Housing Assessment Resource Tools (HART)

How-To:

Create a successful property acquisitions strategy

Practical step-by-step guides for Canadian Governments

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How-To:

Establish a foundation for property acquisitions

The first question to answer when setting up a multifamily acquisition program is: **what are we acquiring and why?**

Identifying buildings for acquisition **in advance** of a future sale is an important task because:

- It enables understanding of the scale and scope of an acquisition program
- It allows governments to make opportunities happen rather than responding reactively
- Enables coordination and knowledge sharing among governments and non-profits
- It allows municipalities to monitor low-end of market housing likely serving priority populations.

Identifying, monitoring, and acting on possible acquisitions should focus on the most strategically significant properties, without overly-prescriptive rules that may result in losing sight of good opportunities.

1 Develop program criteria for properties

Multifamily rental buildings for acquisition should be **priority-shaped**, but **opportunity yielding**; the system created for identifying, monitoring, and acting on possible acquisitions should be crafted to point toward the most strategically significant properties, without losing sight of opportunities that do not fit overly bounded priorities (or unachievable requirements).

In developing criteria, program designers might consider the following:

- **Affordability**: a focus on buildings with existing affordable units.
- **Building characteristics**: buildings of a certain size (e.g. over five units), or of a certain type (e.g. rooming houses, single-room occupancy [SRO] properties).
- **Neighborhood characteristics**: protecting buildings in areas undergoing gentrification, areas with certain levels of affordable properties, areas near to public transit or employment, areas of strategic local importance.
- **Ownership changes**: targeting properties with a certain type of ownership (e.g. financial owner/operators, buildings with long-time owners).
- **Tenant experiences**: programs could target properties with high levels of tenant complaints, eviction filings, high rent increases, code violations, unmet maintenance orders.
- **Socio-demographic characteristics**: programs could focus on buildings or areas identified with high populations of priority groups vulnerable to displacement.

Based on program goals, clear eligibility criteria should be outlined. We recommend fewer restrictions to ensure a large 'population' of potential buildings eligible for support. For example, a program might focus on 'size' and 'affordability', such as "buildings over five units" with average rents affordable to moderate-income households.

An acquisitions program can work well even with only this first step completed. Depending on criteria, it may be useful to develop a database of eligible properties (Step 2), and enforce a Right of First Refusal (Step 3) to grant program participants priority in acquiring eligible buildings.

2

Create an eligible building database to monitor

A building database can be monitored by municipalities and non-profits that are looking to acquire buildings. Depending on how the database is constructed, municipalities and program participants may choose to sort buildings in order to identify the most pressing to acquire, depending on their priorities.

Creating a database is not easy; it may require accessing data (including proprietary data) from other partners. We recommend the development of a **public, interactive portal** or web application with multiple data sources:

- Statistics Canada can provide city-wide and neighbourhood-level socio-demographic data and indicators of neighbourhood change
- CMHC has data on neighbourhood rent levels and other housing data
- Municipal Property Assessment data (providing building addresses, ownership, assessed value, and other details)
- Proprietary databases (e.g. Altus) include information on building ownership
- Municipalities have access to data on property addresses and ownership, maintenance requests, and other information
- Voluntary, crowd-sourced data: Organizations like RenovictionsTO have crowd-sourced data on renoviction applications, which can indicate at-risk properties
- Provincial data from landlord-tenant tribunals can be used to track eviction filings
- Web-scraping techniques to identify rent levels and other building information.

The existence of a building list makes it easier for program participants to identify potential acquisitions and makes it possible to operate systematically. Ideally, this database can be updated regularly so that new buildings are added when they become 'at-risk' or meet program eligibility criteria.

Another option for creating a database is to use data from a **Landlord Registry**. Landlord registries require building owners to report their property holdings, unit sizes, rent levels, status of repair violations, and other details – updated on a regular basis. They shift the obligation of data reporting to owners of multi-family properties.

Jurisdictions where non-profits have created databases: New York City, Los Angeles, and Montréal

3

Create an 'early warning' system

Transform the database in Step 2 into an **actionable tool** for tracking potential acquisitions by incorporating real time updates from existing data or by requiring building owners to report potential building sales.

An early-warning system is a critical component of a **Right of First Refusal** program, which gives program participants (such as a municipality, tenants, or non-profits) the opportunity to make an offer on a program-eligible property. These programs require owners of eligible properties to self-identify and report when they plan to sell, sharing relevant details including a view of an existing offer on a property. Alternatively, a municipality can notify owners of eligible properties that their site has a Right of First Refusal placed on it. These programs need **enforcement mechanisms**, to ensure owners comply.

