THE FINANCING AND ECONOMICS OF AFFORDABLE HOUSING DEVELOPMENT

Incentives and disincentives to private-sector participation

By Jill Black

“It is important to ensure sustainable affordable housing stock, but you can’t keep taxing and regulating rental as if it is a business and treat it as a right – not if you want [private-sector] businesses to be involved.”

“In real estate development, everyone acts in their own best interest. You must create ‘win-win’ situations.”

– from interviews with developers

Why does the private sector in Canada create so little rental housing today, and why is most new private-sector rental housing unaffordable to those with low or moderate incomes? The short answer is that even at "luxury" rents, rental development is far less profitable than condo development, while “affordable” rental development is not economically feasible without significant government subsidies. Meanwhile, governments eliminated subsidies and other incentives to development of purpose-built rental between 1996 and 2006, and the current grant programs have been less productive than the programs that helped build affordable multi-unit rental housing in the 1960s, 1970s and 1980s.

Going beyond this short answer requires an understanding of the key players in private-sector real estate development: the developers, the owners and operators, and the financers. The development of multi-unit residential housing is complex, costly, capital intensive, and risky. The key players expect their financial returns to be commensurate with the risks they assume, and all need to cover their investment of time, money and expertise.

This research bulletin provides a brief overview of their roles and the economics of their businesses, as well as some suggestions, based largely on interviews by the author with developers and housing providers in Ontario, for stimulating greater engagement by the private sector in affordable rental housing.

Developers

Developers orchestrate the development process from beginning to end. Their activities include buying land; securing financing for real estate deals; designing and planning projects; securing public approvals; retaining builders; overseeing construction; marketing properties; and leasing, renting, or selling property developments. They work with many different specialists or service providers throughout the development process, including brokers and lenders, underwriters, insurers, lawyers, surveyors, designers, architects, engineers, building contractors, and city planners. They take the greatest risks of all the participants, for which they expect to realize the greatest rewards.

Developing for sale is the primary way that developers make money. Even if they build to rent, and few do so, developers reportedly try to get their own money or equity out as soon as possible after construction is complete. The pro forma financial statement in Table 1 illustrates the economics of developing and selling a 190-unit condo development. In this example, the developer has completed a two-year project costing almost $46 million, sold the units for $285,000 each on average, and made a profit of $8.2 million after covering “hard costs” (the costs
of construction) and “soft costs” (development and related charges, interest, administration, specialists/services, marketing and other costs). The developer’s financial return, or profit margin before interest and taxes, is 15% of revenue, the target margin that interviewees said for-profit developers aim for.

Developing to sell is more attractive than rental development, because it is lower risk and produces cash flow faster, for the following reasons:

- Construction does not begin until the majority of units are pre-sold to qualified buyers.
- Pre-sales bring in cash earlier, as prospective buyers have to make cash deposits of 10% or more of the sales price to hold their units.
- Lower risk makes it easier to obtain financing, which means that projects tie up less of a developer’s equity for shorter periods.

The “develop and sell” approach is not risk-free. Developers try to minimize their risk by using other people’s money as much as possible to fund projects, a practice known as “leveraging” an investment. They do this because maximizing their financial leverage, or the percentage of the cost that is funded by debt as opposed to their equity, increases their returns. In addition to producing better returns, leverage can free up developers’ money to invest in other projects. Unfortunately, the benefits of leverage are not guaranteed and too much leverage can be risky because banks and other lenders expect to be repaid, even if a project fails, and lenders have first claim to any profits.

Once a project is built, a developer with a property management division might operate the building for a fee, but it is usually the condo association that becomes responsible for the building and bears the occupancy and management risks — and headaches.

Owners and operators

Owners of multi-unit rental properties include companies that “develop to rent” as well as companies such as Real Estate Investment Trusts (REITs), which buy and manage existing rental buildings.

Few companies develop to rent, particularly in large cities where land is very expensive. The average rent per unit has to be set very high to generate an adequate return. Table 2 demonstrates this using an annual pro forma for a new 190-unit rental development that has similar construction costs to the condo example in Table 1. This pro forma is more complex than the financial model for developing to sell, because it goes beyond construction costs to consider revenue-generating potential as well as the costs of operation and ongoing mortgage financing (debt servicing). The rent per unit required to produce a profit margin that would be acceptable to a for-profit developer is 2.25 times the rent level considered to be “affordable” under the current Canada-Ontario Affordable Housing Program (80% of market average).

