

Financing Better Performance

An Investment Stack Framework for
Affordable and Mixed-Income Housing

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About the Canada Green Building Council

The Canada Green Building Council (CAGBC) makes sustainability a competitive advantage. As Canada's leading green building authority, CAGBC accelerates efficient, low-carbon buildings with the solutions industry needs to protect assets and deliver value – through trusted certifications, data-driven insights, government advocacy efforts, and professional skills development. For more information visit cagbc.org.



About Urban Equation

Urban Equation is a strategic consultancy that brings innovation in sustainable development to the real estate market. As lead consultant for this report, Urban Equation provided integrated sustainability and real estate expertise, led the research and analysis, and directed the development of the report and its recommendations, with a focus on translating complex housing, financing, and sustainability considerations into actionable, decision-ready guidance.



About Nesting Ground

Nesting Ground is a non-profit dedicated to expanding affordable housing in Canada. For this report, they contributed subject matter expertise on affordable housing and supported the development of the report's recommendations, bringing practical insight into the financing and delivery challenges facing affordable and mixed-income housing projects in Canada.

List of Acronyms

Acronym	Full Term
ACLP	Apartment Construction Loan Program (CMHC)
BCH	Build Canada Homes
CAGBC	Canada Green Building Council
CLC	Canada Lands Company Limited
CMHC	Canada Mortgage and Housing Corporation
DC	Development Charge
GHG	Greenhouse Gas
GST	Goods and Services Tax
HICC	Housing, Infrastructure and Communities Canada
HST	Harmonized Sales Tax
LC	Letter of Credit
MLI	Multi-Unit Mortgage Loan Insurance (CMHC MLI Select)
NCC	National Capital Commission
NHS	National Housing Strategy
P&L&M	Performance, Labour, and Material bonding
PSPC	Public Services and Procurement Canada

List of Tables

Table	Title	Page
Table 1	Investment Stack Summary	15
Table 2	Cost Component Assumptions	16
Table 3	Summary of Gaps and Federal Responses	19
Table 4	Summary of Soft Cost Programs	25
Table 5	Summary of Land Programs	27
Table 6	Summary of Hard Cost Programs	28
Table 7	Summary of Operating Cost and Performance Verification	30
Table 8	Potential Energy Linked Financing Interventions	31
Table 9	Affordable and Mixed-Income Housing Program Landscape	35
Table 10	Potential Roles for Private Market Participants	42
Table 11	Summary of Stack Coordination Issues and Federal Responses	45

Definitions

Term	Definition
Building Performance	The measurable operational outcomes of a building, including energy use, greenhouse gas emissions, operating costs, resilience, occupant comfort, and long-term affordability. In this report, performance refers to verified outcomes rather than design intent alone.
Developer Cost Stack	The full set of costs a housing developer must finance and manage to deliver a project, organized into land, soft costs, hard costs, and operating costs.
Investment Stack	The same cost categories that make up the developer cost stack, viewed from the perspective of where BCH and other federal investment can be targeted to support performance outcomes.
Capital Stack	The hierarchy of funding sources used to finance a project, including grants, equity, senior debt, subordinate debt, guarantees, and other forms of capital. Describes who provides funding and in what order risks and returns are allocated.
Program Stacking	The practice of combining multiple government programs, incentives, grants, loans, tax measures, and private financing sources within a single project, aligning complementary funding streams across federal, provincial, municipal, and private sources.
Performance-Linked Financing	Financing whose terms, repayment conditions, or pricing are tied to verified outcomes such as energy use, emissions reductions, operating cost savings, or affordability performance.
Recyclable Capital	Public capital deployed through repayable instruments such as loans, guarantees, or repayable contributions that can be recovered and reinvested in future housing projects.
Guarantee and Credit Enhancement	Financial tools such as guarantees, first-loss reserves, or backstops that reduce lender risk and help projects access more affordable financing.
Post-Occupancy Verification Framework	The processes, metrics, and reporting requirements used to measure actual post-occupancy building performance and compare outcomes against projected targets.

Table of Contents

Executive Summary	7	Conclusion: From Housing Expenditure to Housing Investment	34
Introduction and Context	12	Appendix A	35
Strategic Priorities for Financing High-Performing Housing	14	Affordable and Mixed-Income Housing Program Landscape	
Investment Stack Assumptions and Breakdown	15	Appendix B	42
Current Federal Context	19	Broader Federal Housing Finance and Program Design Considerations	
Recommended Sequencing	23		
Building the Foundation for Performance-Linked Financing: Detail of Recommendations	25		
Plan Better – Soft Costs	25		
Plan Better - Land	27		
Build Better - Hard Costs	29		
Verify Performance - Operating and Verification Costs	31		
Reward Performance — Energy Performance-Linked Financing	32		

Executive Summary

Canada is making one of its largest public investments in housing in a generation. The immediate priority is clear: build more homes, faster. But the value of that investment will also depend on whether those homes remain affordable, efficient, resilient and cost-effective for decades to come.

Housing affordability does not begin and end with construction costs, rent or mortgage payments. For Canadians, energy bills are a direct and recurring expense, but they are only part of the picture. Long-term housing costs are also influenced by ongoing maintenance, future retrofit needs, durability and resilience to climate and energy-price risks.

The difficulty lies in the timing of costs and benefits. Measures that significantly improve building performance — such as high-performance envelopes, efficient mechanical systems, heat pumps, and geothermal — may require additional investment during design and construction. Yet, many of the resulting benefits, including lower operating and energy costs, and reduced risk, accrue over time. This creates a gap between upfront costs and long-term benefits, as current financing and housing programs do not always account for long-term value.



Energy efficient homes can lower utility bills for residents and housing providers while delivering broader benefits like reduced emissions and improved resilience, which can help ensure public investments deliver long-term value.





Unlocking more housing supply that is both affordable and high performing will require financing models that better reflect life cycle costs and benefits. CAGBC believes that Build Canada Homes (BCH) can play an important role in advancing that approach.

Closing the gap between upfront costs and long-term benefits

To explore how this gap can be addressed, CAGBC commissioned Urban Equation to examine how BCH can use its financing, land and partnership tools to help make better-performing housing more practical and affordable.

The research reviewed 58 federal, provincial and municipal housing programs and examined where existing programs already support housing delivery, where gaps remain, and where federal action could improve building performance and long-term affordability. It also applies the findings to an illustrative 100-unit energy-efficient, low-carbon affordable housing project to show how different forms of support can work together. [This work complements CAGBC's policy brief Building Better Value: How Build Canada Homes Can Drive Long-Term Housing Performance.](#)

The policy brief sets out four actions for BCH: **Plan Better, Build Better, Verify Performance and Reward Performance.** This report looks at how those actions can work in practice.

Findings: The financing gap for high-performance housing

Canada has already committed significant public investment to housing programs, suggesting the challenge is not of the level of investment, but how it is structured and delivered.

While current programs help support construction costs, but there is no consistent financing approach for the incremental costs associated with higher energy or carbon performance. Improving building performance requires additional planning, analysis and investment, yet support for early energy and climate assessments remain limited. Existing programs also do not consistently measure and verify whether modelled outcomes are achieved once buildings are occupied and operating.

Build Canada Homes is well positioned to help close these gaps through four practical actions.



01 Plan Better



Better performance starts with better decisions made early in a project.

Build Canada Homes can support energy modelling, climate and resilience analysis, and other pre-development work that helps project teams identify opportunities for better performance before major design and construction decisions are made.

Where federal land is used, affordability, energy efficiency, and low-carbon performance expectations can also be incorporated into project requirements.

02 Build Better



Some measures that improve long-term performance require additional upfront investment.

Build Canada Homes can help finance the incremental cost of measures that reduce energy use and long-term operating costs such as high-performance envelopes, heat pumps, geothermal, district energy, and efficient mechanical systems.

Where appropriate, repayable or recyclable financing can extend the impact of public investment by enabling capital to be recovered and reused.

03 Verify Performance



Government should know whether the housing it helps finance delivers the performance outcomes it expected.

Many existing programs rely heavily on design targets and modelling. While those are important to support construction costs and get shovels in the ground, a standardized post-occupancy evaluation using energy reporting, utility data, and benchmarking would allow Build Canada Homes and other federal partners to understand how buildings perform while in use.

This post-occupancy verification approach would also create a stronger evidence-based approach for evaluating future housing investment and financing decisions.

04 Reward Performance



Over time, better results should lead to better financing terms.

