

# Evaluation of the Federal Lands Initiative





# Executive Summary

## Program Description

The Federal Lands Initiative (FLI) is a component of the National Housing Strategy (NHS) that transfers surplus federal lands and buildings at a discount or no-cost to eligible proponents for use as affordable, sustainable, accessible and/or socially-inclusive housing.

## Objective, Scope, and Methodology of the Evaluation

The evaluation was undertaken to determine whether expected results and outcomes of FLI are on track to being achieved. It covered the period from the start of the program in 2018 to December 31, 2020 and the findings were informed through administrative program data, program documentation, external literature, economic analysis, and 43 key informant interviews.

## Summary of Key Findings

- FLI remains relevant as there continues to be a need for programs that increase the supply and repair of affordable housing in Canada. By reducing the cost of land acquisition, FLI is facilitating the creation of affordable housing.
- FLI is on track to contribute to its expected results as it will increase the housing stock by more than 1,800 units in the short-term, including the repair and renewal more than 60 units and the creation of more than 800 affordable housing units, and support an estimated 6,700 units in total in the long-term.
  - It will promote social and economic inclusion through accessible units, projects in close proximity to amenities, mixed-rent projects, and projects with integrated supports and services. It will also create energy efficient housing.

- FLI is expected to contribute to NHS shared outcomes and corporate priorities.
  - Projects committed to date are expected to contribute to Canadian economic growth by enabling approximately \$567M to gross domestic product (GDP) and creating 5,300 jobs.
  - It will support projects that intend to dedicate and/or commit units for priority vulnerable groups, women and children, and Indigenous Peoples.
  - It has in place initiatives to enhance Indigenous participation in FLI and its contribution to improving the housing needs of Indigenous Groups.
- Custodians and applicants are generally aware of FLI, incentivized to use the program, and satisfied with the program.
- Most program requirements are not perceived as barriers to participation in FLI and applicants indicated that the ability to stack NHS funding was an asset.
- The timeliness of most of FLI processes are perceived as reasonable and comparable to other government and land acquisition programs.
- CMHC and delivery partners (Public Service and Procurement Canada [PSPC], Employment and Social Development Canada [ESDC], and Canada Lands Company [CLC]) report satisfaction with the clarity, appropriateness, and current delineation of roles and responsibilities.

There are some areas for improvement such as potential challenges in offering affordable units for income brackets that are currently unserved by the program and in maintaining the long-term affordability of affordable units. Some program procedures related to Indigenous consultations, program processes, program requirements and criteria may benefit from improvement. For example, the financial viability criteria was perceived as a barrier to participation. FLI could also expand the type of housing along the continuum it creates. In addition, the allocation of FLI budget in increments of \$20 million per year may slow down the acquisition of properties, cause delays and additional costs to custodians, and reduce program performance.

The evaluation proposes four recommendations:

### **Recommendation 1**

Review FLI processes to identify opportunities to streamline in order to minimize the risk that projects are not completed by successful applicants.

### **Recommendation 2**

Review FLI's affordability criteria and consider modifications to ensure a greater likelihood of long-term affordability.

### **Recommendation 3**

Review and consider adjustments to FLI funding authorities to ensure the timely disposal of federal properties.

### **Recommendation 4**

Review and consider adopting mechanisms that would enhance FLI's contribution to NHS outcomes and commitments, and corporate priorities, such as further enhancing the support of projects that serve women and children, priority vulnerable groups, and Indigenous peoples.

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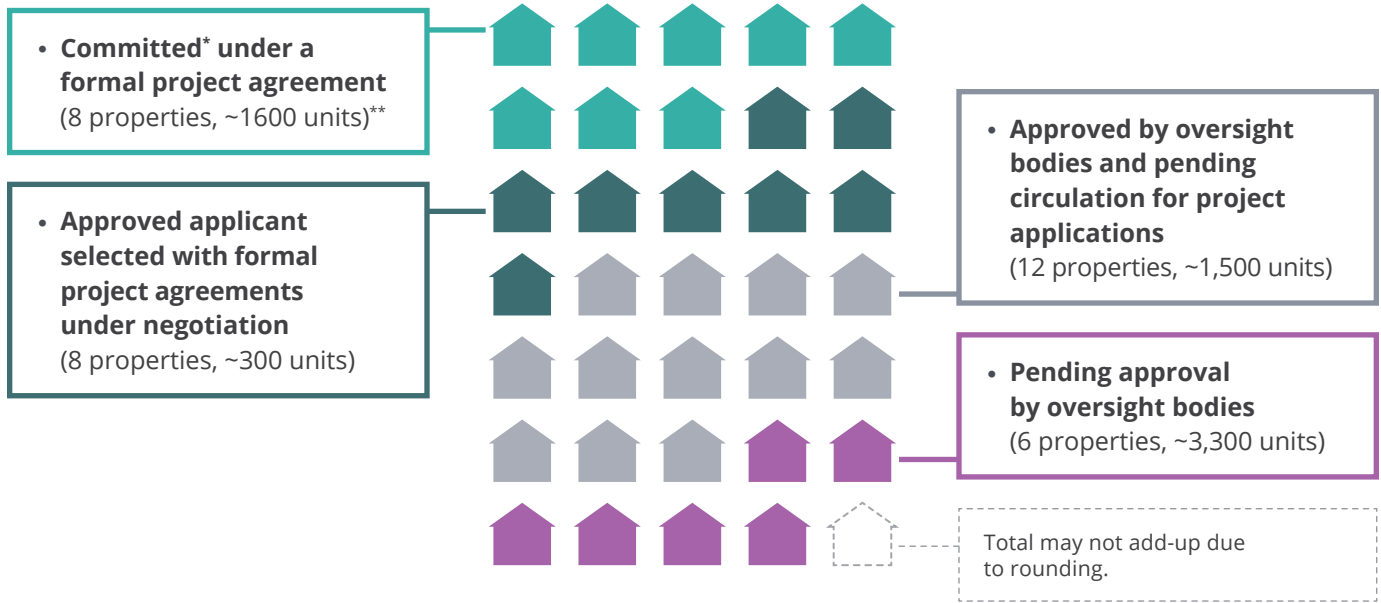
## Program Profile and Context

### Program Description

- The Federal Lands Initiative (FLI) is a component of the NHS that transfers surplus federal lands and buildings at a discount or no-cost to eligible proponents for use as affordable, sustainable, accessible and/or socially-inclusive housing.
- FLI replaced the Employment and Social Development Canada led Surplus Federal Real Property for Homelessness Initiative (SFRPHI), which ended March 31, 2019.
- FLI has an overall budget of \$200 million over 10 years (\$20 million per year) from April 1, 2018, to March 31, 2028.
- FLI is CMHC-led with support from PSPC, ESDC, and CLC.
- CMHC and these partners sit on two oversight bodies: the Federal Lands Committee (FLC) and the All-Partner Working Group (APWG).

**Figure 1: Number of Surplus Federal Properties by Category and their Associated Unit Count**

As of December 31st 2020, 34 surplus federal properties were deemed suitable for use as affordable housing and will enable FLI to support an **estimated 6,700 units**.



\* Committed refers to funding earmarked to support the building or repair of units of whose formal project agreement is still subject to final approvals and conditions, as well as funding for which a formal loan agreement is duly executed and a binding agreement is reached to provide credit under pre-specified terms and conditions.

\*\* Units includes either units or beds depending on the projects.

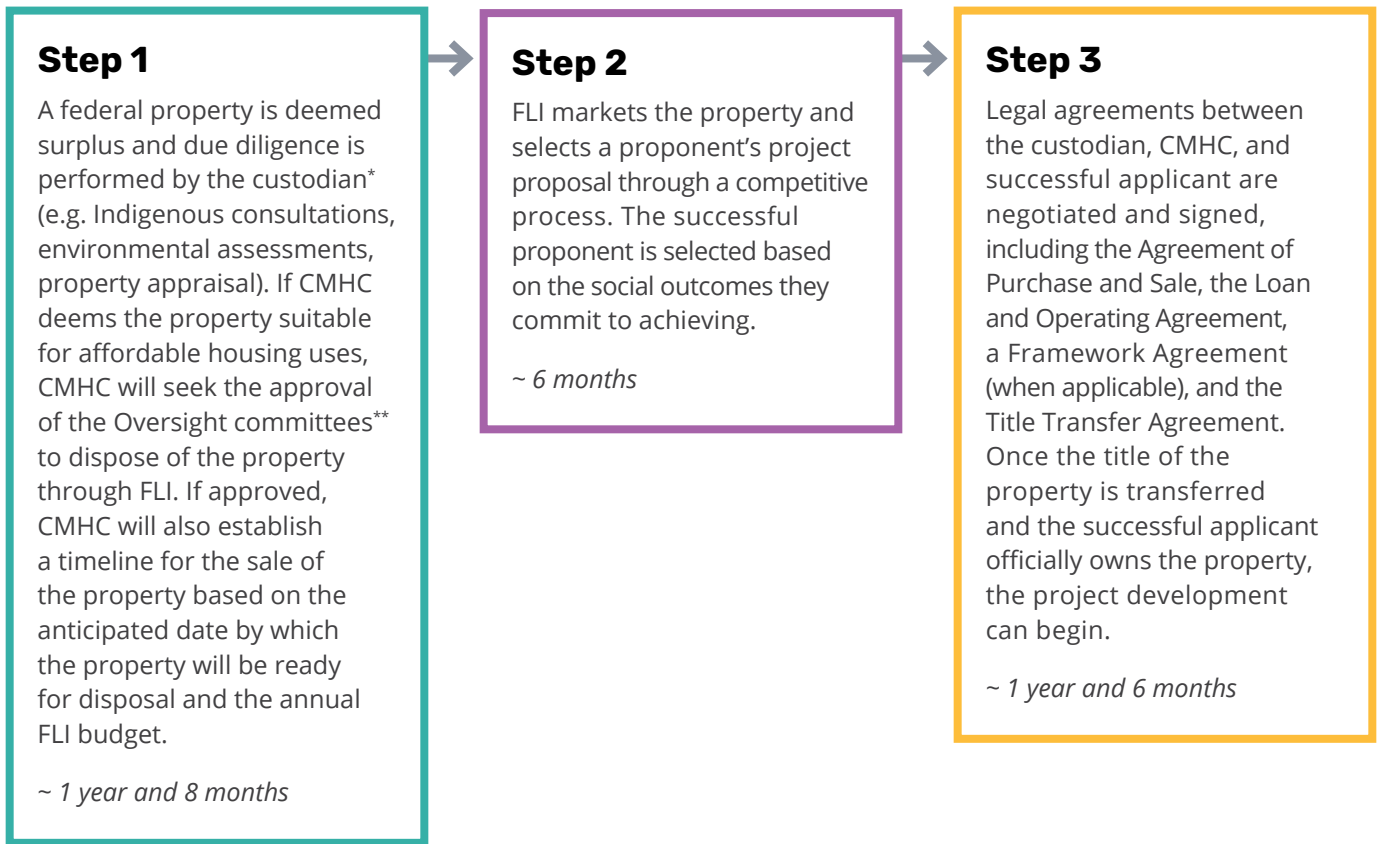
### Program Objective

FLI targets the following expected results that are intended to contribute to NHS shared outcomes.

**Table 1: FLI expected results and their associated NHS Shared Outcome**

FLI Expected Result	Associated NHS Shared Outcome
The affordable housing stock is expanded	Housing is affordable and in good condition
New community and affordable housing promotes social and economic inclusion	Affordable housing promotes social and economic inclusions for individuals and families
Energy efficient new community and affordable housing	Affordable housing contributes to environmental sustainability

**Figure 2: Overview of FLI Process**



\* Custodian: Federal government departments and agent and non-agent crown corporations with surplus lands made available to FLI.  
\*\* Oversight committees: FLC and APWG which includes CMHC and program partners (PSPC, ESDC, CLC).

**Table 2: Program Funding Disbursed, Committed, and Allocated (as of December 31, 2021)**

FLI has an overall funding of \$200 million over 10 years (\$20 million per year) from April 1, 2018, to March 31, 2028\*

Program Funding by Status	Amount of Funding
Funding disbursed to projects with a signed legal agreement and to whom title to the property has been transferred	~ \$M 7.1
Funding committed to projects with a signed legal agreement	~ \$M 12.3
Funding allocated to approved projects with legal agreements under negotiation	~ \$M 9.4
<b>Total**</b>	<b>~ \$M 28.9</b>

\* FLI has not needed to use its authority to spend \$3.3 million in annual program funding on remediation, renovation, and retrofits to make properties viable for disposal through FLI for affordable housing uses.  
\*\* Total may not add-up due to rounding.

# Evaluation Context and Background

## Objective of the Evaluation

The evaluation was undertaken to determine whether expected results and outcomes of FLI are on track to being achieved. Evaluations provide insights to support CMHC’s ability to provide evidence-based policy advice to the government on future directions of programs.

## Overview of the Evaluation

- The evaluation was conducted in accordance with the Program Evaluation Standards adopted by the Canadian Evaluation Society and the Treasury Board Secretariat’s (TBS) 2016 *Policy on Results*.
- The evaluation team was composed of CMHC’s Evaluation Services and R.A. Malatest & Associates Ltd.

## Evaluation Scope

- The evaluation covered the period from the start of the program in 2018 to December 31, 2020.
- The program was approved in May 2018 and launched in July 2018.
- This is the first discrete evaluation of FLI.

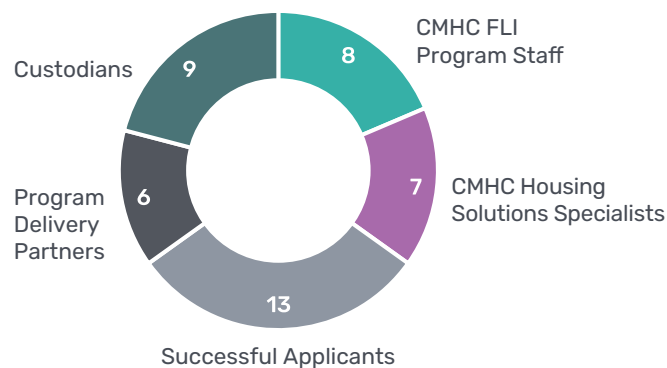
## Evaluation Methodology

The evaluation findings were informed by:

- Administrative program data and program documentation,
- External literature,
- Economic Analysis, and
- 43 Key informant interviews as indicated in the chart below.

See [Annex B](#) for the scale used to summarize qualitative data.

**Figure 3: Number of Key Informants Interviewed by type**



**Table 3: Evaluation Questions**

<b>Relevance</b>		Is there a continued need for a program that increases the supply of affordable housing?
		Is there a continued need to repurpose surplus federal government land and buildings?
		Is there a continued need for a program that reduces the cost of land acquisition to encourage the creation of affordable housing?
<b>Performance</b>	<b>Effectiveness</b>	To what extent is FLI contributing to the achievement of its expected results?
		To what extent is FLI contributing to the achievement of the NHS’s expected results?
	<b>Efficiency</b>	How aware, informed, and incentivized are program proponents to use FLI?
		Is the design and delivery of FLI enabling it to achieve its expected results?





## Is there a continued need for a program that increases the supply of affordable housing?

### Finding 1

There is a continued need for programs that increase the supply and repair of affordable housing in Canada.

*The high prevalence of housing need throughout Canada provides some evidence that there is a continued need for programs that increase the supply of affordable housing in Canada.*

### What is core housing need?

A household in “Core housing need” is defined as a household whose dwelling does not meet at least one of the standards of suitability, adequacy, or affordability and where an acceptable alternative dwelling would cost more than 30% of the household’s pre-tax income (CMHC, n.d.-a; Statistics Canada, 2017a; Waterston et al., 2015).

**Table 4: Definition of Housing Standards**

Housing Standard	Definition
Unaffordability	Housing whose shelter cost makes up 30% or more of the gross household income (CMHC, n.d.-a; Statistics Canada, 2017a; Waterston et al., 2015).
Inadequacy	Housing that is in a condition that requires major repairs (CMHC, n.d.-a; Statistics Canada, 2017a; Waterston et al., 2015).
Unsuitability	Housing that fails to meet the National Occupancy Standard requirements for the number of bedrooms required to suit the size and number of residents in the household (i.e. crowding) (CMHC, n.d.-a; Statistics Canada, 2017a; Waterston et al., 2015).

**Figure 4: FLI on the Housing Continuum**



### Core Housing Need in Canada

In 2018, 1.6 million Canadian households were in core housing need (Statistics Canada, 2020) usually because of only one of the housing standards (Claveau, 2020). Specifically,

- 74% of households in core housing need did not meet the affordability standard;
- 6.6% did not meet the adequacy standard; and,
- 3.8% lived in unsuitable housing (Claveau, 2020).

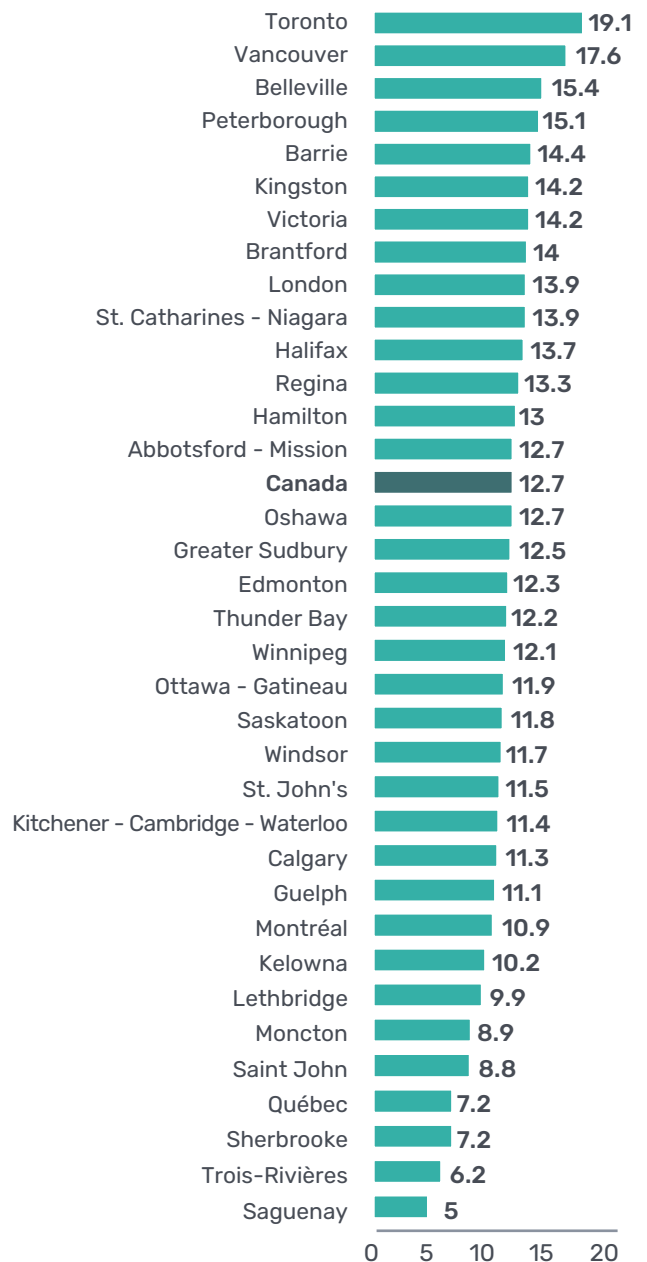
### Who is in Core Housing Need in Canada?

*Core housing need is concentrated in certain regions.*

- 12.7% is the average rate of core housing need in Canada as per 2016 Census data (Statistics Canada, 2017b).
- Among the territories, the highest need was in Nunavut (36.5%) followed by the Northwest Territories (15.5%).
- Among the provinces, core housing need was highest in Ontario (15.3%) followed by British Columbia (14.9%).

As shown in figure 5, among Census Metropolitan Areas (CMAs), Toronto (19.1%) and Vancouver (17.6%) had the highest proportion of households in core housing need (Statistics Canada, 2017b).

**Figure 5: Core housing need rate for Canada and census metropolitan areas, 2016**



*Some groups are at a significantly higher risk for living in core housing need than the general Canadian population. Below are the percentages of particular groups living in core housing need.*

- 28.0% of Persons with disabilities (Claveau, 2020),
- 22.0% of Lone-parent families,
- 22.0% of Households composed of 1 individual,
- 19.5% of Individuals who self-identify as Aboriginal (Statistics Canada, 2021c),
- 17.8% of Visible minorities,
- 16.6% of LGBTQ2+ (Claveau, 2020),
- 15.7% of Immigrants,
- 11.4% of Women, and
- 10.7% of Seniors (Statistics Canada, 2021c).

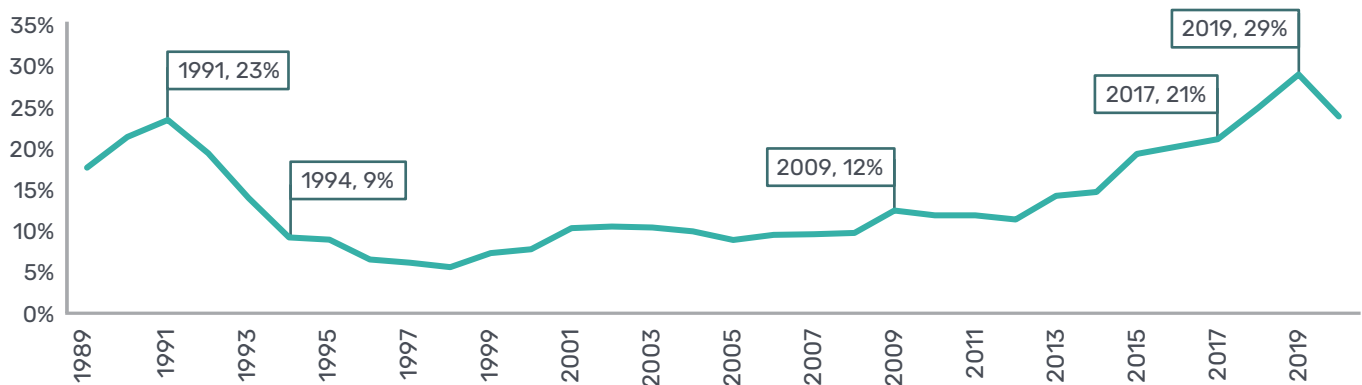
## Finding 2

There is a continued need to construct new units and repair existing units in the affordable and community housing rental stocks.

### *There is a lack of rental housing.*

Accessing affordable rental housing continues to be a challenge for Canadians as demand significantly outpaces supply. Despite approximately one third of Canadian households being renters, less than 10% of new homes in the last 20 years were purpose-built rental homes (Pomeroy & MacLennan, 2019) as indicated in figure 6 - *Rentals as a percentage of all housing starts* (Statistics Canada, 2021a). Construction of rental homes has increased since 2014; however, rental construction still makes up less than one-third of all construction (Pomeroy & MacLennan, 2019).

**Figure 6: Rentals as a Percentage of All Housing Starts**



### *The rental housing market is unaffordable.*

Rental housing is also becoming increasingly unaffordable. For example, the 2020 CMHC Rental Market Report noted that in many CMAs, compared with existing rental units, newly-completed rental units have higher rents, which potentially makes it more difficult for those in greatest need to access adequate units (CMHC, 2021a). In addition, according to the CMHC 2020 Rental Market Report, rent continued to increase in 2020 with two-bedroom apartments increasing by 3.6%.

The increased cost of rent was most prevalent in Halifax, Montreal, Calgary and the Greater Toronto Area with only Vancouver displaying a slowdown (CMHC, 2020a). Further, of the 4,441,020 renters in Canada, 40% of these households spend over 30% of their income on housing, with 18% spending over 50%. This showcases the lack of affordability in the existing Canadian rental marketplace. Furthermore, 58.3% of landlords reported a higher rental arrears rate in 2020, compared with in 2019 (CMHC, 2021b).