Even at high rents, developing multi-unit rental is riskier than developing for sale, because it is difficult to assess and demonstrate financial feasibility. This makes multi-unit rental development less attractive to financiers, who pass the higher risk back onto developers in various ways. These include requiring developers to purchase mortgage insurance from Canada Mortgage and Housing Corporation (CMHC) to protect lenders against loan default and delaying mortgage financing until rents have stabilized, actions that increase costs, making the economics even worse.

Existing rental buildings are bought and sold all the time. The economics of acquired buildings are similar to those for a new development for rental, with one major difference: acquired buildings cost roughly half as much as new construction. Lower capital and financing costs enable owners of acquired buildings to make acceptable returns, even though older buildings tend to have lower rents and higher operating costs than new developments, and their owners pay higher property taxes.

Purchasers of existing buildings, such as REITs, private equity funds, and individual investors, look for undervalued assets that are in reasonably good shape. They increase their cash flows over time as rents increase with inflation, while debt service remains constant over mortgage terms (as interest rates permit). They may also make capital improvements to justify higher rents.
Brokers are key intermediaries in construction financing, as they know which investors have money and what it will cost to borrow. Brokers typically earn fees based on the value of the financing packages or deals that they put together.

Residential developments are financed in stages, beginning with the land purchase. Each stage acts as a stepping-stone to the next one, until the “take-out” mortgage on the finished project. At each stage, lenders use underwriting criteria to assess the project’s financial feasibility and establish loan terms or conditions.

Financers use the following assessment criteria and terms or conditions specific to different stages of development:

- **Land financing** is based on the nature and quality of the proposed development and whether it is appropriate for the location. Lenders require an independent assessment of property value to determine the loan-to-value ratio, which sets the level of equity the developer must provide. Land loans are typically term loans for less than 12 months at a floating rate.

- **Construction financing** is driven primarily by the projected costs of construction. Lenders require detailed schedules of sources and uses of funds that include: the cost of the land loan to be paid off, the hard costs of building the project, the soft costs or other project costs, funds to pay interest on the construction loan, and a contingency to cover cost overruns. Financers may also require a covenant in the loan agreement to protect them against cost overruns by making the developer take the risk. Finally, they usually require Canada Mortgage and Housing Corporation (CMHC) loan insurance, particularly in difficult economic times; CMHC insures construction and longer-term financing as one transaction for new rental developments. Construction loans are typically term loans at a floating rate for 12 to 36 months.

- **Permanent or mortgage financing** is obtained once the building is finished to pay off the rental construction loan (unlike condos, where unit sales pay off the construction loan). This financing typically takes the

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**TABLE 2: Preliminary pro forma for a 190-unit for-profit rental development**

<table>
<thead>
<tr>
<th>Operating Pro forma</th>
<th>Total $000s</th>
<th>$ Per Unit Per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Revenue</td>
<td>$5,132</td>
<td>$2,250</td>
</tr>
<tr>
<td>Vacancy and Bad Debt Allowances</td>
<td>-$205</td>
<td>-$91</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$4,927</td>
<td>$2,160</td>
</tr>
<tr>
<td>Operating Costs</td>
<td>-$1,649</td>
<td>-$724</td>
</tr>
<tr>
<td><strong>Net Operating Income (NOI)</strong></td>
<td><strong>$3,279</strong></td>
<td>$1,437</td>
</tr>
<tr>
<td><strong>Total Financing</strong></td>
<td><strong>$47,369</strong></td>
<td><strong>$20,775</strong></td>
</tr>
<tr>
<td>Debt Service Costs</td>
<td>-$1,908</td>
<td>-$838</td>
</tr>
<tr>
<td>Principal</td>
<td>-$422</td>
<td>-$186</td>
</tr>
<tr>
<td><strong>Total Debt Service</strong></td>
<td><strong>-$2,330</strong></td>
<td><strong>-$1,023</strong></td>
</tr>
</tbody>
</table>

Profitability

| Cash Flow Pre-Tax (NOI - Debt Service) | **$948** | $415 |

**Cash-on-Cash Return (Cash Flow/Equity)** 10% 10%

**Note:** The sample project contains a mix of suite sizes. The average rent calculation was weighted by suite size.

**Source:** Author’s analysis based on an affordable housing financial model provided by Infrastructure Ontario and a private-sector developer, in 2010.
form of a CMHC-insured mortgage for a five-year term with 25 to 35 years' amortization (i.e., the debt service payment is enough to pay off the mortgage over that time period). A key consideration in mortgage lending is debt service coverage, which is the amount of operating income available to make regular mortgage payments. In rental development, financiers like to see net operating income exceed debt service costs by 20% to 30%.