As reliable performance data becomes available, Build Canada Homes and other federal housing partners can use verified energy and operating outcomes to inform underwriting and financing terms.

Projects that demonstrate better performance could qualify for enhanced financing, lower-cost capital or other benefits. This would build on in the logic used in programs such as CMHC's MLI Select, while moving toward financing models based on rewarding actual performance outcomes.

Build Canada Homes' role in advancing long-term value

BCH's immediate opportunity is to demonstrate to the market how building performance can be integrated into housing investment decisions. In doing so, it can shift the perception of energy efficiency and building performance from an additional requirement or upfront cost, to an investment that reduces long-term housing costs and strengthens the value of public investment.

BCH does not need to solve every issue across Canada's housing system to achieve this. It is well-positioned to address gaps by bringing together financing, land and partnerships at the project level. By supporting better planning, financing performance-improving measures, verifying performance and rewarding projects that deliver results, BCH can help align housing investments with long-term value. At the same time, broader coordination among federal, provincial and municipal programs can be addressed through the National Housing Strategy.

In this way, BCH can help build more homes that cost less to operate, are more resilient, reduce emissions, and deliver lasting value for Canadians.



Introduction and Context

Long-term housing affordability is shaped by more than upfront development costs. Energy use, maintenance, durability, and future retrofit needs can influence what a home costs to own or rent and to operate over time. Better performing buildings can help reduce these costs. Energy efficiency is particularly important because it can lower recurring utility costs for residents and housing providers, reducing emissions and supporting resiliency.

But there are challenges. The benefits of energy efficiency are not always captured by the same party. In some buildings, lower utility bills directly benefit residents. Where utilities are paid by owners or operators, energy savings may improve the building's operating budget, support long-term asset management, and in certain cases help support the repayment of performance-linked financing. Regardless of who captures the direct financial benefit, energy efficiency delivers broader value, including improved affordability and resiliency, occupant comfort, stronger asset performance, and reduced maintenance and retrofit pressures.

Many of the measures that improve building performance — including high-performance envelopes, efficient mechanical

systems, heat pumps, geothermal systems, and other technologies — can require additional investment during planning and construction. While the benefits are realized over the life of the building, conventional project financing or existing housing programs do not always fully recognize that value. As a result, projects may struggle to incorporate investments that improve long-term affordability and performance.

Build Canada Homes (BCH) marks a significant shift in federal housing policy. By bringing together financing, land and partnerships, it has the potential to influence how quickly new housing is delivered and how those buildings perform, as well as long-term affordability and value. Realizing that potential requires a clear understanding of how existing housing programs support project delivery, where gaps remain across the development cost stack, and how federal investment can help close them.

To help answer those questions, CAGBC engaged Urban Equation to assess where existing housing programs support better building performance, where significant gaps remain, and where targeted federal action could improve project viability and long-term outcomes. Their analysis covers 58 federal, provincial and municipal programs and applies the findings to an illustrative affordable housing project.

Their work builds on CAGBC's policy brief, [Building Better Value: How Build Canada Homes Can Drive Long-Term Housing Performance](#), which sets out the policy direction through four actions: Plan Better, Build Better, Verify Performance, and Reward Performance. This report provides supporting analysis and explores how those actions can be applied through BCH and the broader federal housing system.

The investment-stack framework that follows identifies where targeted action can support higher-performing housing while improving project viability. In doing so, it highlights opportunities to ensure affordability, energy efficiency and long-term value become integral to how Canada measures the success of its housing investments.

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Investor Confidence Project -
Standard Multifamily

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Aleyxa Gates-Julien



Strategic Priorities for Financing High-Performing Housing

To understand how Build Canada Homes (BCH) can use financing to improve long-term housing performance, Urban Equation reviewed 58 federal, provincial, and municipal programs (see Appendix A), and assessed their coverage across a typical developer cost stack rather than by jurisdiction or delivery body. Developers often organize project costs by functional area, such as land, soft costs, hard costs and operating costs.

For each functional area, the review identified where programs are strong, where they are inconsistent, oversubscribed or fully committed, and where federal intervention could improve energy efficiency and performance outcomes. The review moved the analysis from descriptive inventory to strategic gap analysis. These findings were then leveraged to identify how BCH could target investment across the cost stack to support better performing housing.

The resulting four recommendations map directly to a potential investment stack: a coordinated set of financing tools designed to offset gaps across the developer cost stack. Tables 1 and 2,

along with Figure 1, illustrate this approach using a 100-unit low-carbon affordable housing project, demonstrating where federal action could close the cost gap between higher-performing housing and a conventionally built alternative.

What an Energy-Efficient, Low-Carbon Affordable Building Actually Costs

To ground the recommendations, this section works through the case study: the full cost of delivering a 100-unit energy efficient low-carbon affordable housing building in the Greater Toronto Area. It also includes an analysis of where current government programs cover the developer cost stack versus where gaps remain.

Table 1 maps each of the four recommendations to its corresponding functional area within the developer cost stack, the risks it addresses, and the potential interventions available.

Table 1: Investment Stack Summary

Recommendation	Investment Stack Cost Category	Risk Addressed	Potential Interventions
Plan Better	Land	Site acquisition, site control, land value, ground leases, land banking	Public land contribution, discounted sale, long-term lease, acquisition financing
Plan Better	Soft Costs	Development charges, planning fees, permits, professional fees, studies, financing costs, approvals, tax relief	DC waivers, tax exemptions, fee reductions, pre-development funding, HST/GST relief, approval acceleration
Build Better	Hard Costs	Construction labour, materials, building systems, envelope, structure, mechanical systems, site works	Capital grants, low-interest and long-term loans, forgivable loans, performance-premium financing, retrofit/decarbonization funding
Verify Performance & Reward Performance - Operating Costs	Operating Costs	Utilities, maintenance, reserves, rent supplements, property taxes, operating subsidies, life cycle costs	Rent supplements, operating support, property tax relief, utility savings programs, performance verification
Additional Considerations	Guarantee / Credit Enhancement	Completion risk, cost overruns, lender guarantees, balance sheet constraints, sponsor commitments	Loan guarantees, first-loss reserves, completion guarantees, cost-overrun backstops, portfolio-level credit enhancement

Investment Stack Assumptions and Breakdown

The cost assumptions in Table 2 are drawn from an energy efficient, low-carbon affordable housing project modelled by Urban Equation using publicly available industry data and project-level experience. The model building is a 100-unit multi-unit residential project (40 two-bedroom and 60 one-bedroom units) located outside downtown Toronto. The project is designed to achieve approximately 75 percent below conventional carbon emissions and 57 percent below conventional energy use, relative to a code-minimum building.

Key cost assumptions are drawn from publicly available industry sources. Land values are drawn from the *Bullpen & Batory GTA 2025 Land Cost Report*. Hard construction costs are pulled from the Altus Group *Canadian Cost Guide 2026*. Consultant fees reference a Canadian Home Builders Association (CHBA) benchmarking study, and while operational cost comparisons between low-carbon and conventional builds came from the Cost, Risk, and Value of Delivering Zero-Carbon Buildings in Canada (2026) report by Urban Equation, Windmill Developments, and Nesting Ground.

For the purpose of the model, contractor overhead, profit, and contingency are estimated at 25 percent of hard costs, consistent with standard industry practice for projects of this type. For this model, the BCH potential contribution was based on the non-mortgage portion of the costs (20% of capital costs), combined with operational savings data pulled from the Urban Equation/Windmill Developments/ Nesting Ground study.