Finding a rental unit can also be challenging when there are few options to choose from. The lower the rental housing vacancy rate (i.e. the percentage of all available units in the rental property market that are unoccupied at a certain time) the fewer options there are available to potential renters and the harder it is for Canadians to switch to more suitable accommodation. The overall Canadian vacancy rate declined for the third year in a row to 2.2% in 2019 (CMHC, 2020a). Although there was an increase to Canada's vacancy rates in many CMAs in 2020, this was overshadowed by the continued increase in rental prices (CMHC, 2021a). For instance, the overall CMAs vacancy rate was 2.0% in 2019 versus 3.2% in 2020 but the rental rate was \$1,113 in 2019 versus \$1,165 in 2020 (CMHC, 2021a).

### *Existing affordable rental housing is in need of repair.*

While 7.1% of Canadian households in core housing need report that their dwelling required major repairs in 2018, this figure was 8.5% for renter households and

10.2% among renter households in subsidized housing (Calveau, 2020). In addition, the number of homes in need of repairs are significantly higher for units built in 1980 or earlier (Ontario Ministry of Municipal Affairs and Housing, 2020).

## **Finding 3**

**There is a continued need to support the building and repair of shelter and transitional housing in Canada.**

### *The number of shelter and transitional housing facilities is not keeping up with demand.*

Between 2016 and 2019, there has been little growth in the number of new emergency shelters, shelters for survivors fleeing domestic violence, and transitional housing facilities (ESDC, 2019). In addition, the overall number of shelter beds in Canada between 2005 (15,774 beds) and 2016 (15,413 beds) has reduced slightly while the demand has increased. This has resulted in individuals being turned away from shelters. For instance, a lack of capacity was the most common reason that women were turned away from facilities in Canada and it accounted for 56% of all turn-aways in 2014 (Beattie & Hutchins, 2014).

Additionally, it has been estimated that at least 235,000 individuals experienced homelessness in 2016 (Geatz et al., 2016). As indicated in figure 7, the occupancy rate of emergency shelter beds in 2016 was 91%. This is up from 82.7% in 2005, demonstrating the increased need for emergency shelters over the years. From 2005 to 2016, emergency shelter occupancy rates have grown as a result of longer stays, which have doubled since 2005. Further this has resulted in emergency shelters serving 1,000 more people a night in 2016 than in 2005. New facilities are particularly needed in the Western provinces and the territories, which have experienced the highest rates of homelessness (Geatz et al., 2016).

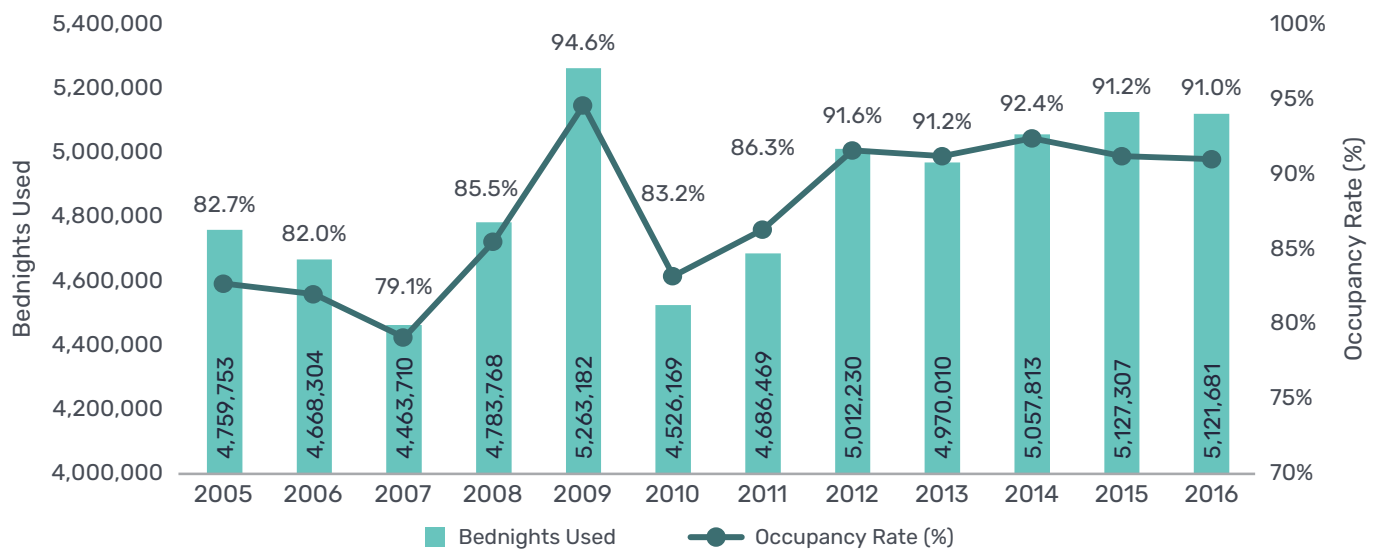
*Many shelters and transitional housing for survivors fleeing domestic violence are in need of repairs.*

In addition to a lack of capacity, facilities are aging. The median age of shelters and transitional housing for survivors fleeing domestic violence in Canada is 39 (Maki, 2019) and 69% need repairs or renovations. In addition, 48% of those shelters are unable to afford the repairs or renovations required (Maki, 2019).

Data collected as part of the Women’s Shelters Canada Survey illustrates the need to support the repair, renewal, retrofit, and renovation efforts of

shelter and transitional housing for survivors fleeing domestic violence throughout Canada (Maki, 2019). For example, 38% of those facilities reported that their inaccessible features were a major challenge for those accessing services. The survey also noted that 80% of respondents indicated their facilities were in need of some form of repairs or renovations with 55% reported needing “major repairs.” Furthermore, 46% of these facilities that needed major repairs could not afford to perform the necessary repairs and renewals (Maki, 2019).

**Figure 7: Emergency Shelter Occupancy Rate and Bednight Use in Canada from 2005 to 2016**



# Is there a continued need to repurpose surplus federal government land and buildings?

## **Finding 4**

There is a continued need to repurpose surplus federal government land and buildings.

*Partners and custodians reported a continued need to repurpose surplus federal government land and buildings.*

All interviewed partners and custodians anticipated that federal custodians would have a continued need to dispose of surplus federal land in order to ensure the proper management of government assets. Partners noted that, historically, federal custodians would rather dispose of properties than renovate; as the disposal of real property is a method for the government to create liquidity.

*With COVID-19 it is anticipated that there will be an increase in the amount of surplus federal office space in need of disposal.*

- With COVID-19, partners and custodians anticipated that the pace at which surplus federal lands and buildings are disposed of will escalate in the next few years.
- If the work from home trend continues, significant property could become available to be disposed of.
- A few custodians noted government priorities and revenues may also contribute to an increased need to disposal of other types of properties.

*Office spaces are not always suitable for conversion into housing.*

Barriers to the conversion of office spaces into housing include the:

- Inability to control construction costs
- Lack of parking
- Unusable mechanical systems
- Difficulty achieving the National Energy Code of Canada; and,
- Depth and size of floor plates.

In addition, the sustainability of conversion relative to demolishing and rebuilding depends on the lifespan of the building. In situations where the lifespan of new constructions is expected to be shorter, conversion will be more sustainable (Remoy & Voordt 2014).

*The federal government manages a significant amount of property, which may eventually be disposed of.*

A publicly available Directory of Federal Real Property lists properties managed by 72 custodian organizations including: 19,865 owned and leased properties, 40,605,390 hectares of land area, 37,084 buildings, and 27,521,633 square meters of floor space (TBS, 2020). The top organizations by number of properties (TBS, 2020): Fisheries and Oceans Canada (28%), Canada Post (15%), Public Services and Procurement Canada (11%), Global Affairs Canada (10%), Royal Canadian Mounted Police (9%), Others (9%), National Capital Commission (8%), Parks Canada Agency (4%), National Defence (3%), and Transport Canada (3%).



*For most custodians, the disposal of surplus federal property is guided by the TBS's guide to the management of real property.*

The disposal process states that departments should take a proactive approach to the disposal of surplus land whereby each department outlines their own processes to identify surplus real property now and into the future (TBS, 2011a). The department remains in control of all relevant costs involving the property until the sale or transfer is complete. The FLI process is integrated into this process such that FLI can determine

its interest in surplus lands as equivalent to other federal departments. The stages of the disposal process follows this general path:

1. Identification of the type of disposal,
2. Identification of interests in the surplus properties,
3. All relevant due diligence and alignment with government objectives,
4. Completion of valuation and preparations for sale or transfer,
5. Final disposal of property (TBS, 2011).

## Is there a continued need for a program that reduces the cost of land acquisition to encourage the creation of affordable housing?

### **Finding 5**

There is a continued need for a program that reduces the cost of land acquisition to facilitate the creation of affordable housing.

*A reduction in land cost facilitates the development of affordable housing, especially in high value areas.*

Both applicants and CMHC staff noted how FLI supports the development of affordable housing by making land suitable for housing more accessible, especially for non-profit organizations. They noted that FLI enabled these organizations to access land in high value areas that they would typically not have the resources to purchase due to limited resources or an inability to compete with private sector developers. As such, the discount on land afforded them the opportunity to develop affordable housing. However, most applicants noted that their organizations would provide affordable housing regardless of the discount on land due to their organizational mandate. A few applicants noted that they would be able to offer deeper affordability as a result of the discount provided. The evidence suggests that a reduction in land costs facilitates the development of affordable housing, especially in high value areas.

*Land cost reductions either lower costs to tenants or provide improved quality for a lower price.*

Both the literature review and interviewed applicants reported that land cost reductions either lower costs to tenants or provide improved quality for a lower price. Land is typically the largest expense in real-estate. As such, securing land in appropriate locations may be an effective way to reduce costs, particularly in urban areas (Agha & Czechowski, 2018). Government incentives which reduce development costs, such as below market land costs, significantly lower rents (Black, 2012). Other means of lowering the cost of rent, such as leasing land, has long been practiced for supporting affordable housing in the US, Finland, France, Sweden and the Netherlands (Lawson & Ruonanvaara, n.d). For example, in Sweden, there have been examples of land supply processes wherein they purchase land at pre-emption prices, which had significantly reduced the land cost component of housing development and curtailed speculation on land intended for residential development. While land costs were indeed lowered by the policy, these reduced costs were not necessarily passed on to tenants equitably (Lawson & Ruonanvaara, n.d). Tenants or new homeowners saved money either directly through lower payments or indirectly through better/higher quality for the same price (Duncan, 1989). In the non-profit social housing sector or the rental sector, tenant benefits were realized in better, cheaper and more accessible housing units. The owner-occupied housing sector received gains which would be realized upon sale as capital gains or trading up, as well as the benefits of cheaper unit housing during occupancy (Duncan, 1989).



The literature is in alignment with the realities reported by key informants. Over half of the applicants interviewed noted that reductions in land costs resulted in lower costs for residents, as housing developers require less upfront capital causing savings to be passed on to residents. Conversely, nearly half of the applicants felt that cost savings on the purchase of land does not lead to savings to residents. These applicants noted that in situations where private developers received cost reductions they would not provide lower rent or purchase prices unless they were committed

or were required to. Moreover, non-profit developers or municipalities would provide affordable housing regardless of receiving cost reductions. As a result, instead of savings to residents, these developers would provide a higher quality product by using higher quality materials, adding additional amenities, or investing more in energy efficiency or accessibility.

Affordable housing providers have difficulty acquiring land due to a variety of factors as elaborated upon in the following table.

**Table 5: Factors that influence the ability of affordable housing providers to acquire land or property**

Factor		Context
Land Cost	The <b>price of land</b> significantly impacts property development, <b>particularly in urban areas</b> (Agha & Czechowski, 2018; CMHC, 2018b; RBC, 2013).	<ul style="list-style-type: none"> <li>Land prices are affected by regulations, the availability of urban amenities, and speculative land hoarding (CMHC, 2018b; Cox, 2017).</li> <li>Land in highly sought-after locations in most major cities is becoming scarcer (RBC, 2013).</li> <li>As land becomes more expensive, developers prefer to build more expensive or denser housing developments rather than affordable housing (CMHC, 2018b; Tansey, 2017).</li> </ul>
	<b>Competition for land</b> can price out affordable housing developers (Tsenkova & Witwer, 2011).	Most affordable housing developers are unable to compete with for-profit developers for land at market rates as they do not obtain the same returns as for-profit developers (CMHC, 2020b; Tsenkova & Witwer, 2011).
Demand-Side Factors	<b>Higher disposable incomes, positive population growth, and mortgage</b> rates increase the demand for land and property and increase their price making them less affordable (CMHC, 2018b).	If the supply of land or property is lower than the demand, this increases the price of land, which can have a negative influence on the ability of housing providers to develop affordable housing.

Factor		Context
Supply-Side Factors	<p><b>Physical land availability/supply and land-use regulations</b> can constrain the supply of land or property available for housing (Cox, 2017; Green &amp; al., 2016; Metro Vancouver, 2019; Taylor, 2020; RBC, 2013).</p>	<ul style="list-style-type: none"> <li>Land use policies have become more restrictive in order to contain urban sprawl, increase the predictability of the development process, provide more cost-effective public services, encourage infill and redevelopment of existing urban areas, and protect agricultural land and environmental resources (Cox, 2017).</li> <li>Zoning can limit the availability of high or mid-density development (CMHC, 2020). Increasing density can offset the cost of developing affordable housing. However, zoning approval processes have been noted to be too complex, too time-consuming, and too expensive (Johnson, 2017).</li> </ul>
	<p>The <b>total creation cost</b> (land plus construction plus profit) and other costs such as <b>development charges</b> and <b>taxes</b> to develop housing must allow developers to break-even or allow developers to make reasonable profits.</p>	<ul style="list-style-type: none"> <li>Construction costs increased by an average of 11% annually from 1999 to 2007 (RBC, 2013).</li> <li>Research shows that in Canada, a 10% increase in development charges on new single-detached dwellings would result in a price increase by 0.45%, on average (Dachis, 2020).</li> <li>Research that assessed the general economics of developing purpose-built rental apartments in major markets noted that 10 year cash-on-cash returns were typically negative – even if land costs were assumed to be zero. Economic rents necessary for a reasonable 10-year cash-on-cash return were typically above achievable market rents (AGDS &amp; CMHC, 2016).</li> </ul>
	<p><b>Rent regulations</b> create supply constraints by making new projects more risky (Metro Vancouver, 2019).</p>	<p>Developers and investors are concerned about the risk that rent regulations will prevent rents from keeping pace with market growth or operation and maintenance costs (Metro Vancouver, 2019).</p>

## Finding 6

Disposing of surplus government land for housing uses is a widely used practice by many provinces and municipalities. FLI compliments these approaches at the federal level.

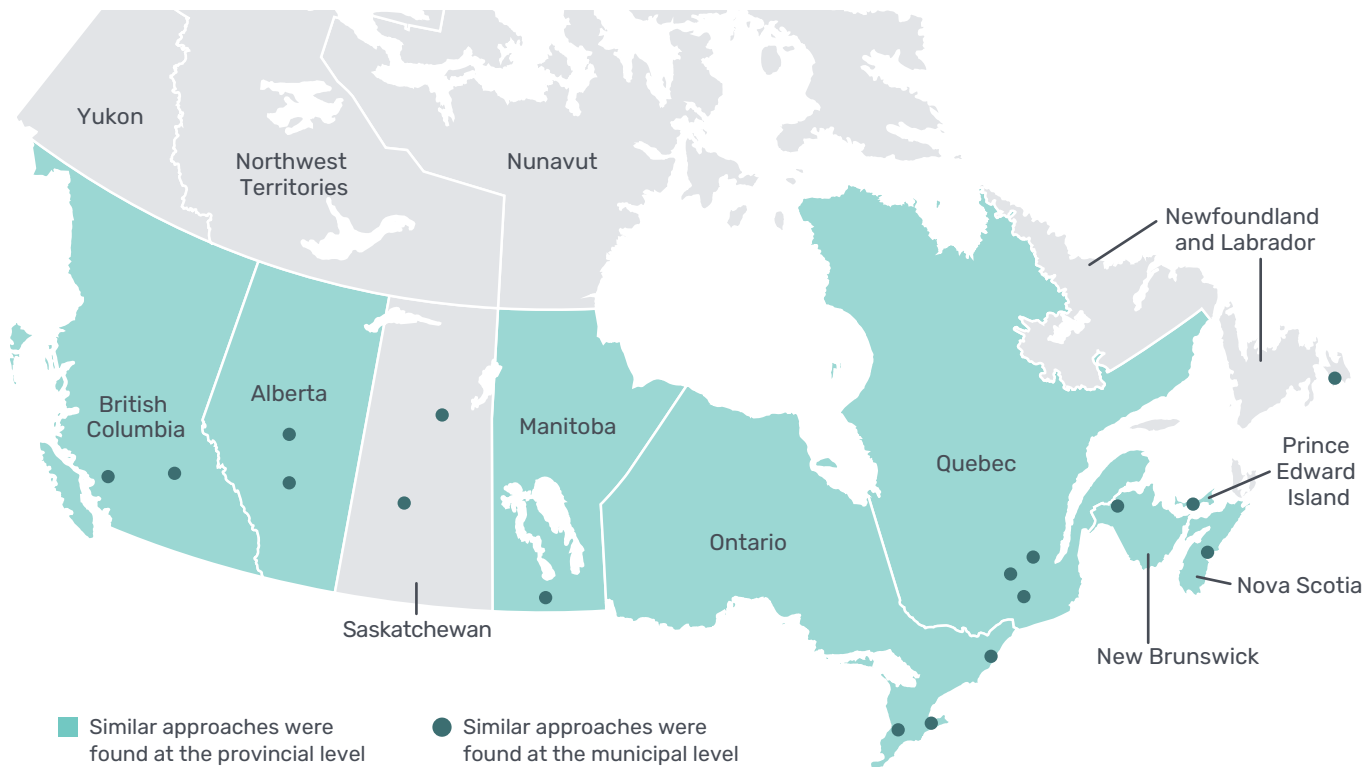
### A Widely Used Practice

The evaluation identified examples of other Canadian jurisdictions that have approaches to activate surplus government land for housing development. These jurisdictions are indicated in the map in figure 8.

These approaches are either delivered directly by the jurisdiction in question or via intermediaries (e.g. non-profits). Generally, they appear to be not as systematic, specialized, or continuous like FLI. Since other jurisdictions cannot dispose of surplus federal property, FLI is complimentary rather than duplicative. A few key informants noted that FLI was more flexible compared to other land acquisition programs and had less community objection.

For more details on the approaches to activating surplus land for housing development in different jurisdictions, please see [Annex C](#).

**Figure 8: Canadian Jurisdictions with Similar Approaches**



# To what extent is FLI contributing to the achievement of its expected results?

## Finding 7

FLI is on track to contribute to increasing the affordable housing stock.

*FLI is projected to exceed its 2020-2021 new units target.*

## Key Performance Indicator

Number of new housing units committed to being built.

**Table 6:** Number of FLI Units by Type vis-à-vis its Target as Applicable

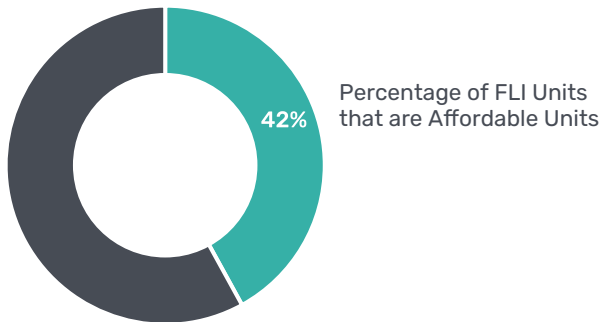
Unit type	Target	FLI Projects with Successful Applicants* as of December 31, 2020	Status
New Units	By March 31 <sup>st</sup> , 2021, have at least 1,200 new housing units committed to being built (CMHC, 2020c).	More than 1,800 units, of which approximately 760 are affordable units**	On Track
Repaired and Renewed Units	FLI had no set target for this unit type.***	More than 60 units, of which approximately 30 are affordable units and of which 3 units were vacant prior to FLI	Non Applicable

\* Includes FLI projects which are committed and those who were the successful applicant of a competition was selected but no formal project agreement is in place.

\*\* A unit is considered affordable under FLI when it is committed to be rented out at less than 80% of Median Market Rent (MMR).

\*\*\* While repair and renewed units do not expand the housing stock, they prevent a contraction of the housing stock through the retention of units in the market. As such, repair and renewal projects are considered to contribute to the preservation of the existing housing stock.

**Figure 9: Percentage of FLI Units that are Affordable Units**

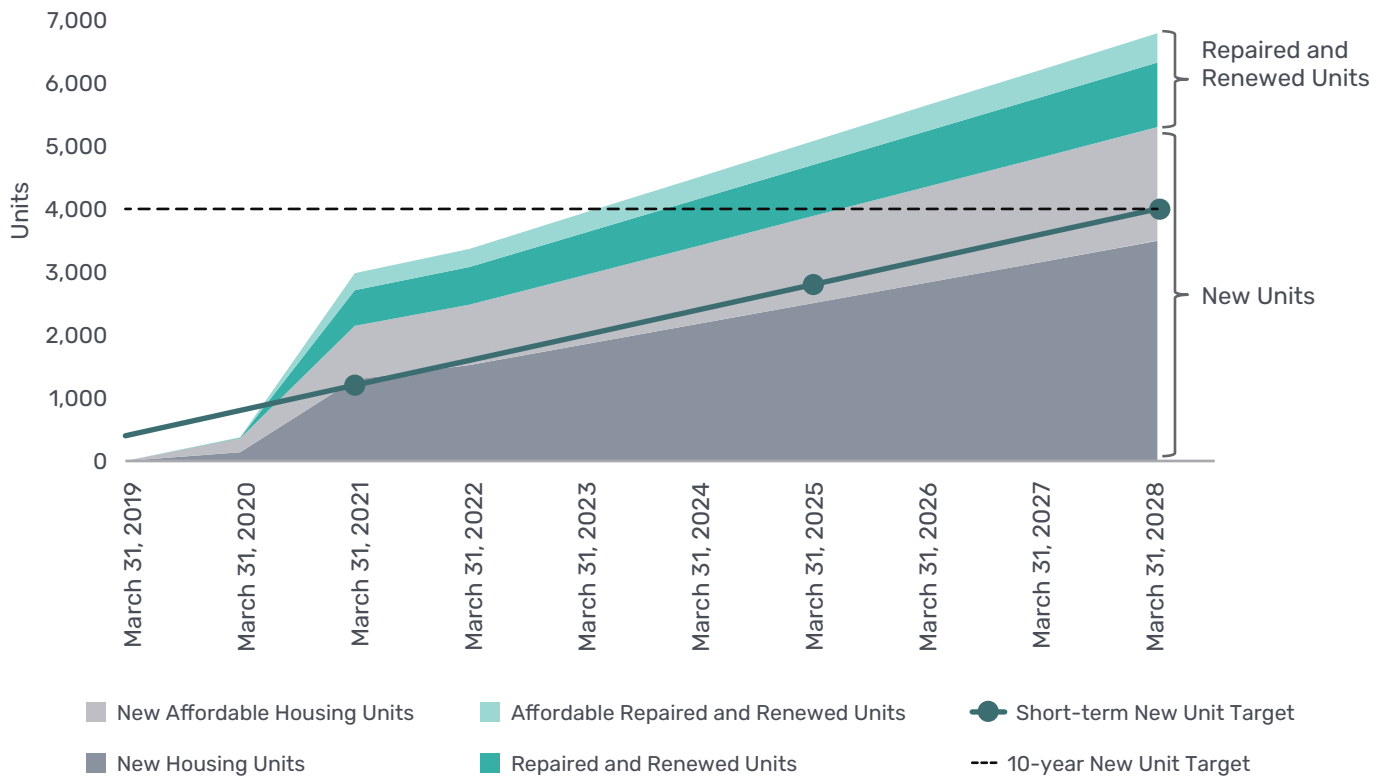


FLI requires that at least 30% of units in a project are affordable units. When taken as a whole, 42% of all units supported by FLI are affordable units, specifically 42% of new units and 56% of repair and renewed units. Thus, more affordable housing has been created than required.

