

Tied Up

Unleashing Canada's
non-profit housing
potential



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Introduction

Housing affordability is one of Canada's most pressing economic and social challenges and non-profit housing providers have emerged as a critical partner delivering long-term, stable affordability across market cycles. They have demonstrated strong stewardship, low failure rates and a proven ability to deliver and operate affordable housing over the long term.¹

Despite this, Canada's non-profit housing sector remains structurally constrained. Well-intentioned accountability mechanisms, designed to protect public investment and ensure affordability, often have the unintended effect of limiting balance-sheet capacity, restricting access to financing and preventing asset leverage. Consequently, the non-market housing sector remains underdeveloped.²

In consultation with stakeholders and partners in the non-profit housing space, we have identified three technical issues that merit immediate attention: grants structured as forgivable loans, how leaseholds on public land are structured and how depreciation and capital reserve requirements are applied to non-profit providers. We propose practical ways to overcome these problems and reduce administrative burdens, while maintaining accountability.

We suggest that as a next step, municipal and provincial governments commit to resolving these and similar issues, and work with non-profit organizations to operationalize these (or other) solutions. Governments can move forward with a problem-solving mindset, committed to changing rules that prevent non-profits from leveraging the value of their assets to build more affordable housing. The Canada Mortgage and Housing Corporation (CMHC) should also be brought to the table as their rules also sometimes act as an obstacle rather than an enabler of affordable housing.



Well-intentioned accountability mechanisms designed to protect public investment and ensure affordability often have unintended effects.

¹ Evidence from around the world indicates that housing stock, including social and affordable housing, is a stable asset class. In Canada, the real estate and rental and leasing sector posts an insolvency rate of roughly 0.2 per 1,000 firms, far below the all-industry average of ~1.3. The best approximation of the insolvency rates for affordable housing comes from [CMHC's data](#), which shows CMHC-insured multi-unit mortgages (which covers a large share of Canada's non-market and affordable housing stock) had just 0.35% arrears in 2024. The U.S. offers a long, independent benchmark. Properties financed with the Low-Income Housing Tax Credit (LIHTC)—a mix of nonprofit and for-profit owners in a heavily regulated program—show a cumulative [foreclosure rate](#) of ~0.5%, with no new foreclosures reported in 2021–2022 in the latest comprehensive review. The underlying reason is that demand is deep and sticky. LIHTC housing stock had a [98.6% occupancy in 2021](#), meaning only 1.4% were vacant at any given time, mostly during routine turnover. Tenants stay longer; cash flow is predictable. [Australia's](#) regulated sector lands in the same place: community housing providers run at ~99% occupancy with just 1.83% of rent outstanding.

² <https://nhc-cn1.ca/publications/post/scaling-up-the-non-market-housing-sector->

1. Grants structured as forgivable loans

In some cases, governments provide grant funding to non-profit housing providers to purchase affordable housing stock, but structure that grant funding as a forgivable loan secured by a mortgage or charge on title. These loans are typically forgiven gradually (e.g., 1% per year over 99 years). The intent of this structure is to ensure long-term affordability by retaining a remedy in the event of non-compliance.

Issue:

While this structure protects affordability, it also immobilizes asset value. Although non-profits hold legal title, the encumbrance prevents them from leveraging the asset to reinvest in existing stock or finance new affordable housing developments. As a result, assets funded with public dollars are prevented from contributing fully to the public-policy objective they were intended to serve.

Potential solutions:

- **Provide grants outright, with affordability requirements ensured in other ways, particularly covenants registered on title.** Accountability can be preserved through legally binding affordability agreements registered on title. If registering agreements on title is deemed insufficient, governments could pursue additional mechanisms.

For example:

- *Registering a Right of First Refusal on title.* This would ensure that if the property is sold, or affordability thresholds are not met, the government (or a designated non-profit) can make a first offer and/or buy on the same terms.
 - *Using statutory title restrictions where appropriate.* For example, a Land Titles Act s.118 restriction (as used in Toronto) can require municipal approval for sale or refinancing without blocking financing entirely.
 - *Registering repayment obligations related to affordability breaches on title.* For example, agreements could be developed wherein in the event of a grant recipient breaching affordability requirements, it must repay any public benefits it has received (e.g. property tax exemptions) and/or the difference between the affordability threshold and rents charged.
- **Pair forgivable loans with public guarantees.** Where forgivable loans are retained, a guarantee in the amount of the value of the asset *could be provided by government*. This guarantee would enable lenders to extend financing to purchase other properties, allowing the asset to be fully utilized in pursuit of shared objectives. Given the stability of non-profit housing assets, this represents a low-risk use of public balance sheets.

2. Public leaseholds on municipal land

Municipalities frequently lease land to non-profit housing providers for long terms (often 49–99 years) at nominal cost for the lease, with the expectation of indefinite renewal. These

arrangements facilitate the building of housing stock, while retaining public land ownership and ensuring long-term affordability.