Table 2: Cost Component Assumptions

Investment Stack Components	Assumption	Source / Basis
Land Cost	\$70 per buildable square foot outside of downtown	GTA 2025 Land Cost Report – Bullpen & Batory
Hard Cost	\$390 per square foot	Building – Altus Group Canadian Cost Guide 2026 - mid-range estimate for multi-unit residential construction in the GTA
Soft Costs - Operations	25% of hard costs; includes contractor overhead, profit, and contingency	Standard industry estimate for projects of this scale and type
Soft Costs - Consultants	10% of hard costs	Standard industry estimate for projects of this scale and type
Soft Costs - Municipal Fees	40 two-bed units × \$47,951 + 60 one-bed units × \$33,234 ≈ \$3.9M. 5% of land value for cash-in-lieu parkland.	City of Toronto development charges and parkland
Soft Costs - Tax	13% of hard costs	Federal (5%) and Ontario (8%) sales tax rates
Soft Costs - Financing	Loan for 70% of total costs at 7% for 30 Months	Assumed financing structure
Operating Costs	\$2,161,000 vs \$2,495,000 over 40- year NPV at a 9% developer cost of capital	Windmill Developments Costing Study, energy use only. ~75% emissions and ~57% energy use reduction relative to a code-minimum conventional build
Build Canada Homes Potential	20% of capital costs for secondary lending, and the operational cost savings of low-carbon	Based on the non-mortgage portion of the capital costs, combined with the and Urban Equation/ Windmill Developments/ Nesting Ground Costing study for operational savings

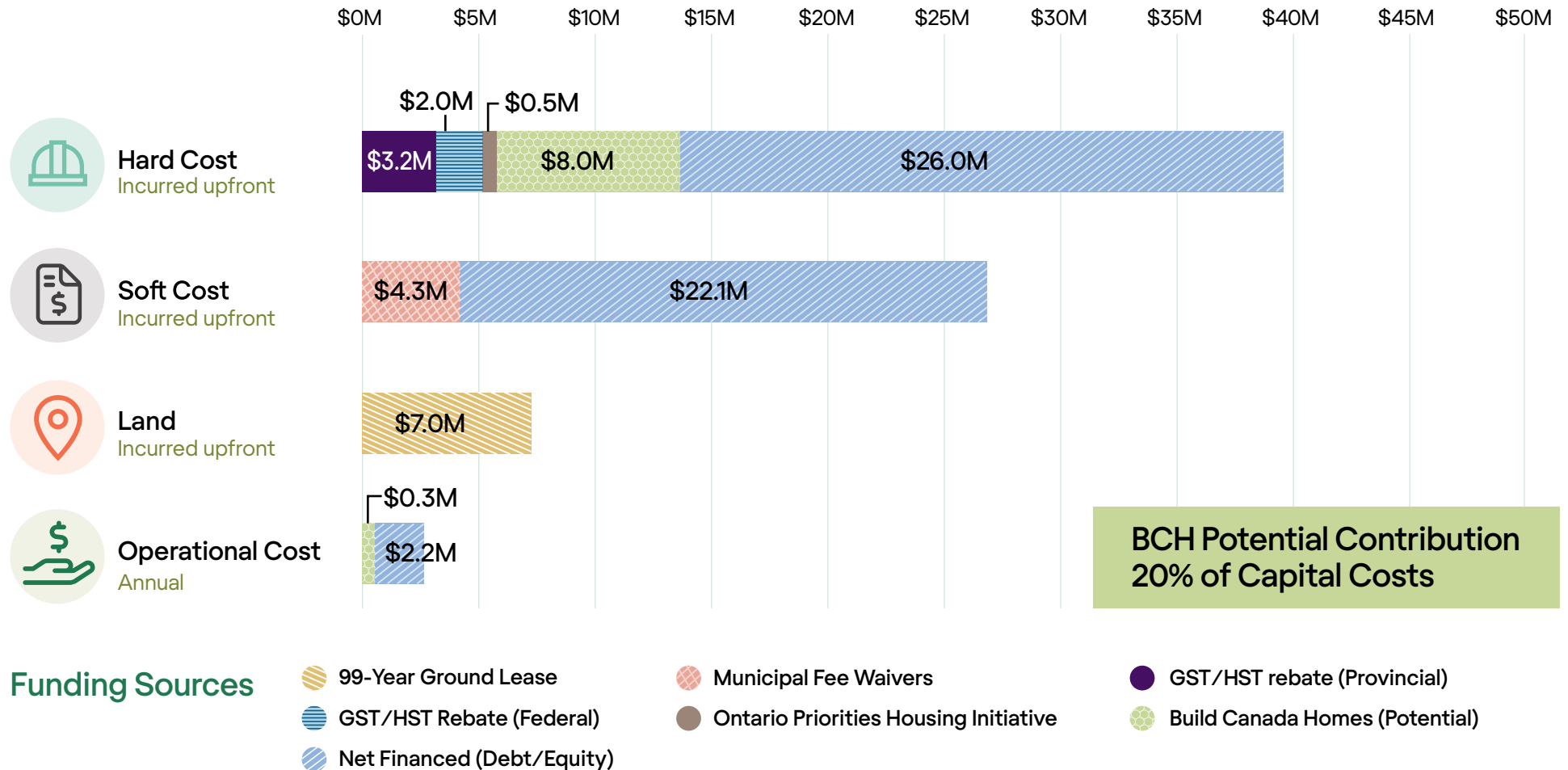
On the basis set out in Table 2, the energy-efficient, low-carbon case carries approximately \$2,161,000 in operating costs, compared with \$2,495,000 for the conventional case, on a 40-year net present value (NPV) basis (9% discount rate & 3.5% utility escalation rate) — a life cycle operating-cost saving of roughly \$334,000 per project through a 57 percent reduction in energy use alongside a 75 percent reduction in operating emissions.

- **Energy efficiency delivers reduced operating cost benefits – putting money back into people’s pockets."**
 - Thomas Mueller, President & CEO, CAGBC.



Figure 1: Funding Coverage by Cost Category

Funding Coverage by Cost Bucket – Modelled





➤ Current Federal Context

Build Canada Homes offers Canada a unique opportunity to advance high-performing, energy-efficient and low-carbon housing like the building modelled in this report.

The *Build Canada Homes Act* positions BCH as a transformative federal institution with the financing, land and partnership tools to build affordable housing faster and at scale, while encouraging modern construction and private investment. Its [investment policy framework](#) could ensure that accelerated housing delivery results in homes that are affordable, energy-efficient, resilient and cost-effective throughout their life cycle.

To identify where BCH would have the greatest impact, this report reviewed 58 federal, provincial, and municipal programs (see Appendix A) and identified significant policy and program gaps across the cost stack: only four programs touch pre-development soft costs and none cover deposits or off-site construction. While 41 of the programs reviewed (see Appendix A) touch hard construction costs, no consistent financing layer exists for the incremental cost of higher energy or carbon performance.

The table below summarizes key gaps and opportunities for BCH and the NHS to address them.

Table 3: Summary of Gaps and Federal Responses

Functional Area	Primary Gap	Recommended Federal Actions	Lead & Priority	Intended Outcome
Plan Better — Soft Costs	Pre-development costs are the most consequential financing gap for non-profit and mission-driven providers. Of 58 programs reviewed, only 4 touch pre-development soft costs.	Provide forgivable contributions or low-interest financing for energy modelling, climate analysis, commissioning, and other pre-development studies	BCH at deal level; NHS for standardized program design. Priority: Immediate (next 12 months)	High-performance projects reach construction-ready drawings and financial close, rather than stalling at pre-development.
Plan Better — Land	Where federal land is available, access is inconsistent and not tied to affordability or performance outcomes.	Attach affordability, energy efficiency and low-carbon performance covenants to land transactions. Prioritize long-term ground leases over one-time sales.	BCH on its deals; NHS for a consistent protocol across all federal landholders. Priority: Immediate (next 12 months)	Federal land transactions consistently deliver affordable, low-carbon housing while preserving long-term public value.
Build Better — Hard Costs	Programs fund housing supply but do not explicitly recognize that energy performance creates long-term affordability and public value.	Create financing that covers the incremental cost of high-performance envelopes, heat pumps, geothermal, district energy, and similar measures through recyclable financing as well as one-time grants.	BCH for deal-level performance-premium financing; CMHC for product reform. Priority: Immediate (next 12 months)	The incremental cost of low-carbon construction is financed and recoverable. Hard cost support is based on energy modelled performance and available to support the project during construction.
Verify Performance — Operating Costs	Programs rely heavily on design intent and do not consistently fund or require post-occupancy verification.	Establish a common post-occupancy verification framework using energy reporting, utility data, and standardized benchmarking. Make measurement and verification an eligible project cost.	CMHC/HICC for the verification protocol; BCH to integrate into deal requirements. Priority: Near term (1-3 years)	Federal investments are assessed on demonstrated building performance, not design intent alone.
Reward Performance	Underwriting does not consistently translate verified operating savings and reduced risk into better financing terms. Current financing evaluates projects primarily on upfront capital costs rather than lifetime performance.	Develop an Energy Performance-Linked Financing product that uses verified outcomes to inform underwriting, improve financing terms, and enable federal funds to be reinvested in additional housing projects.	CMHC for product design (extending MLI Select logic); BCH for integration into deal structures. Priority: Near term (1-3 years)	Verified energy performance unlocks better financing terms, and federal capital recycles based on demonstrated results.

