Financing Models by Development Stage

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Development Stage	Social Finance Instrument	Description	Organizational Actors	Comments
Pre-Development Loan Financing	Community philanthropic (non-commercial) lender	Loan from a community loan fund or philanthropic lender to support capitalization of purchase or build	Community lender, Not- For- Profit (NFP) developer	● Example is Harmony Centre in Owen Sound
Pre-Development Loan Financing	Capital Cost Financing and Leveraging	Use non-commercial capital to provide loans to qualified charities and NFPs who control sites.	NFPs who are driving new developments	● Use of philanthropic funds to provide concessionary, non-commercial lending in a revolving loan program ● Works best where there are partners willing to provide land
Capital Cost Financing and Leveraging	Community Funds/Impact Investing (pre-development) Community Bonds Community Loan Funds Community Foundations	Attract funds from local investors to lend to local enterprises to fund projects that have community benefit. Results in healthy economic activity, local employment opportunities, better quality of life, community resiliency and	NFPs, community groups, private sector donors, housing corporations.	● Use of philanthropic funds to create financing for development and ongoing operation ● Examples include Vancity Community Investment Bank and New Market Funds and Ottawa Community Foundation investment in the Community Forward Fund

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		overall healthy and sustainable relationships within the community. There is usually a return for the investor paid back over a period of time		
Pre-Development Loan Financing	Community Bond	A debt financing tool issued by a non-profit, charity or co-operative organization. An interest-bearing loan from an investor which has a set rate of return and fixed term. A community investment bond offered by a NFP lender, to raise funds from private investment to support local social capital requirements	Community Bond fund offering/NFP lender	● These funds can be often secured by local municipality guarantees &/or government grants as well as private organizations
Development Financing	Non-Profit Developers And /or charitable developers	Non-profit focused explicitly on new builds and development with in-house construction budgeting,	Homeowner/affordable homeownership for lower-income families	● Works best where land can be provided at reduced cost and development cycle can be expedited to make a NFP

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		project management, and site supervision expertise.		development delivered competitively with market actors ● Often takes on loans from other partners
Development Financing	Social Enterprises Supporting Ownership	Typically, a NFP leading development of new sites, benefitting from some economies of scale through a focus on mid-rise or townhouse developments	Homeowner/affordable homeownership for lower-income families Trillium Housing Options for Homes Habitat for Humanity	● Works best where NFP or community takes lead in reducing costs from donated material or labour. ● Various equity sharing models exist but essentially, the homeowner has title to the property and pays 25% - 30% of gross household income towards an interest free mortgage.
Development Financing	Community Land Trust Shared Ownership/ Tenancy	NFP or charity organization dedicated solely to the acquisition and holding of land and real estate for permanent community benefit. Assets are often then leased out to credible NFP, allowing a division of responsibilities	Traditionally renter/building rental units but can also help with home ownership	● Works well where willing partners able to “seed” a dedicated new entity with assets or operating support ● Foundations, municipalities, and high net-worth individuals can act as guarantors to support acquisition and bridge- financing needs

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		between asset stewardship and supportive services.		● For resale can balance return on investment for existing homeowners but also give future homebuyers fair access to affordable housing – committed to preserving affordability
Development Financing	Housing Co-operatives Shared Ownership/ Tenancy	Housing co-operatives work on the principle that the complex is owned by the residents (not in all cases). Capital is pooled and ownership is shared. Thus maintenance and upkeep are undertaken by the coop owners. A co-op structure essentially gives every member an equal voice with one vote regardless of their investment. When a member leaves the co-op, there are a number of mechanisms to get their capital out, usually	Community groups, groups with common values – ie- church, environmental, Indigenous	This model has worked well in Toronto where several co-op buildings were built in the 70's and 80's many of which still exist. They provide an affordable means of housing as there is no profit motive for market value increases. Downside is that co-op members do not benefit from appreciation of values during their occupancy.

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		based on the amount invested initially. In many cases, market value increases are retained by the co-op for future projects		
Development Financing	Shared Appreciation Mortgages and Developer Partnerships Hybrid Arrangements to Support Ownership	Providing a "developer-take-back" mortgage on individual residential units, where mortgage is not repaid through regular cash payments, but through a share in the equity value of the home, recouped when it is next sold. Shared-appreciation mortgages and shared-equity mortgages are the main financial products that deliver shared equity to an individual homebuyer while keeping the unit affordable to a subsequent buyer and	Homeowner – middle/working class Options for Homes Trillium Housing Habitat for Humanity	● Works best in markets where there is constrained supply and anticipation of ongoing appreciation

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		preserving continuing affordability in perpetuity. In the recapture model, the exact amount of the public funds used to initially make the unit affordable is recaptured when the unit is sold		
Lease/Rent-to-Own	Hybrid Arrangements to Support Ownership	Tenant enters into an agreement with the landlord where the landlord continues to own the property and the tenant has the option to purchase the home. Various options and structures are available. The intent is to enable property purchase for those who cannot afford a down payment.	Renter or homeowner	
Co-Housing	Hybrid Arrangements to Support Ownership	This is similar to co-op housing but unstructured in terms of legal agreements. Co-housing works for young	Young adults, seniors	Often zoning restrictions limit the ability to enter in a co-housing relationship, but recently passed legislation for

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		adults with no children, or seniors needing to be in community, using their capital to provide a home.		inclusionary zoning is a step in the right direction.
Pre-Development, Development and management	REIT (Real Estate Investment Trust)	A real estate investment trust (REIT) is a real estate company that buys and manages properties using money from investors, with the REIT then distributing income back to investors. These REITs can either be a publicly listed trust that allows investors to purchase units of income-producing real estate assets or they can be privately held for members of the trust. Building effective partnerships between investors, REITs, developers and operators will be key to enabling	Established REIT organization offering social impact investment options for communities/investors. REITs can provide both equity funding and property management expertise. Developers can take on the development risk and return and create affordable development properties. Operators of the property (rental organization) can provide ongoing user experience and quality.	● Well established investment vehicle for the for-profit sector – focused on rate of return for investors which can (but not always) increase rental costs ● Tax treatment may be reviewed as part of affordable housing review/strategy ● Emerging as social purpose investment vehicle – not well established for this purpose in Canada.

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		greater investment in and development of real estate with a social purpose.		