Obtaining mortgage insurance is an added obstacle, as CMHC is the only source for rental housing development and it has its own stringent underwriting criteria and terms. However, CMHC insurance not only protects lenders from default, it also provides advantages to borrowers over conventional mortgages: reduced equity (15% for insured vs. 25% for conventional mortgages), lower interest rates, longer terms, and therefore the potential for higher returns.

**Barriers to Private-Sector Participation in Affordable Rental Development**

The major barrier to private-sector participation in affordable housing development is that it isn’t economically feasible without significant government subsidies and other incentives. This is illustrated in Tables 3 and 4, which use financial models for a 190-unit rental development to compare, respectively, the project costs and ongoing operating pro formas for an affordable development and a for-profit development.

The project costs in Table 3 are significantly lower for the affordable development, primarily because of a combination of government grants and incentives. The grants are from the Canada-Ontario Affordable Housing Program. The incentives include below-market land costs and the waiving of municipal development charges and other fees.

The lower costs for the affordable development in Table 4 are due, in part, to government grants which reduce project costs and therefore debt service levels (principal and interest), and to incentives such as waiving municipal development charges. Lower costs and lack of need to earn a profit enable the developers to charge rent of $1,000 per unit per month on average versus an average rent of $2,250 per unit per month in the for-profit development.

Even when government grants and subsidies are in place, however, it is difficult to engage the private sector in the provision of rental housing, for the following reasons:

- **The lack of long-term commitments by governments to ensuring that every Canadian has an affordable, decent home has created a climate of uncertainty.** One development company lost a significant amount of money when a major government program was cancelled in the 1980s and the company had to shut down projects already under development. Developers fear such things could happen again.

- **Developers find it difficult to obtain financing on favourable terms, particularly for construction, where lenders require significant equity investment.** Partnerships with non-profits on affordable projects are hampered by nonprofits’ lack of equity, as Canadian governments expect an equity contribution, similar to U.S. programs. This expectation is viewed as unfair, because Canada does not have well-developed foundations like those that provide many U.S. non-profits with equity funding for affordable housing.

- **The pre-development process is difficult and time-consuming, and delays inflate costs.** The problems include CMHC’s onerous underwriting criteria and process and the high cost of CMHC insurance; frequent changes in government programs; the lack of consistency between different levels of government (e.g., the previous round of the Canada-Ontario Housing Program offered a 40-year grant from the federal level and a 20-year mortgage from the Province); and the length of time it takes to work with the City to get zoning approvals, building permits, and other permits. Zoning approval alone can take more than a year and cost in excess of $100,000.

- **Efforts to draw the private sector into rental development are undermined by the perception that for-profit players will game the system to maximize their profits.** This fear is primarily due to the abuse of past government programs – although these abuses were not limited to the private sector.

### TABLE 3: Project cost comparison: affordable vs. for-profit rental development

<table>
<thead>
<tr>
<th>Project Costs ($ 000s)</th>
<th>Affordable Development</th>
<th>% Costs</th>
<th>For-Profit Development</th>
<th>% Costs</th>
<th>$ Difference FP vs. Aff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Costs</td>
<td>$4,000</td>
<td>10%</td>
<td>$8,000</td>
<td>17%</td>
<td>$4,000</td>
</tr>
<tr>
<td>Hard Costs</td>
<td>$23,822</td>
<td>57%</td>
<td>$28,930</td>
<td>63%</td>
<td>$5,108</td>
</tr>
<tr>
<td>Soft Costs</td>
<td>$3,764</td>
<td>9%</td>
<td>$9,121</td>
<td>20%</td>
<td>$5,357</td>
</tr>
<tr>
<td>Total Costs</td>
<td>$31,586</td>
<td>76%</td>
<td>$46,051</td>
<td>100%</td>
<td>$14,465</td>
</tr>
</tbody>
</table>

Source: Author’s analysis based on an affordable housing financial model provided by Infrastructure Ontario and a private-sector developer, in 2010.
and mixed. Studies conducted by the U.K. Treasury that assessed outcomes of projects after completion found cost savings of 17% to 20% versus conventional public procurement approaches.