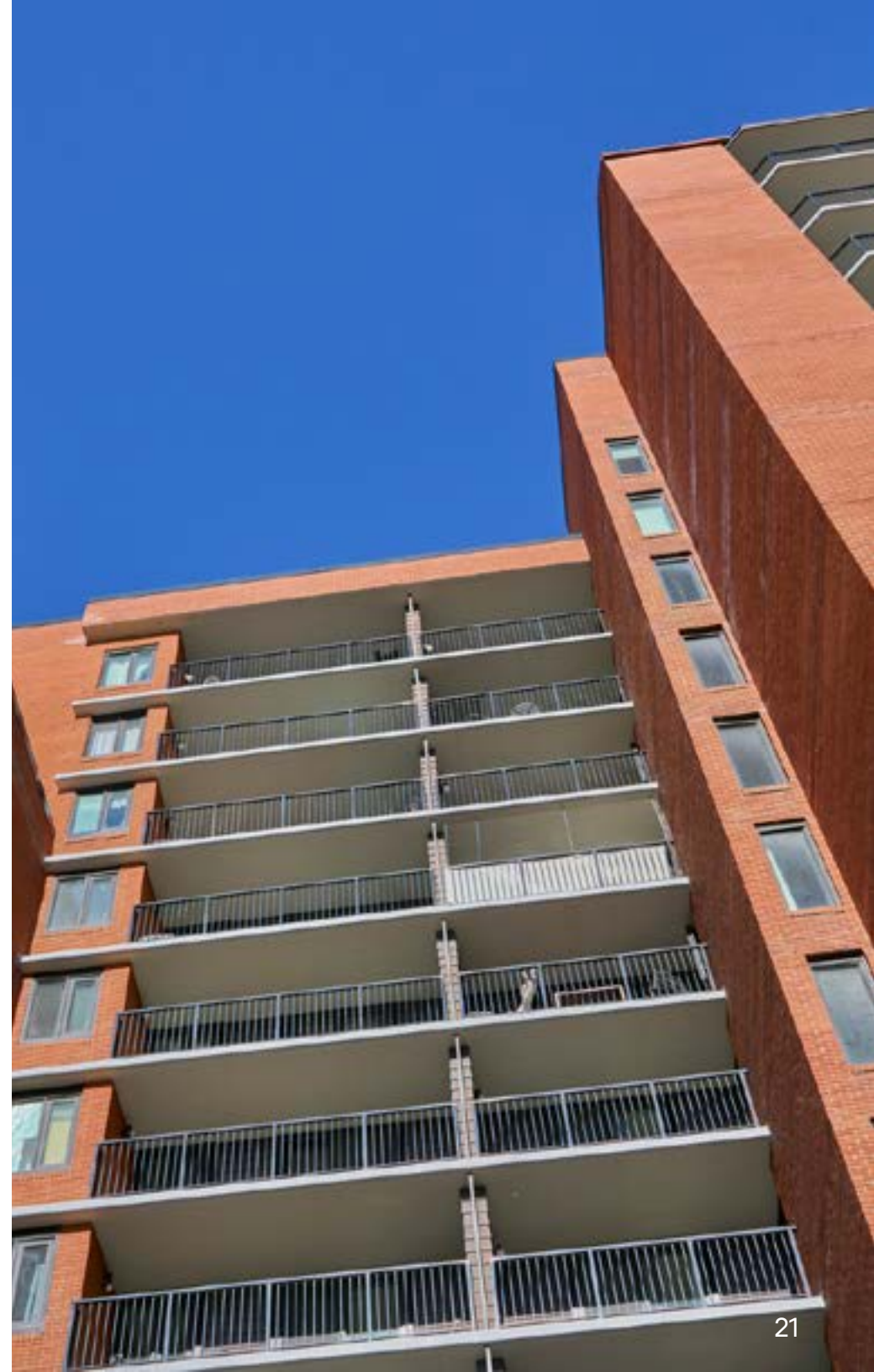
Addressing the gaps

The review of these gaps point to a single design challenge: Canada's affordable and mixed-income housing instruments were largely built as separate expenditure programs. Today, land, soft-cost relief, construction capital, operating stability, and risk-bearing capacity must be assembled one program at a time. To meet the moment and address Canada's housing and affordability needs, the next generation of federal policy needs to organize programs as a coordinated investment platform.

BCH is well positioned to deliver on these program refinements because it can coordinate land, financing, and municipal contributions into individual project packages. While BCH focuses on project-level gaps, broader system fragmentation is more appropriately addressed by the National Housing Strategy (NHS) — system-level initiatives such as aligning eligibility rules, stacking provisions, intake windows, and performance standards across federal, provincial, and municipal programs (see Appendix B).

Both systems and project levels matter, but they will only work in alignment if performance measurement is treated as foundational infrastructure. As industry's verification capacity matures, it will become the mechanism that allows federal capital to recycle on outcomes, lowering the cost of private co-investment.

The review identified several actionable opportunities for BCH. These include attaching affordability, energy efficiency and low-carbon performance outcomes to public land; supporting the pre-development work required for high-performance projects; financing the incremental cost of better performance; and establishing a practical verification function.



Alignment with Build Canada Homes

Current BCH activities already touch each of the four functional areas of the investment stack— areas which align to actionable opportunities identified above.



Lands

While the Canada Public Land Bank provides the inventory and delivery channel, BCH is using public land as a housing delivery tool. BCH-led land transactions would benefit from a consistent protocol that leverages affordability, energy-efficient and low-carbon performance covenants.



Soft costs

The recent BCH–City of Ottawa partnership demonstrates what replicable deal-level coordination could look like in practice: BCH financing paired with municipal waivers of development charges, permit fees, and property taxes.



Hard costs

While currently there is no dedicated financing layer for the incremental cost of higher performance buildings, BCH could support this objective through direct build, flexible financing, portfolio-scale projects, and modern methods of construction.



Operating costs and verification:

BCH's hard-cost decisions directly shape the buildings' long-term energy performance and operating affordability. If BCH finances high-performance envelopes, electrified or hybrid mechanical systems, and heat pumps, the resulting buildings carry structurally lower utility costs over their operating life — savings that flow through to residents and operators. Post-occupancy verification would create a stronger evidence-based approach for evaluating future housing investment and financing decisions.

The recommendations in this framework are designed to formalize these connections, tying BCH's existing tools to measurable performance outcomes at each functional area of the investment stack.

➤ Recommended Sequencing

Not all interventions identified through the investment stack analysis carry equal urgency or readiness. Sequencing should first concentrate on actions BCH and HICC can advance directly, and where the impact on project economics and public investment returns is greatest. Under an outcome-based framework, this means beginning with the measures required to Plan Better and Build Better, while simultaneously establishing verification capacity.

Immediate priorities – Plan Better and Build Better.

Targeted pre-development planning support can help high-performance projects advance through feasibility, design, energy analysis, approvals, and construction readiness phases. Where federal land is part of the project, affordability and low-carbon performance requirements should be attached. For construction, the most important financing intervention should cover the incremental cost of high-performance envelopes, heat pumps, geothermal, district energy, and similar measures through recyclable financing rather than solely through one-time grants. It is vital that support for hard and soft costs is provided based on design intent so that construction can progress as planned.

Near term – Verify Performance.

Measurement and verification should be developed with any financing interventions. A practical verification protocol should establish what energy, emissions, operating cost, and affordability data is collected, at what intervals, and determine how the data feeds back into federal financing terms. As verification capacity strengthens, federal investments can increasingly be assessed on long-term public value rather than units delivered or design intent alone.





Near term – Reward Performance.

Once clear performance thresholds and verification processes are in place, federal financing can translate demonstrated energy, emissions, operating cost, and affordability outcomes into better financing terms. An energy performance-linked financing product would use verified outcomes to inform underwriting, improve financing terms, and enable federal funds to be reinvested in additional housing projects. This extends the logic already demonstrated through performance-linked federal credit support into broader construction and permanent financing. Selected private-market participation may also become more viable where standardized performance requirements and credible verification allow investors and lenders to price reduced operating risk and life cycle savings.

Long-term system considerations.

Guarantee and credit-enhancement tools, as well as improved program coordination across the housing ecosystem may materially improve affordable housing delivery, particularly for non-profit and community housing providers. Note, these are NHS-level reforms rather than BCH deal-level actions, and are outlined in Appendix B.