*FLI is projected to exceed its unit target of 4,000 new housing units within its 10-year timeline by 32% and support to the repair and renewal of over 1,400 units.*

The figure below indicates the anticipated number of units by type committed to being built based on the 34 surplus federal properties that were deemed suitable for use as affordable housing as of December 31, 2020. If the anticipated unit counts of FLI properties is achieved and FLI proceeds with the sale of these properties, which will support an estimated 5,290 new housing units, then FLI will exceed its target by 32% and support the repair and renewal of over 1,400 units. There is an estimated average of 200 units per property, ~ 270 per new construction property and ~ 90 per repair and renewal property. The estimated average per unit cost to FLI is approximately \$29,000, approximately \$22,000 for new construction properties and \$53,000 for repair and renewal property.

**Figure 10: Anticipated Number of Units Committed to Being Built**

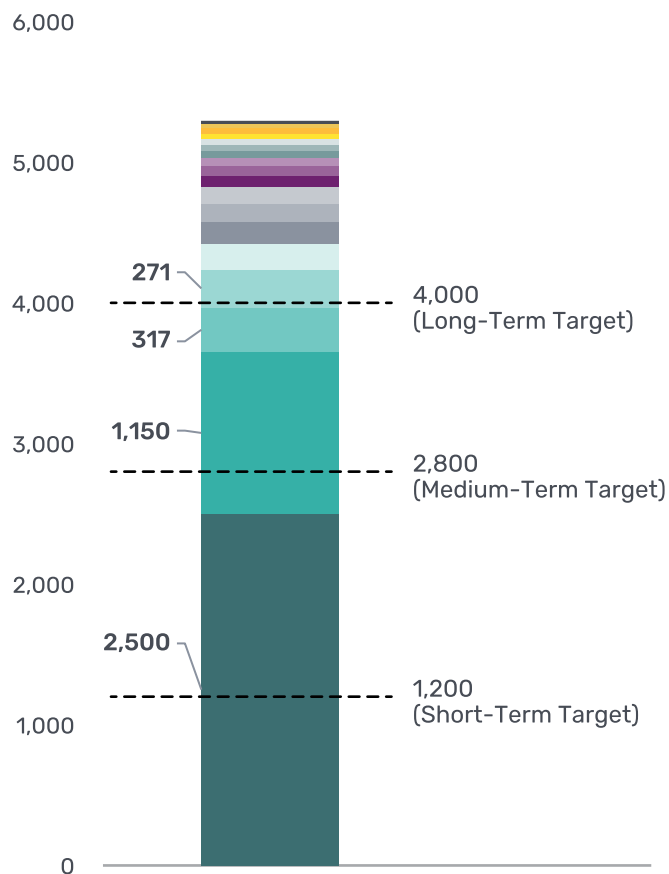




*To reach its projected number of units, FLI is somewhat dependent on the successful achievement of a small number of projects with higher unit counts.*

- Each coloured section in the bar chart below represents a property that would lead to a new construction project and its associated confirmed or estimated unit count. Four properties, with anticipated or estimated unit counts of 2,500 units, 1,150 units, 317 units, and 271 units, will be key to FLI’s ability to exceed its unit target of 4000 units.
- The estimated average per unit cost to FLI of approximately \$22,000 for new construction properties is 55% less than the estimated average funding per new unit of \$50,000 which was estimated at the conception of the program.

**Figure 11: Anticipated or Estimated Number of New Housing Units per FLI Property**



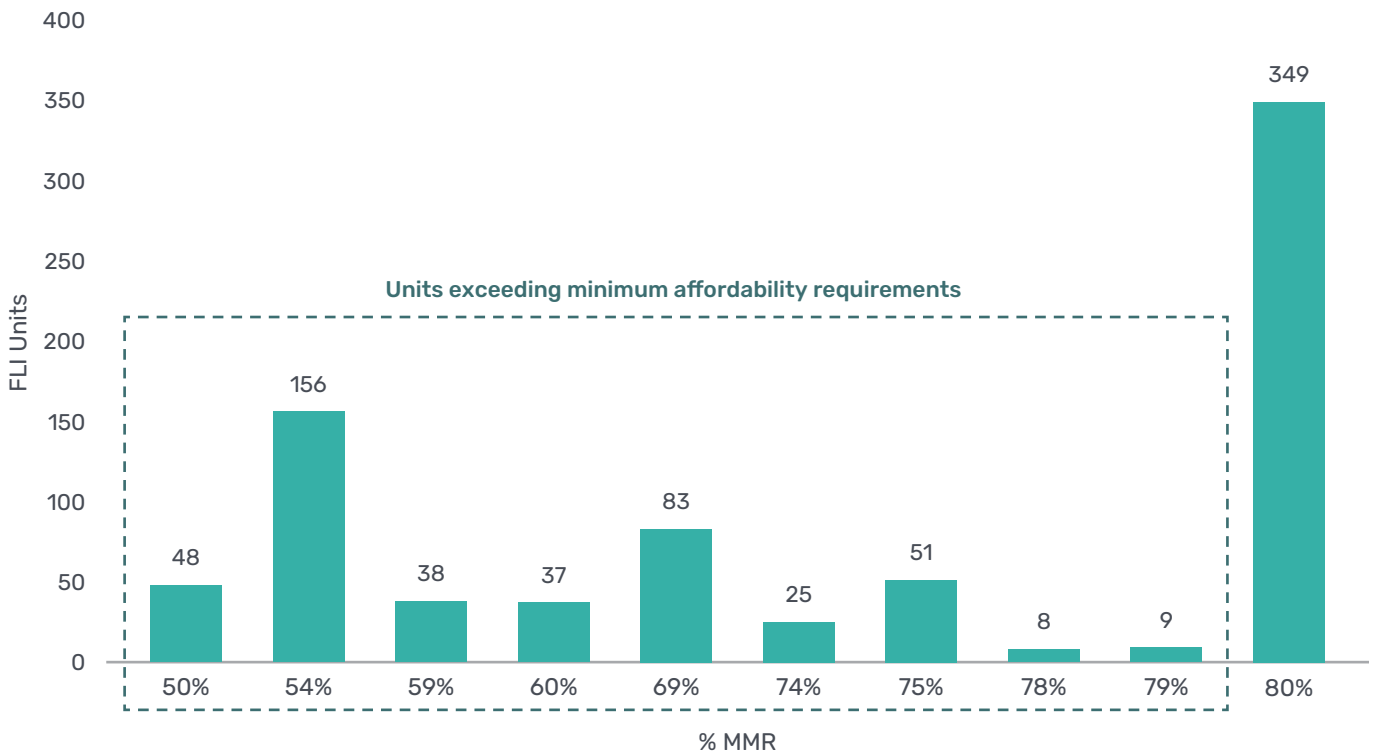
**57% of FLI affordable units will exceed the FLI minimum affordability requirement of 80% of Median Market Rent.**

- FLI requires that at least 30% of units must be less than 80% of Median Market Rent (MMR) in the area of the project. For example, if the MMR of a region is \$1000 dollars, at least 30% of the units would have to have rents at or below \$800.
- As demonstrated in the graph below, FLI properties with successful applicants offer a wide ranging depth of affordability. Applicants commit to maintaining their affordable units at a Maximum FLI Committed MMR where the commitment can not be more than

the % of MMR indicated for their affordable units. In this graph, FLI affordable units includes both new affordable units and repaired and renewed affordable units.

- 55% of new affordable units and 89% of repaired and renewed affordable units exceed the FLI minimum affordability requirement.
- The intent of FLI is long term affordability. While there is no explicit target beyond the requirements of 80% of MMR, in this initiative the deeper the affordability the better as this increases the public benefit derived from the initiative.

**Figure 12: FLI Affordable Units in properties with approved applicants at their Maximum FLI Committed MMR**



**98% of FLI affordable units exceeded the FLI minimum length of affordability requirement of 25 years.**

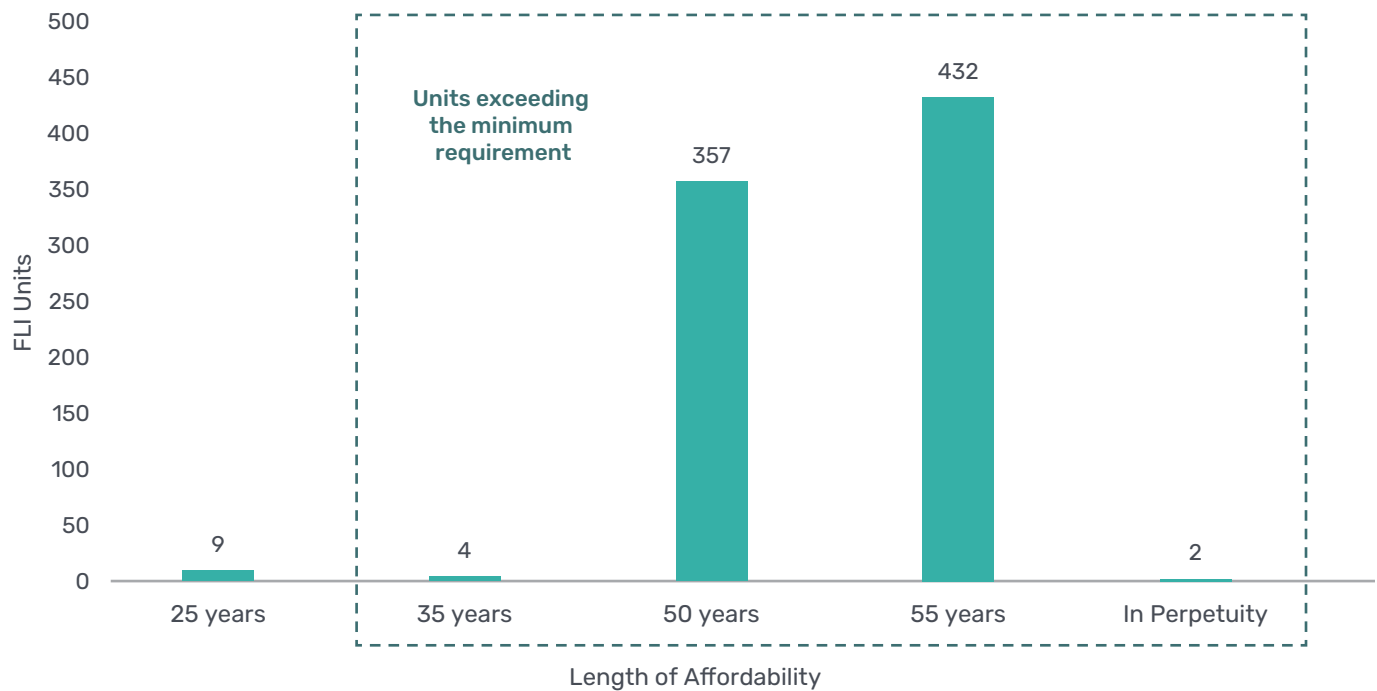
- FLI requires that affordable units in the project be maintained for a minimum of 25 years.
- As demonstrated in the graph below, FLI properties with approved applicants offer a wide range of lengths of affordability. In this graph, FLI affordable units includes both new affordable units and repaired and renewed affordable units.
- Longer term affordability is a goal of FLI with a minimum requirement commitment of 25 years of affordability.

- 100% of new affordable units and 74% of repaired and renewed affordable units exceed the FLI minimum length of affordability requirement.

*With a large number of affordable units exceeding the minimum % of MMR and lengths of affordability, FLI is performing well beyond the minimum expectation of the program.*

As this program results in the exchange of surplus federal land for affordable housing, the deeper the affordability and the longer it has maintained the greater the public benefit derived from the project.

**Figure 13: FLI Affordable Units in properties with approved applicants and their Length of Affordability**





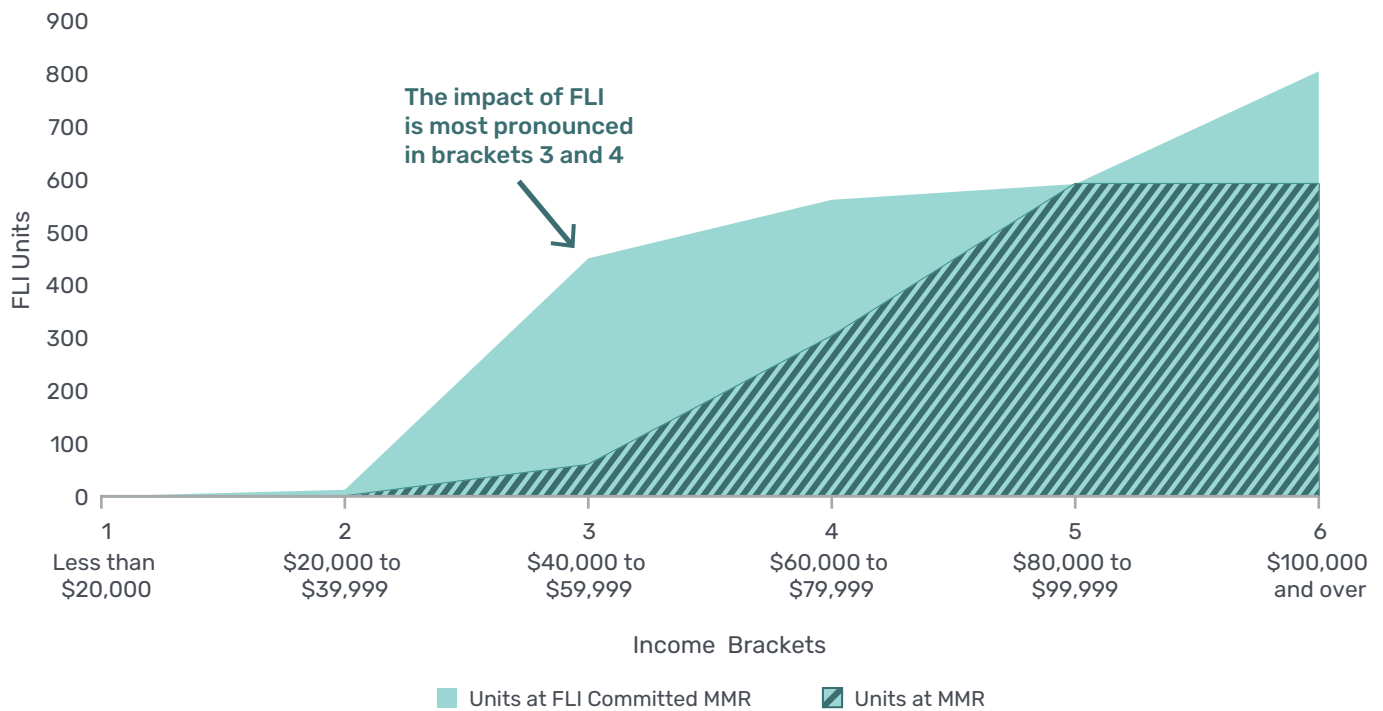
*FLI projects will enable affordable units at deeper affordability than if the units had been offered at median market rent, its impact is most pronounced for income brackets 3 and 4 as demonstrated in figure 14. This signals potential challenges in offering affordable units for income brackets that are currently unserved by the program.*

- As FLI was not designed to serve a particular income bracket, but rather to offer deeper and longer affordability generally, the evaluation sought to

estimate what brackets FLI ends up serving with the approximately 800 affordable units from projects with successful applicants. A unit is considered affordable under FLI when it is committed to be rented out at less than 80% of MMR.

- In Canada, housing is considered affordable if it costs less than 30% of a household’s before-tax income (CMHC, 2018a). Even for the highest income brackets, without FLI, some of the units would not be affordable.
- For example, in income bracket 3, 390 more units are available at FLI committed MMR than would be available at MMR for that income bracket.
- See [Annex D](#) for the details relating to this analysis.

**Figure 14:** Income Brackets Served by FLI Affordable Units at the Estimated Time of Tenancy vs. Income Brackets Served if Those Same Units Were Priced at MMR



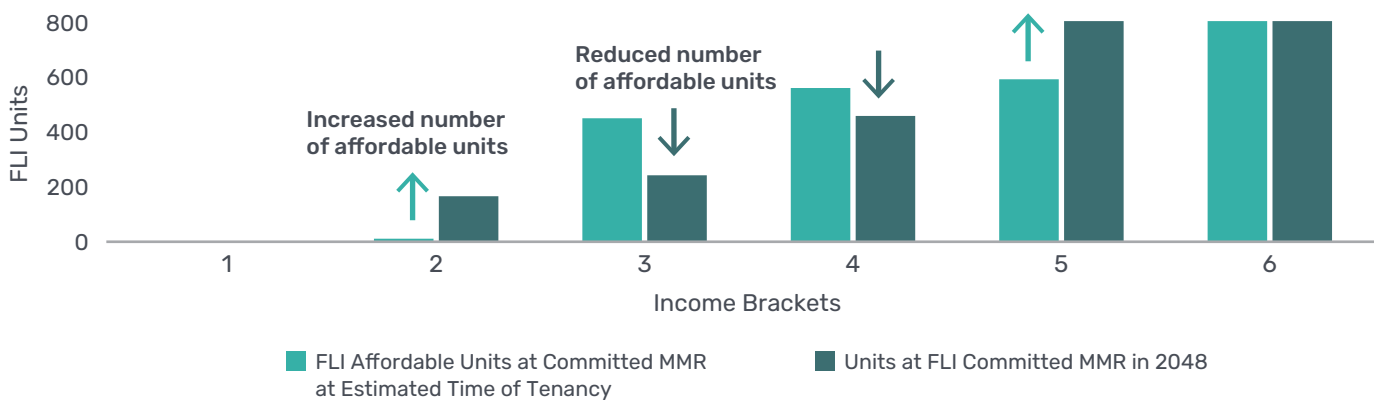
*It is estimated that the level of affordability in FLI projects shifts significantly over time, diminishing the affordability gains achieved for the 3<sup>rd</sup> and 4<sup>th</sup> income brackets. This signals potential challenges in maintaining long-term affordability.*

- As previously mentioned, FLI requires that affordable units in the project be maintained for a minimum of 25 years to ensure that the permanent loss of the federal land disposed of through FLI at a discount is in exchange for a long term social benefit. Further, literature reviewed noted some non-FLI related surplus land sales have been brought into question when they were sold at less than market value as it was perceived that the jurisdiction did not obtain sufficient compensation for the asset (Culbert & Lee-Young, 2020). This highlights the importance of deriving long-term social benefit in exchange for the loss of a public good.
- In order to ascertain if the design of the program successfully achieves this goal, the evaluation measured the income brackets served in 2048 as compared to those served at the estimated time of tenancy. The estimated time of tenancy

varies by project. The year 2048 was selected because 13 of the 16 properties with successful applications would be at or above the 25 year mark at that time. Lower income brackets show some erosion in affordability, whereas the higher income brackets at current estimated growth of income end up being capable of affording more in 2048. This is due to the fact that compound growth at a higher income bracket outpaces the compound growth in rent.

- By our estimates, projects under FLI shift in affordability for most income brackets in 2048, with the most retained affordability occurring when units were mostly at less than 70% of MMR and the most erosion in affordability occurring when units were at 70% of MMR or more.
- When comparing the affordable units available for each income bracket at time of tenancy to the year 2048, the evaluation found that there is an increase in affordable units in income brackets 2 and 5. The lower % of MMR offered by some projects is the driving factor behind the increase in affordable units in income bracket 2. See [Annex E](#) for the details relating to this analysis.

**Figure 15: Income Brackets Served by Affordable FLI Units at Estimated Time of Tenancy vs. Income Brackets Served by Affordable Housing Units in 2048**



## Finding 8

FLI is on track to contribute to promoting social and economic inclusion.

Social and economic inclusion generally refer to the ability to participate in society (NHS, 2018).

- Social inclusion is the process of improving the terms by which individuals and groups take part in society—improving the ability, opportunity, and dignity of those disadvantaged on the basis of their identity.
- Economic inclusion refers to having equal access and equal opportunity for all members of society to participate in the economic life of their country as employees, entrepreneurs, consumers, and citizens (NHS, 2018).

Accessible designs enhance the social and economic inclusion of people with physical disabilities. For this reason and since FLI’s requirements include a minimum level of accessible units, the key performance indicator associated to this intended results was related to the inclusion of accessible design.

### FLI’s Minimum Accessibility Requirement & Target

The minimum accessibility requirements for FLI projects are:

- New construction projects must either have 20% of units meet accessibility standards and common areas are ‘barrier-free’ or the entire project (common areas and dwelling units) has full universal design.
- Repair and renewal projects must have 20% of dwellings meet accessibility standards.

## Key Performance Indicator

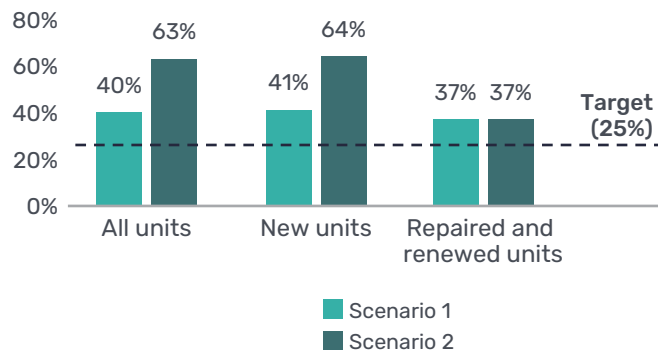
Percentage of new housing units in a building that meet accessibility standards or have full universal design<sup>1</sup>.

FLI’s accessibility target is to have 25% of units meet accessibility standards or have full universal design. The target is above the minimum requirement as it was assumed that the prioritization of projects that exceed the minimum requirement and the associated larger discount on the value of the property offered would lead to higher levels of performance than those laid out by the minimum requirement.

*FLI is anticipated to exceed its accessibility target with 41% to 64% of new housing units anticipated to meet accessibility standards or have full universal design.*

While repaired and renewed projects did not have a defined target, 37% of units are anticipated to meet accessibility standards or have full universal design.

**Figure 16:** Housing units that are anticipated to meet accessibility standards or have full universal design



<sup>1</sup> Exceptions to this indicator exist for housing built in remote areas and areas without public transit, housing in Northern communities, scattered units and shelters

## How was this calculated?

Using program documentation, the evaluation calculated the percentage of housing units in projects that are anticipated to meet accessibility standards or have full universal design. Some projects committed to an either/or option. For example, a project may have committed to have 20% of units meet accessibility standards OR for all units to have full universal design. In order to capture this, the calculation was performed for each scenario:

- **Scenario 1:** The scenario with the least number of units that count towards the key performance indicator.
- **Scenario 2:** The scenario with the most number of units that count towards the key performance indicator.