Issue:

While effective as an accountability mechanism, leaseholds eliminate the ability to leverage land value, even where the non-profit bears the full cost of construction, maintenance and long-term stewardship.

This has three consequences:

1. **Reduced access to federal grants.** CMHC development grants are calculated as a percentage of total project value. Leaseholds prevent non-profits from including land value, materially reducing available grant funding.
2. **Constrained access to financing.** Despite their long-term and effectively perpetual control, non-profits cannot use the land to support borrowing, limiting expansion and acquisition opportunities.
3. **Challenges associated with tenant management and support.** Given landlord-tenant legislation and other considerations, holding a lease provides considerably less latitude and control over management of tenants. Full scope of ownership provides non-profits with the latitude to support tenants, particularly those hard-to-house.

In effect, the value of public land is not being leveraged by either the municipality or the non-profit housing provider in support of expanding affordable housing options.

Potential solutions:

- **Conditional title transfers with reversion clauses and multi-party agreements.** A defeasible fee (i.e. conditional ownership) could be used to transfer title of public land to a non-profit housing provider while making ownership conditional on continued public-purpose use. This would allow the asset to live on the non-profit balance sheet, which would unlock CMHC grants and potentially increase access to private financing. Making this solution work would require sophisticated multi-party agreements between governments, housing providers and financing institutions that outline risk mitigation around the reversion potentiality.
- **Accounting treatment carve-outs under the *Housing Services Act*.** Provincial amendments to the *Housing Services Act* could allow non-profits to recognize the value of leased public land on their balance sheets where long-term control is effectively equivalent to ownership. This would enable access to CMHC grant funding and may have some impact on access to private financing.
- **Adjustments to CMHC process of assessing total project value.** CMHC could allow land value to be recognized for grant purposes even under leasehold arrangements. While this would not have any impact on access to private financing, it could unlock CMHC grant funding.

3. Depreciation and capital reserve requirements

Under the *Housing Services Act*, non-profit housing providers must record depreciation based on mortgage principal repayment (versus wear and tear) *and* they must contribute annually to capital reserve funds for major repairs, recording these contributions as operating expenses.

Issue:

These two requirements address the same underlying reality, accounting for asset aging, but do so separately. The result is double recognition of obsolescence, placing unnecessary pressure on operating statements and reducing financial flexibility.

Potential solutions:

- **Amend the *Housing Services Act* to avoid double counting.** Capital reserve contributions could be designated as the primary mechanism for recognizing asset obsolescence. Depreciation would then be recorded only to the extent that reserve contributions fall below an approved benchmark.

Conclusion

With renewed national attention on housing and the launch of Build Canada Homes, a new federal agency dedicated to building affordable housing at scale, the unique challenges facing non-profit providers can no longer be treated as secondary concerns. Build Canada Homes has committed to “utilizing flexible financing tools and focusing on large, multi-year portfolio deals with trusted non-market developers,”³ but that ambition is only achievable if all levels of government take the steps necessary to clear administrative hurdles that constrain the nonprofit sector. Non-profits can only come to the table with portfolio-scale deals if the policy, legislative and accounting environment does not constrain their ability to leverage their assets for more ambitious affordable housing projects.

By optimizing grant structures, rethinking leasehold arrangements and aligning accounting rules with asset stewardship realities, we believe governments can unlock significantly greater impact from existing public investments, without compromising affordability or accountability.

The ideas presented here are a starting point. We know there are many additional levers for enhancing the impact and scale of non-profit housing providers and have flagged several areas warranting further research in the Appendix.

Non-profit housing providers are essential to achieving durable housing affordability in Canada. Although they provide a relatively small share of Canada’s overall housing stock, this is, in part, because current accountability and financing structures constrain their ability to leverage their existing assets to scale and deploy capital effectively. Non-profits could do more to build resilient, diverse and affordable housing if the enabling conditions outlined in this paper were achieved.

³ <https://housing-infrastructure.canada.ca/bch-mc/framework-agreement-entente-cadre-eng.html>

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Appendix A: Potential areas for future research

In our work in putting together this short paper, a number of high potential avenues for further research and discussion emerged. We wanted to document a few of them here in the hope that other organizations will pursue them further.

- Opportunities for other non-commercial actors, such as hospitals and faith-based organizations, to partner with non-profit housing providers through leasing and/or shared ownership opportunities.
- An analysis of existing loan guarantee programs related to housing and community infrastructure that highlights what works and could be replicated.
- An analysis of housing assets in National Parks and whether that model could be applied more broadly to public lands.
- Recommendations for how a First Right of Refusal might be practically operationalized, depending on the partners involved (e.g. level of government, non-profit partners, etc.).
- An assessment of the potential impact that MURBs and Limited Dividend Housing Corporations could have in the current context.
- An analysis of how and when land transfer taxes are appropriate to support affordable housing.
- How the Public Sector Accounting Board and other non-profit accounting standards should account for the capitalization and amortization of tangible capital assets in a manner that accurately reflects the strength of balance sheet positions and long-term fiscal sustainability.