• Private-sector involvement is seen to be politically favourable. Some developers believe that governments prefer upfront capital grants to fund projects and to make them viable at lower rents. Others believe that governments feel burned by the long-term commitments they entered into in the 1970s and 1980s and that they do not want to commit to the long-term, ongoing operating subsidies offered in past programs.

Benefits of Private-Sector Participation in Developing and Financing Affordable Rental

Difficult as it is to draw the private sector into the business of rental housing, there are advantages to having private-sector involvement:

• The private sector brings the expertise, experience, and scale needed to take on complex and risky projects. Building rental housing demands considerable expertise in navigating three levels of government, structuring financing from multiple sources, and meeting CMHC’s complicated underwriting criteria, which require all assumptions to be verified and sources documented. Lack of experience is a big issue in Canada. After many years during which very little rental housing was built, there is a lack of expertise in purpose-built rental development and financing in the for-profit and non-profit sectors.

• The private sector brings valuable discipline. Commercial lenders and private investors bring an underwriting-like discipline to the development of capital and operating budgets and they push organizations to achieve high standards.

• The private sector is reportedly more cost-effective, despite the need to earn sufficient profit to compensate for taking on the project development risks. Canadian evidence is limited

### TABLE 4: Comparison of pro formas for affordable and for-profit rental developments ($000s)

<table>
<thead>
<tr>
<th>Key Variables</th>
<th>Affordable Development</th>
<th>For-Profit Development</th>
<th>Difference: For-Profit vs. Affordable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Pro forma</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross Revenue</td>
<td>$2,381</td>
<td>$5,132</td>
<td>$2,752</td>
</tr>
<tr>
<td>Vacancy and Bad Debt Allowances</td>
<td>-$91</td>
<td>-$205</td>
<td>-$115</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>$2,290</td>
<td>$4,927</td>
<td>$2,637</td>
</tr>
<tr>
<td>Operating Costs</td>
<td>-$785</td>
<td>-$1,649</td>
<td>-$863</td>
</tr>
<tr>
<td>Net Operating Income (NOI)</td>
<td>$1,505</td>
<td>$3,279</td>
<td>$1,774</td>
</tr>
<tr>
<td>Financing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt</td>
<td>$24,832</td>
<td>$38,159</td>
<td>$13,326</td>
</tr>
<tr>
<td>Equity</td>
<td>$1,000</td>
<td>$9,633</td>
<td>$8,633</td>
</tr>
<tr>
<td>Total Financing</td>
<td>$25,832</td>
<td>$47,369</td>
<td>$21,536</td>
</tr>
<tr>
<td>Debt Service Costs</td>
<td>-$1,505</td>
<td>-$2,330</td>
<td>-$1,024</td>
</tr>
<tr>
<td>Debt Service Coverage (Net Operating Income/Debt Service Costs)</td>
<td>1.0</td>
<td>1.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Profitability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Flow Pre-Tax (NOI - Debt Service)</td>
<td>$0</td>
<td>$948</td>
<td>$948</td>
</tr>
<tr>
<td>Cash-on-Cash Return (Cash Flow/Equity)</td>
<td>0%</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: Author’s analysis based on an affordable housing financial model provided by Infrastructure Ontario and a private-sector developer, in 2010.

Stimulating More Private-Sector Participation in Affordable Rental Development

How can these barriers be overcome? Interviewees made the following suggestions to improve developers’ potential rates of return on affordable rental and thereby encourage them to re-engage in rental development:

1. Provide land at low or no cost. High land costs are the key reason why rental development is not economically feasible. Land costs could be reduced by:
   • Freeing up surplus government-owned land for affordable development by, for example, tearing down more of Toronto Community Housing’s aging stock of single homes and multi-unit buildings and redeveloping the land at higher density, as is being done in Regent Park.
   • Encouraging municipal governments to buy up real estate in gentrifying areas to preserve affordable units.
   • Adjusting provincial and federal grant subsidy levels to reflect higher land costs in major urban centres.
   • Building affordable housing on leased land, as the Centre for Addiction and Mental Health in Toronto is doing. This approach reduces up-front costs, although it does not ensure ownership or operating control in perpetuity.