## Projects in close proximity to amenities, mixed-income projects, and projects with integrated supports and services are also indicators that FLI is contributing to promoting social and economic inclusion

*The majority of properties deemed suitable for use for affordable housing by FLI are within close proximity to important amenities.*

For instance, as shown in the figure entitled “Percentage of All Properties Deemed Suitable within One Kilometre of Amenity”, 98% of all properties deemed suitable are located within 1 km to transit. Half of the applicants reported that a major incentive for using FLI was the location or size of the available property. These

applicants noted that FLI land was located in urban areas, new communities, or close to public transit, making the location ideal for mixed or affordable housing projects. A few key informants associated with municipalities indicated that the FLI property was surrounded by city-owned land that was part of a larger development project. As such, it was logical for them to purchase and develop the FLI land as part of the city’s project.

*81% of FLI properties with successful applicants are mixed-rent projects and 19% of them have on-site amenities.*

- Interviewed CMHC Housing Solutions Specialists noted that developers were more prepared to move ahead with a project when they were able to create mixed-income developments. This is likely a key contributor to the high number of mixed-rent projects (i.e., 81% of projects).
- There are also 19% of projects that will have on-site amenities such as childcare centers and live-in assistance for individuals with disabilities. In addition, 25% of projects will offer part-time or visiting services such as visiting social workers, mental health support workers, etc.

**Figure 17:** Percentage of all properties deemed suitable within one kilometre of amenity



## Finding 9

FLI is on track to contribute to energy efficient housing.

### FLI’s Minimum Energy Efficiency Requirement and Target

The minimum energy efficiency requirements for FLI projects are:

- New Construction projects must achieve either a 25% decrease in energy consumption and greenhouse gas (GHG) emissions relative to the 2015 NECB or the 2015 National Building Code; OR a 15% decrease relative to the 2017 NECB.
- Repair and renewals projects must decrease energy use and GHG emissions relative to the past performance of the property by 25%.

### Key Performance Indicator

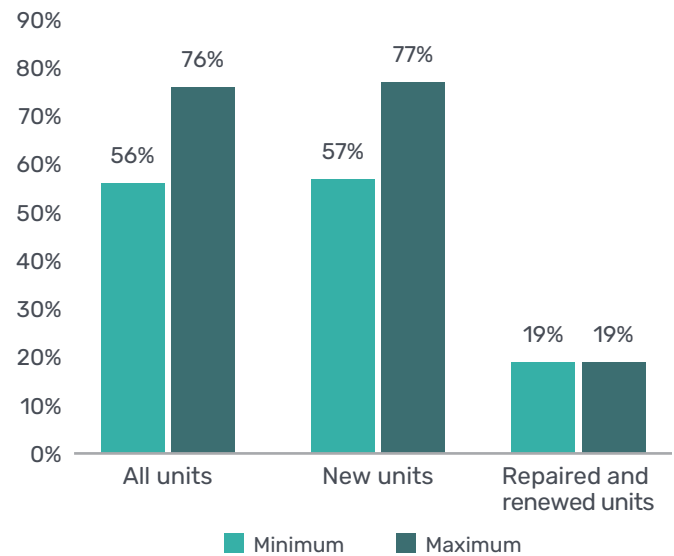
Percentage improvement above National Energy Code for Buildings (NECB) of Canada for new buildings.

FLI’s target was to have 35% improvement above the 2015 NECB of Canada for new buildings. This target is above the minimum requirement in projects as it was assumed that the prioritization of projects that exceed the minimum requirement and the associated larger discount on the value of the property offered to those projects would lead to higher levels of performance than those laid out by the minimum requirement.

*FLI is anticipated to exceed its target with 57% to 77% of new housing units anticipated to exceed the target of 35% improvement above the 2015 NECB of Canada.*

While repaired and renewed projects did not have a defined target, 19% of those units are anticipated to exceed 35% improvement relative to the past performance of the property.

**Figure 18: Units That are Anticipated to Exceed the Energy Efficiency Target**



### How was this calculated?

Using program documentation, the evaluation calculated the percentage of units in projects supported by FLI that are committed to exceeding the target of 35%. Projects typically commit to an improvement within a certain range. For example, a project may commit to between 25% and 40% of improvement above the 2015 NECB. In order to capture this, the calculation was performed for both the minimum and maximum of the range. In the example above, 25% would be considered the minimum expected improvement, while 40% would be considered the maximum expected improvement.

# To what extent is FLI contributing to the expected results of the NHS?

## Finding 10

FLI projects committed to date are expected to contribute to Canadian economic growth by enabling approximately \$567M to GDP and creating 5,300 jobs.

Figure 19: Estimated Total Economic Impact of FLI Committed Projects

	Direct Impact		Indirect Impact		Induced Impact		Total Impact
GDP	250M	+	192M	+	125M	=	567M
Jobs	2,300	+	1,900	+	1,100	=	5,300
	Impacts generated <i>directly</i> within the residential construction sector		Impacts within Suppliers to the residential construction sector		Impacts from the spending of Labour Income earned through direct and indirect impacts		

### How was this calculated?

In Canada, the most authoritative and comprehensive input output (I/O) model is the Statistics Canada Interprovincial Input-Output Model which is the model that was used for this analysis (Statistics Canada, 2021b). In this simple model, Statistics Canada’s I/O multipliers are used to estimate the total economic impact. The evaluation used project cost estimates for FLI projects included in the analysis; this included hard costs (construction) and soft costs (marketing and administration). The project cost estimates were assumed to be estimated within a material amount of the final budget cost. This estimated economic impact

included eight projects with legal agreements in place as of December 31, 2020, seven projects had signed Agreements of Purchase and Sale and one project had a signed term sheet. These multipliers were used to create a generic production function for the residential construction sector represented by residential building construction North American Industry Classification System (NAICS) code (2361). The multiplier used for this analysis is based upon the 2017 data of the Canadian economy. Once the final budget cost estimate was calculated, the multipliers were applied to estimate jobs and GDP. The values were then converted to 2020 dollars.

## Finding 11

FLI is expected to contribute to the NHS priority area for action of housing for those in greatest need – the vulnerable populations and the corporate priority outcome of having reliable access to secure and affordable housing for people who are vulnerable.

### Who are the NHS priority vulnerable groups?

As of December 31 2020, the NHS's defined priority vulnerable groups were the following:

- Survivors (especially women and children) fleeing domestic violence,
- Seniors,
- People with developmental disabilities,
- People with mental health and addiction issues,
- People with physical disabilities,
- Racialized persons or communities (including Black Canadians),
- Newcomers (including refugees),
- LGBTQ2+,
- Veterans,
- Indigenous peoples,
- Young adults, and
- People experiencing homelessness (NHS, 2018).

*56% of projects have units intended to be dedicated for priority vulnerable groups.*

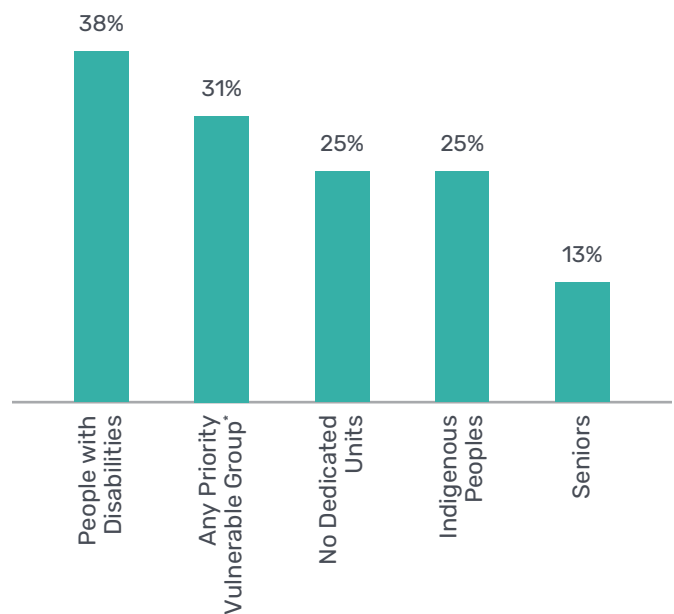
The figure to the right includes the percentages of projects with units intended to be dedicated for priority vulnerable groups by type. Some projects target multiple priority vulnerable groups.

### Most applicants noted that their organization's priorities included serving vulnerable populations

Typically, applicants' organizations had established partnerships with various businesses that serve specific priority vulnerable groups. This made it simple for organizations to target priority groups. As such, this prioritization criteria was viewed as an incentive or had no impact on applicants' interest in applying to FLI.

A few applicants noted that targeting priority vulnerable groups was challenging as it could affect their ability to secure financing. These applicants reported that securing financing for affordable housing projects that target priority vulnerable groups may be challenging because of the higher risks and the difficulty of finding lenders willing to finance these types of projects.

**Figure 20: Projects with units intended to be dedicated to priority vulnerable groups by type**



\* The Any Priority Vulnerable Group category includes projects wherein the applicant stated that they are targeting any of the priority vulnerable groups. If the applicant was specific as to which group they were targeting, their project was excluded from this category's count.

*11% of FLI units are intended to be dedicated and 12% are intended to be committed for priority vulnerable groups, for a total of 23% of units potentially serving these groups.*

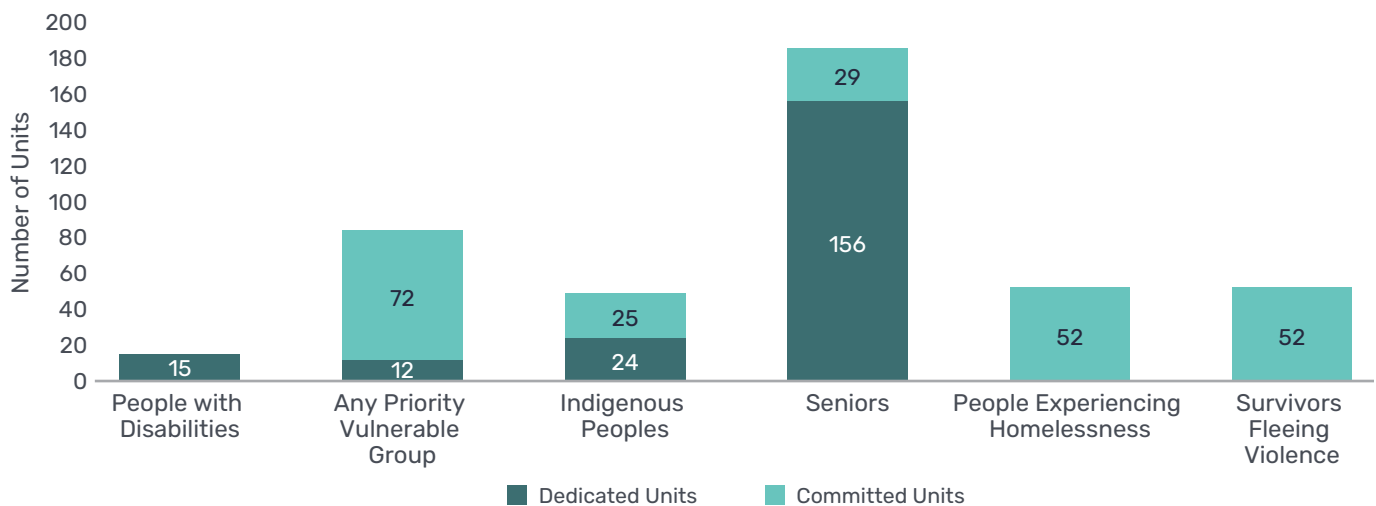
- Dedicated units are intended to be dedicated to a specific priority vulnerable groups within a project. Dedicating units for priority vulnerable groups increases the likelihood that a project will win the competition; however, it does not change the discount offered on the property.
- Committed units are units that a successful applicant will first attempt to fill with a household that self-identified as a priority vulnerable groups. If no one applies for tenancy or if no such household exists on the organization’s waiting list then the unit will be rented out to a household that is not a part of a priority vulnerable group.
- The figure below demonstrates the number of intended dedicated and committed units in FLI projects with successful applicants. As indicated in the figure, seniors are the vulnerable group with

the greatest number of units (i.e. 185) while people with disabilities have the fewest number of units (i.e. 15).

Applicants also reported a number of other means through which they intended to serve priority vulnerable groups such as partnering with housing organizations that have target populations on their waitlists, creating a strategic plan to serve vulnerable groups, maintaining the tenancy of existing residents, or supporting groups through designing and creating family sized unit types (2 to 3 bedrooms).

As of December 31, 2020, these other means did not increase the likelihood that a project will win the competition for the property. Some applicants noted that they would like FLI to consider these means in their selection of projects. In addition, partners noted that they would like to see an increase in the number of projects targeting people experiencing homelessness, Indigenous people, and women escaping domestic violence.

**Figure 21: Number of Intended Dedicated and Committed Units for Priority Vulnerable Groups**





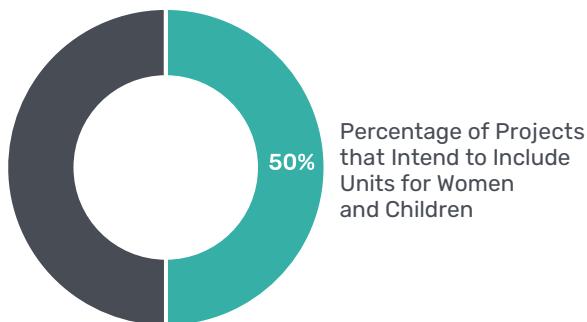
## Finding 12

FLI is expected to contribute to the NHS commitment to support projects that meet the unique needs of women and children.

*Between 10% to 22% of FLI funding for projects with successful applicants will contribute to units intended to be dedicated or committed to women and children.*

To respond to the unique barriers to accessing housing faced by women and children across Canada, at least 25% of all NHS funding will be committed to support projects that meet the needs of women and children. Among other challenges, women are more likely than men to have lower incomes, engage in part-time or precarious work, take on more responsibilities related to caregiving, and be more dependent on their partners for income (NHS, 2020). Intersections of identities such as race, sexual orientation, gender expression, age and socio-economic status create further challenges for women, including housing instability and homelessness (NHS, 2020).

**Figure 22:** Percentage of Projects that Intend to Include Units for Women and Children



As of December 31 2020,

- A total of 22% of funding support 172 units that could potentially be serving women and children
  - 10% of FLI funding supports 83 new housing units and 9 repaired and renewed housing units that are intended to be dedicated to women and children.
  - 12% of FLI funding supports 68 new housing units and 12 repaired and renewed housing units that are intended to be committed to women and children.

## Finding 13

FLI is expected to contribute to the NHS shared outcome of improving the housing needs of Indigenous Groups; however, there are some areas for improvement regarding program procedures related to Indigenous consultations, the application process, and program requirements and criteria.

### The federal property disposal process includes Aboriginal consultations

As outlined in the Treasury Board of Canada Secretariat’s (TBS) Guide to the Management of Real Property, the federal surplus property disposal process includes Aboriginal consultations (TBS, 2011a). “The Department of Justice Canada assists departments in title reviews to confirm ownership and to determine if there are any restrictions on title. The Justice review also includes a legal risk of whether **Aboriginal rights**, title, or treaty rights exist” (TBS, 2011a).

“In addition to a legal assessment as to the existence of Aboriginal rights, departments should determine whether there are any Aboriginal groups living in the area who have claims that might impact upon acquisition or use of the property” (TBS, 2011a). In addition, the TBS also has a Guide to Real Property Management:

Aboriginal Context that “provides guidance on managing real property where federal actions or interests and Aboriginal rights and interests intersect” (TBS, 2011b).

This guide, to which adherence is voluntary, “addresses **Aboriginal interests** that are not rights-based, such as instances where the Crown has no legal obligation but may benefit from having effective, practical relationships with Aboriginal groups” (TBS, 2011a).

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***“Aboriginal rights include potential or established Aboriginal rights or treaty rights”*** (TBS, 2011b).

***“Aboriginal interest refers to an Aboriginal group’s specific practical interest in federal real property, i.e., not rights-based; Canada has no legal obligations associated with this interest”*** (TBS, 2011b).

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The Aboriginal consultation process during property disposal can be lengthy. A few custodians noted that the Aboriginal consultation process can take two to three years and that FLI is not involved in this process. CMHC does not engage with Indigenous groups who may have an interest in acquiring the property for housing use until the formal competition is launched. At which point, CMHC’s Indigenous and the North Housing Solutions Specialist can market the property in their regions and support groups interested in the property to apply.

Although FLI is not involved in the Aboriginal consultation process, FLI can still express interest in the property. Indeed, a few custodians noted that there were some

instances where FLI has expressed interest in the property while Aboriginal consultations were still ongoing. Relatedly, a few custodians noted that FLI should consider engaging with Indigenous Groups during the consultation process. These custodians believed that engaging Indigenous Groups who have asserted and established interest in a property could expedite the consultation process, as well as assist in the development of affordable housing for Indigenous People by Indigenous People. Alternatively, a few custodians also noted that FLI should consider direct award of the property to Indigenous groups. These actions may increase Indigenous participation in FLI, which is discussed more thoroughly on the next page.

***6% of approved projects are led by organizations that identify as Indigenous.***

There has been Indigenous participation in FLI as indicated by the 12% of FLI applications that were led by organizations that identify as Indigenous. FLI is supporting over 40 units through the approved projects led by organizations that identify as Indigenous, which accounts for 3% of FLI funding. Although Indigenous peoples are a priority vulnerable groups, FLI had no explicit target pertaining to serving Indigenous peoples. In 2016, Indigenous people made up 4.9% of the Canadian population (Statistics Canada, 2019b), and the percentage of approved projects led by organizations that identify as Indigenous is 6%, which is greater than the population level. However, as previously stated, 19.5% of individuals who self-identify as Indigenous are in core housing need (Claveau, 2020), which may indicate that it may be of value for FLI to enhance its contribution to this NHS shared outcome.

## As per key informants, there are some areas of success and some barriers to Indigenous participation in FLI

### Areas of Success

- There has been at least one successful application.
- There has been an increase in the number of Indigenous applications over time.
- The program design prioritizes project proposals from Indigenous applicants through the program's evidence of community need requirements and the prioritization of projects that target priority vulnerable groups, which includes Indigenous peoples.
- There are FLI Indigenous Reconciliation Initiatives underway which focus on identifying and addressing barriers to make the initiative more accessible for Indigenous clients and support economic development and self-determination.

### Barriers

- Indigenous applicants may have varying levels of experience, which can make completing applications difficult. For instance, the application window was perceived as too short for those without experience.
- Full design plans, feasibility studies, and environmental assessments, which are difficult for many applicants, may be a barrier for Indigenous applicants.
- The program's energy efficiency criteria may be a barrier as the additional cost is perceived to reduce the amount of affordable housing possible.
- Obtaining additional financing may be difficult for Indigenous applicants, particularly for shelter projects. Like other applicants, Indigenous applicants need to acquire low interest financing and intend to obtain funding from other CMHC programs to successfully create the project for which FLI provided land.
- The locations of the properties marketed through FLI are surplus federal properties suitable for affordable housing use. As such, the location of FLI projects are not fully within the control of CMHC. The property may not be located within proximity to Indigenous communities, which may reduce the number of Indigenous applications.

The areas of improvement highlighted by key informants are similar to feedback collected on the client experience of Indigenous Groups and Organizations with CMHC services. This feedback revealed that there are generally positive interactions between Indigenous Groups and Organizations and CMHC. However, there are still areas of improvement including addressing concerns with the timing of applications and programs, lack of information, and difficulties with particular program requirements.

### FLI Indigenous Reconciliation Initiatives

Program staff were aware of some of the barriers to Indigenous participation in FLI. In alignment with CMHC's commitments to advancing reconciliation with Indigenous peoples, FLI has been an active participant in Reconciliation Initiatives including:

- Conducting a process review of FLI to enhance Indigenous participation and engagement.
- Including additional Indigenous considerations into the project prioritization process.
- Conducting an Indigenous Outreach Pilot to seek input and interest in the property from First Nations, Métis Governments and Tribal Councils to either contribute to the planning of a project on the property or in acquiring the property prior to any public Request for Expression of Interest or Call for Proposals.

## How aware, informed, and incentivized are program proponents and custodians to use FLI?

### **Finding 14**

**Custodians are generally aware of FLI and incentivized to use the program.**

#### *Custodians are generally aware of FLI.*

At the onset of the FLI, most custodians were not informed of FLI or its processes. Initially, custodians assumed all surplus land would be assessed by FLI to determine its suitability for use as affordable housing. However, many key informants believed it is improving as FLI projects become more visible, more surplus land becomes accessible to FLI, and relationships between FLI and custodians improve.

Awareness of the FLI differs across regions based on the location of the federal surplus land deemed suitable for use as affordable housing and slated to be disposed of through FLI. A few custodians interviewed noted there is variation in federal departments' capacity and experience in disposing of surplus properties. Custodians who have a working relationship with CMHC staff were aware of program requirements and the criteria for surplus property being suitable for disposal through FLI.

#### *Custodians are generally incentivized to use FLI.*

All interviewed custodians felt that their organizations were incentivized to use FLI due to its focus on affordable housing. Affordable housing was viewed as a strategic

goal for federal government departments and FLI suitability is integrated into the federal disposal process. Moreover, FLI allows custodians to focus on other objectives as opposed to the disposal of surplus property.

Some custodians noted that FLI processes were lengthy and a few partners and custodians specifically highlighted significant delays for developing the Agreement of Purchase and Sale. These custodians and partners felt the delays were caused by the complex process involving three parties, various legal requirements, and the need to ensure that the custodian, applicant, and CMHC priorities and commitments are clear and understood by all parties. This significant time delay impacts organizational planning and objectives, especially for custodians who rely on clear forecasts of revenues. The uncertainties and delays with FLI processes create an inability for custodians to plan future projects and activities.

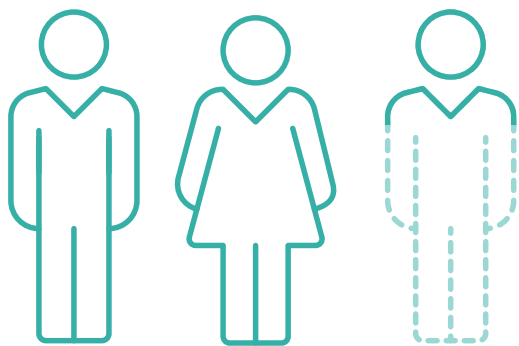
#### *There was little to no impact from the Market Value for Affordable Housing calculation.*

Most custodians noted that the compensation calculated by the Market Value for Affordable Housing (MVAH) did not impact their organization. The MVAH is generally lower than the Market Value for highest and best use. A few custodians noted this as a disincentive to use FLI. All custodians noted they were willing to accept the lower value to promote the development of affordable housing.

## Finding 15

Overall, applicants reported a moderate awareness of FLI and its processes within the affordable housing sector. On average, program requirements were not a barrier though the ease of committing to the criteria varied.