Importantly, municipalities need permission from Provinces to enact Right of First Refusal programs.

Optional: Establish enforcement mechanisms for compliance with data or point of sale obligations.

It is critical that municipalities ensure that obligations created in the program design (i.e. Rental Registry and/or Notice of Sale or First Right of Refusal) can be enforced. There is a risk of **mass avoidance**, as had occurred in Seattle following its Notice of Sale requirement. The specific prevention mechanisms might vary as legally permitted in each jurisdiction, but should ensure that:

Penalties are imposed for non-compliance, including financial and revocation of rights (i.e. cancel a landlord's license to operate, face fines for not updating a rental registry).

If a First Right of Refusal is in place, ensure **sales can be cancelled for non-compliance**.

Where possible **place the compliance burden on landlords**, with automated systems that work without high staff input.

Summary recommendations supporting these steps:

Municipal

1. Work with non-profit housing providers to develop both eligibility rules and selection criteria used to identify buildings for acquisition.
2. Create an interactive, public, and participatory acquisition database and live portal.
3. Identify staff members and/or non-profit partners responsible for monitoring and tracking identified properties.

Provincial

1. Pass legislation granting municipalities and/or non-profits a First Right of Refusal.
2. Establish a province wide rental registry and landlord licensing obligations.
3. Fund joint municipal/non-profit data collection efforts.

Federal

1. Ensure Federal data collection agencies (CMHC, StatsCan) are collecting and disseminating appropriate data to the task of knowing the stock of 'existing affordable' properties. This includes rental data at the building level to municipalities and/or non-profit housing providers.
2. Fund new data infrastructure to be implemented by provinces and municipalities.

How-To:

Set long-term affordability parameters and expectations

The principal reason for the existence of an acquisition program is to protect the affordability of homes before it is lost, so ensuring affordability over time is a key element of any program. Long-term affordability is a dynamic concern dependent on: size of initial capital grants to purchase the property; access to affordable financing; renovation and repair costs; and operational expenses.

In other words, affordability is not a single point in time measure achieved on day one. It is a balance between the **social value of affordability** maximization and the **financial viability** of acquired buildings for their new non-profit owners. Strategies should include a relatively generous affordability minimum and temporal requirements to grow that affordability into the future. These parameters and expectations:

- Create a clear mandate for what constitutes existing affordability
- Underpin the underwriting of affordable housing acquisitions
- Develop the foundations for adding affordable supply over time
- Establish transparency and accountability standards.

All parameters should be **flexible** but **growth-oriented**. While non-profit entities should be given the latitude to acquire properties that are less affordable currently, mechanisms should be put in place that allow for that affordability to grow over time.

1 Set a strong baseline for expected affordability

This is the minimum threshold of affordably that property must exhibit to be eligible for support from the acquisitions program.

There are two primary mechanisms used to define the existing or 'initial' affordability of a building: income-based or market rent-based. For our purposes both are suitable, though depending on local ratio of rents-to-income, one may be more preferable: favor the one resulting in greater affordability.

i. **Moderate Income-based:** a percentage of the units or building average are at rents affordable (< 30 percent of income) to those making 80% of area median household income (AMHI) or less (see the Housing Need Assessment Tool developed by HART).

ii. **Market rent-based:** rents in a percentage of the units or building average are 80% of area market rents or less.

Recall this measure is also one of the criteria for property identification, so **simplicity is best**. It is only the starting point for affordability, being what currently 'exists' in a sufficient number of properties. Focusing on an average enables some units to be renting at rates higher or lower in recognition of the likely diversity of rents based on previous tenant turnover in a building.

Step one can come from any order of government.

2 Create an operational standard for 'perpetual' affordability

The capital support of an acquisition program should come with two critical components:

A **term of affordability** that is representative of at least the full lifecycle of the building. Arguably this should be at least 60+ years, with 99+ representing the gold standard (see Toronto's MURA). This exceeds the lifetimes of most tenants and/or the lifecycle of the building such that it effectively operates in perpetuity.