2. Reduce developers’ cost of capital by having the government provide loan guarantees to developers of affordable
rental buildings. The savings will come from lower interest rates, commensurate with the lower risk to financiers, because the guarantee removes the risk of a loan not being repaid. This suggestion is cost-effective for governments, because it requires no cash outlay, as long as clear rules and regulations are in place, including financial criteria, to protect the government from developers’ defaulting on loan repayments.

3. Reduce soft costs by streamlining environmental assessments and planning and pre-development processes for affordable rental development, particularly with the municipal governments and CMHC. Shortening the pre-construction period not only reduces costs, but also reduces the risk of higher capital costs due to interest rate increases before construction financing is secure.

4. Further reduce soft costs by giving for-profit developers a holiday on development charges, or the same exemptions that non-profit projects receive, in return for keeping all or some units affordable for a significant time period; some interviewees suggested 20 years, others less, as they want to avoid issues with “over-regulating the free market.”

5. Reduce construction costs by using wood frame construction more often for affordable development. Wood frame construction costs as much as 40% less than high-rise concrete construction. New methods and materials are making it possible to increase heights from the previous four-storey maximum to five or even six storeys. Some jurisdictions have changed or are considering changing building codes to reflect this fact. The use of wood framing will reduce the density of a development, but could be an appropriate choice for particular sites or projects.

6. Reinstate tax incentives that have previously helped make moderately priced rental development financially feasible for private-sector players. Typical recommendations include: increasing the first year and on-going Capital Cost Allowance (CCA) deductions to 5%, allowing more soft costs to be capitalized, and refunding taxes on new rental construction. Although there are two very different views on the relative merits of tax incentives versus the current grant-based approach, some interviewees believe that both types of incentives should be made available, and that private-sector developers or owners should have the flexibility to choose between them, depending on their circumstances.

7. Create new tax incentives to stimulate affordable rental development such as using the tax system to reduce development costs by creating a program analogous to the Ontario Film & Tax Credit Program (OFTTC).

8. Reduce ongoing operating costs by, for example, exempting affordable units from property taxes or giving them breaks on hydro charges. Some interviewees suggested that affordable rental projects should be designed to ensure that the target affordable rent per unit covers the operating costs. This requires consideration of cost/benefit trade-offs and should lead to more cost-effective design specifications.

**Stimulating Private-Sector Financing or Investment in Affordable Housing**

Interviewees made two suggestions to help bring new investors to the sector. First, they suggested reinstituting the Multi-Unit Rental Building (MURB) scheme, but with modifications and improvements. The MURB Scheme was used in the 1970s and early 1980s to promote privately owned rental construction by encouraging smaller investors to participate in the market. It allowed owners to claim a 5% CCA deduction, even if that deduction generated a rental loss, effectively allowing them to write off rental losses against other income. Current regulations allow only Principal Business Corporations, whose principal business relates to real estate development, to use CCA losses to reduce income taxes. Smaller investors are no longer in the market. There were problems with the true effect of the MURB scheme in increasing rental supply and, reportedly, many abuses. Limiting the tax benefit to new rental development could help address both issues and potentially attract new investors.

Second, interviewees suggested creating investment vehicles for long-term “patient” investors and socially responsible investors to help finance affordable housing development. Examples of these kinds of investment vehicles in Canada tend to be community-specific and ad hoc. In contrast, financial intermediaries in the United States and United Kingdom are actively involved and specialize in affordable housing, the former encouraged by tax measures such as the Low Income Housing Tax Credit and tax-exempt bonds, and the latter by government subsidies that help make it economically feasible for rental income to service mortgage debt.
Ensuring that Owners Keep Existing, Aging Affordable Rental Stock Well Maintained

Owners of aging affordable rental stock include for-profit and non-profit owners – and either one may have poorly maintained stock. Most buildings in private-sector hands are maintained in reasonable condition, but there will always be owners who will not follow the regulations unless forced to do so. Rehabilitation of aging, poorly maintained stock would benefit the tenants and attract a broader mix of incomes to rental housing, reducing the concentration and isolation of low-income tenants.

Interviewees favoured a combination of “carrots and sticks” for owners of rental housing. In addition to much stronger enforcement and larger financial penalties, positive incentives included giving owners a tax holiday for two years to help fund rehabilitation to meet regulatory standards and requiring the tax savings to be paid back if the standards are not achieved.

