the Investment in Affordable Housing (IAH) over a period of approximately five years (April 2011 to August 2016).

PROJECT OVERVIEW

The research examined only **new multi-unit housing construction** projects for which some documentation could be located. The consultants reviewed over 440 projects, or about 74% of the new multi-unit housing construction projects initiated in this period. This sample comprised 9,839 new affordable housing units, for a cost of nearly \$1.7 billion.

Beginning with the IAH application forms, researchers gathered sponsor and funding information from CMHC project profiles and other public sources. Detailed information on third-party funding could not be found for all. Thus, the number of supporting organizations and the amounts of third-party funding are likely underestimated.

FINDINGS

- The researchers identified over 360 unique project sponsors. The most common sponsors were non-profit organizations (41%), followed by private developers (35%) and municipalities (13%). The *project sponsor* was responsible for driving the project from start to finish and, often, for ensuring the ongoing management of the housing once completed. Other actors played a wide array of *supporting* roles: arranging financing or fundraising, approving site plans, ensuring day-to-day management of construction, and so on.
- Project sponsorship varied substantially across the country. In British Columbia, Alberta and Manitoba, non-profit organizations were the main sponsors, while in Saskatchewan, there was a mix of non-profits and private companies. Most projects in Atlantic Canada were sponsored by private actors, while in Quebec, municipalities and co-operatives played a larger role.

- In addition to federal and provincial/territorial funding, over a third (35%) of these new construction projects had municipal funding.
- As well as being sponsors, not-for-profit and charitable organizations contributed funds to 21% of projects.
- Looking at all the funds for this subset of projects, about one third (33%) were from provincial sources, 28% from federal programs, 10% from municipalities and 5% from not-for-profit and charitable organizations¹.
- The average cost of housing units in this sample of construction projects was about \$170,000, including \$91,000 from the IAH.

IAH program parameters

The Investment in Affordable Housing (IAH) program was introduced in April 2011 to:

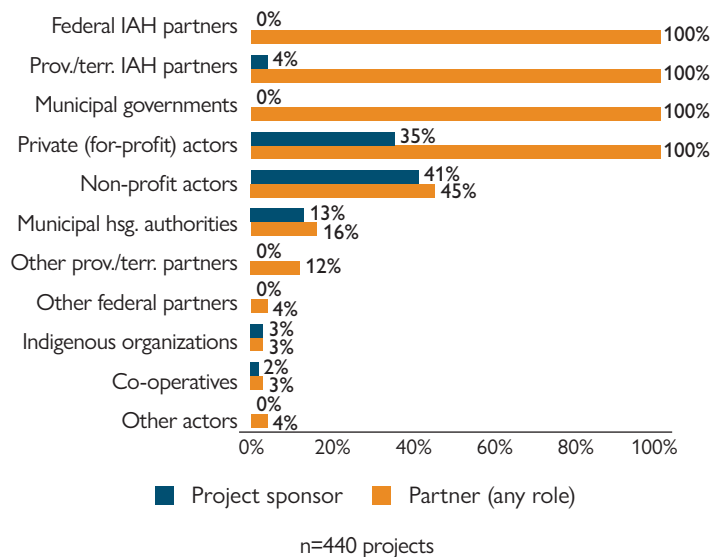
- increase the supply of affordable housing across Canada;
- improve and preserve existing affordable housing stock;
- improve housing affordability for vulnerable Canadians; and
- foster safe, independent living for aging Canadians, those with a disability and victims of family violence.

Federal IAH funding can be used in a variety of ways, including for new construction, renovation, homeownership assistance, rent supplements, shelter allowances or accessibility modifications. IAH funds are provided through Canada Mortgage and Housing Corporation (CMHC) and then matched by a combination of provincial/territorial (P/T) governments and other third parties such as municipalities, non-profit organizations or private developers. This matching of federal funds is a requirement for the program as a whole and does not necessarily occur for each project.

¹ About one quarter of contributions to IAH projects (\$382 million of the total \$1.7 billion) could not be assigned to a specific third-party source for lack of information.

All projects had support from the federal, provincial/territorial and municipal governments, though not all as sponsors. Almost half of projects had non-profit supporters, which were usually sponsors. Private, for-profit companies were involved in all projects and sponsored 35% of projects.