A **mechanism for enforcing** the term of affordability. This is a guard against the risk that a non-profit would shift its activities or dispose of an asset and render it lost from affordable stock. What could these look like?

i. **Lien-on-title**: This would be a lien placed against the property based on the value of the grant/loan provision provided by a state actor. i.e. Provide grants as non-interest bearing forgivable loans, forgiven at a rate of 1 percent per year. This achieves a 99-year term of affordability (listed as a liability on the non-profit's accounts).

ii. **Covenant**: This is a non-monetary restriction on a particular property restricting its use and or ownership type (i.e. restriction to non-profit ownership or for affordable housing).

iii. **Zoning**: A municipality could alter the zoning of non-profit held properties to restrict their use for affordable housing (and allow for affordability enhancing activities by right).

iv. **Community Land Trusts**: A municipality could support the development of a community land trust to hold a portfolio of non-profit housing assets as the steward of their ongoing affordability.

Regardless of the specific mechanism, operationalizing the perpetuity of affordability is necessary to ensure the long-term goals of the acquisition strategy are not compromised.

3 Require an action plan for growing affordability

Acquisition strategies should enable non-profits to gain critical experience so they can take on a greater role in expanding existing affordable stock and growing the depth of affordability within that stock.

Governments should:

i. Codify a **tenant succession plan** (depth of affordability): when a household paying a rent above the affordability average in a building moves out, they should be succeeded by a household in core housing need who is on a waiting list for social housing (and lower than the building's affordability average).

ii. Allow non-profit housing providers to **layer housing benefits**: enable non-profits to count housing benefit supplied to tenants towards measures of average building affordability. For example, the Parkdale Community Land Trust was able to achieve an affordability average of ~60% area market rent, despite its grants and financing being designed for 80% of market rents.

iii. Require non-profits **indicate redevelopment plans** if permitted by current zoning (expansion of affordable supply): a non-profit should put forth a statement of interest in and/or a broad plan for redevelopment over the long term which includes the retention of at least the number of units currently on the property at current or deeper levels of affordability.

4 Incentivize greater affordability

As the depth of affordability or the redevelopment potential of a property grows so too does the gap between actual rents and market value. Governments should encourage non-profit entities to realize their plans for growing affordability over time sooner by incentivizing affordability.

The exact structure of these incentivizes will depend on the role higher orders of government take. Where funds are only provided by a municipal/local area government, the ability to provide such affordability bonuses will be significantly curtailed. Ideally, these would be structured as additional to the standard acquisition program. Examples of incentives:

i. **Top-up capital grants (or loans)**: for buildings exceeding affordability minimums, additional 'top-up' grants (for capital or renovation) alongside the main program could be provided. This would be particularly valuable if structured as a 'match' to other tiers of government funds. These could also be structured through rules rather than on a case-by-case basis for simplicity's sake.

ii. **Additional rent subsidy**: if very low income households are to be housed, it may be necessary to layer on additional rent subsidies, such as federal, provincial or municipal housing benefits.

iii. **Additional supports or operational subsidies** for supportive housing or other supportive services.

iv. **Redevelopment bonuses**: for acquisitions where redevelopment value is particularly high relative to its current affordability, the standard acquisition funding mix may not be sufficient. If the non-profit has indicated a reasonable redevelopment plan this could unlock additional capital grants.

Guide 2: Set long-term affordability parameters and expectations

Summary recommendations supporting these steps:

Municipal

1. Use rights-based definitions of affordability, such as "affordable to moderate income households earning 80% of AMHI", where "affordable" is "30% of pre-tax household income"
2. Create incentives for exceeding affordability minimums, such as grants or portable housing benefits.
3. Codify requirements for tenant succession, including choosing tenants from a centralized social housing waiting list.
4. Require statement of redevelopment intent from non-profits (if applicable with current zoning), including mechanisms for "right of return" of current tenants at similar rents and unit sizes.

Provincial

1. Create legal mechanisms used by municipalities to enforce terms of affordability.
2. Create incentives for exceeding affordability minimums, with particular emphasis on operational subsidy and support services.

Federal

1. Set flexible baseline affordability requirements that are widely applicable and simple to implement, such as the CMHC definition of "affordable housing" which is "no more than 30% of pre-tax household income" and the use of income categories.
2. Create incentives for exceeding affordability minimums, with particular emphasis on operational subsidy or larger capital bonuses.

How-To:

Streamline funding for effective rapid access

After identifying suitable properties and defining affordability parameters, governments might ask: **how do we deliver these funds effectively** so non-profits can act rapidly to acquire properties?

Fund delivery should be at the '**speed of the housing market**', while remaining accountable. It should remove complexity while ensuring acquisitions maintain affordability long term. An acquisitions program should be a dedicated policy that is streamlined and sustained over the long term.