Together, the recommendations reflect a deliberate progression to establish the conditions required for performance-linked financing. First, by enabling better project planning to improve performance, then targeting financing that enables improvements to be incorporated into projects, then building capacity to verify outcomes. By sequencing the interventions this way, **BCH can better reward demonstrated performance through financing terms that recognize long-term value.**

Building the Foundation for Performance-Linked Financing: Detail of Recommendations

➤ Plan Better – Soft Costs

Recommendation: Provide forgivable contributions or low-interest financing for energy modelling, climate analysis, resiliency planning, and other pre-development studies.

While often overlooked or underfunded, pre-development studies play a significant role in achieving high-performance, low-carbon housing outcomes. Targeted financing for these soft costs can help developers make informed design decisions before major capital investments are committed.

Soft costs include the non-construction costs required to bring a project from concept to occupancy, and ensure high-performance decisions are identified upfront. These may include:

- Development charge
- Planning fees
- Building permit fees
- Parkland charges
- Professional fees
- Legal costs
- Financing costs
- Studies
- Approvals
- Carrying costs during pre-development

Soft-cost contribution can improve project viability enough to unlock larger federal or provincial financing. The main types of soft cost programs are summarized in Table 4 below.



Table 4: Summary of Soft Cost Programs

Program Type	Description
Development charge waivers	Reduction or elimination of DCs for affordable, non-profit, or mixed-income housing.
Permit and planning fee waivers	Reduction of municipal application, building permit, planning, or study fees.
Property tax exemptions	Full or partial property tax relief during construction or operation.
Tax increment equivalent grants	Municipal grants tied to future tax uplift.
Pre-development funding	Early-stage funding for feasibility, design, legal, environmental, energy, and planning work — typically delivered as forgivable contributions, zero-interest loans, or a combination of the two.
Approval acceleration	Priority approvals, parking reductions, as-of-right zoning and streamlined review.
HST/GST relief	Tax rebates or exemptions that reduce project cost.

Key gap

Along with land, pre-development soft costs are the most consequential gap for non-profit providers. These gaps reflect the consulting, design, legal, environmental, and planning costs for architectural and other professional work required to clear the municipal approvals process. It also includes the construction-ready drawings and the lender-grade (Class B) budget needed before securing senior financing. Non-profits cannot easily self-finance this type of work because they lack the balance sheet to carry these costs.

Beyond pre-development, broader soft-cost relief is inconsistent, locally variable, and often not coordinated with federal financing programs. The scale of the gap is striking — of 58 programs reviewed, only four explicitly touch Pre-Development Soft Costs, only four touch Construction-Period Soft Costs, only two touch HST/GST, and no programs touch Deposits and Off-Site Construction.

A further distinction is important for federal program design. Some financing gaps, including Letters of Credit, deposits, off-site work, and HST/GST requirements, do not necessarily reflect the absence of federal support. Rather, they arise because of a CMHC financing product-design gap. Traditional commercial lenders bundle these into construction financing; currently, CMHC's ACLP and MLI Select do not. Therefore some gaps could be closed by CMHC product reform, not by new programs.

Federal opportunity

The federal government has a role to play in advancing high-performing, affordable housing stock. One key way it can help is by providing forgivable contributions or low-interest financing for energy modelling, climate analysis, resiliency planning, and other pre-development studies. In practice, this means covering feasibility, design, legal, environmental, and approvals work through to construction-ready drawings, repayable on financial close.

Implication for Federal Redesign:

Direct dedicated federal funding to pre-development support through forgivable contributions or low-interest loans that cover the feasibility, design, legal, environmental, energy, and planning work needed to reach construction-ready drawings and a Class B budget, with enhanced eligibility or terms for projects meeting affordability, energy efficiency and low-carbon performance thresholds.

Implementation considerations

BCH already has the capacity to enter joint funding arrangements with provinces and municipalities on individual projects. Its role is not to match every municipal waiver dollar-for-dollar, but to negotiate project-level packages that pair federal land, subordinate capital, or guarantees with municipal fee relief, tax exemptions, approvals acceleration, and servicing commitments.

At the project level, this can turn local soft-cost relief into part of a coordinated federal–municipal package rather than a disconnected municipal incentive. Making these arrangements more predictable and standardized across projects is a longer-term task for the NHS.

Plan Better - Land

Recommendation: Where federal land is part of the project, attach affordability and low-carbon performance covenants to land transactions. Prioritize long-term ground leases over one-time sales where long-term public value is a priority.

Where public land is available, it can reduce development costs and lower the amount of debt, grants, or equity required from other sources. Attaching affordability, energy efficiency and low-carbon performance covenants to these transactions helps ensure that public assets advance long-term housing, electricity demand, climate, and community objectives.

The main types of land programs are summarized in Table 5 below.

Table 5: Summary of Land Programs

Program Type	Description
Public land contribution	Federal, provincial, or municipal land made available for affordable or mixed-income housing.
Discounted sale	Land sold below market value in exchange for affordability or performance commitments.
Long-term ground lease	Public owner retains land while allowing housing development through a long-term lease.
Acquisition funding	Capital used by non-profits or public agencies to acquire land or existing buildings.
Land banking	Public or mission-aligned entity assembles land for future affordable housing delivery.

Key gap

The Canada Public Land Bank, launched in August 2024 under the Public Lands for Homes Plan, is the most direct existing federal mechanism on the land side. It now lists 88 federal properties totalling 463 hectares and is being positioned to support Build Canada Homes.

The federal government already has the land, the inventory, and the institutional capacity. What is missing is a consistent requirement that ties public land transactions to verified affordability, energy efficiency and low-carbon performance outcomes. BCH can attach these requirements to the deals it leads. Through the NHS, there is also the opportunity to extend them across all federal landholders as a longer-term task.

Federal opportunity

The federal government could establish an Energy Efficiency Low-Carbon Affordable Housing Land Protocol that standardizes how federal lands are made available for affordable and mixed-income housing. This would involve:

- Attaching affordability covenants, energy and low-carbon performance requirements to public land transactions.
- Using long-term ground leases rather than one-time land sales where long-term public value is a priority.
- Framing land contributions as a reduction in potential land-sale revenue rather than a cash outlay, and value them as public investment rather than foregone revenue.
- On individual projects, coordinating federal land contributions with municipal fee relief, approvals, and servicing commitments.

Implication for Federal Redesign: Establish a federal public land protocol that prioritizes surplus or underused federal lands for affordable, mixed-income, energy efficient low-carbon housing.

Implementation considerations

The legal authorities needed to act on federal land are largely already in place and the *Build Canada Homes Act* has consolidated further land powers in BCH. The recommendation is an implementation protocol: a consistent allocation and prioritization framework that tells federal landholders how to deploy land for verified affordability and low-carbon outcomes.

➤ Build Better - Hard Costs

Recommendation: Create financing that covers the incremental cost of high-performance envelopes, heat pumps, geothermal, district energy, and similar measures through recyclable financing rather than only through one-time grants.

Hard costs are the direct costs of construction, which impact the low-carbon performance. Hard costs can include:

- Labour
- Materials
- Building systems
- Structure
- Envelope
- Mechanical/electrical systems
- Site works

These costs are generally less flexible than land or soft costs because they reflect market prices for construction inputs.

For energy-efficient low-carbon affordable housing, the key hard-cost issue goes beyond total construction cost. It is the incremental cost of building long-term affordability into the proforma.

The main types of hard cost programs are summarized in Table 6 below.

Table 6: Summary of Hard Cost Programs

Program Type	Description
Capital grants / forgivable loans	Non-repayable funding (or loans forgiven on meeting affordability or performance conditions) to reduce construction cost.
Low-interest and long-term loans	Below-market, long-tenor financing for eligible housing projects, with amortization periods extended beyond conventional terms to improve project viability.
Performance-linked incentives	Additional funding or better terms for meeting higher energy or carbon thresholds.
Retrofit or decarbonization funding	Capital for energy upgrades, electrification, envelope improvements, or emissions reductions.
Modular / industrialized construction support	Funding or financing to reduce construction timelines, labour intensity, or cost escalation.

Key gap

There is no consistent financing layer for the incremental capital cost of higher energy or carbon performance in affordable and mixed-income housing. Current programs fund housing supply, but do not explicitly recognize that energy performance creates long-term affordability and public value. Of 58 programs reviewed, 41 already touch hard construction costs. The federal opportunity is not to add a new layer of generic hard-cost subsidy, but to address two specific gaps:

- The incremental cost of performance
- The items traditional lenders bundle into construction financing that CMHC does not (e.g., Letters of Credit, deposits, off-site work, HST/GST).