Another positive incentive would be to expedite the equalization of taxes for residential condos and older multi-unit rental buildings to improve the economics of owning affordable rental properties and help fund ongoing maintenance. This measure would also correct an inequity in the property tax system which favours owner-occupied housing over rental.

Interviewees also suggested using the tax savings generated in these ways to create a reserve fund for major repairs in common areas, analogous to the reserve funds that condo corporations are required to maintain under the Ontario Condominium Act. This concept needs to be developed further, ideally in a way that avoids the added complexity and costs experienced by many condo corporations in adhering to reserve fund regulations.

Both non-profit and for-profit owners would benefit from expanding the Federal Rental Residential Rehabilitation Assistance Program (Rental RRAP), which is considered a good program that is under-funded. This program is particularly important for non-profits, as existing funding programs focus primarily on new construction. Ontario municipalities could target funds generated from financial tools that under the Development Charges Act may be used for the rehabilitation of affordable rental housing.

Finally, non-profits need easier ways to refinance their properties to help generate funds for major repairs or rehabilitation of aging stock. Private-sector owners routinely refinance properties to take advantage of growth in income and market value. The Social Housing Reform Act of 2000 allowed non-profits to refinance, subject to some restrictions, which included getting permission from the Service Manager, the Ministry of Municipal Affairs & Housing, and the lender. The restrictions and application process reportedly make it difficult for any but the largest social housing providers to take advantage of the benefits of refinancing.

Should stimulating more private-sector participation in affordable housing development and financing be a government policy objective?

Non-profits should take advantage of the fact that existing buildings are considerably less expensive than new development. Government funds could be productively employed to help them purchase existing assets, as long as the buildings are in reasonably good condition. The benefits of non-profit ownership include maintaining affordability over the long-term and providing support to tenants who need them. The barriers to non-profit ownership include difficulty obtaining financing, the unwillingness of for-profit owners to sell due to tax penalties, and the inability of non-profits to compete with REITs for properties in good condition.

There are two main ways to encourage sales of rental buildings to non-profits. First, owners of rental buildings should be allowed to defer taxes on capital gains and CCA recapture if they sell to a non-profit and buy another building within a year. Interviewees viewed tax incentives as the best way to encourage for-profit owners to sell to non-profits as opposed to a REIT or another investor. Allowing tax deferral is consistent with U.S. practice and tax treatment of other capital investments in Canada. For the government, it does not reduce tax revenue; it simply delays the collection of revenue not yet in hand.

Another approach would be to create new financing vehicles to facilitate transfer of ownership to non-profits and preserve affordable rental stock. A recent paper published by the Brookings Institute presented a model for a new type of equity financing vehicle that would take the form of a REIT and combine private capital with local, state, and federal resources. The funds could be used to preserve small-to-mid-sized multi-unit buildings by facilitating the transfer of ownership from individuals to institutions. Perhaps a made-in-Ontario version of this model could increase the incentive for ownership transfer while bringing in new investors and investment to help fund rehabilitation and ensure on-going affordability.

Encouraging Private-Sector Owners to Sell Existing Rental Buildings to Non-profits

Non-profits should take advantage of
Conclusion

There is a need for debate and discussion of the ideas in this paper, as well as broader questions about stimulating rental housing development. For example, should stimulating more private-sector participation in affordable housing development and financing be a government policy objective? Should the funding envelope be modified to provide more money for purchasing existing buildings and rehabilitating them for affordable rental? How should policy recommendations and actions be shaped to increase effectiveness in addressing needs in gentrifying areas?

The ideas presented here are not new. Any assessment must therefore build on the significant body of work already done by academics, governments, associations, and other experts while bringing a private-sector perspective to bear on the analysis and findings. But until these actors come together to talk about the possibilities, Canada will lag behind in the provision of affordable rental housing for low-income households.

Jill Black is a strategy and policy consultant. A former partner of the Boston Consulting Group, she is now an independent consultant in the for-profit, non-profit and public policy arenas. Her assignments have included helping to set up and create the agenda for the Toronto City Summit Alliance (now CivicAction) as its first Executive Director, and serving as Project Director and Co-chair of the Working Group for the Alliance’s Task Force on Modernizing Income Security for Working-Age Adults.

The research for this paper was carried out in 2010.

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- The Relationship between Housing Conditions and Health Status of Rooming House Residents in Toronto, S.W. Hwang, R.E. Martin, G.S. Tolomiczenko, and J.D. Hulchanski, #26, 2004.

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