1 Use pre-approvals to expedite acquisitions

Akin to a pre-approvals for a homebuyer, these give non-profits confidence in how much funding they might have available for potential opportunities. At this stage the funder can assess the non-profit's capacity for taking on the purchase, renovation, and sustained maintenance of an existing property.

The pre-approval focuses on two primary features:

i. **Evaluating a non-profit's property management capacities:** assessing the non-profit's current portfolio, history of acquisition, property and asset management teams/plans, risk management strategies, and operations records.

ii. **Stipulate maximum (grant) funding amount they *could* receive** given the scale of operations and capacity to handle potential growth (including, in the case of supportive housing, the support services offered).

It is a critical test of capability and an opportunity for government and non-profits to discuss areas of concern and growth before there is a critical funding need. It can be a more involved process that non-profits apply for annually, but once granted would authorize the them to place offers on eligible properties freely. Non-profits may also wish to combine assets or form a partnership using a Community Land Trust model for acquisitions.

2 Forward funding for pre-acquisition expenses

Pre-approved non-profits must be able to support expenses related to actively searching for an acquisition opportunity. Funders should forward a proportion of the pre-approved funding amount to a pre-approved non-profit to cover typical acquisition costs.

This supports proper due diligence and insulation from the costs of inevitable unsuccessful offers/purchases. These up-front funds (included in total grant amounts) facilitate agility by providing equity on hand for offer deposits. What does this look like? Based on the maximum pre-approved funding allocation, up-front funds could include:

- **Ten percent** of the maximum allocation for deposits, advanced within 60 days of pre-approval.
- **Additional $25,000** for pre-acquisition expenses, such as building condition assessments or property appraisals.

These amounts should be included in the pre-approved max allocation. The purpose of the forwarding of funds is to facilitate action. The specifics might change, but again this step ensures initial expenses of a property search do not become a hurdle.

3 Deliver full funding amount within 30 days

Funders should commit to a streamlined approval process upon identification of a suitable property for acquisition. They should deliver the remainder of the required funding within 30 days of a project submission and offer. This is necessary to allow the non-profit to move with the market. The funder reviews this proposal for alignment with pre-approved funds and property eligibility.

Proposals should include:

- **Full project details**
- **Proposed capital and operating budgets**
- **Property management plans**
- **Operating plans**

City governments have proven it is possible to make such decisions in a short amount of time both in Canada and elsewhere (e.g. Toronto). The split review of the organization and the project enables non-profits to act quickly when opportunities become available.

Optional: Establish a bridge loan vehicle

While grants are vital to help non-profits get loans and maintain affordability, it can still take some time for an organization to put potential long-term financing in place quickly if it is not provided as part of an acquisition program directly. Ideally, an acquisition program from Federal or Provincial governments would ensure loan provision (or guarantee).

Funding should **always prioritize grants**, but where long-term lending is not immediately available it might be beneficial to consider short-term lending that covers the full costs of acquisition. This funding would 'bridge' the gap between approvals for grant funding under an acquisition program and improve likelihood of receiving additional long-term funds elsewhere (usually low interest lending from the state). These vehicles would fund a project (within 30 days) for no more than five years, at which point the capital would be returned to the bridge funding vehicle. This could **remove any remaining obstacles** for non-profits seeking to take advantage of an acquisition program's grant support at speed. One example of this is San Francisco's Housing Accelerator Fund.

4 Ensure funds are available on a rolling basis

It is common for governments to issue annual calls for proposals to receive funding; they usually entail a submission and a months-long waiting period for a response. Instead, governments should ensure that funds are available on a rolling basis.

This works better for acquisitions because opportunities are not evenly distributed throughout the year (or even year-to-year), and non-profits require access to funds quickly, on an as needed basis.

Generally, once approved, non-profit access to funding should be first come, first served until the program's funding allocation has been depleted. If total funding is low, this is likely to happen relatively quickly until they are renewed; if total funding is high this will serve as an agile way to respond to acquisition opportunities as they arise.

Critically, funding from one year's allocation should not 'disappear' because it is unused immediately. It should roll over to the next year, so if one year has fewer opportunities than the next, there might be some funding flexibility. **Flexibility is key** to ensuring successful acquisition of at-risk buildings that operate within the 'market'.

5 Commit to the process, regardless of funding

Ongoing, uninterrupted funding is critical because it creates predictability for non-profits. An acquisition program cannot be an 'everything' program. There are capacities and resources that the process of acquisition requires that must be built up over time through trial and error.

This requires non-profits to dedicate time, staff, attention, and money; they will only do so **if they know their investments will pay off** in the form of **sustained support** for the task of acquisition.

