



# Overcoming Institutional Barriers to Non-market housing

Lessons from the Montreal Metropolitan Area

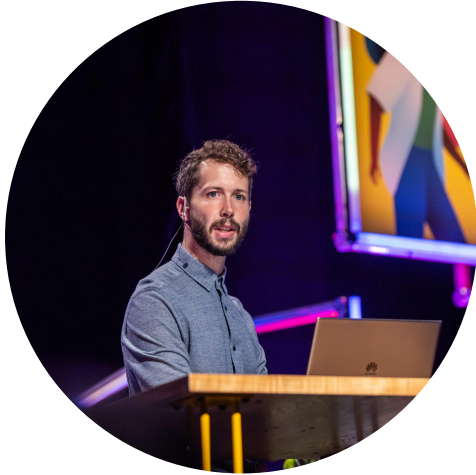
Adam Mongrain & A.J. Bimm, June 2023

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# Introductions

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Vivre en Ville | Director, Housing

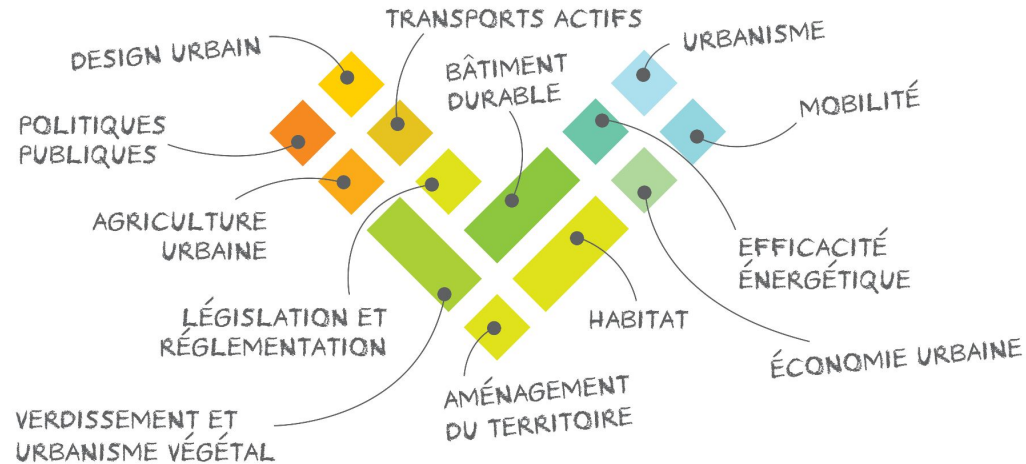


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## À propos de Vivre en Ville



**Vivre en Ville stimule l'innovation et accompagne les décideurs, les professionnels et les citoyens dans le développement de milieux de vie de qualité, prospères et favorables au bien-être de chacun, dans la recherche de l'intérêt collectif et le respect de la capacité des écosystèmes.**