Additionally, a broader consideration applies across this outcome. Federal capital deployed as one-time grants behaves as an expense: each dollar can only be spent once. While grants are vital to individual affordable housing projects, investment vehicles that can be repaid and reinvested are important for scaling supply. The same capital deployed through repayable contributions, loan guarantees, first-loss reserves, or revolving funds behaves as an investment vehicle: each dollar can support multiple units over time and can crowd in new private capital. This reframing can expand delivery beyond the non-profit and co-operative sector, aligning with the BCH's mandate to partner with private market developers on affordable and mixed income housing for middle-income Canadians.

Federal opportunity

Create financing that covers the incremental cost of high-performance envelopes, heat pumps, geothermal, district energy, and similar measures through recyclable financing rather

than only through one-time grants. This would take the form of a performance premium financing layer, structured as repayable contributions, guarantees, or interest-rate adjustments, supporting measures such as electrified mechanical systems, low-carbon materials, resilience measures, energy modelling, commissioning, and verification.

Implication for Federal Redesign: Establish a dedicated federal performance-premium financing layer tied to life cycle affordability outcomes.

Implementation considerations

The hard-cost recommendations should shift from a generic federal subsidy toward a repayable subordinate investment product. Federal capital could be structured as a secondary loan, subordinate mortgage, repayable contribution, or equity-like instrument that sits behind senior construction and takeout financing. Repayment could occur through stabilized refinancing, residual cash flow, or long-term repayment schedules, with terms calibrated to affordability depth and performance. Modeled performance may be sufficient for hard cost support to enable construction. In the event that a different party will operate the building, the financing could be tied to the property itself through a property tax lien or similar mechanism, ensuring that the incremental loan expense is covered by the party receiving the energy efficiency benefits during operations.

➤ Verify Performance - Operating and Verification Costs

Recommendation: Establish a common post-occupancy verification framework using energy reporting, utility data, and standardized benchmarking. ENERGY STAR® Portfolio Manager® provides existing infrastructure to leverage.

Operating costs are directly linked to affordability. If utility costs are high or volatile, housing becomes less affordable for residents and increases operating risk for non-profit operators.

The main types of operating cost programs are summarized in Table 7 below.

Table 7: Summary of Operating Cost and Performance Verification Programs

Program Type	Description
Utility savings programs	Incentives or financing that reduce long-term energy costs.
Performance verification	Monitoring actual energy, emissions, and operating-cost outcomes.

Key gap

Current programs often fund capital delivery but do not fully account for life cycle affordability or operating-cost stability. Programs may require design intent or modelling, but do not always require post-occupancy verification of actual energy use, emissions, or operating-cost outcomes.

Federal opportunity

The federal government can link future operational funding to verified operating performance by requiring measured outcomes and rewarding projects that reduce long-term energy and operating-cost exposure. This incentivizes owners to close the gap between design intent and post occupancy performance through commissioning and continuous improvement. This requires a verification protocol to define what data is collected, at what intervals, by whom, and how the results feed back into financing terms. This would involve establishing a common post-occupancy verification framework using energy reporting, utility data, and standardized benchmarking. ENERGY STAR® Portfolio Manager® provides existing infrastructure to leverage. A program like this is not meant to claw back on capital support for hard costs which has already been provided, but serve as an additional incentive. In practice, this means:

- Requiring post-occupancy energy and emissions reporting.
- Benchmarking utility costs and operating stability.
- Tying enhanced financing terms, repayment adjustments, or any loan forgiveness to verified performance.
- Funding measurement and verification as an eligible project cost.

Implication for Federal Redesign: Shift federal affordable housing funding from design-intent requirements toward measured performance outcomes.

Implementation considerations

A federal data and verification function is needed to monitor long term affordability. Without this data layer, federal investments are judged primarily on units delivered rather than long-term public value.

Reward Performance — Energy Performance-Linked Financing

Recommendation: Develop an energy performance-linked financing product that uses verified outcomes to inform underwriting, improve financing terms, and enable federal funds to be reinvested in additional housing projects. This product would allow affordable housing projects to access additional capital based on the long-term operating savings and risk reduction created by better energy performance.

This concept recognizes that energy efficiency is not only an environmental benefit. It is also an affordability and risk-management tool. There is a useful Canadian precedent already operating at scale: CMHC's MLI Select program prices mortgage loan insurance against a points-based scorecard that includes energy performance, with high-performance projects qualifying for the most favourable loan-to-value and amortization terms. MLI Select shows that graduated, performance-linked federal credit support can work at scale; the opportunity is to extend that logic from mortgage insurance into the broader permanent and construction financing layers.

Problem it solves

A high-performance affordable housing project may cost more upfront than a code-minimum project. However, it may produce

lower utility costs, reduced energy-price exposure, improved resident affordability, better asset resilience, reduced future retrofit risk, and lower emissions. Current underwriting often does not fully translate those future benefits into additional upfront borrowing capacity.

How it could work

A project would receive its conventional capital stack, then qualify for an additional performance-linked financing layer if it exceeds defined energy or emissions thresholds. The potential energy-linked financing structures are summarized in Table 8.

Table 8: Potential Energy Linked Financing Interventions

Structure	Description
Second mortgage	Subordinate mortgage used to fund the incremental cost of performance measures.
Subordinate debt	Patient capital that sits behind senior lenders and reduces pressure on the primary stack.
Repayable contribution	Public capital repaid over time, potentially linked to verified operating savings.
Forgivable loan	Loan forgiven in whole or part if energy and affordability outcomes are achieved.
Loan guarantee	Federal guarantee reduces lender risk and lowers borrowing cost.
Bond-funded facility	Pooled green/social bond facility funds multiple eligible projects.

Eligibility could be tied to energy use intensity, GHG intensity, modelled utility savings, electrification, resilience standards, post-occupancy verification, affordability covenants, and resident utility cost protections.

Potential recommendation: Create an Energy Performance-Linked Financing product that allows affordable and mixed-income housing projects to access incremental capital or enhanced financing terms for verified energy or low-carbon performance.

Implementation considerations

The same capital deployed through repayable contributions, loan guarantees, first-loss reserves, or revolving funds behaves as an investment vehicle: each dollar can support multiple units over time and can crowd in private capital that would not otherwise enter the affordable housing market. This reframing also expands delivery beyond the non-profit and co-operative sector and aligns directly with the Build Canada Homes mandate to partner with private market developers on affordable and mixed income housing for middle-income Canadians. An energy performance-linked financing product closes that gap: linking enhanced terms, subordinate capital, or guarantees to verified energy, emissions, and affordability outcomes. It is a key implementation pathway for moving low-carbon performance into program economics.



Conclusion: From Housing Expenditure to Housing Investment

Canada's housing challenge is not only a question of supply. It is also a question of long-term value.

Build Canada Homes has an opportunity to ensure that the homes supported by federal investment remain affordable, energy-efficient, resilient and cost-effective over their operating lives. Better performance can lower utility and operating costs, reduce future retrofit needs and emissions, and protect the value of public investment.

This report shows that existing housing programs do not consistently recognize these benefits in project financing. BCH can help close that gap by supporting better planning, financing the measures needed to improve performance, verifying actual results, and rewarding projects that deliver.

The approach is straightforward: plan for performance, finance it, verify what was delivered and use those results to inform future investment.

By making energy efficiency and verified building performance part of its investment approach, BCH can help Canada build not only more homes, but homes that cost less to operate and deliver lasting value for Canadians.



Appendix A

Affordable and Mixed-Income Housing Program Landscape

Purpose: Simplified program inventory organized by federal, provincial, and municipal instruments.

Scope: The program funding scan was conducted in May 2026 as a desktop research exercise, drawing on publicly available program documentation, government and agency websites, and program guidelines. It reviewed 58 affordable and mixed-income housing funding programs across, spanning the federal level, four focus provinces (Ontario, Quebec, Alberta, and British Columbia), and selected municipal programs in major urban centres within those provinces. The scan captured the available funding landscape as it stood at the time of research and also included recently closed, paused, and precedent programs. For each program, key information was collected where available, including administering body, funding type, eligibility criteria, performance requirements, incentives for energy efficiency or low-carbon design, and stack-ability.