Figure 1: Proportions of projects with each type of sponsor/supporter, sample of IAH new construction projects, April 2011–August 2016



On average, construction projects had five different types of supporters

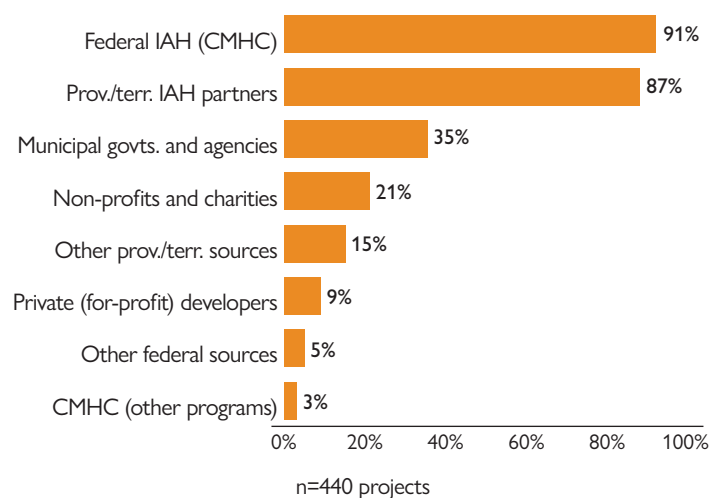
In addition to involving all three levels of government in each affordable housing project, the IAH attracted a wide range of not-for-profit organizations, charitable groups and private sector companies.

- All projects were found to have federal, provincial and municipal government participants; however, only 4% were sponsored by provincial/territorial partners (see figure 1).
 - Federal actors included CMHC, the Homelessness Partnering Secretariat of Employment and Social Development Canada (ESDC) and Status of Women Canada (ESDC).
 - Provincial/territorial participants included ministries of housing, health and social services, energy, and infrastructure.
 - Municipal-level actors included local housing and service agencies and health authorities.

- Non-profit actors were present in 45% of projects usually as project sponsors. They included housing agencies, project-specific incorporated organizations formed by communities, service agencies for at-risk people, charities and individual philanthropists.
- Private actors, including developers, property managers and consultants, were involved in some capacity in all projects and sponsored 35% of projects.
- Other actors included co-operative associations, Indigenous development corporations, post-secondary institutions, unions and trade associations.

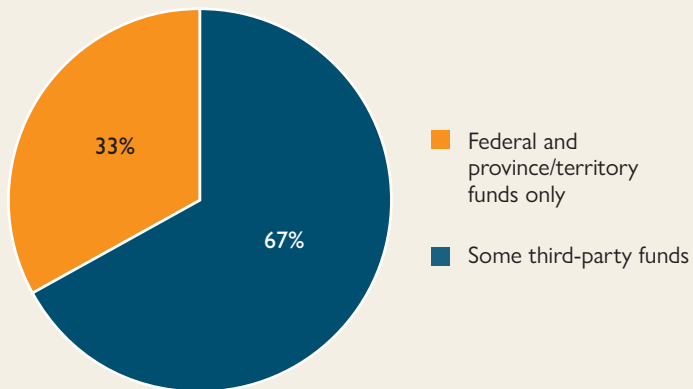
Nearly all projects got funding from CMHC and an IAH provincial/territorial ministry. Municipalities and their agencies were involved in 35% of projects, as were 21% of not-for-profit organizations and 9% of private, for-profit developers.

Figure 2: Proportions of IAH projects using each funding source, sample of IAH new construction projects, April 2011–August 2016



Third-Party Funding

Figure 3: Proportions of projects with third-party funding, sample of IAH new construction projects, April 2011–August 2016



Two thirds of projects included funding from third parties (including municipalities, complementary provincial sources, non-profits and private sources).

Third parties could financially support a project through:

- direct investment of cash;
- incentives and offset contributions;
- equity holding; or
- in-kind contributions.

