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OPINION

# Creating of affordable rental properties requires better financing

Without updates to CMHC's market value policies, good quality, purpose-built rentals will not be developed.

By **Hans Jain** Contributor

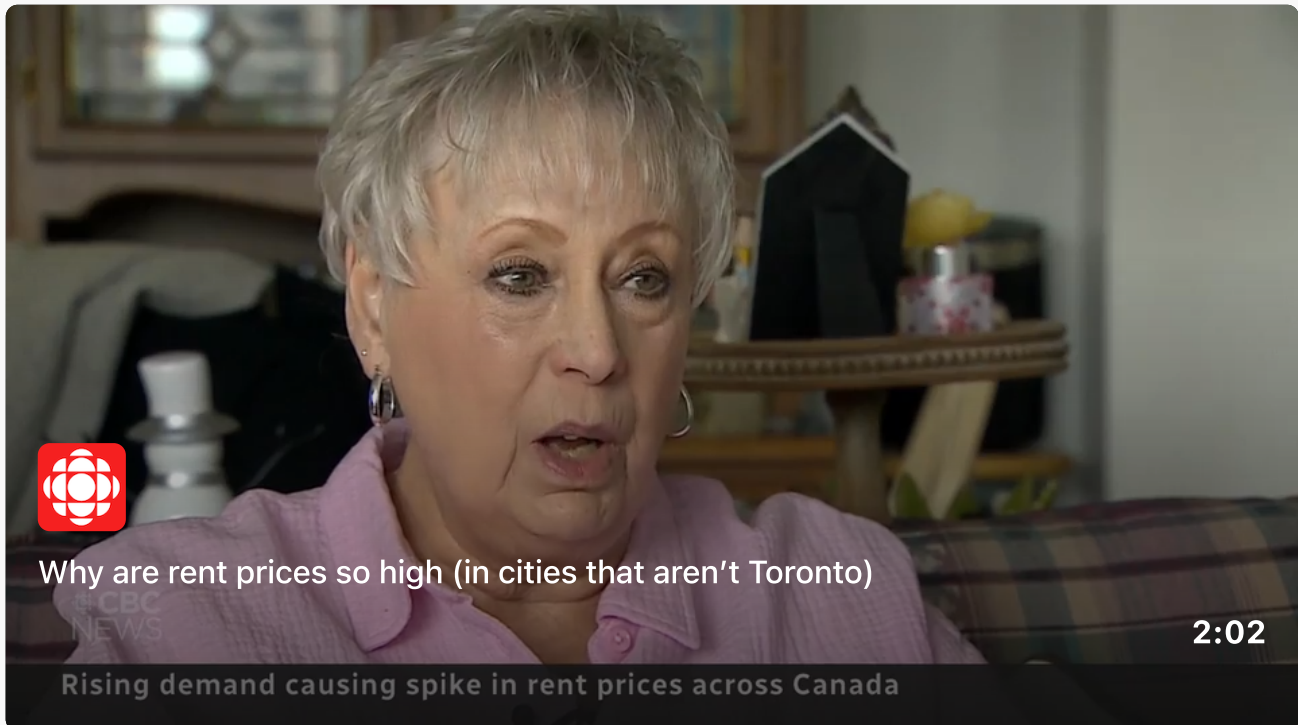
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 READ THE CONVERSATION

Traditional home buying is out of reach for most young Canadians and newcomers. More than ever, building high-quality rentals is critical for solving Canada's housing crisis. The Canadian Housing and Mortgage Corporation (CMHC) needs to immediately update its financing policies to ensure rental apartment construction moves forward in these uncertain economic times.

CMHC provides rental construction financing options, including low-interest loans with reduced equity requirements, to encourage the construction of sustainable and affordable rental apartments across Canada. This makes a lot of sense given that purpose-built rental units are the most affordable option for new housing stock, even at fair market rents.

For a variety of reasons, traditional lenders are not amenable to lending on purpose-built rental buildings, making CMHC's initiatives a unique means to address an increasingly urgent need.



Developers, however, are challenged by the low predictability of outcomes when applying under CMHC's funding initiatives. The criteria applied to underwriting these loans is not always clear and the method of evaluating market rates can have an impact on loans that is inconsistent with the norms of real estate financing.

Adding to these challenges is the length of time it can take to receive approval. Delays are costly in our industry, particularly in an environment where interest rates are high, further raising the costs of materials, expertise and labour.

The net result is that it is difficult to predict how much CMHC funding might be available, the timing of it, and its cost. This additional uncertainty makes the critical job of alleviating Canada's housing shortage even more difficult, stifles development and leaves renters out in the cold.

This is unfortunate in another aspect as well: the residential rental industry thinks long-term by nature and as such, has been pioneering technological solutions to meet the evolving environmental goals and regulations of governments and lenders.

We have embraced innovations like geothermal and electrochromic windows to reduce cooling loads and improve well-being. And we've started using renewable mass timber structurally instead of steel and concrete to reduce carbon emissions.

Leadership in environmental stewardship also goes hand in hand with care for the well-being of the communities where we build. The development business I operate brought 500 new rental apartments to market in 2022-23, 10 per cent of them deemed affordable units. Our success as an industry depends on our ability to make communities that work for everyone.

My company began more than 20 years ago by repurposing underused real estate, converting it into spaces where people would want to live and sparking the revitalization of entire neighbourhoods. Today, we continue to bring new life and light to older communities across southern Ontario to create high quality purpose-built rental housing.

Our work makes people want to live in communities they might not have previously considered. But financing has been a steep hurdle. Our industry needs the right financing tools to ensure we can keep building new and converting old to revitalize neighbourhoods. Without updates to CMHC's market value policies, good quality, purpose-built rentals will not be developed.

To address affordability in Toronto neighbourhoods and across Canada, lenders and the federal government need to find solutions to the gaps that exist in funding innovative rental projects.

With purpose-built rental housing, we can give everyone looking for a new home a place to hang their keys without having to sacrifice quality of life. With lenders tightening in the shadow of banking disruption, we need the CMHC to be a leader by responding to the ever-changing and complex realities of our economy.

*Hans Jain is the president of Atria Development.*

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