We suggest that funding is **sustained over a few years** even if it means the total year-to-year allocation is lower than would be ideal. In part, this is to encourage governments of all sizes get involved in long-term funding delivery for acquisition. Acquisition has an immediate effect, but its ultimate value for growing affordability is **realized through time**.

Municipalities (and Provinces) should not wait for higher orders of government to act. Funding delivery will largely depend on local knowledge (to approve local organizations and acquisitions), so it's best to get it right early, establishing the process through which higher order of government funding can be delivered when it arrives.

Summary recommendations supporting these steps:

Municipal

1. Don't wait for other governments. Design (and assign responsibility for) pre-approval processes.
2. Develop streamlined review of non-profit identified sites for acquisition.
3. Request power from higher orders of government to start a 'bridge financing vehicle'.
4. Allocate funding annually for a few years.

Provincial

1. Provide funding to support a rolling/roll-over acquisition program.
2. Develop a province wide bridge financing vehicle to support grant allocations.
3. Allocate funding annually or 'endow' a large fund for long term presence.

Federal

1. Provide sufficient funding to support a rolling/roll over acquisition program.
2. Provide long term funding for acquisitions with annual contributions or 'endow' a large fund for long-term presence.

*Funding delivery should **prioritize grants** to cover the gap between the market price and the value of the property maintained as affordable. This is not to say that loans should not be part of the mix, but they can be offered by a wider array of actors. Grants can also provide critical equity non-profits use to get private loans they would otherwise be ineligible for while also allowing for deeper levels of affordability. Funding delivery should be designed around these grant offerings, stipulating for loans (or loan guarantees) when resources grow.*

How-To:

Build capacity in the non-profit sector

Capacity in the non-profit sector varies widely from province to province, city to city, but even in the most sophisticated regions more needs to be done to ensure governments and non-profits are ready to purchase, operate, sustain, and expand existing housing.

Critically the acquisition process, while offering a superb opportunity for expanding the social and community housing sector, creates new challenges that many housing providers have not had to face in our current social housing system. Challenges include:

- **Identifying** properties for purchase
- Pre-purchase **due diligence** (incl. assessments of building and existing resident needs)
- The purchase **negotiations**
- **Resident education** about non-profit ownership
- Long-term **asset planning** (without ongoing assistance).

Responding to these challenges all demand a cultural shift towards active asset management. This means taking up a more entrepreneurial attitude towards achieving affordability.

A focused effort to build capacity for acquisition in the non-profit housing sector is important because:

- It generates **new skills for a new generation** of capable, resilient, and autonomous non-profit housing developers and providers.
- It creates opportunity for **institutional innovation**.
- It puts non-profit housing providers on a more **equal footing in the housing market**.

1 Formalize communities of practice

Government must lay the foundations for mutual understanding of what a successful acquisitions program looks like and open lines of communication to establish where the needs and strengths of the housing system are. The most successful programs turn informal networks into formalized systems of collaborative practice.

i. Bring together **government departments**, **foundations**, **non-profit housing providers**, and **potential funders** together as co-developers of programs.

ii. Assess each other's **strengths** and **weaknesses**.

iii. Codify a **shared mandate with clear actions** to be taken; assign roles and responsibility.

iv. Develop **structures of accountability** to each other's commitments.

v. Name it! (Give this community of practice a name) and **meet regularly**.

Chicago's ***Preservation Compact*** *is a partnership housed in the Chicago Community Investment Corporation established by seven government agencies, foundations, funders, and housing providers. What started as a working group, turned into a formal agreement, codified into an organization which become the primary intermediary for identifying and obtaining 'at risk' properties and transferring them to more responsible owners.*

2 Support development in active asset management

Some non-profits may have less experience in developing or re-developing existing properties, but many great opportunities on the market may require these skills. Investments should be made to ensure non-profits are prepared to do the kind of active asset management required in these cases.

This can be accomplished in two ways:

i. Capacity support can be **built into the acquisitions program design** (see Guide 3); governments can authorize a certain percentage (i.e. 10%) of total eligible funds in an acquisitions program upfront to cover costs a non-profit might not otherwise have the resources for, such as due diligence expenses, offer negotiations, and deposits. These are immediate needs focused on directly facilitating an acquisition.

ii. Governments should provide **organizational resources**: This should focus on creating innovative institutions to support acquisition, including resources to established collaborative enterprises such as asset pools or land trusts that can take on the asset management tasks. What does this look like? Perhaps a reigniting of **technical resource groups** that were funded by the CMHC in the 1970s and 1980s, developing new societies to support other non-profits, or providing resources for staff hiring and education.