Figure 23: Average of 2.3 applicants per competition



### *Applicants reported awareness of FLI and its processes.*

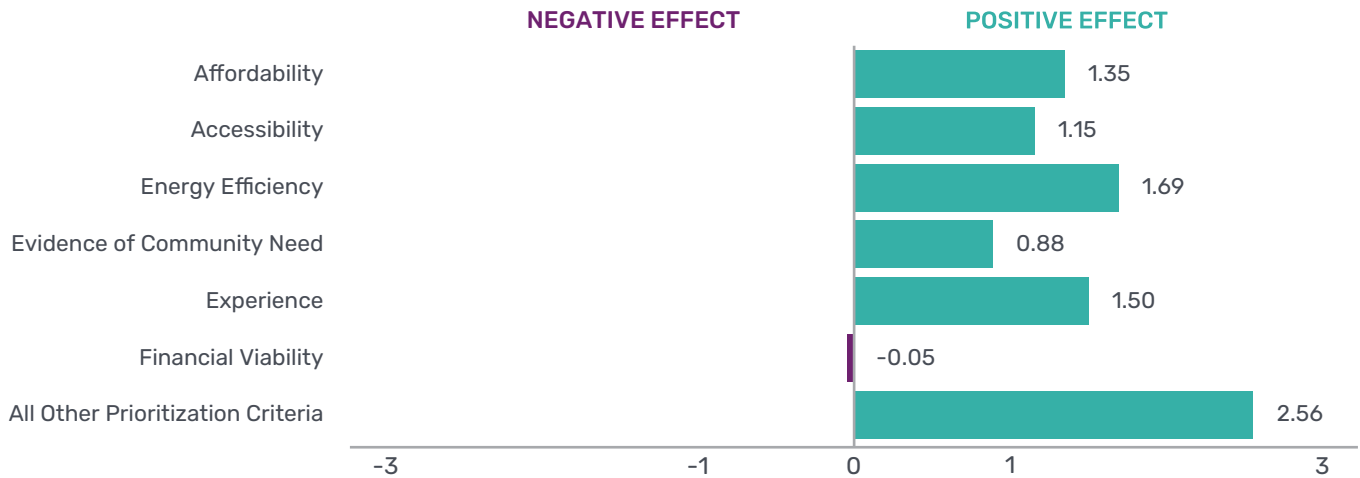
In general, key informants perceived that potential applicants were moderately aware of FLI and its processes. However, many believed it was improving as FLI projects become more visible and more surplus land becomes accessible to FLI. For the 16 properties with approved applicants, there was a total of 32 applicants.

The number of applicants ranged from 1 to 5 with an average of 2.3 applicants per competition. Key informants noted that municipalities, non-profits, and provincial housing corporations had high levels of awareness, whereas private sector developers applied less frequently, potentially signaling limited awareness. Program staff noted that the applicants with existing relationships with CMHC or experience accessing CMHC programs were more aware of the FLI. Other key informants felt program awareness was only beginning to improve and was overall poor.

### *Program requirements were not a significant barrier to applicant's participation in FLI.*

- Interviewed applicants were asked to rate how program requirements acted as incentives or barriers in their project on a scale of +5 to -5 with +5 being a very positive effect and -5 being a very negative effect.
- The average score for each program requirement reported by interviewed applicants is listed in figure 24. The scores for most requirements were positive, indicating that most applicants viewed program requirements as having a positive effect on their participation in FLI and did not view them as a barrier.
- The other prioritization criteria includes projects that exceed the minimum requirements, projects that support priority vulnerable groups or women and children, projects led by a non-profit or cooperative housing organization, and projects which provide on-site supports to residents. While they don't increase the depth of the discount offered to the successful applicant on the property cost, the presence of these factors in a projects positively affects its likelihood of being selected by FLI.

**Figure 24: Applicants Average Score on Program Requirements**



**Affordability, energy efficiency, community need and the requirement for five years of experience were generally considered easier criteria by applicants**

*The affordability requirement did not incentivize nor deter involvement in the program.*

- Most applicants noted that their organizations would provide affordable housing regardless of the discount on land due to their organizational mandate.
- A few applicants noted that the affordability requirement was a significant incentive to participate in FLI as it aligned with their organization’s goals and participation in FLI would allow them to exceed the minimum affordability requirements.
- A few applicants noted that the requirement was a barrier as it reduced the financial viability of their project, with land purchase being just one of the factors in their project consideration.

*The energy efficiency criteria was reported as relatively easier to meet or exceed than the other FLI criteria.*

This criteria aligned with half of interviewed successful applicants’ organizational objectives and was perceived by some applicants as an added benefit to their project.

*The requirement to demonstrate evidence of community need did not significantly impact applicants’ participation in FLI.*

*In general, the minimum requirement for applicants to have five years of experience in the construction/renovation and operation of projects of similar size and scope did not impact applicant participation in FLI.*

## Accessibility and financial viability were generally considered challenging criteria by applicants

*The accessibility requirement was reported as challenging by interviewed applicants.*

Many key informants reported that the accessibility criteria was the most common requirement applicants had challenges meeting or exceeding.

- The cost of meeting the accessibility requirement was perceived by applicants as cost-prohibitive and as having a negative impact on project viability despite the discount on the property, especially for repair or renewal projects. This is in alignment with findings from the literature review. For example, installing wider doors in a new construction costs \$2 per doorway, while widening existing doorways for repair or renovations would cost \$700, and retrofitting a zero-step entrance would be \$3,300 (IPE Property Developments Inc., 2016).
- The accessibility requirement was perceived as exceeding the level of community need for this type of unit. Applicants perceived that having 5% to 10% of units accessible would be more appropriate and in alignment with municipal building codes. However, literature suggests that there will be an increasing need for this type of unit in the future due in part to the aging population (Grodzinski et al., 2013).
- Successful applicants noted concerns around finding tenants for accessible units. They reported that developers can struggle to fill accessible units as individuals who don't need this type of unit are perceived to be unwilling to live in them, in part due to its institutional look and practicality. This is in alignment with findings from the literature review which noted that accessible housing and universal design models are perceived as specifically for people with disabilities or older aged individuals and impart an institutional feeling (Bringolf, 2010; Bringolf, 2015; Lieberman & Meyer, 2013; Maisei & Ranahan, 2017; Saville-Smith & Scotts, 2007).

*Most program key informants noted that ensuring financial viability of a project was considered a barrier as elaborated in Finding 16.*

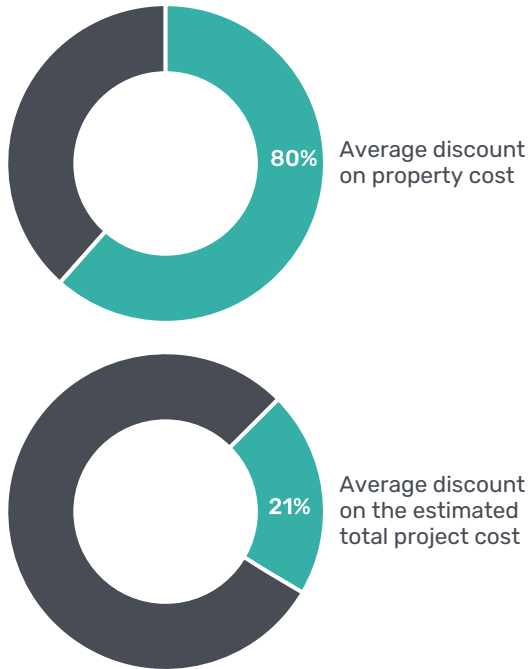
### **Finding 16**

**Applicants' incentive to use FLI is negatively impacted by the financial viability criteria.**

Several applicants noted that their projects would not be viable and they would not be able to commit to all FLI requirements and to their long-term social outcomes without securing adequate financing for development at a modest interest rate. All projects must meet a minimum debt coverage ratio (DCR) of 1.10. The minimum DCR is intended to mitigate risk and ensure outcomes are maintained in the long term.

- Some applicants did not have difficulty with this criteria as they had experience with similar criteria for other projects.
- Some applicants had difficulty with this criteria as they did not officially own the property, which prevented them from securing financing for development or from conducting an in-depth feasibility assessment.
- A few applicants noted that affordable housing projects are generally difficult to finance through traditional means. As such, non-private forms of funding sources were required.

**Figure 25: Average Discount on Property Cost and on Estimated Total Project Cost**



*The discount on the property cost covers an average of approximately 21% of the estimated total project cost.*

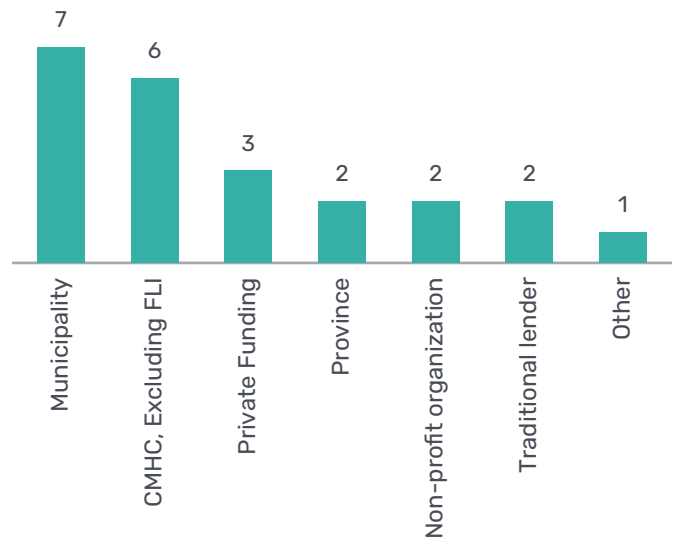
FLI properties are sold at the highest of either the market value for affordable housing as determined by an external appraiser or an established floor price percentage as determined by the property’s value according to its highest and best use and FLI’s minimum criteria for affordability. FLI offers a discount on that sale price based on the level of affordability, accessibility,

and energy efficiency commitments in the successful applicant’s proposed project. On average, FLI discounts the price of the property by 80%. The discount on the property typically covers approximately 21% of the estimated total project cost. Applicants have to make up that financing gap through other sources of funding.

*The main anticipated non-FLI sources of funding reported by successful applicants are from municipalities, CMHC, and private funding sources.*

Other anticipated sources of funding are listed in the graph below. Inclusive of FLI, the average number of anticipated funding sources per projects was three, with a minimum of two and a maximum of five.

**Figure 26: Anticipated Other Sources of Funding Reported by Applicants**





# Is the design and delivery of FLI enabling it to achieve its expected results?

## Finding 17

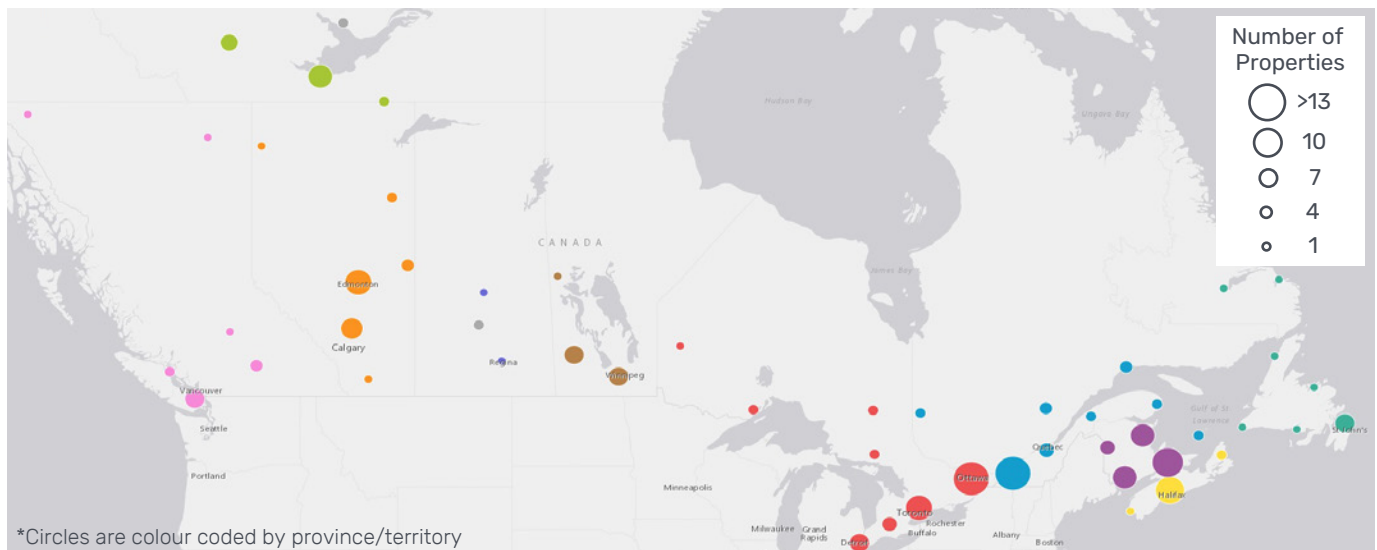
The design of the program relies on federal surplus properties being suitable for affordable housing; as expected, there are a variety of barriers to suitability.

Based on FLI’s predecessor SERPHI, experience converting federal surplus property for housing and homelessness uses, it was not expected that all surplus property would be suitable for affordable housing uses. Since the beginning of the program, FLI reviewed 231 unique pre-assessment screening tool’s (PSAT) of surplus federal properties provided by custodians to ascertain the ability to dispose of them through FLI for use as affordable housing.

The map below created from the 231 unique PSATs shows the location of these surplus properties across Canada.

- Of these properties, 20% were deemed suitable for use for affordable housing by FLI of which 62% were in major CMAs.
- There were surplus federal properties in all provinces and the Northwest Territories indicating that, if they are suitable for use for housing, FLI may support units across Canada.
- Both Québec and Ontario have 18% of properties, respectively. While Saskatchewan and Prince Edward Island only account for 1% of properties, respectively

**Figure 27:** Location of Federal Surplus Properties Assessed by FLI for Suitability for Housing Uses



*There are a number of reasons why surplus federal properties were removed from consideration by FLI for use for affordable housing including suitability issues and operational considerations.*

Often, properties had a number of combined reasons as to why they were not suitable for use for housing.

The graph below entitled “Suitability Issues at Time of Property Review” summarizes the most common suitability issues. Based on this data, the suitability issues most likely to remove a property from consideration for disposal through FLI were inappropriate property zoning<sup>1</sup> and a lack of municipal services. In comparison, environmental concerns and structures in need of major repairs were less likely to impact the suitability of a property for disposal through FLI.

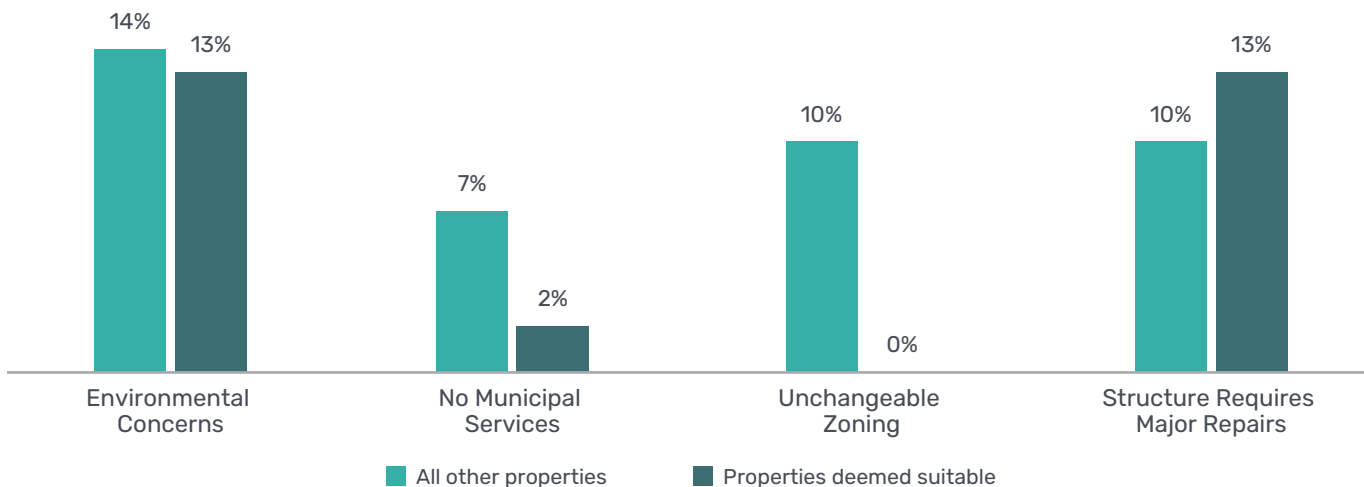
Operational considerations that caused properties to be removed from consideration were not related to the suitability of the land for use as affordable housing. For example, some properties were removed from

consideration for disposal through FLI due to their high property cost and/or a low number of units the property was estimated to support.

*Key informants anticipate the number of surplus federal properties suitable for use for affordable housing to increase over the next several years.*

- Key informants did not have knowledge of all existing federal properties. Of the land they were aware of, they found it difficult to identify which properties were suitable for FLI development.
- In the most recent years of the program, more suitable properties were identified for FLI due to an increase in awareness of successful FLI projects.
- Interviewed custodians who had working relationships with CMHC staff believed that the surplus properties they expect to see over the next several years would be easily converted to residential units.

**Figure 28: Suitability Issues at Time of Property Review**



<sup>1</sup> In cases of improper zoning, the authorizing entity (which is generally a municipal entity) was unwilling or deemed it inappropriate to change the zoning of the property.

## How was this calculated?

A PSAT is used to screen a potential property when it is being assessed for affordable housing suitability. Several aspects of the property are described within a PSAT. For instance, the PSAT includes whether the property has issues such as environmental concerns or if it requires major repairs. All 231 PSATs were reviewed to determine how many properties had particular suitability issues. A percentage was derived for each suitability issue by adding up all of the properties that had the issue and then dividing by the number of properties and multiplying by 100. In the figure, the properties deemed suitable percentages include only the 46 properties deemed suitable. The percentages relating to all other properties include all 231 properties assessed less the 46 properties deemed suitable.

### Finding 18

**While its design enables it to serve a variety of project types along the housing continuum, to date, it has exclusively supported rental housing projects.**

If the FLI supported a larger variety of project types along the housing continuum, it would increase its impact and contribute to a larger number of outcomes including:

- People who are vulnerable have reliable access to secure and affordable housing (CMHC, 2021b), and
- Canada has the number of homes and mix of housing options to serve our diverse needs (CMHC, 2021b).

Key Informants brought forward important considerations should shelters and transitional or supportive housing projects be pursued, including:

- Providing clarity around existing and possible exemptions for these project types.
- Taking into consideration the challenges these housing types face (e.g., generating income, obtaining low interest financing, and in Northern or remote communities).
- Gaining the buy-in of other stakeholders (e.g. municipal entities, custodians, delivery partners) for other project types along the housing continuum.

*The ESDC-lead SFRPHI, FLI's predecessor, supported a variety of project types along the housing continuum.*

An example of the variety of projects types supported by FLI's predecessor, the ESDC-lead Surplus Federal Real Property for Homelessness Initiative (SFRPHI), are noted in table 7 (ESDC, 2014). As such, it is possible for surplus federal real property to be suitable for a variety of project types along the housing continuum. As eligible projects under FLI include shelters, transitional housing, supportive housing, rental housing and affordable homeownership projects, FLI may be able to support a larger variety of project types along the housing continuum. As of December 31 2020, FLI has exclusively supported rental housing projects.

**Table 7: Impact of SFRPHI Transfers by Facility Type (December 2007– March 2011)**

Facility Type	Number of Properties Transferred	Number of Housing Units Created	Number of Beds/Bedrooms Created
Longer-Term Housing	20	225	487
Supportive Housing	3	27	33
Transitional Housing	4	10	30
Shelter (Emergency)	1	1	25
Outreach/Support Services	1	1	0
<b>Total</b>	<b>29</b>	<b>264</b>	<b>575</b>

**Finding 19**

The ability to stack NHS funding was perceived as an asset by applicants.

*Seven FLI approved projects are anticipating receiving funding from more than one CMHC-delivered NHS program or initiative, which represents 66% of units supported by FLI as of December 31, 2020.*

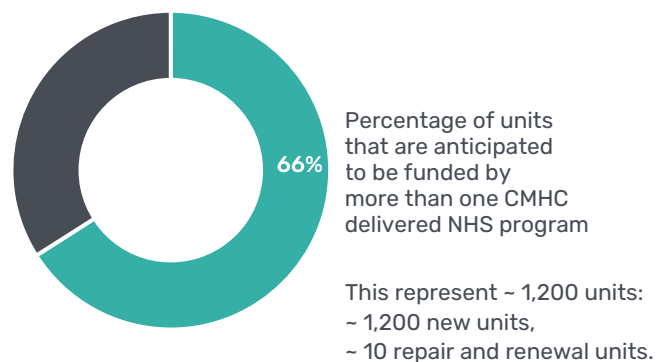
- The NHS programs with which approved projects anticipate stacking with are the National Housing Co-Investment Fund (most common) and the Rental Construction Financing Initiative (less common).
- Half of the applicants interviewed noted that FLI had a better process as compared to other non-CMHC sources of funding because of, among other things, the ability to stack FLI with other CMHC programs and other supports.

*To date, the design of FLI has not impeded the stacking of FLI projects with other CMHC-delivered NHS programs or initiatives.*

FLI’s minimum requirements and other criteria differ from other NHS programs or initiatives, however, they do not prevent the potential stacking of programs. This is important when one considers evidence presented earlier that:

- Financial viability is the requirement which had the most negative effect on FLI applicants.
- Additional CMHC funding is the second most common anticipated other source of funding reported by interviewed applicants as indicated in Figure 26 on p. 40.

**Figure 29: Percentage of Units that are Anticipated to be Funded by More than One CMHC Delivered NHS Program**



**How was this calculated?**

Since not all approved FLI projects had finalized their legal agreements, they did not necessarily own the property yet and may not have proceeded with their applications to other CMHC programs at the time of the interview. At the time of the interview, they were asked to identify the anticipated sources of funding for their project, including other CMHC funding

sources as applicable. In addition, program data and documentation was reviewed to inform this estimate. It is possible that more or less than 66% of units supported by FLI will receive other CMHC-delivered NHS funding.

## **Finding 20**

If FLI proceeds with the disposal of the properties FLI has already deemed suitable for housing that have not yet gone for competition, this would utilise most of FLI's remaining budget.

*In order to maximize the outcomes derived each year from the \$20 million dollars available to FLI, it has a prioritization process in place for properties in the pipeline which can be broken down into three general steps.*

### **Step 1**

Each property deemed suitable for affordable housing is assessed based on the number of estimated units it is likely to create and the associated cost per unit.

Other strategic considerations may also be accounted for such as location or the value of the potential project for other corporate outcomes such as reconciliation.



### **Step 2**

Properties are then classified on the level to which a delay in disposal would impact the custodian involved or impact FLI's likelihood of being able to proceed with the sale of the property.

While all custodians are impacted by a delay in disposal as they need to continue to maintain and manage the property, custodians who rely on the revenue from the property to fund their operations are more deeply impacted by a delay.



### **Step 3**

FLI selects the properties from this property pipeline such that it maximizes the outcomes in a particular year while remaining within budget.

*The design of FLI’s budget allocation may slow down the acquisition of properties, cause delays and additional costs to custodians, and may reduce program performance.*

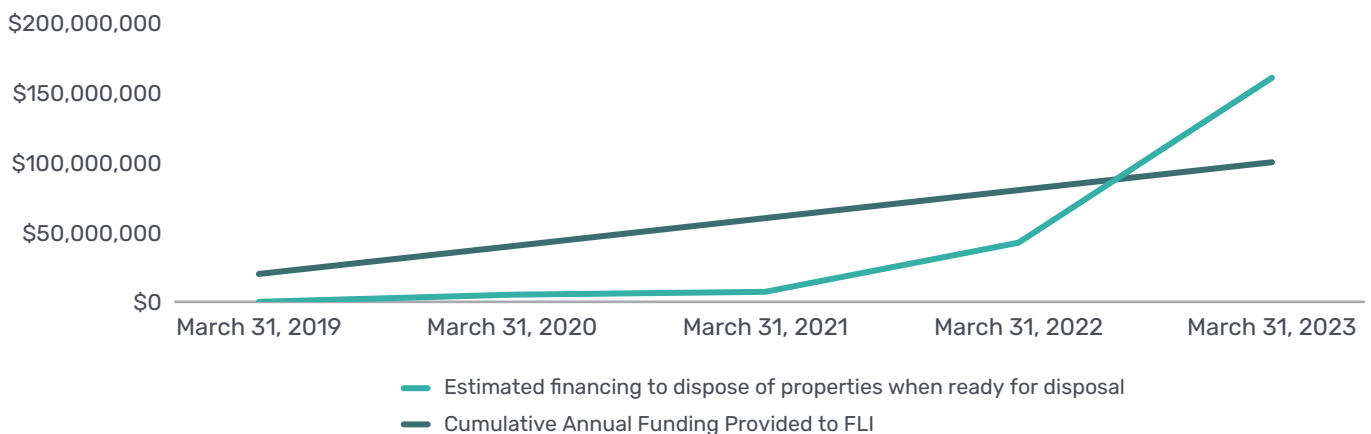
As previously noted, FLI has a total budget of \$200 million, which is disbursed annually in \$20 million increments. There have been enough suitable properties submitted to FLI that the appraised value of those suitable properties would account for 80% to 99% of FLI’s total budget. These would enable FLI to exceed its current new unit target by 32% and repair and renew by more than 1,400 units. There is an estimated average of 200 units per property and an average per unit cost to FLI of approximately \$29,000.