The majority of projects included funding from third parties

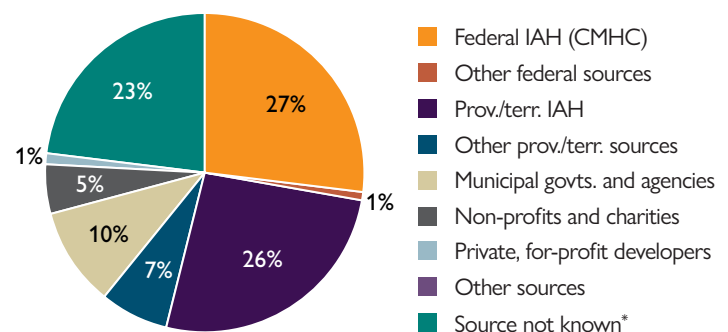
- Nearly all projects received funding from CMHC and an IAH provincial/territorial housing ministry. In addition, one third (35%) had financial support from a municipal agency, while one fifth (21%) received funds from not-for-profit or charitable organizations (see figure 2).
- One in seven projects (15%) drew on funds from complementary provincial ministries (such as health, social services or energy), and private, for-profit sources contributed funds to 9% of projects.
- Overall, two thirds of projects included funding from third parties such as municipalities, complementary provincial sources, non-profits and private sources (see figure 3).

Provincial ministries and agencies contributed the largest share of IAH project funding

- Looking at the proportion of project funds coming from each source, one third (33%) of the \$1.7 billion total came from provincial/territorial IAH partners or other provincial/territorial sources. Federal contributions from CMHC and other federal sources comprised 28% of the total project funding (see figure 4).
- Funds provided by municipalities and non-governmental actors were relatively limited but nevertheless represented substantial local input and a “grass roots” commitment on the part of communities to increasing the supply of affordable housing. About 10% of funds were from municipalities, and 5% were from not-for-profit or charitable organizations.

Provincial funds accounted for 33% of the \$1.7 million total; federal sources, for 28%; municipalities, for 10%; and not-for-profits, for 5%.

Figure 4: Sources of project funding, sample of IAH new construction projects, April 2011–August 2016



n=440 projects

* This includes funds that were identified in the database or via an online search but could not be assigned to a specific funding source.

The average cost of housing units in this sample of construction projects was about \$170,000, including \$91,000 from the IAH

- Housing was least expensive to construct in Atlantic Canada (<\$100,000 per unit) and most expensive in British Columbia, Manitoba, the Northwest Territories and Yukon (>\$240,000 per unit).
- Cost per unit was below the average in Quebec and Saskatchewan and above the average in Alberta, Ontario and Nunavut.

FURTHER READING

Full report – *Sponsorship and Funding of Affordable Housing Construction, 2011-2016* (https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/research_2/sponsorship_and_funding.pdf)

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ALTERNATIVE TEXT AND DATA FOR FIGURES

Figure 1: Proportions of projects with each type of sponsor/supporter, sample of IAH new construction projects, April 2011–August 2016

Project	Project sponsor	Partner (any role)
Other actors	0%	4%
Co-operatives	2%	3%
Indigenous organizations	3%	3%
Other federal partners	0%	4%
Other prov./terr. partners	0%	12%
Municipal hsg. authorities	13%	16%
Non-profit actors	41%	45%
Private (for-profit) actors	35%	100%
Municipal governments	0%	100%
Prov./terr. IAH partners	4%	100%
Federal IAH partners	0%	100%

n=440 projects

Figure 2: Proportions of IAH projects using each funding source, sample of IAH new construction projects, April 2011–August 2016

Project	Proportion
CMHC (other programs)	3%
Other federal sources	5%
Private (for-profit) developers	9%
Other prov./terr. sources	15%
Non-profits and charities	21%
Municipal govts. and agencies	35%
Prov./terr. IAH partners	87%
Federal IAH (CMHC)	91%

n=440 projects

Figure 3: Proportions of projects with third-party funding, sample of IAH new construction projects, April 2011–August 2016

Project	Proportion
Some third-party funds	67%
Fed. and prov./terr. funds only	33%

Figure 4: Sources of project funding, sample of IAH new construction projects, April 2011–August 2016

Project	Proportion	(\$M)
Federal IAH (CMHC)	27%	\$452
Other federal sources	1%	\$10
Prov./terr. IAH	26%	\$439
Other prov./terr. sources	7%	\$112
Municipal govts. and agencies	10%	\$162
Non-profits and charities	5%	\$85
Private, for-profit developers	1%	\$24
Other sources	0%	\$3
Source not known*	23%	\$382

n=440 projects

* This includes funds that were identified in the database or via an online search but could not be assigned to a specific funding source.