3 Encourage 'scaling up'

Scale is a critical component of capacity: a small organization with a 25-unit building will have a much harder time effectively managing operational costs than one with 500 units in multiple buildings. Larger organizations can develop economies of scale and skills necessary for active asset management in addition to their existing responsibilities.

Scaling up can be achieved with careful attention to:

i. **Program Design**: governments should avoid designing acquisitions programs that discourage scale ('designing small'). Putting limits on the number of units that can be supported by a single project can harm non-profits' abilities to manage them affordably. Where possible, create programs that encourage portfolio growth.

ii. **Mergers/partnerships**: governments should encourage housing providers to merge or partner (i.e. through a land trust) in order to grow their asset base for acquisition. Not only will this make them effective partners for when greater funding is available, but it would give them more power at the point of sale and with a bank for a loan.

iii. **Pick winners, but promote equity**: if trying to scale to meet need, governments should favor organizations that demonstrate the ability to scale their ownership and maintenance of affordable properties rapidly. Funding split between too many organizations will end up resulting in poor economies of scale and/or competition between non-profits for available properties. With that in mind, encourage larger non-profits to work in partnership with smaller organizations with mandates serving priority populations (Indigenous, women, racialized groups, new migrants, people with disabilities), through land trusts or other shared asset mechanisms.

Capacity challenges affect both governments and the non-profit sector, after three decades of federal policy neglect. It should not be used as an excuse for inaction or sole reliance on the private development sector. A non-profit based acquisition program of critical scale can start small and be scaled up as capacity grows.

Guide 4: Build capacity in the non-profit sector

Summary recommendations supporting these steps:

Municipal

1. Design an acquisition program for scale (don't design small).
2. Establish formal communities of practice with a shared mandate.

Provincial

1. Design an acquisition program for scale (don't design small).
2. Provide financial support for starting up formalized communities of practice at the municipal level (i.e. start-up grants, staff training).
3. Provide support for housing providers to merge operations or set up collaborative asset management (i.e. Land Trusts or asset pools).

Federal

1. Fund a robust, nationwide acquisitions program.
2. Support new technical resource groups in each province focused on acquisition, portfolio management, and long-term capital design.
3. Provide support for housing providers to merge operations or set up collaborative asset management (i.e. Land Trusts or asset pools).

How-To:

Scale up your acquisitions strategy

One of the critical challenges faced by policy makers in creating an acquisitions strategy is how we go from supporting a few dozen units to tens of thousands of units nationally on an annual basis to meet need. Pilot programs can test out a new strategy but are not enough to establish an ecosystem supportive of acquisition.

Recall that we have established three program delivery principles; funding should be streamlined, sustained, and dedicated. These principles must be applied across all scales of government, not just the site of immediate program delivery.

1 Establish dedicated funding at scale

Provincial and federal governments (those with the greatest resources, flexibility, and power) must provide annual acquisition funding in every community, regardless of size or municipal resource. An acquisition program that is only confined to large urban centers will fail to consider the ways in which affordability is a regional issue.

Funding should be able to support thousands of units per year, comprising four components at a minimum:

i. **Capital Grant**: provide equity grants; at least 25% of total acquisition costs, $150-350k+ per unit depending on costs of local market.

ii. **Loan**: provide access to low-cost/below market financing; <75% of total acquisition costs. This can come in the form of direct lending or loan guarantees on private lending. These will be recycled back into the government with time.

iii. **Renovation costs** (incl. in grant): ~$20-50k per unit (for minor or moderate renovation including energy efficiency and/or accessibility upgrades).

iv. **Operating Subsidy** (excl. from grant): should be considered for projects providing supportive housing services and should include capital grant bonuses.

*The first step is **essential**. Almost 600M in direct capital contribution and access to approximately 1.8B in loans (2.4B in aggregate capital) could support up to 10k units annually. This figure should set the floor on federal support, but Provincial governments could also contribute effectively on both capital grant and loan fronts. Both the Federation of Canadian Municipalities and the Canadian Housing Renewal Association have called for similarly scaled actions.*

2 Align program mandates

All tiers of government should work to ensure that requirements for receiving funding are **in alignment**. This is particularly important on affordability, and we would strongly recommend the rights-based definition of affordable housing as 30% of pre-tax household income and the use of consistent income categories: very low, low, moderate, median and high.