Given that FLI receives its funding in annual increments, it does not seem possible to proceed with the sale of all properties as soon as they are ready for disposal, which is estimated to be by no later than 2023. Thus, there are suitable properties that may not be disposed of immediately when they are ready for disposal. If a custodian relies on the sale of their properties to fund their operations, those properties may proceed to be sold without FLI. In addition, if the disposal of a property whose estimated unit count is low or its cost per unit is high is expected to be significantly delayed, it may proceed to be sold without FLI. Therefore, the properties may not be used for affordable housing reducing program performance.

A few program staff noted that the limited annual budget and significant cost of land, particularly in major urban centres, has the potential to use up the entire budget on a select few projects. Program staff prioritize each property by considering several factors such as the cost of land, social outcomes, and location. This results in some properties being removed from consideration because they are too expensive despite the property being in a good location and having the ability to reach good social outcomes. Moreover, program staff and custodians noted that there is little information on the potential surplus properties suitable for use for affordable housing. Thus, a greater or fewer number of suitable properties could become available in the future. However, it is not possible to estimate these because FLI is limited to prioritizing properties based on only the properties it is aware of.

The figure below illustrates this budget constraint. FLI would exceed its annual budget if it were able to go ahead with the sale of all suitable properties as soon as they are ready for disposal. The blue line represents FLI’s cumulative annual funding and the grey line represents committed funding as well as 80% of the total amount needed to sell all of the other suitable properties that were available as of December 31, 2020. When FLI budgets for a property, it assumes that it may cover the entire appraised cost of the property for the successful applicants. However, on average, it only covers 80% of its total appraised cost. As such, 80% of the total appraised cost was used in this analysis.

**Figure 30: Possible FLI Spending vs. Funding Provided to FLI**



## Finding 21

Custodians and applicants are generally satisfied with FLI, with custodians being less satisfied than applicants.

### What is the Net Promoter Score? What is it used for? How is it calculated?

During interviews, custodians and applicants were asked to rate how much they would recommend FLI. These responses were used to create a net promoter score (Reichheld, 2003). A net promoter score is a value between -100 to 100, wherein higher scores represent more satisfaction. A net promoter score is a way to measure client satisfaction and the potential for growth.

The net promoter score involves asking respondents how likely they are to recommend the program on a scale from 0 (*not at all likely*) to 10 (*very likely*). On the scale from 0 to 10, respondents who chose 0 – 6 are considered to be detractors who are unhappy with the program and who can impede growth through negative word-of-mouth; respondents who chose between 7 – 8 are considered to be passives who are satisfied but unenthusiastic; and, respondents who chose between 9 – 10 are considered to be promoters who are satisfied with the program and will refer others to the program (Reichheld, 2003). The net promoter score value =  $(\text{Number of Promoters} - \text{Number of Detractors}) / (\text{Number of Respondents}) \times 100$ .

### Custodians were generally satisfied with FLI.

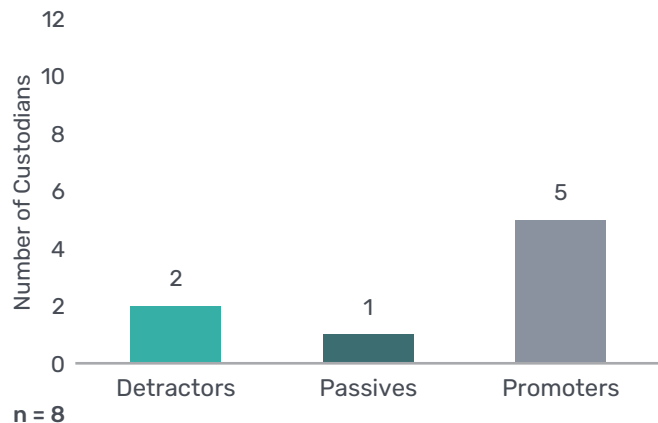
The custodian net promoter score was 38 as indicated in the graph below. 63% of custodians were promoters, which indicates that they were likely or very likely to recommend FLI.

When custodians were asked to elaborate upon their rating, custodians noted that while some FLI processes caused them to experience delays, the overall objective and purpose of FLI was important to them and FLI was an effective means to support affordable housing development.

As previously stated, custodians felt the challenges they experienced with FLI can be resolved as they gain more experience with FLI and communication and engagement with CMHC improves.

**Figure 31: Custodian Net Promoter Score = 38**

On a scale of 0 to 10, how likely is it that you would recommend the FLI as a potential mechanism to dispose of a surplus federal property?



### Applicants are satisfied with FLI.

The applicant net promoter score was 75 as indicated in figure 31. 83% of applicants were promoters, which indicates that they were likely or very likely to recommend FLI.

When applicants were asked to elaborate upon their rating, applicants indicated the following:

- The CMHC team provides support throughout the entire process.
- The program provides access to high-value land.
- The program assists non-profit organizations with participating in affordable housing development, which aligned with successful applicant organizations’ mandates.
- The program addresses community needs.

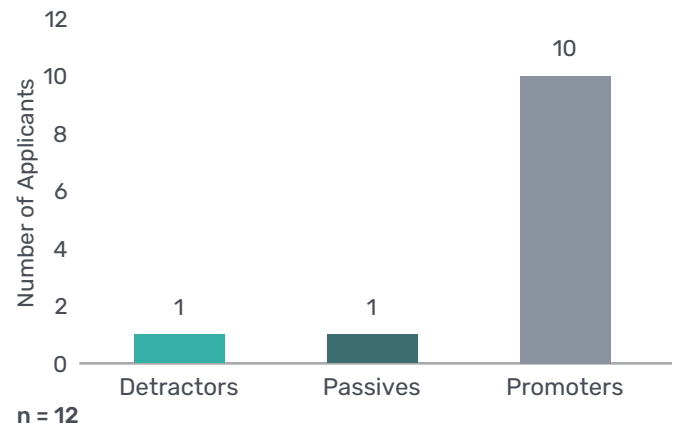
A few applicants noted the following areas of improvement:

- A need for more information and opportunity to review details of the property (e.g., site location or building condition) to better assess the viability of their project or determine an appropriate project.
- Challenges understanding unexpected fees<sup>2</sup> that may discourage them from future participation in the program.

Further, the areas of improvement highlighted by interviewed FLI applicants are similar to the findings reported through other CMHC activities that collected client experience feedback about CMHC’s application process. The similarities were that both revealed there was a lack of information and clarity regarding processes and requirements.

**Figure 32: Applicant Net Promoter Score = 75**

On a scale of 0 to 10, how likely is it that you would recommend the FLI as a potential mechanism to acquire a discount on the cost of acquiring a property?



### Finding 22

**The roles and responsibilities of CMHC and partners are perceived as clear and appropriate by both parties.**

As previously mentioned, FLI’s delivery partner organizations ESDC, PSPC, and CLC sit on FLI’s oversight committees (i.e., the APWG and the FLC). Once CMHC recommends a property to be marketed or recommends an applicant to be approved, the oversight committees provide feedback and approve both the properties being sold through FLI and the selected successful applicant. A review of internal and external program

<sup>2</sup> Based on program documentation, the fees appear to be related to the custodian completing an architectural review of the site plans, which must be in accordance with the design guidelines. The cost appears to range between \$5,000 and \$10,000 plus HST per architectural review. The cost must be paid again if any amendments are submitted. These interview findings suggest that not all costs associated to the property acquisition are transparently disclosed to applicants at the time when the property is marketed. In addition, applicants may be assuming that most costs related to the property are included in the discount calculation.



documentation revealed several documents that provide a delineation of roles and responsibilities for partners including:

- Assessing and reviewing properties
- Managing active FLI projects
- Reviewing FLI documents
- Identifying efficiencies and opportunities for coordination with FLI

Annex F provides additional details on the roles and responsibilities of the various FLI stakeholders.

*Overall, interviewed program staff and partners noted that all parties were satisfied with the current delineation of CMHC and partners' roles and responsibilities and they perceived them as clear and appropriate.*

- Specifically, partners felt that they were able to actively collaborate with CMHC to identify ways to improve the FLI process.
- Partners further noted that the documentation provided by the FLI was clear and thorough and communication was timely.
- The APWG and the FLC were said to foster productive conversations that led to improvements in the general process.

## **Finding 23**

**Generally, most of the timelines of FLI's processes were perceived as reasonable, as well as comparable to other government and land acquisition programs.**

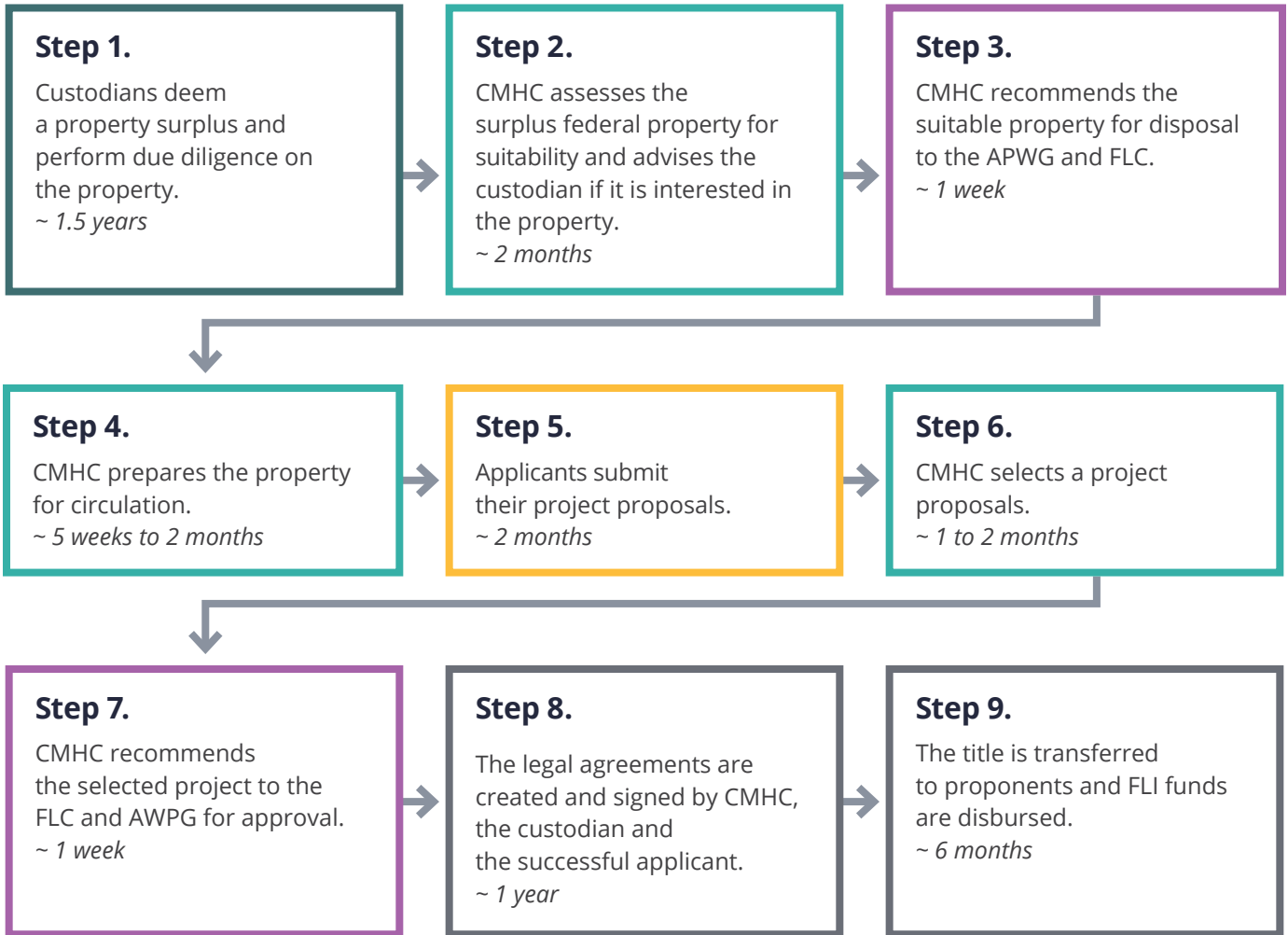
- Most custodians felt the overall process to dispose of surplus property through FLI was appropriate, though it was noted that the overall process was longer than disposing of surplus land on the open market. As previously mentioned, for some custodians, the length of FLI's overall process can create an inability to accurately forecast revenues and plan activities, especially if properties which were committed to be disposed of in a particular fiscal period are delayed and disposed of in subsequent periods.
- As compared to other land programs or means of obtaining land, most applicants noted that FLI had a slightly longer process, particularly for the purchase agreement. A few applicants noted that FLI was more flexible and had less community objection than comparable land acquisition programs.
- Partners, applicants, program staff, and custodians reported that the process from the approval of the successful project to their acquisition of the property was the most lengthy and susceptible to significant delays.

In order to better understand the overall length of FLI processes, the evaluation created the process map on the following page, with the inclusion of the perceived length of processes as reported by key informants. Annex G provides additional details on the individual steps in the process.

**Legend**

- Custodian
- CMHC

- Oversight committees
- Applicants
- Involves all parties



## Finding 24

FLI processes and program requirements were the key areas of improvement noted by key informants relating to the design and delivery of FLI.

All interviewees were asked to identify any ways they thought the design and delivery of FLI could be improved. Through quantitative content analysis of the interviews, FLI processes, marketing, and program requirements were identified as the three key areas of improvement noted by key informants.

*Key informants suggested that FLI processes are an area for improvement, especially the length of the Agreement of Purchase and Sale process.*

Custodians, CMHC staff, and applicants suggested that work should be done to clarify overall FLI processes, including:

- Increasing the amount of information available to applicants about program requirements, properties, and program expectations (as suggested by a few applicants, program staff, Housing Solutions Specialists, and custodians);
- Developing a more timely decision-making process (as suggested by some applicants); and,
- Streamlining FLI processes to better account for the needs of custodians and partners (as suggested by some CMHC staff).

*Key Informant: "There are a lot of unknowns in the process and constant learning which can make it challenging to finish deals and close out projects and actually make them happen."*

Several suggestions were made regarding the Agreement of Purchase and Sale (APS) process<sup>3</sup>:

- Some applicants, custodians, and a few program staff noted that there is a perceived lack of clarity on the process to transfer a property from the custodian to the applicant.
- A few applicants and CMHC staff noted that significant delays in finalizing the APS could result in projects not being completed.
- Partners also signaled concerns with the lengths of the APS process. They noted that some of these delays were related to successful applicant organizations not having appropriate levels of approvals within their organizations prior to submitting their application to FLI.
- Program staff noted that FLI processes are impacted by both CMHC, delivery partner, and custodian processes, with the latter two being outside of CMHC's sphere of control and requiring collaborative approaches to resolve.

In addition to the delays caused by the APS process, a few applicants noted that any delays caused by rezoning, environmental assessments, and public consultation processes could potentially jeopardize the acquisition of the property.

<sup>3</sup> As previously mentioned, the completion of all legal agreements, which includes the APS, takes on average about one year, with the APS being the agreement subject to the most delays.

*The process for marketing the properties was also identified as an area for improvement.*

Another improvement suggested by applicants, program staff, and FLI partners was to increase the marketing of properties to create more awareness of FLI properties. Specifically, some applicants noted that more marketing of the program should be done, particularly to private sector developers. In addition, all partners noted that there was limited participation from private sector developers, indicating a potential lack of awareness from this group about FLI properties. However, key informants did note that program requirements (e.g. the affordability and accessibility requirements, forming partnerships, targeting vulnerable populations) may dissuade private sector applicants.

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**Key Informant: “[Custodians] ... should be able to help co-market this... even if it is as simple as something on their website.”**

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*Key informants suggested that the accessibility and documentation requirements as well as the achievement of social outcomes were areas for improvement.*

Applicants provided suggestions on how the accessibility criteria could be made less challenging and more aligned with community need, while still serving people in need of accessible units, including:

- Taking into consideration different types of disabilities and not just mobility challenges.
- Incorporating adaptable units (i.e., units that can be converted from and to accessible units).
- Considering partially accessible units, given families compositions may include those with disabilities and those without.

- Adjusting the proportion of accessible units to reflect the needs within communities (e.g., 5-10% should be fully accessible instead of 20%).
- Increasing the information available on the impact of universal design on an assets market value.
- Increasing the information available on options for universal design or of what constitutes an accessible unit.<sup>4</sup>

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**Key Informant: “The [accessibility] requirement is onerous and the reality on the ground is that it is hard to fill these units...it should be 5% to 10%, the building code is at 10%.”**

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Another area applicants felt was challenging was the documentation requirement of having renderings or design plans available at the time of the submission of the application. This is because full scale design plans are costly and time consuming, particularly for a project that has not been awarded yet.

Key informants signaled some concerns relating to property selection and program requirements that could be improved upon. A few program key informants had experienced APWG and FLC raising significant concerns or questioning the appropriateness of properties or applicants being recommended for FLI. These concerns related to the value or types of social outcomes that were being achieved through the recommended projects. This was a concern particularly at the onset of FLI. However, as the visibility of the program has increased, more custodians have submitted more high value land (i.e., land located in urban areas and in proximity to amenities). Thus, although key informants signaled improvements in these areas, some concerns remain.

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<sup>4</sup> FLI provides applicants with a guide specific to the accessibility criteria. However, it is unclear if this guide is well known to applicants or if they were aware of it but found it lacking the necessary information.

## Conclusions

FLI remains relevant as there continues to be a need for programs that increase the supply and repair of affordable housing in Canada, including the rental, shelter, and transitional housing stock. In addition, while disposing of surplus government property for housing uses is a widely used practice in Canada, FLI is the only program that systematically disposes of federal surplus government property for housing uses. By reducing the cost of land acquisition, FLI is facilitating the creation of affordable housing.

FLI is on track to contribute to its expected results by:

- Increasing the housing stock by more than 1,800 units and the repair and renewal more than 60 units in the short-term, and supporting an estimated 6,700 units in total in the long-term.
- Creating or repairing and renewing more than 800 affordable housing units through projects with successful applicants, which is estimated to have the most impact on the housing stock that is affordable to the 3<sup>rd</sup> (\$40,000 to \$59,999) and 4<sup>th</sup> (\$60,000 to \$79,999) income brackets at the estimated time of tenancy.
- Promoting social and economic inclusion through accessible units, projects in close proximity to amenities, mixed-rent projects, and projects with integrated supports and services.
- Creating energy efficient housing.

FLI is expected to contribute to NHS shared outcomes and corporate priorities by:

- Contributing to Canadian economic growth by enabling approximately \$567M to GDP and creating 5,300 jobs through projects committed to date.
- Supporting projects that intend to dedicate and/or commit units for priority vulnerable groups including people with disabilities, Indigenous Peoples, seniors, people experiencing homelessness, and survivors fleeing violence.
- Supporting projects that intend to include units for women and children.
- Improving the housing needs of Indigenous Groups.

The overall design and delivery of the program is working well with:

- Custodians and applicants being generally aware of FLI, incentivized to use the program, and satisfied with the program.
- Most program requirements not being barriers to participation in FLI.
- 20% of surplus federal properties reviewed by FLI being suitable for housing and an excellent regional distribution of surplus properties.
- Applicants' positive perceptions of the ability to stack NHS funding.
- The timeliness of most of FLI processes being perceived as reasonable and comparable to other government and land acquisition programs.
- CMHC and partners being satisfied with the clarity, appropriateness, and current delineation of roles and responsibilities.

There are some areas for improvement including:

- Potential challenges in offering affordable units for income brackets that are currently unserved by the program.
- Potential challenges maintaining the long-term affordability of units committed to being affordable units.
- Program procedures related to Indigenous consultations, program processes, program requirements and criteria.
- Financial viability criteria which was perceived as a barrier.
- Expanding the type of housing along the continuum created by FLI.
- A budget constraint that may slow down the acquisition of properties, cause delays and additional costs to custodians, and may reduce program performance.

The evaluation proposes four recommendations, which are outlined in the following pages.

See [Annex H](#) for a summary of findings.

## Recommendations

### **Recommendation 1.**

Review FLI processes to identify opportunities to streamline in order to minimize the risk that projects are not completed by successful applicants.

The complexity and length of FLI processes, especially the APS process, creates a risk that projects will not be completed by successful applicants. In particular, the APS is subject to delays as it involves bringing together three parties with varying levels of understanding and differing review processes.

A custodian may proceed to sell their properties without FLI if the process is too unpredictable in length or subject to delays. In addition, there is a risk that delays in the finalization of the APS and other legal agreements may jeopardize the acquisition of the property by successful applicants. With an average of 2.3 applicants per competition, FLI may not have a suitable alternative project identified and the property may be removed from consideration, thereby reducing the initiative's performance. A review to examine FLI processes and streamline where possible would ensure that the program can remain on track to contribute to its expected results.

### **Recommendation 2.**

Review FLI's affordability criteria and consider modifications to ensure a greater likelihood of long-term affordability.

The intent of the FLI is to maximize the use of assets for affordable housing and contribute to the long-term affordable housing stock in Canada. FLI's minimum requirement to maintain affordability for 25 years is designed to ensure that federal land disposed through FLI has a long term social benefit. Based on our analysis, the current program requirements likely will not maintain the affordability gains of the program for 25 years.

To ensure long-term affordability, it may be of value to consider further prioritizing projects with a greater depth of affordability or having a staggered commitment of affordability where the affordable unit commitment begins at a certain percentage of MMR and then lowers its percentage of MMR (e.g. to less than 70%) as time progresses to enhance the maintenance of affordability over time. This may reduce the erosion of affordability in the long-term.

### **Recommendation 3.**

Review and consider adjustments to FLI funding authorities to ensure the timely disposal of federal properties.

There have been enough suitable properties submitted to FLI that their appraised value would account for 80% to 99% of FLI's total budget. Given that FLI receives its \$200 million funding in annual increments of \$20 million, it does not seem possible to proceed with the sale of all properties as soon as they are ready for disposal, which is estimated to be by no later than 2023. Thus, there are suitable properties that may not be disposed of immediately when they are ready for disposal. This would slow down the creation of affordable housing. If a custodian relies on the sale of their properties to fund their operations, those properties may proceed to be sold without FLI. In addition, if the disposal of a property whose estimated unit count is low or its cost per unit is high is expected to be significantly delayed, it may proceed to be sold without FLI. Therefore, the properties may not be used for affordable housing which would reduce program performance by removing a potentially suitable property from the pipeline. In addition, delays to the sale of properties impacts all custodians, and therefore the Government of Canada, through additional costs to maintain and manage the property while waiting for disposal through FLI.

### **Recommendation 4.**

Review and consider adopting mechanisms that would enhance FLI's contribution to NHS outcomes and commitments, and corporate priorities, such as further enhancing the support of projects that serve women and children, priority vulnerable groups, and Indigenous peoples.