Table 9: Affordable and Mixed-Income Housing Program Landscape**Federal**

Jurisdiction	Program / Instrument	Administering body
Canada	Build Canada Homes (BCH) Investment Policy Framework	Build Canada Homes (BCH)
Canada	Affordable Housing Fund (AHF)	CMHC
Canada	Apartment Construction Loan Program (ACLP)	CMHC
Canada	Affordable Housing Innovation Fund (AHIF)	CMHC
Canada	Co-operative Housing Development Program (CHDP)	CMHC
Canada	Federal Lands Initiative (FLI)	CMHC
Canada	Housing Accelerator Fund (HAF)	CMHC
Canada	Seed Funding	CMHC
Canada	Urban, Rural and Northern Indigenous Housing Strategy (URNIHS)	CMHC
Canada	Mortgage Loan Insurance (MLI Select)	CMHC
Canada	Green Municipal Fund – Sustainable Affordable Housing (SAH)	FCM / NRCan
Canada	GST/HST rental rebate + HST relief on new homes (2026–27)	CRA / Finance Canada

Jurisdiction	Program / Instrument	Administering body
Canada	Accelerated CCA for purpose-built rental (Class 1 @ 10%)	CRA / Finance Canada
Canada	Canada Public Land Bank / Public Lands for Homes Plan	CMHC / PSPC
Canada	Community Housing Transformation Centre – grants & innovation funding	Community Housing Transformation Centre (CHTC)
Canada	Rapid Housing Initiative (RHI) – closed 2025, rolled into AHF	CMHC
Canada	Canada Greener Affordable Housing (CGAH)	CMHC
Canada	Canada Rental Protection Fund (CRPF)	CMHC / Housing, Infrastructure and Communities Canada
Canada	Canada Housing Infrastructure Fund (CHIF)	Housing, Infrastructure and Communities Canada

Provincial

Jurisdiction	Program / Instrument	Administering body
Alberta	Affordable Housing Partnership Program (AHPP)	Assisted Living and Social Services
Alberta	Indigenous Housing Capital Program (IHCP)	Alberta Social Housing Corporation (ASHC) / Assisted Living and Social Services
BC	Community Housing Fund (CHF)	BC Housing
BC	BC Builds (incl. HousingHub precedent – closed to new proposals, existing pipeline continues)	BC Housing

Jurisdiction	Program / Instrument	Administering body
BC	Indigenous Housing Fund (IHF)	BC Housing
Ontario	Ontario Priorities Housing Initiative (OPHI)	Ontario Ministry of Municipal Affairs and Housing (MMAH)
Ontario	Building Faster Fund (BFF)	Ontario Ministry of Municipal Affairs and Housing (MMAH)
Ontario	Building Ontario Fund (BOF)	Building Ontario Fund
Quebec	Programme d'habitation abordable Québec (PHAQ)	Société d'habitation du Québec (SHQ)
Quebec	Programme de supplément au loyer Québec (PSLQ)	Société d'habitation du Québec (SHQ)
Ontario	Statutory DC / CBC / parkland exemptions for affordable, attainable, non-profit, and inclusionary-zoning units	Province of Ontario (statutory – Development Charges Act, Planning Act)
Ontario	Canada – Ontario Community Housing Initiative (COCHI)	Ontario Ministry of Municipal Affairs and Housing (MMAH)
Ontario	Canada – Ontario Housing Benefit (COHB)	Ontario Ministry of Municipal Affairs and Housing (MMAH)
Ontario	Housing-Enabling Water Systems Fund + Housing-Enabling Core Servicing Stream (Municipal Housing Infrastructure Program)	Ontario Ministry of Infrastructure / MMAH
BC	BC Rental Protection Fund	Rental Protection Fund (independent non-profit)
Quebec	AccèsLogis Québec legacy / precedent –succeeded by PHAQ)	Société d'habitation du Québec (SHQ)

Municipal

Jurisdiction	Program / Instrument	Administering body
Calgary, AB	Housing Strategy 2024–2030 + Downtown Calgary Development Incentive Program	City of Calgary / Calgary Housing Company
Laval, QC (CMM)	Municipal capital contributions + land + tax breaks	Ville de Laval / Corporation d’habitation Laval
Longueuil, QC (CMM)	Municipal land donation + tax breaks + utility connections + OMHL portfolio	Ville de Longueuil / OMHL
Montreal, QC (CMM)	Stratégie 2021–2025 (Règlement pour une métropole mixte) – 20/20/20	Ville de Montréal / SHDM
Montreal, QC (CMM)	Chantier Montréal abordable initiative	Ville de Montréal / OMHM
Edmonton, AB	Affordable Housing Investment Plan + Cornerstones programs	City of Edmonton
Durham Region, ON (GTHA)	At Home Incentive Program (AHIP)	Regional Municipality of Durham
Halton Region, ON (GTHA)	Comprehensive Housing Strategy + Service Manager capital programs	Regional Municipality of Halton
Hamilton, ON (GTHA)	Housing Sustainability and Investment Roadmap (HSIR) + HAF program	City of Hamilton
Peel Region, ON (GTHA)	Peel Affordable Rental Incentives Program (PARIP)	Region of Peel

Jurisdiction	Program / Instrument	Administering body
Peel Region, ON (GTHA)	Peel Community Housing Development Program (PCHDP) + Non-Profit Housing Development Program (NHDP)	Region of Peel
Peel Region, ON (GTHA)	Development Charges Grant Program (purpose-built rental)	Region of Peel
Mississauga, ON (GTHA)	Affordable Rental Housing Community Improvement Plan (CIP)	City of Mississauga
Toronto, ON (GTHA)	Rental Housing Supply Program (RHSP) umbrella – incl. Open Door, pre-dev loans, capital grants, fee/charge relief, property tax exemptions, PBR incentives	City of Toronto / Housing Secretariat
Toronto, ON (GTHA)	HousingTO 2020–2030 + MURA (Multi-Unit Residential Acquisition)	City of Toronto
York Region, ON (GTHA)	Community Housing Supply Grant (CHSG) + DC deferrals/incentives	Regional Municipality of York
Burnaby, BC (Metro Van)	Burnaby Rental Use Zoning Policy + Inclusionary Rental + HAF program	City of Burnaby
Coquitlam, BC (Metro Van)	Affordable Housing Reserve Fund + density bonusing	City of Coquitlam
Richmond, BC (Metro Van)	Richmond Affordable Housing Strategy (Inclusionary zoning/density bonusing)	City of Richmond
Surrey, BC (Metro Van)	Affordable Housing Strategy + HAF program	City of Surrey

Jurisdiction	Program / Instrument	Administering body
Vancouver, BC (Metro Van)	Community Housing Incentive Program (CHIP) + MIRHPP + Below- Market Rental Policy + Secured Rental Policy + DCL waivers	City of Vancouver
Gatineau, QC (NCR)	Municipal housing contributions + land + OMHG portfolio	Ville de Gatineau / OMHG
Ottawa, ON (NCR)	Affordable Housing Capital + Loan Program / LRFP IV + BCH Partnership + Affordable Housing TIEG (Tax Increment Equivalent Grant) + Municipal Capital Facility tax relief	City of Ottawa

Appendix B

Broader Federal Housing Finance and Program Design Considerations

This appendix addresses three system-level issues that are material to affordable housing delivery but do not directly depend on improved energy or carbon performance and are not prerequisites for the core recommendations.

System-Level Issue 1: Role of Private Markets

Affordable housing generally cannot support market-rate return expectations without compromising affordability. Private capital can play a role, but it should not be expected to replace public funding. The best role for private markets is through low-cost, risk-adjusted debt, not high-return equity.

The table below identifies the broader range of potential private-market participants.