The federal government should establish funding with the singular mandate to “acquire properties where existing affordability puts it at risk of loss for those who are homeless or in core housing need,” most commonly those households who are very low to moderate income. Rather than expecting accessibility or energy efficiency in acquisitions, the federal government should ensure that renovation funds completely cover these requirements.

3 Create a common application

One of the major challenges faced by non-profits seeking funding for their projects, whether new build or acquisition, is the need to submit multiple unique and complex applications to multiple tiers of government and funding programs. This process adds cost, time and functionally eliminates agility in the market.

Governments should work together not only to **align program requirements** for acquisitions and also work towards creating a single ‘common application’ that can be used across all levels of government, preferably coordinated at the local or regional level by a government affordable housing secretariat.

In addition to a ‘common application’, governments will need to create a common timeline for reviewing the acquisition funding proposal and supplying resources. Generally, **30 days or less** is required to help a non-profit act on an eligible property. An acquisition program should require commitments from governments of all levels (where applicable) on meeting these timelines. This is particularly relevant if the eligible acquisition is being considered for ‘additional’ funding above and beyond the central program (see Guide 4).

4 Authorize fund matching and stacking

Governments can acquire more units of greater strategic value with more resources, and they are more likely to act knowing other orders of government will support them. Acquisitions programs should have match funding schemes built in and allow for the stacking of funds from other programs where relevant to specific needs.

Critically, this is an area where shared action should be incentivized. Here provincial and municipal governments can provide powerful multiplier support to the success of a federal baseline funding program.

- **Matched Funding:** provided in proportion to other sources; usually this is used to incentivize the unlocking of greater available funds. For example, the Federal government might provide an extra $50,000 per unit if a provincial or local government provides an additional $50,000. A match like this might enable acquisitions of properties in more expensive cities where higher grant levels are needed.
- **Stacking Schemes:** federal policy will need to change to allow funds in some existing programs to be used in acquisitions projects. Possible stacked subsidies could include funds for energy efficiency or accessibility retrofits, additional housing benefits for lower-income households, and/or support services.

These schemes allow for greater depth of affordability to be achieved faster (See Guide 2) while sharing risks and responsibilities.

Not all acquisitions will go as planned: the greater cross-government participation there is, the greater capacity and resilience there is to support the non-profit housing sector to wade through the unpredictability of existing multifamily housing markets to grow.

5 Create cross-sector funding vehicles

One of the most effective means for supporting the funding and coordination of an acquisition program across all scales of government is through the production of the “one-stop-shop” funding mechanism.

This **one-stop-shop** would be the repository for all the acquisition funding programs supported by all levels of government. Its dedicated function would enable it not only to support non-profits swiftly, but also become a central node for delivering supporting resources around capacity (See Guide 4). At its core, it operates to **share risk and leverage resources** across the government, the non-profit housing sector, and/or could expand to include foundation and private social capital.

While such a fund could be a government entity or crown corporation, the most likely scenario is a ‘new’ entity in the form of a non-profit partnership (established in each Province) between leading non-profit housing associations/providers and government. Such a fund would be responsible for delivering grants, loans, and other supports provided (by government and other stakeholders) for the express purpose of the acquisition of multifamily properties to support the expansion of the community housing sector.

The BC Rental Protection Fund (at $500 million in grant resources) is a start towards this approach, though it does not (yet) have private capital involvement. Examples of other kinds of Funds which could function towards similar ends are Quebec’s emerging Plancher, Denver’s TOD Fund, and shorter-term funding in New York City’s Acquisition Fund.

Guide 5: Scale up your acquisitions strategy

Summary recommendations supporting these steps:

Municipal

1. Design matching and top-up funding programs to support Federal/Provincial funding.
2. Work with Provincial and Federal levels to create common procedures.

Provincial

1. Develop matching and stackable programs to ‘add’ to Federal funding.
2. Establish funding vehicles to receive federal funds and coordinate municipal/non-profit activity.
3. Work with other orders of government to create a ‘common application’ for acquisition funding.

Federal

1. Create acquisitions funding program.
2. Establish mandate of an acquisitions program, protecting the affordability of existing (units) tenants as a human right.
3. Permit existing federal resources and program funding to be used for acquisitions.
4. Support the establishment of new funding vehicles focused on acquisition alone.
5. Work with lower orders of government to support common funding application/requirements, leaning toward local/provincial schemes.

How-To:

Form a supportive housing ecosystem

The best acquisitions programs benefit from a supportive ecosystem of housing (and other) policies. These include: tenant protections, ending exclusionary zoning, property tax exemptions for non-profit housing, and rapid as-of-right approvals.