While FLI's design enables it to serve a variety of project types along the housing continuum, to date, the initiative has exclusively supported rental housing projects. As there is a continued need to support the building of shelter and transitional housing in Canada, this presents a missed opportunity for FLI to potentially contribute to CMHC's corporate outcome to contribute to having the right number and mix of housing options. It may be of value to adopt mechanisms to further enable FLI to support other projects types such as shelters, transitional housing, and supportive housing. For example, despite the existence of exemptions to certain criteria for shelters and transitional or supportive housing projects, it is not clear if FLI applicants are aware of them. Enhancing the communication of the exemptions in place for these projects types may increase the number of applicants who apply to FLI for these project types.

Further, FLI could likely enhance its contribution to supporting projects that meet the needs of women and children and priority vulnerable groups, including Indigenous peoples. While successful applicants whose projects include targets for these groups are more likely to be awarded the property, they do not receive a larger discount on the property in exchange for this contribution. It may be of value to consider adopting mechanisms that would further incentivize applicants to contribute to women and children and priority vulnerable groups in their projects, thereby enhancing FLI's contribution to these NHS and corporate priorities. In addition, Indigenous participation in FLI faced a variety of barriers whose resolution would enhance FLI's contribution to the NHS Shared Outcome of improving the housing needs of Indigenous Groups.



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## Annex B: Scale to Summarize Qualitative Data

**Table 8:** Scale to Summarize Qualitative Data

In general, when reporting on key informant remarks, the following or similar descriptions are used:

<b>No/None</b>	No individual identified a particular issue or topic.
<b>Few/Very Few</b>	Only one or two individuals had similar responses or mentioned the same thing.
<b>Some</b>	Between one-quarter and one-half of the individuals had similar responses or mentioned the same thing.
<b>Many/Majority/Several</b>	The majority of, but not all, individuals had similar responses or mentioned the same thing.
<b>All</b>	All individuals had similar responses or mentioned the same thing.

## Annex C: Similar approaches to activating surplus government land in different jurisdictions

This annex includes details relating to the approaches to activating surplus government land for housing development in different jurisdictions found via web search by the evaluation.

### British Columbia

A number of similar approaches to activating surplus government land for housing development were identified in British Columbia (BC), including:

- Brokerage opportunities posted by BC's Ministry of Citizens' Services Real Property Division to the BC Bid Website. Real estate companies are then invited to submit listing proposals using the property information and guidelines contained within the website. An independent audit of the Ministry of Citizens' Services Real Estate Asset Sales Management found that, excluding one property (Little Mountain), all other properties were sold at 97% of the appraised value (Office of the Auditor General of British Columbia [AGBC], 2018).
- The redevelopment of underutilized properties that have aging or obsolete buildings by BC Housing through the HousingHub in partnership with local governments, non-profit operators and community groups. Through private and community partnerships, the HousingHub provides low-cost financing, access to land and low or no capital equity (BC Housing, 2021).
- The purchase, at fair market value, of government owned land by non-profit housing societies through BC Housing's Non-Profit Asset Transfer program, specifically of land already used for social housing run by those societies. Operating agreements which covered the principal and interest payments of a CMHC insured mortgage, amortized at 35 years, facilitated the purchase of the land. The program ended on March 31, 2018 (AGBC, 2017; BC Non-Profit Housing Association, 2018).



### City of Vancouver

Two similar approaches to activating surplus government land for housing development were identified in Vancouver, including:

- Leveraging city owned land to create affordable housing through the Vancouver Affordable Housing Agency (City of Vancouver, 2020).
- The Land Trust Project, a social-purpose real estate developer and asset steward which was created by the Co-operative Housing Federation of BC and is operated through the Vancouver Community Land Trust Foundation. It accepts land and building transfers from the community housing sector and holds these assets in trust for the long-term benefit of the community (Community Land Trust, 2021). The City of Vancouver has provided land, on a long-term lease, to the Land Trust at a nominal rate. Using a portfolio model approach, the Trust sets rent, at some sites, at market value and uses the proceeds to subsidize rent to affordable levels at other sites (BC Housing, 2018; Kaufman, 2018).

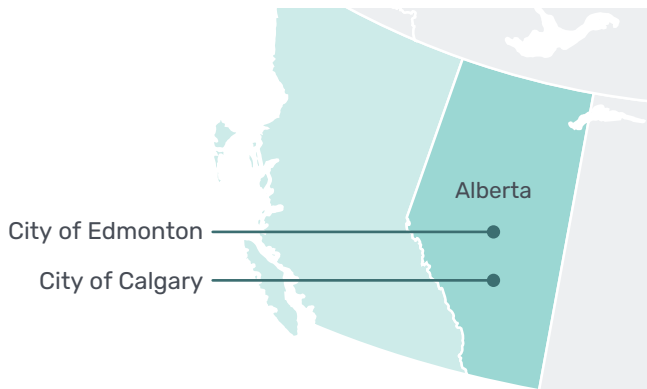
### City of Kamloops

This city negotiates the long-term lease and below market sale of City-owned land for affordable housing projects (City of Kamloops, 2016).

## Alberta

Alberta Infrastructure's Realty Services sells surplus real estate through the infrastructure website. When surplus real estate is identified it is first offered to other levels of government (including the federal government) to purchase at market value. Surplus real estate is marketed to the general public as governed by the Government Organization Act – Schedule 11 (Government of Alberta, 2021).

In addition, the Alberta Urban Municipalities Association along with its wholly-owned subsidiary, the Alberta Municipal Services Corporation, encourages municipalities to offer or donate land at reduced costs to developers or non-profits to develop low cost housing (Alberta Urban Municipalities Association, 2021).



## City of Edmonton

Two similar approaches to activating surplus government land for housing development were identified in Edmonton, including:

- Edmonton First Place Program which re-purposes undeveloped City-owned building into housing (City of Edmonton, 2021a; City of Edmonton, 2021b).
- Homeward Trust, an Edmonton land trust, which funds, coordinates, and develops new housing units for individuals and families who are homeless, at risk of homelessness or in need of housing (Homeward Trust, 2021).

## City of Calgary

Two similar approaches to activating surplus government land for housing development were identified in Calgary, including:

- The Calgary Non-Market Housing Land Program through which Calgary's Non-Market Housing Land Disposition Policy<sup>1</sup> allows for the sale of up to 10 parcels of surplus City-owned land at below market value to experienced non-profit affordable housing developers every two years (City of Calgary, 2021).
- The Homespace Society, formerly the Calgary Community Land Trust, which is a rental housing owner and property manager with a portfolio of almost 700 units of housing across 30 properties throughout Calgary. It is also involved in new construction projects (Home Space, 2019).

<sup>1</sup> <https://www.calgary.ca/content/dam/www/ca/city-clerks/documents/council-policy-library/non-market-housing-land-disposition-policy-2019.pdf>

## Saskatchewan



### City of Saskatoon

Three similar approaches to activating surplus government land for housing development were identified in Saskatoon, including:

- The Land Pre-Designation Program through which site in new City-owned neighbourhoods are identified for housing and provided at low price points for affordable and entry-level ownership opportunities. Once identified, these sites are made available to housing providers through a request for proposals process (City of Saskatoon, 2021).
- The city's Direct Sale of City-owned Land for Attainable Housing Projects policy that permits the direct sale of City-owned land to non-profit housing providers for specific affordable housing projects. Housing providers must apply to the Planning and Development Division for consideration for a direct sale (City of Saskatoon, 2021).
- The Vacant Lot and Adaptive Re-Use Incentive Program which encourages the development of vacant or brownfield sites and the re-use of vacant buildings in established areas of the city through financial and/or tax based incentives to owners of eligible properties. As part of the program, the city maintains a comprehensive inventory of undeveloped land (City of Saskatoon, 2021).

### City of Regina

Three similar approaches to activating surplus government land for housing development were identified in Regina, including:

- The provision of a portion of city owned lands at discounted prices to be used toward the creation of affordable housing, particularly rental housing (City of Regina, 2013).
- The dedication of a portion of the increase in value/proceeds of any sales from city owned lands to addressing the issue of rental and affordable housing supply (City of Regina, 2013).
- The transfer of development rights through which developers can buy the unused development rights of existing affordable rental housing (City of Regina, 2013).

### Manitoba

A few similar approaches to activating surplus government land for housing development were identified in Manitoba, including:

- A commissioning of a comprehensive inventory and evaluation of the province's entire housing portfolio by the Government of Manitoba in September 2020, which was then to be used to develop a long-term strategic capital plan (Government of Manitoba, 2020a).
- The anticipated transfer, as per its NHS commitments, of the management of 12% of Manitoba Housing's portfolio to community housing providers, which include non-profit, co-operative or government owned providers (Government of Manitoba, 2020b).
- The transfer of a vacant Manitoba Housing property on Watt Street in Winnipeg to Wahbung Abinoonjiiag Inc. for use for an affordable housing development using NHS funding (Global News, 2020).

None of these programs appeared to be in operation at the time of the evaluation.



### City of Winnipeg

Through its Housing Policy Implementation Plan, the city is reviewing its surplus land process and criteria and intends to sell surplus lands in Reinvestment Areas with priority housing needs when the sale supports the overall development of a Complete Community<sup>2</sup>. The City may direct the net proceeds of the sale to the Housing Rehabilitation Investment Reserve (City of Winnipeg, 2020a).

### Ontario

A few similar approaches to activating surplus government land for housing development were identified in Ontario, including:

- The Infrastructure Ontario Disposition (Sales) Process. When government owned properties are no longer required for the delivery of provincial government programs and services, Infrastructure Ontario circulates the surplus property concurrently to other levels of government, registered eligible not-for-profit corporations, public colleges, universities, school boards and eligible indigenous communities. If any of these entities are interested, Infrastructure Ontario negotiates a sale. When surplus provincial lands are sold at a discount or no cost, specific

requirements for the land are imposed. Land or properties sold at market value do not have specific restrictions on their use (Infrastructure Ontario [IO], 2021a; IO, 2021c). Infrastructure Ontario has a variety of services in place to support the building of affordable housing on surplus land (IO, 2021b).

- The Fair Housing Plan’s Provincial Affordable Housing Lands Program. It was designed to leverage surplus provincial land assets across the province to develop a mix of market housing, as well as new, permanent, sustainable and affordable housing (Government of Ontario [GoO], 2017; IO, 2021b).
- Ontario’s 2019 Housing Supply Action Plan which committed to reducing accelerating the sale of surplus government property. Over the next four years the Ontario government indicated that it would put 243 properties, approximately 14,600 acres, back into use for home building (GoO, 2018).

In addition, the Government of Ontario sells non-governmental properties through the Ontario Tax Sales which lists all property that is sold by the taxing authority in Ontario to recover delinquent taxes or other debts levied against the property. These properties are often offered at a discounted value (OTS, n.d.).



<sup>2</sup> A complete community refers to the strategic directions of Winnipeg’s guide to land use and development. The concept is defined as places that offer and support a variety of lifestyle choices, providing opportunities for people of all ages and abilities to live, work, shop, learn and play in close proximity to one another (City of Winnipeg, 2020b).

## City of Kingston

The city's Affordable Housing Land Acquisition and Disposition Program acquires and disposes of properties for construction of affordable housing units. The properties are not only surplus government properties, they can include properties purchased from the private market or institutions. Once acquired, lands are sold at 75% or less of the purchase price and the number of and length of affordability of the affordable housing units must be maximized within the development. (City of Kingston, 2012).

## City of London

The city operates the Housing Development Corporation, which was created to support residential development, including affordable housing. Among other things, through partnerships they activate surplus municipal or government land housing uses (Housing Development Corporation, 2020).

## City of Toronto

Two similar approaches to activating surplus government land for housing development were identified in Toronto, including:

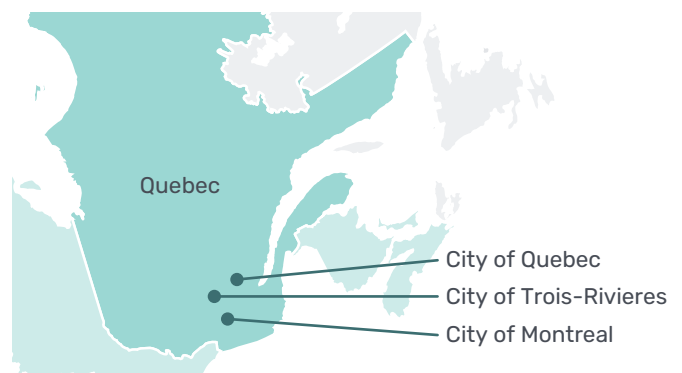
- The Open Door Affordable Housing Program which includes, among other things, activating surplus public land to accelerate the construction of affordable housing. Developers can learn about these affordable housing opportunities by signing up for the Open Door Registry (City of Toronto, 2020).
- Housing Now which activates City-owned sites for the development of affordable housing within mixed-income, mixed-use and transit-oriented communities (City of Toronto, 2020).

In addition, the city established CreateTO in 2018 which develops city buildings and lands for a variety of purposes, including affordable housing projects (CreateTO, 2018; Real Estate News Exchange, 2019).

## Quebec

Quebec activates surplus government land for housing through rental agreements made available by the Ministry of Energy and Natural Resources or through a Regional County Municipality. In some cases, public land can be sold, generally at market value, if it meets specific criteria (Quebec Ministry of Energy and Natural Resources, 2016).

In addition, AccèsLogis was launched in 1997 by the Quebec Housing Corporation for the specific purpose of social and affordable housing. While it primarily involves the provision of financial aid for affordable housing projects, many projects have been supported by the donation of property from municipalities (Quebec Housing Corporation, n.d.).



## City of Quebec

The city has a program in place to sell off surplus municipal land, not necessarily reserved for housing uses (City of Quebec, n.d.).

## City of Trois-Rivieres

The city has a program in place to sell off surplus municipal land, not necessarily reserved for housing uses (City of Trois-Rivieres, N.d.).

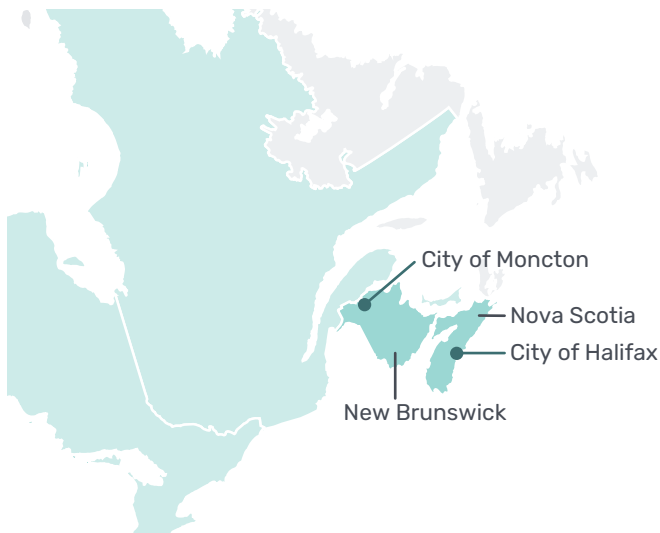
## City of Montreal

Two similar approaches to activating surplus government land for housing development were identified in Montreal, including:

- A city policy relating to the sale of municipal land at a reduced price for community housing projects (Montreal Urban Community, 2012).
- The Réflexe Montréal agreement between the city and the provincial government which grants the city the power to buy properties through a right of first refusal to develop it into affordable housing (City of Montreal, 2020).

## Nova Scotia

The province has previously donated land for affordable housing uses, such as to Habitat to Humanity Nova Scotia (Housing Nova Scotia, 2014).



## City of Halifax

The city intends to investigate making surplus municipal lands available for affordable housing development through its 2016-2022 Affordable Housing Work Plan (City of Halifax, 2018).

## New Brunswick

New Brunswick sells surplus lands at market value through the Property Services Branch of the Department of Transportation and Infrastructure who is responsible for the acquisition, disposal, leasing, management and marketing of surplus government-owned property (Government of New Brunswick, 2019).

## City of Moncton

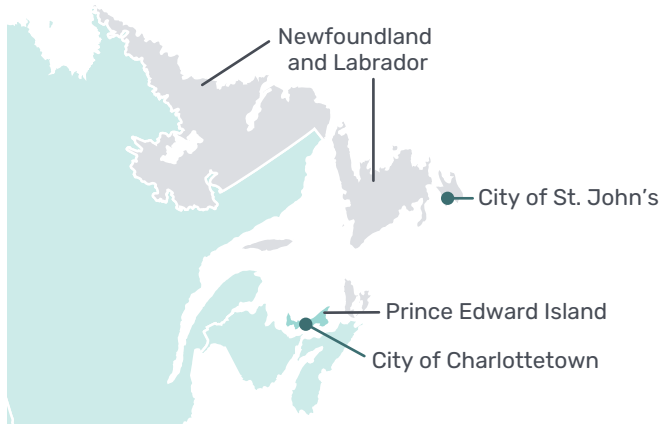
A few similar approaches to activating surplus government land for housing development were identified in Moncton, including:

- Through the *Local Governance Act*, which allows municipalities to enter into agreements with the Province for joint projects for the acquisition and development of land for housing purposes. Its use is anticipated as per the city's Community Implementation Plan for Affordable Housing (City of Moncton, 2019).
- A planned collaboration with partners to provide Federal and Provincial surplus land within Moncton for the purpose of developing affordable housing in 2019-2021 (City of Moncton, 2021).
- Moncton's housing strategy which includes increasing the City's use of land grants, incentives and other resources to leverage housing partnerships (City of Moncton, 2021).



## Prince Edward Island

The province offers surplus government land for through a public tender or a restricted tender sale by the Department of Transportation, Infrastructure & Energy. PEI reviews request for property from community or non-profit organizations. Should property be sold at below market value to such organizations, the government has the option to buy the property back at the same price when it is no longer needed (Government of Prince Edward Island, 2018).



## City of Charlottetown

Its Affordable Housing Incentive Program includes the consideration of making city-owned surplus property available for social housing (City of Charlottetown, 2018).

## Newfoundland and Labrador

### City of St. John's

The city has provided land for the development of affordable in the past. As part of their ten-year Affordable Housing Strategy, the city intends to develop an inventory of city-owned land (City of St. John's, 2020).

### Northwest Territories, Yukon, Nunavut

No similar programs were identified in the Territories through the web search.



## Annex D: Details on the analysis of which income brackets can afford FLI affordable units at estimated time of tenancy

### How was the analysis performed to ascertain the income brackets served by affordable FLI units at the estimated time of tenancy versus the income brackets served if those same units were priced at MMR?

- The goal of this analysis was to ascertain how FLI's design (which requires that at least 30% of units in a project be rented out at less than 80% of MMR) impacts the level of affordability in projects at the estimated time of tenancy. This does not necessarily mean that the households that are or will reside in these units is part of a particular income bracket, but rather that a particular unit is affordable to a household within that bracket.
- Housing is deemed affordable if it meets adequacy, suitability or affordability standards (as defined earlier on in the report), all shelter costs add up to less than 30% of a household's pre-tax income and an acceptable alternative dwelling within this cost is not available (CMHC, 2018a). To factor in total shelter cost, this analysis assumed that rents were inclusive of all shelter costs.
  - For renters, shelter costs include rent and payments for electricity, fuel, water and other municipal services (CMHC, 2018a).
  - For homeowners, shelter costs include, as applicable, mortgage payments (principal and interest), property taxes, condominium fees, and payments for electricity, fuel, water and other municipal services (CMHC, n.d.).
- To measure the level of affordability of FLI properties with successful applicants, the analysis used income brackets as per those in the CMHC Housing Market Information Portal (CMHC, n.d.-a). To estimate how many of the units with affordability commitments were affordable for each bracket at the estimated time of tenancy for each project the lowest income for each income bracket (with the exception of the midpoint for the 1<sup>st</sup> bracket) was used in the calculation of how many units were affordable for this bracket. These are the FLI affordable units at committed MMR in the figure 14 on page 25.
- It was assumed that the growth rates of MMR for each region would be the average of the last five years of MMR growth for each region. The evaluation estimated these local growth rates for MMR for each FLI project using CMHC Housing Market Information Portal data (CMHC, n.d.-a). The MMR used was the total column in the Housing Market Information Portal this is the average of the MMR of each bedroom type (1 bedroom, 2 bedroom, 3 bedroom +) (CMHC, n.d.-a). These estimated growth rates of MMR were then used to estimate the MMR at the level of affordability committed to in FLI projects and at MMR at the estimated time of tenancy.
- Units at MMR at the estimated time of tenancy was used as the counterfactual, which means that the analysis assumed that if these units were created without FLI, they would be rented out at no less than MMR.
- Other elements that impact the expected cost of housing such as rental controls or rental supplements were not included in the analysis as they cannot be directly attributed to FLI's impact on housing affordability nor do they speak to what FLI is able to accomplish based on its design. However, these are assumed to impact the factors used in the analysis. For example, rental controls were assumed to impact the growth rate of MMR in regions where it exists and rental supplements were assumed to be factored into an individual's pre-tax income.

## Annex E: Details on the analysis of which income brackets can afford FLI affordable units at estimated time of tenancy versus in 2048

### How was the analysis performed to ascertain income brackets served by affordable FLI units at estimated time of tenancy versus the income brackets served by affordable FLI units in 2048?

- The goal of this analysis was to ascertain if FLI's design (which requires that at least 30% of units in a projects be rented out at less than 80% of MMR for a minimum of 25 years) ensures that the permanent loss of the federal land disposed of through FLI at a discount is in exchange for a long term social benefit. This does not necessarily mean that the households that are or will reside in these units is part of a particular income bracket, but rather that a particular unit is affordable to a household within that bracket.
- The year 2048 was chosen because it is 25 years from time of tenancy for 13 out of 16 projects.
- As previously mentioned, housing is deemed affordable if it meets adequacy, suitability or affordability standards (as defined earlier in [Annex C](#)).
- The same measurement of affordable units at estimated time of tenancy as outlined in [Annex D](#) and on the figure 14 on page 25 was used. The analysis then compared that measure to the income brackets served by affordable FLI units in 2048.
- It was assumed that the growth rates of MMR for each region would be the average of the last five years of MMR growth for each region. The evaluation estimated these local growth rates for MMR for each FLI project using CMHC Housing Market Information Portal data (CMHC, n.d.-a). The MMR used was the total column in the Housing Market Information Portal this is the average of the MMR of each bedroom type (1 bedroom, 2 bedroom, 3 bedroom +) (CMHC. n.d.-a). These estimated growth rates of MMR were then used to estimate the MMR at the level of affordability committed to in FLI projects and at the level of affordability committed in 2048 by compounding the growth rate into the future.
- To ensure that the comparison was sound, the income brackets at the estimated time of tenancy were projected into 2048 dollars. The 2048 income brackets were calculated using a growth rate based on the average of the income growth for each project. This income growth rate was calculated by the evaluation using income data compiled from the CMHC Housing Market Information Portal (CMHC, n.d.-a) compounded into the future.
- The analysis then compared the projected income brackets in 2048 to those outlined at time of tenancy to show the estimated level of maintenance or erosion of affordability for FLI projects with successful applicants.
- The slower rental growth rate that occurs in older buildings or as buildings age was omitted in the context of this analysis. As the goal was to look at a snapshot of current growth rates into the future, to get an estimate of the picture of affordability for FLI in 2048, the analysis utilized the average MMR growth rate.
- As was the case in [Annex D](#), other elements that impact the expected cost of housing such as rental controls or rental supplements were not included in the analysis as they cannot be directly attributed to FLI's impact on housing affordability nor do they speak to what FLI is able to accomplish based on its design. However, these are assumed to impact the factors used in the analysis. For example, rental controls were assumed to impact the growth rate of MMR in regions where it exists and rental supplements were assumed to be factored into an individuals pre-tax income.