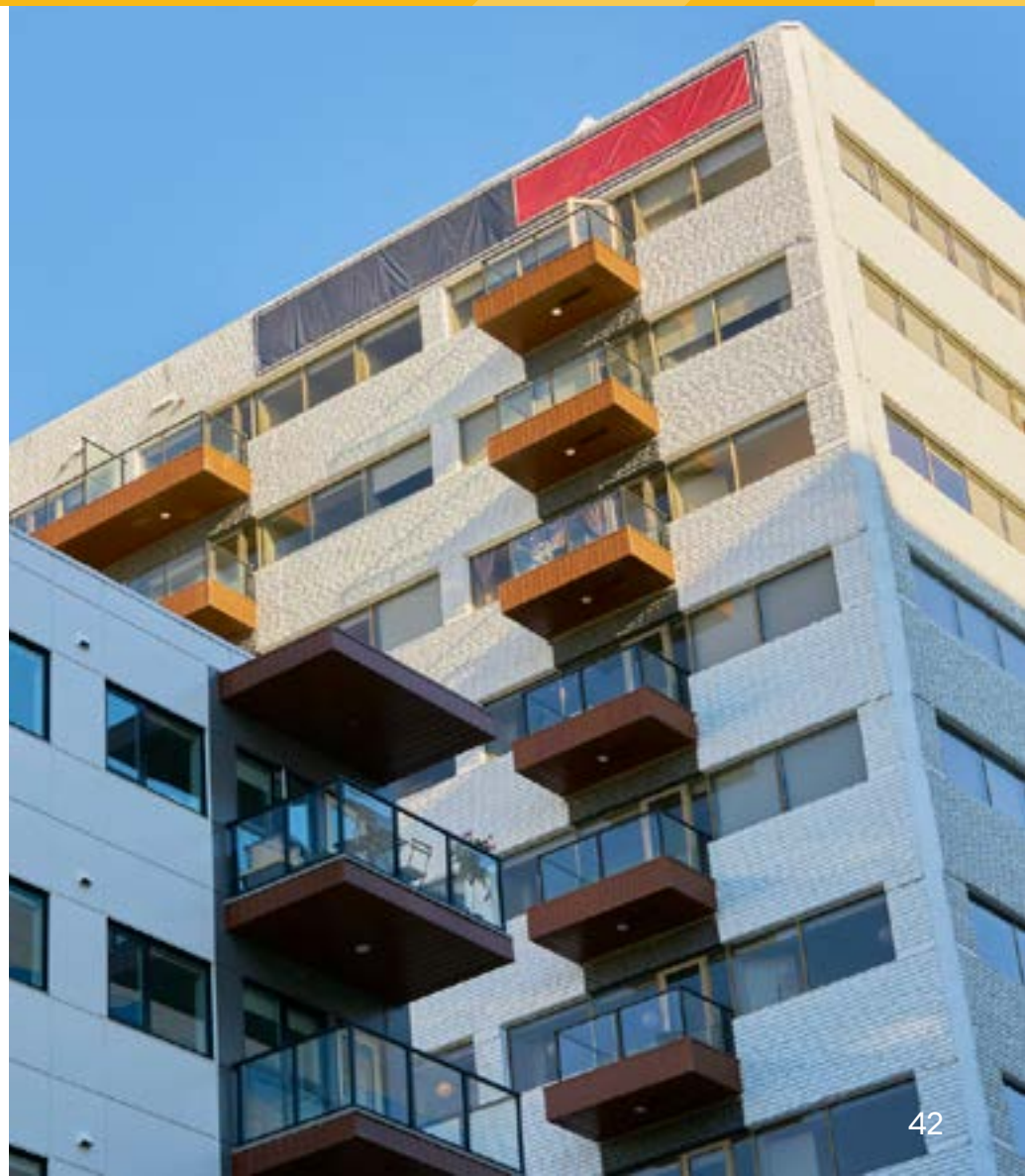


Table 10: Potential Roles for Private Market Participants

Private Market Participant	Potential Role	Caveat
Pension funds	Long-term debt or bond investment in stabilized affordable housing portfolios.	Needs scale, standardization, and predictable risk.
Credit unions	Community-aligned lending and construction financing.	May be smaller scale but mission aligned.
Institutional lenders	Senior debt where federal guarantees reduce risk.	Requires clear underwriting and security.
Impact investors	Patient subordinate capital or revolving funds.	Return expectations must remain compatible with affordability.
Green/social bond investors	Pooled investment in verified low-carbon affordable housing.	Requires credible reporting and verification.
Utilities	On-bill or performance-based financing for energy efficiency measures.	Works best where savings and repayment are clearly allocated.

Federal role in mobilizing private capital

At the deal level, BCH can:

- Provide loan guarantees and first-loss protection on individual projects
- Aggregate projects into portfolios large enough for institutional investors

At the system level, the NHS can:

- Create common verification protocols for long-term affordability outcomes

➤ Standardize underwriting for performance-linked projects

➤ Support green or social bond issuance tied to affordable low-carbon housing

Aggregation and credit enhancement are where federal participation creates the most leverage.

Recommended framing: Use federal guarantees, first-loss reserves, and green and social bond structures to attract low-cost private debt rather than relying on high-return private equity.

Implementation considerations

The federal private-capital strategy should focus on aggregation, guarantees, and co-investment structures rather than direct federal borrowing. BCH can add value by pooling projects and providing guarantees or first-loss protection. Standardizing terms and creating investment vehicles large enough for pension funds, banks, credit unions, and green/social bond investors is a longer-term NHS function that would benefit from the deal-level data BCH generates.

System-Level Issue 2: Guarantee and Credit Enhancement

Guarantee requirements are a cross-cutting barrier affecting whether a project can move forward at all. Many non-profit providers can identify a viable project, secure partial funding, and develop a concept, but cannot satisfy requirements for guarantees, indemnities, equity commitments, or balance sheet strength. Three distinct issues warrant different federal responses:

- Third-party guarantor commitments substitute for the proponent's own balance sheet at financial close — the second-most-difficult barrier non-profits face after pre-development capital.

- Performance, labour, and material (P&L&M) bonding is specifically required by CMHC on insured construction financing but not by traditional commercial lenders. Non-profits face both the direct cost and a capacity ceiling tied to their balance sheet.
- Letters of Credit (LC) reflect a CMHC product-design gap rather than a missing program. Traditional lenders bundle LC capacity into construction loans; CMHC ACLP and MLI Select do not. This gap can be closed by CMHC product reform.

The federal government could create a Non-Profit Housing Guarantee Facility or Affordable Housing Credit Enhancement Program, reducing risk enough to unlock other capital. Eligible instruments could include partial loan guarantees, completion guarantees, operating deficit reserves, first-loss reserves, and credit enhancement for pooled green or social bond financing. BCH can aggregate eligible projects into portfolios for this purpose; standardized underwriting criteria and performance requirements would need to be established through the NHS.

System-Level Issue 3: Program Coordination

Across the housing finance ecosystem, programs do not always work together. A project may need land, municipal fee relief, provincial capital, federal financing, operating support, and private debt, each with different timelines, eligibility requirements, affordability definitions, performance standards, and stacking rules.

The Ontario example is instructive. NHS bilateral programs flow federal–provincial capital to 47 municipal Service Managers and 2 Indigenous Program Administrators, each controlling allocation within their service area. Toronto applies the Toronto Green Standard; most others default to the Ontario Building Code. Performance conditions placed at the federal or provincial level get diluted across dozens of independent allocation decisions in a single province.

A particularly consequential effect is that proponents are often forced to choose between affordability depth and performance ambition. Programs with the deepest affordability requirements frequently exclude or cap stacking with performance-linked capital. The projects most aligned with long-term public value — deeply affordable and low carbon — are the hardest to finance.

Through the National Housing Strategy, the federal government could address this by:

- Establishing common affordability definitions or equivalency rules across federal programs
- Coordinating federal intake timing with provincial and municipal funding cycles
- Clarifying how federal, provincial, municipal, and private sources can be layered

- Creating common performance tiers for energy, carbon, resilience, and verification
- Developing an explicit rule that performance-linked capital does not count against affordability-program stacking caps when both conditions are met

Specific federal mechanisms could resolve this directly:

- A designated stacking envelope that pre-authorizes combinations of federal capital sources for projects meeting both affordability and performance thresholds
- A common eligibility passport that allows a single application to qualify across multiple federal programs
- An explicit federal rule that performance-linked capital does not count against affordability-program stacking caps when both conditions are met

The main stack coordination issues and federal responses are summarized in Table 11 below.

Table 11: Summary of Stack Coordination Issues and Federal Responses

Coordination Issue	Federal Response
Different affordability definitions	Establish common definitions or equivalency rules across federal programs.
Misaligned intake windows	Coordinate federal intake timing with provincial and municipal funding cycles.
Incompatible stacking rules	Clarify and standardize how federal, provincial, municipal, and private sources can be layered.
Different performance requirements	Create common performance tiers for energy, carbon, resilience, and verification.
Duplicative applications	Develop shared application templates and model agreements.

Beyond setting standards directly, the federal government is uniquely positioned to play a convening role across the housing finance system. HICC, through the National Housing Strategy, could host a standing federal–provincial–municipal coordination table on affordable and low-carbon housing finance, bringing together the entities that administer the capital (CMHC, provincial housing agencies, municipal Service Managers, and Indigenous Program Administrators) to align affordability definitions, performance tiers, intake timing, and reporting.

Implication for Federal Redesign: Create a federal stack coordination framework that aligns capital, affordability, performance, timing, and reporting standards.



Next step.

CAGBC welcomes the opportunity to discuss how these recommendations could be incorporated into the design and implementation of Build Canada Homes.

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