1 Implement new and stronger tenant protections

Promoting affordability through housing acquisitions will work better in an environment with more support for tenant protections and security of tenure.

This includes:

i. **Strong rent control policies** that limit rent increases during tenancies (to cost-of-living increases applied annually), and between tenancies (by eliminating vacancy decontrol).

ii. 'Loopholes' in legislation that allow for higher increases (such as Above Guideline Increases or AGIs) should be **eliminated**.

iii. Require the **replacement of any demolished or converted rental housing** units on a one-to-one basis, at the same size and level of affordability.

iv. Existing tenants should have a '**right of return**' to renovated or new units at the same or reduced rent.

Security of tenure for renter households will be enhanced by broader policy interventions to reduce poverty. Supportive policies in this field include: **increased income supports** (such as higher social assistance rates and/or the implementation of universal basic income programming), **higher minimum wages**, and **stronger protections for workers**.

Programs that are supportive of secure tenure and ongoing affordability will make it easier for non-profits to maintain affordability in newly-acquired stock, and will protect tenants in market-oriented housing from economic hardship and displacement.

2 Enforce the steps and terms of acquisitions

Governments (primarily Provincial/Territorial) can support acquisition by **granting legal powers** to municipalities to enforce right of first refusal legislation, notice of sale requirements, and/or data collection efforts (whether required from landlords or other sources). These powers enable non-profits and municipalities to compete on a more even footing in the private rental sector.

This includes:

i. Enacting **provincial legislation** to allow a municipality the power to grant itself, a non-profit housing provider, and/or tenants a 'first right of refusal' on the sale of existing multifamily apartment buildings

ii. **Transparent, publicly accessible assessment data**, which allows research on the owners of buildings

iii. Strong **controls over short-term rentals**

iv. **Rental registries**, which require landlords to submit rental building and unit data to the government

v. **Enforcement penalties** (i.e. daily fines, revocation of business permits, etc.) for failure to comply

3 Create tax incentives for acquisitions

Tax policy is central to influencing the wide-scale adoption of a particular practice. While this is principally a federal and provincial area of concern (e.g. land transfer tax, HST), municipalities can waive local property taxes (as permitted by the province).

Other tax mechanisms include:

i. **Reducing capital gains owed** by vendors of investment properties who sell to non-profits, known as a '**vendors tax credit**', could support non-profits be favorable buyers

ii. Create tax credits, such as a 'Canadian Low Income Housing Tax Credit' that supports the private financing (at a lower interest rate) of multifamily rental acquisitions by non-profits and/or the redevelopment of those properties

iii. **Waive (or reduce) transfer taxes** such as land transfer or HST for non-profits acquiring private market rentals

Tax policy that works to reduce the hyper-demand for investment in existing multifamily properties would be beneficial, including anti-flipping taxes, removal of 'pass-through' tax benefits for 'corporate' landowners, and higher capital gains on investment properties. Alongside these, **tax policy that supports renters** (i.e. renters tax credits/rebates) should also be considered.

Collectively *these actions on tenant protections, legal powers, and taxation can help to build out a sustainable policy ecosystem in which acquisitions can thrive. These are not necessarily preconditions for success, but steps that need to be addressed at some point, whether for acquisition or otherwise.*

Summary recommendations supporting these steps:

Municipal

1. Request the power to implement right of first refusal/notice of sale policy.
2. Provide waivers of local property taxes, and/or provincial transfer taxes (where permitted).
3. Enact one-to-one replacement policy for rental units demolished or converted.

Provincial

1. Enact first right of refusal/notice of intent to sell legislation (for municipalities or province wide)
2. Enact legislation that authorizes the mandatory collection of rental building and unit data from landlords.
3. Exempt provincial transfer taxes on properties transferred from private to non-profit ownership for the purposes of affordable housing.
4. Enhance tenant protections including the strengthening of rental controls, abolishing vacancy decontrol and above guideline rent increase.

Federal

1. Develop a ‘vendor tax credit’ to reduce capital gains on investment rental properties transferred to non-profit owners.
2. Create tax credits, such as a ‘Canadian Low Income Housing Tax Credit’ that supports the private financing (at lower interest rate) of multifamily rental acquisitions by non-profits and/or the redevelopment of those properties.
3. Remove pass-through taxation exemption for financial vehicles investing in existing multifamily rental buildings.

Housing Assessment Resource Tools (HART)

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