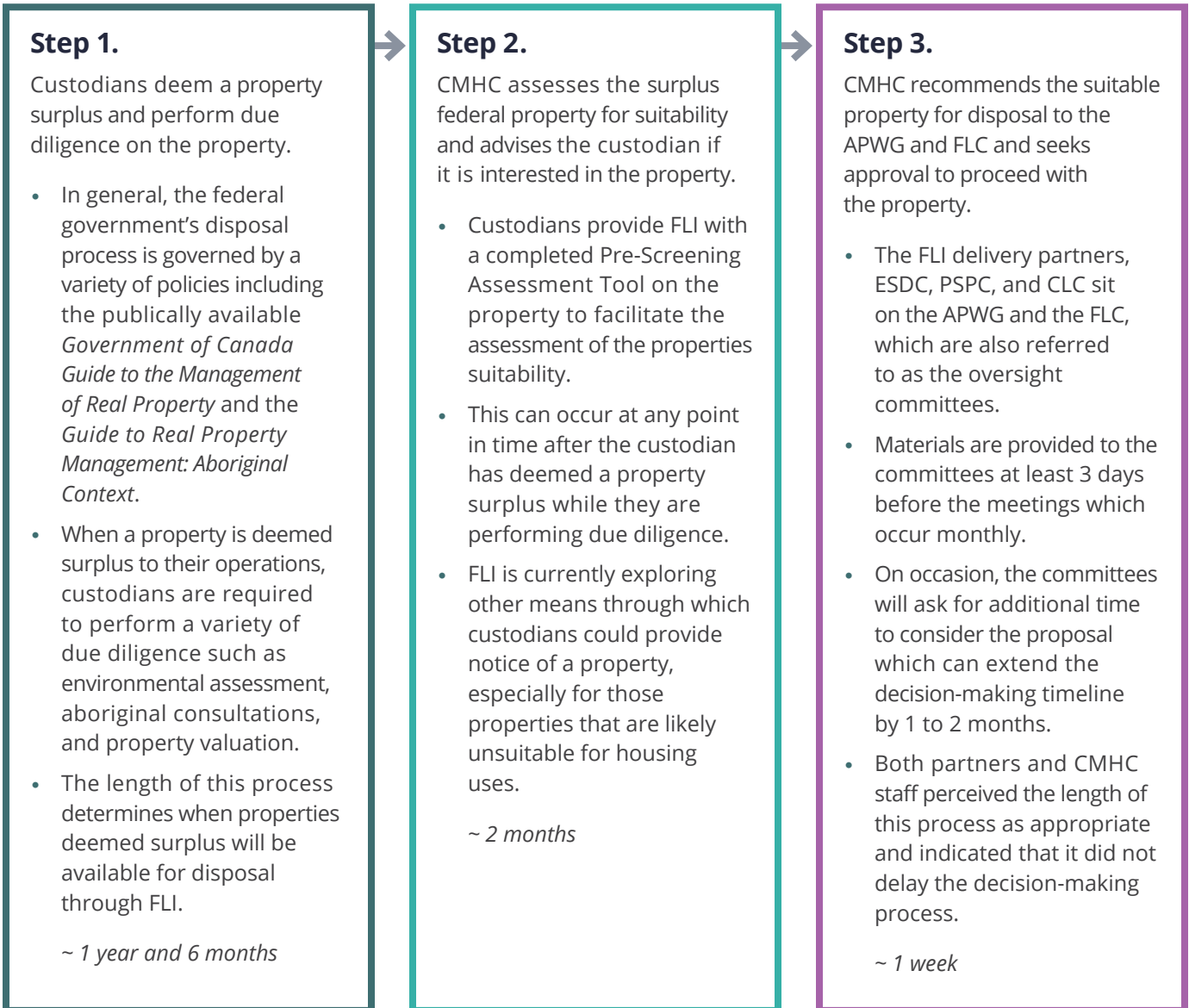
## Annex F: Description of the Roles and Responsibilities of Various Stakeholders

**Table 9:** Description of the Roles and Responsibilities of Various Stakeholders

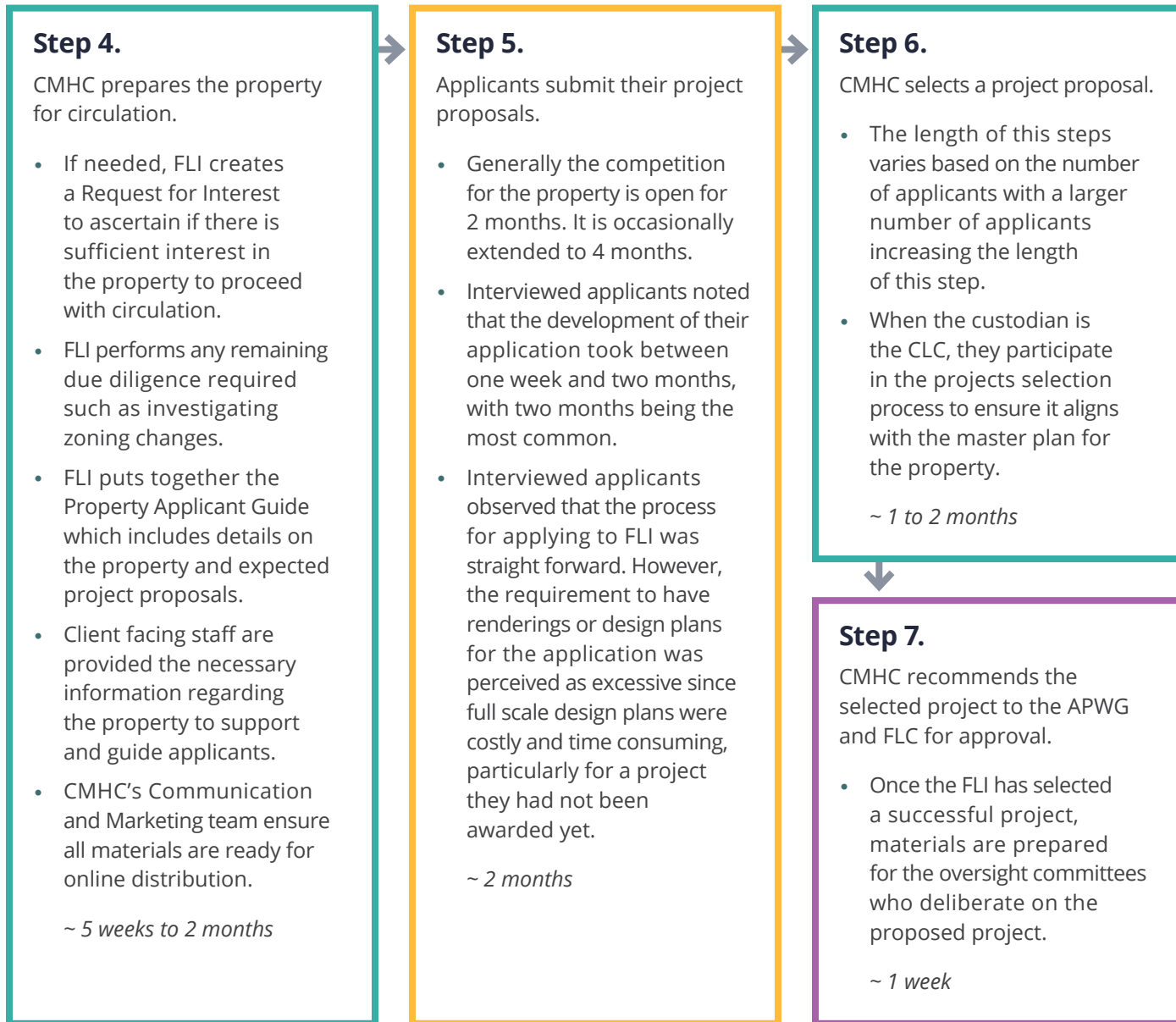
Stakeholders		Role and Responsibilities
Custodian		Some custodians noted that their organization was responsible for disposing of surplus property on behalf of federal departments. For custodians who dispose of properties for other organizations they had a process in place to support disposal through FLI and other means, for example disposing of property through market sale (e.g. CLC and PSPC).
Partners	PSPC & CLC	<ul style="list-style-type: none"> <li>Ensures compliances with all applicable Treasury Board real property policies and directives</li> <li>Complete, review and validate a technical assessment of selected properties</li> <li>Determine need for pre-development servicing, length of time to complete work, and associated costs</li> <li>Ensures proper consultation on master planning process</li> <li>Advises on value assessment per residential unit</li> </ul>
	PSPC	Additionally acts as an agent for other custodians i.e. providing support to another custodians who has deemed land surplus but do not have the resources to complete the next steps in the disposal process
	CLC	May be a custodian and provide properties under their ownership to FLI
	ESDC	Advisory role and content expertise regarding homelessness sector
Oversight Committees	All-Partners Working Group	Reviews and highlights risks and concerns on properties and proponents recommended by CMHC deemed suitable for housing and in line with FLI project requirements. Provides concurrence with provision to FLC for approval
	Federal Lands Committee	Approves properties and proponent recommended by CMHC deemed suitable for housing and in line with FLI project requirements that were vetted by APWG. Final approval remains with CMHC.

# Annex G: Detailed FLI Process Map and Perceived Length of Processes

## Step A: A Property is Deemed Surplus by a Custodian and Approved for Disposal Through FLI



## Step B: FLI Markets the Property, Applicants Submit Their Applications to the Competition, and FLI Selects a Successful Project



## Step C: The Legal Agreements are Created and the Property Title is Transferred to the Successful Applicant

### Step 8.

The legal agreements are created and signed by the FLI, the custodian and the successful applicant.

- There are variety of legal agreements that must be put in place, including:
  - The APS and its associated Framework Agreement (as applicable),
  - A Loan Agreement, and,
  - An Operating Agreement.
- The drafting of the various legal agreements occurs concurrently.
- The program team, partners, applicants, and custodians reported that the process from approval to acquisition of the property was the most lengthy and susceptible to significant delays.
- Applicants and custodians noted that this process required detailed negotiations involving three parties (CMHC, custodian and the applicant) which was a time intensive process.

#### Agreement of Purchase and Sale

- A Framework Agreement which outlines the roles and responsibilities of FLI in the APS process may be required.
- All three parties are involved: CMHC, the custodian, and the successful applicant.

- This process is susceptible to a variety of delays, including:
  - Additional due diligence on the property performed by the custodian or the successful applicant.
  - The length of government processes outside CMHC's and the custodian's control. For example, other departments may play a role in this process, such as the Department of Justice who may represent the custodian in the legal agreement process, and these institutions have their own processes in place with their own associated timelines.
- FLI is exploring a variety of ways to reduce the length of this process.

#### Loan Agreement and Operating Agreement

- These documents outline the agreement as it pertains to the loan and the operation of the loan.
- This forgivable loan is the means through which FLI secures the project's commitment to the various social outcomes in exchange for the discount on the property.
- Only CMHC and the successful applicant are involved in the elaboration of these agreements.

*~ 1 year*



### Step 9.

The title is transferred to proponents and FLI funds are disbursed.

- The title of the property is transferred to the successful applicant as per the closing date agreed upon in the APS.

- Delays can occur for a variety of reasons, such as unexpected provincial or municipal requirements or delays in government processes.

*~ 6 months*

## Covid-19

### Covid-19 had some short-term impacts on the FLI Process

#### Custodians

Custodians reported that Covid-19 impacted the finalization of purchase agreements, as well as created financial restrictions for some organizations which impacted their ability to fund or complete projects.

#### Partners

Partners did not believe that Covid-19 had impacted FLI processes in which they are involved. Partners noted that the timelines for assessments and committee work had remained the same. It was suggested that Covid-19 may have impacted proponents' ability to apply due to depleted financial resources.

#### Program Staff

It was noted that no internal CMHC processes were delayed by Covid-19 internally.

#### Applicants

Most applicants indicated that Covid-19 impacted timelines of processes due to staff being required to work from home which caused delays on obtaining approvals. A few applicants noted significant delays due to Covid-19 when developing site plans or conducting assessments.





## Annex H: Summary of Findings

1. There is a continued need for programs that increase the supply and repair of affordable housing in Canada.
2. There is a continued need to construct new units and repair existing units in the affordable and community housing rental stocks.
3. There is a continued need to support the building and repair of shelter and transitional housing in Canada.
4. There is a continued need to repurpose surplus federal government land and buildings.
5. There is a continued need for a program that reduces the cost of land acquisition to facilitate the creation of affordable housing.
6. Disposing of surplus government land for housing uses is a widely used practice by many provinces and municipalities. FLI compliments approaches at the federal level.
7. FLI is on track to contribute to increasing the affordable housing stock.
8. FLI is on track to contribute to promoting social and economic inclusion.
9. FLI is on track to contribute to energy efficient housing.
10. FLI projects committed to date are expected to contribute to Canadian economic growth by enabling approximately \$567M to GDP and creating 5,300 jobs.
11. FLI is expected to contribute to the NHS priority area for action of housing for those in greatest need – the vulnerable populations and the corporate priority outcome of having reliable access to secure and affordable housing for people who are vulnerable.
12. FLI is expected to contribute to the NHS commitment to support projects that meet the unique needs of women and children.
13. FLI is expected to contribute to the NHS shared outcome of improving the housing needs of Indigenous Groups; however, there are some areas for improvement regarding program procedures related to Indigenous consultations, the application process, and program requirements and criteria.
14. Custodians are generally aware of FLI and incentivized to use the program.
15. Overall, applicants reported a moderate awareness of FLI and its processes within the affordable housing sector. On average, program requirements were not a barrier though the ease of committing to the criteria varied.
16. Applicants' incentive to use FLI is negatively impacted by the financial viability criteria.
17. The design of the program relies on federal surplus properties being suitable for affordable housing; as expected, there are a variety of barriers to suitability.
18. While its design enables it to serve a variety of project types along the housing continuum, to date, it has exclusively supported rental housing projects.
19. The ability to stack NHS funding was perceived as an asset by applicants.
20. If FLI proceeds with the disposal of the properties FLI has already deemed suitable for housing that have not yet gone for competition, this would utilise most of FLI's remaining budget.
21. Custodians and applicants are generally satisfied with FLI, with custodians being less satisfied than applicants.
22. The roles and responsibilities of CMHC and partners are perceived as clear and appropriate by both parties.
23. Generally, most of the timelines of FLI's processes were perceived as reasonable, as well as comparable to other government and land acquisition programs.
24. FLI processes and program requirements were the key areas of improvement noted by key informants relating to the design and delivery of FLI.

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## Alternative text and data for figures

**Figure 3:** Number of Key Informants Interviewed by type

Key Informant Type	Number of Interviews
CMHC FLI Program Staff	8
CMHC Housing Solutions Specialists	7
Successful Applicants	13
Program Delivery Partners	6
Custodians	9

**Figure 5:** Core housing need rate for Canada and census metropolitan areas, 2016

Census metropolitan area (CMA)	Core housing need rate (%)
Saguenay	5
Trois-Rivières	6.2
Sherbrooke	7.2
Québec	7.2
Saint John	8.8
Moncton	8.9
Lethbridge	9.9
Kelowna	10.2
Montréal	10.9
Guelph	11.1
Calgary	11.3
Kitchener - Cambridge - Waterloo	11.4

Census metropolitan area (CMA)	Core housing need rate (%)
St. John's	11.5
Windsor	11.7
Saskatoon	11.8
Ottawa - Gatineau	11.9
Winnipeg	12.1
Thunder Bay	12.2
Edmonton	12.3
Greater Sudbury	12.5
Oshawa	12.7
Canada	12.7
Abbotsford - Mission	12.7
Hamilton	13
Regina	13.3
Halifax	13.7
St. Catharines - Niagara	13.9
London	13.9
Brantford	14
Victoria	14.2
Kingston	14.2
Barrie	14.4
Peterborough	15.1
Belleville	15.4
Vancouver	17.6
Toronto	19.1

**Figure 6: Rentals as a Percentage of All Housing Starts**

Year	Rental Percent						
1989	18%	1997	6%	2005	9%	2013	14%
1990	21%	1998	6%	2006	9%	2014	15%
1991	23%	1999	7%	2007	10%	2015	19%
1992	19%	2000	8%	2008	10%	2016	20%
1993	14%	2001	10%	2009	12%	2017	21%
1994	9%	2002	11%	2010	12%	2018	25%
1995	9%	2003	10%	2011	12%	2019	29%
1996	7%	2004	10%	2012	11%	2020	24%

**Figure 7: Emergency Shelter Occupancy Rate and Bednight Use in Canada from 2005 to 2016**

Date	Bednights Used	Occupancy Rate (%)
2005	4,759,753	82.7%
2006	4,668,304	82.0%
2007	4,463,710	79.1%
2008	4,783,768	85.5%
2009	5,263,182	94.6%
2010	4,526,169	83.2%
2011	4,686,469	86.3%
2012	5,012,230	91.6%
2013	4,970,010	91.2%
2014	5,057,813	92.4%
2015	5,127,307	91.2%
2016	5,121,681	91.0%

**Figure 10: Anticipated Number of Units Committed to Being Built**

Date	New Housing Units	New Affordable Housing Units	Repaired and Renewed Units	Affordable Repaired and Renewed Units	Short-term New Unit Target	10-year New Unit Target
March 31, 2019	0	0	0	0	400	4,000
March 31, 2020	141	219	4	8	800	4,000
March 31, 2021	1,290	859	564	266	1,200	4,000
March 31, 2022	1,521	958	604	283	1,600	4,000
March 31, 2023	1,850	1,099	675	313	2,000	4,000
March 31, 2024	2,178	1,240	745	344	2,400	4,000
March 31, 2025	2,507	1,381	816	374	2,800	4,000
March 31, 2026	2,836	1,521	886	404	3,200	4,000
March 31, 2027	3,164	1,662	957	435	3,600	4,000
March 31, 2028	3,493	1,803	1,027	465	4,000	4,000

**Figure 12:** FLI Affordable Units in properties with approved applicants at their Maximum FLI Committed MMR

% MMR	Units exceeding minimum affordability requirements	Sum of Number of Affordable Units
50%	Yes	48
54%	Yes	156
59%	Yes	38
60%	Yes	37
69%	Yes	83
74%	Yes	25
75%	Yes	51
78%	Yes	8
79%	Yes	9
80%	No	349
<b>Grand Total</b>		804

**Figure 13:** FLI Affordable Units in properties with approved applicants and their Length of Affordability

Length of Affordability	Units exceeding the minimum requirement	Sum of Number of Affordable Units
25 years	No	9
35 years	Yes	4
50 years	Yes	357
55 years	Yes	432
In Perpetuity	Yes	2
<b>Grand Total</b>		804

**Figure 14: Income Brackets Served by Affordable FLI Units at the Estimated Time of Tenancy vs. Income Brackets Served if Those Same Units Were Priced at MMR**

Income Brackets		Units at MMR	Units at FLI Committed MMR
<b>Income Bracket 1</b>	Less than \$20,000	0	0
<b>Income Bracket 2</b>	\$20,000 to \$39,999	0	12
<b>Income Bracket 3</b>	\$40,000 to \$59,999	60	450
<b>Income Bracket 4</b>	\$60,000 to \$79,999	303	561
<b>Income Bracket 5</b>	\$80,000 to \$99,999	591	591
<b>Income Bracket 6</b>	\$100,000 and over	591	804

The impact of FLI is most pronounced in brackets 3 and 4.

**Figure 15: Income Brackets Served by Affordable FLI Units at Estimated Time of Tenancy vs. Income Brackets Served by Affordable FLI Units in 2048**

Income Brackets		Units at MMR	Units at FLI Committed MMR
<b>Income Bracket 1</b>	(Less than \$20,015)	0	0
<b>Income Bracket 2</b>	(\$40,030 to \$80,059)	166	12*
<b>Income Bracket 3</b>	(\$80,060 to \$120,089)	243**	450
<b>Income Bracket 4</b>	(\$120,090 to \$160,119)	459**	561
<b>Income Bracket 5</b>	(\$160,120 to \$200,149)	804	591*
<b>Income Bracket 6</b>	(\$200,150 and over)	804	804

\* Increased # of affordable units

\*\* Reduced # of affordable units

**Figure 16: Housing Units that Are Anticipated to Meet Accessibility Standards or Have Full Universal Design**

Type of Unit	Scenario 1	Scenario 2
All units	40%	63%
New units	41%	64%
Repaired and renewed units	37%	37%

**Figure 17: Percentage of All Properties Deemed Suitable within One Kilometre of Amenity**

Amenity	Percent
Grocery Store	78%
Neighbourhood Park	80%
Transit	98%

**Figure 18: Units that are Anticipated to Exceed the Energy Efficiency Target**

Type of Unit	Minimum	Maximum
All units	56%	76%
New units	57%	77%
Repaired and renewed units	19%	19%

**Figure 19: Estimated Total Economic Impact of FLI Committed Projects**

Type	Direct Impact*	Indirect Impact**	Induced Impact***	Total Impact
GDP	250M	192M	125M	567M
Jobs	2,300	1,900	1,100	5,300

\* Impacts generated **directly** within the residential construction sector

\*\* Impacts within Suppliers to the residential construction sector

\*\*\* Impacts from the spending of Labour Income earned through direct and indirect impacts

**Figure 20:** Projects with Units Intended to be Dedicated to Priority Vulnerable Populations by Type

Priority Vulnerable Population by Type	Percent
People with Disabilities	38%
Any Priority Vulnerable Group	31%
No Dedicated Units	25%
Indigenous Peoples	25%
Seniors	13%

**Figure 21:** Number of Intended Dedicated and Committed Units for Priority Vulnerable Groups

Priority Vulnerable Group by Type	Dedicated Units	Committed Units
People with Disabilities	15	0
Any Priority Vulnerable Group	12	72
Indigenous Peoples	24	25
Seniors	156	29
People Experiencing Homelessness	0	52
Survivors Fleeing Violence	0	52



**Figure 24: Applicants Average Score on Program Requirements**

Program Criteria	Average Score
All Other Prioritization Criteria	2.56
Financial Viability	-0.05
Experience	1.5
Evidence of Community Need	0.88
Energy Efficiency	1.69
Accessibility	1.15
Affordability	1.35

**Figure 26: Anticipated Other Sources of Funding Reported by Applicants**

Other Sources of Funding	Number of applicants reporting a particular source of funding
Municipality	7
CMHC, Excluding FLI	6
Private Funding	3
Province	2
Non-profit organization	2
Traditional lender	2
Other	1

**Figure 28: Suitability Issues at Time of Property Review**

Suitability Issue	All other properties	Properties deemed suitable
Environmental Concerns	14%	13%
No Municipal Services	7%	2%
Unchangeable Zoning	10%	0%
Structure Requires Major Repairs	10%	13%

**Figure 30: Possible FLI Spending vs. Funding Provided to FLI**

Disbursement Forecast Year	Estimated financing to dispose of properties when ready for disposal	Cumulative Annual Funding Provided to FLI
March 31, 2020	\$5,260,413.00	\$40,000,000.00
March 31, 2021	\$7,212,797.00	\$60,000,000.00
March 31, 2022	\$42,236,559.00	\$80,000,000.00
March 31, 2023	\$160,481,891.00	\$100,000,000.00

**Figure 31: Custodian Net Promoter Score = 38**

Net Promoter Score Category	Number of Custodians
Detractors	2
Passives	1
Promoters	5

**Figure 32: Applicant Net Promoter Score = 75**

Net Promoter Score Category	Number of Applicants
Detractors	1
Passives	1
Promoters	10