# PORTES OUVERTES



POUR UNE  
SORTIE DE CRISE  
DURABLE EN  
HABITATION

For a sustainable end  
to the housing crisis

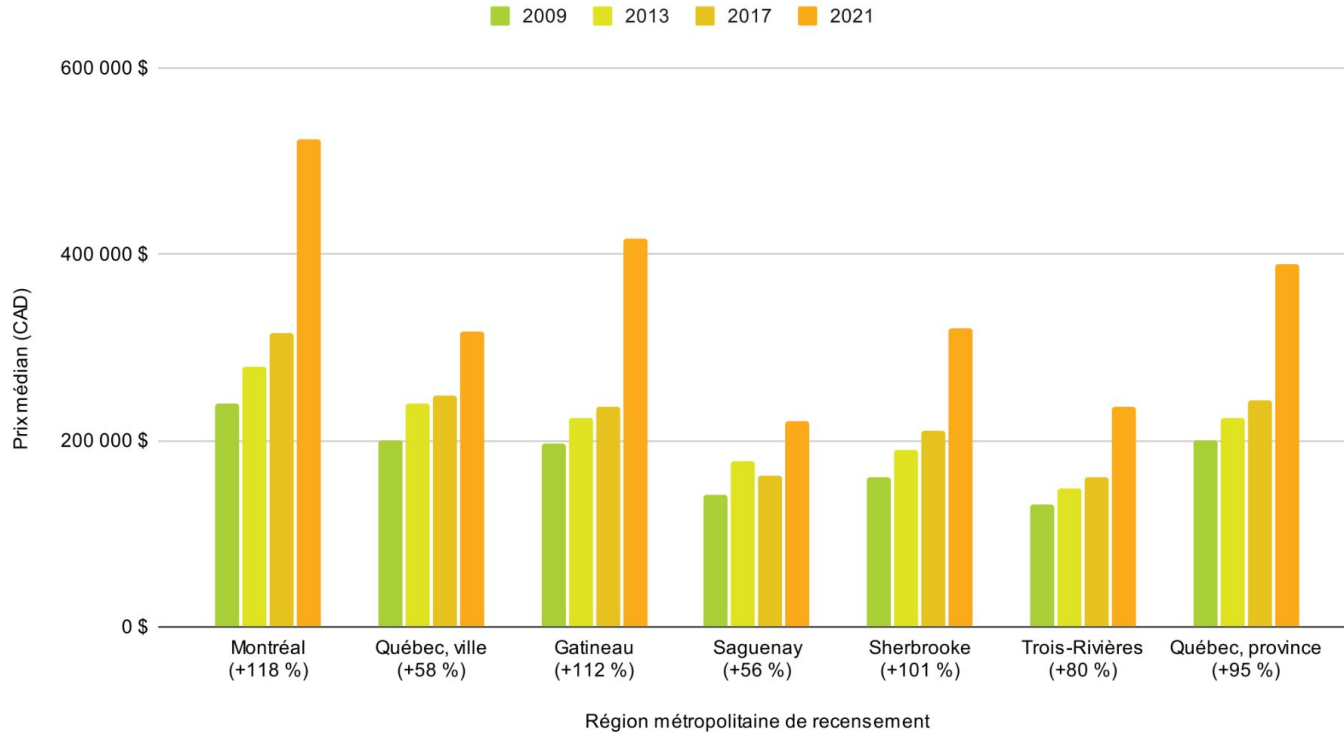


VIVRE EN VILLE  
MUNICIPALITÉ DE QUÉBEC

# L'INDEX

# The Québec Housing Crisis

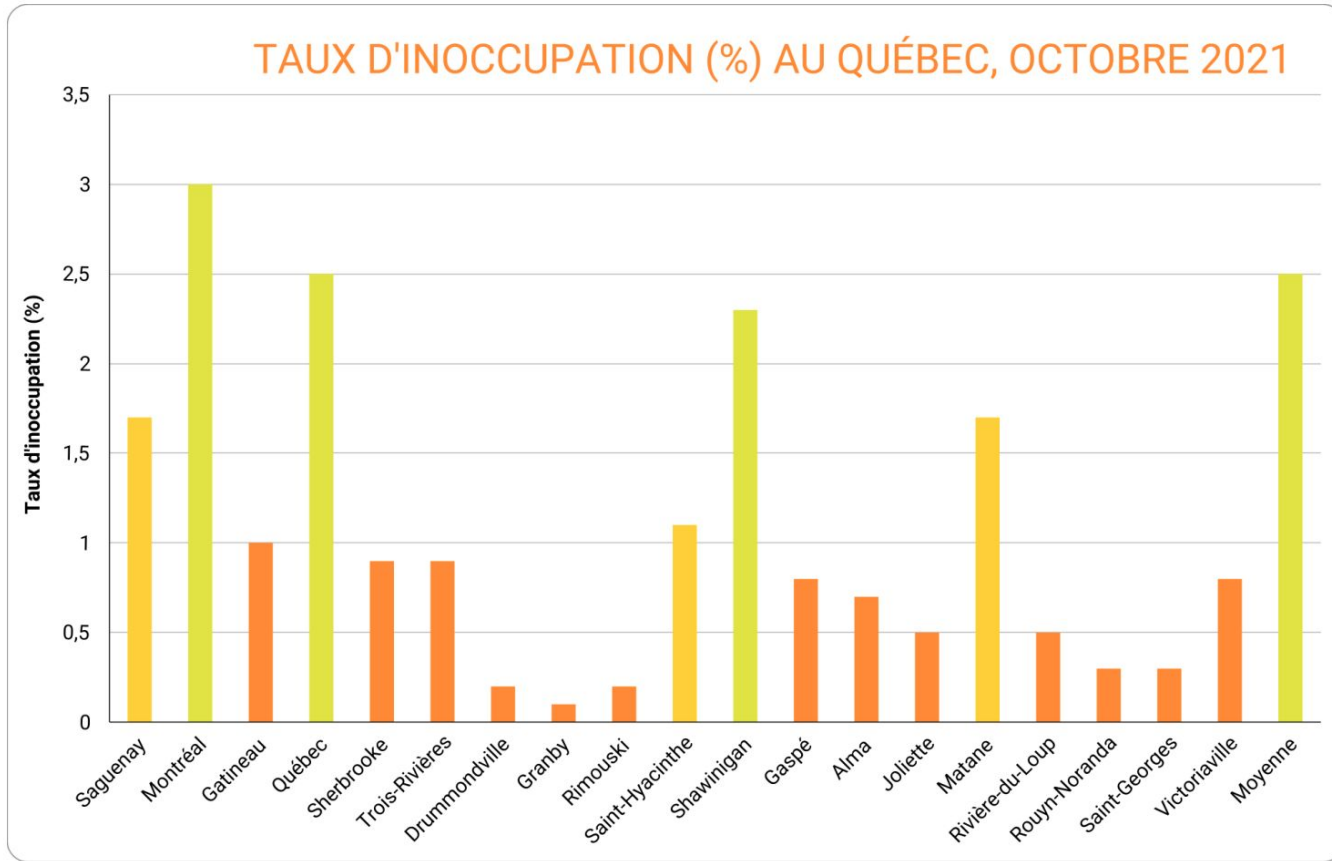
## ÉVOLUTION DU PRIX DES MAISONS INDIVIDUELLES AU QUÉBEC



Source: Association professionnelle des courtiers immobiliers du Québec [APCIQ], s.d.



# The Québec Housing Crisis

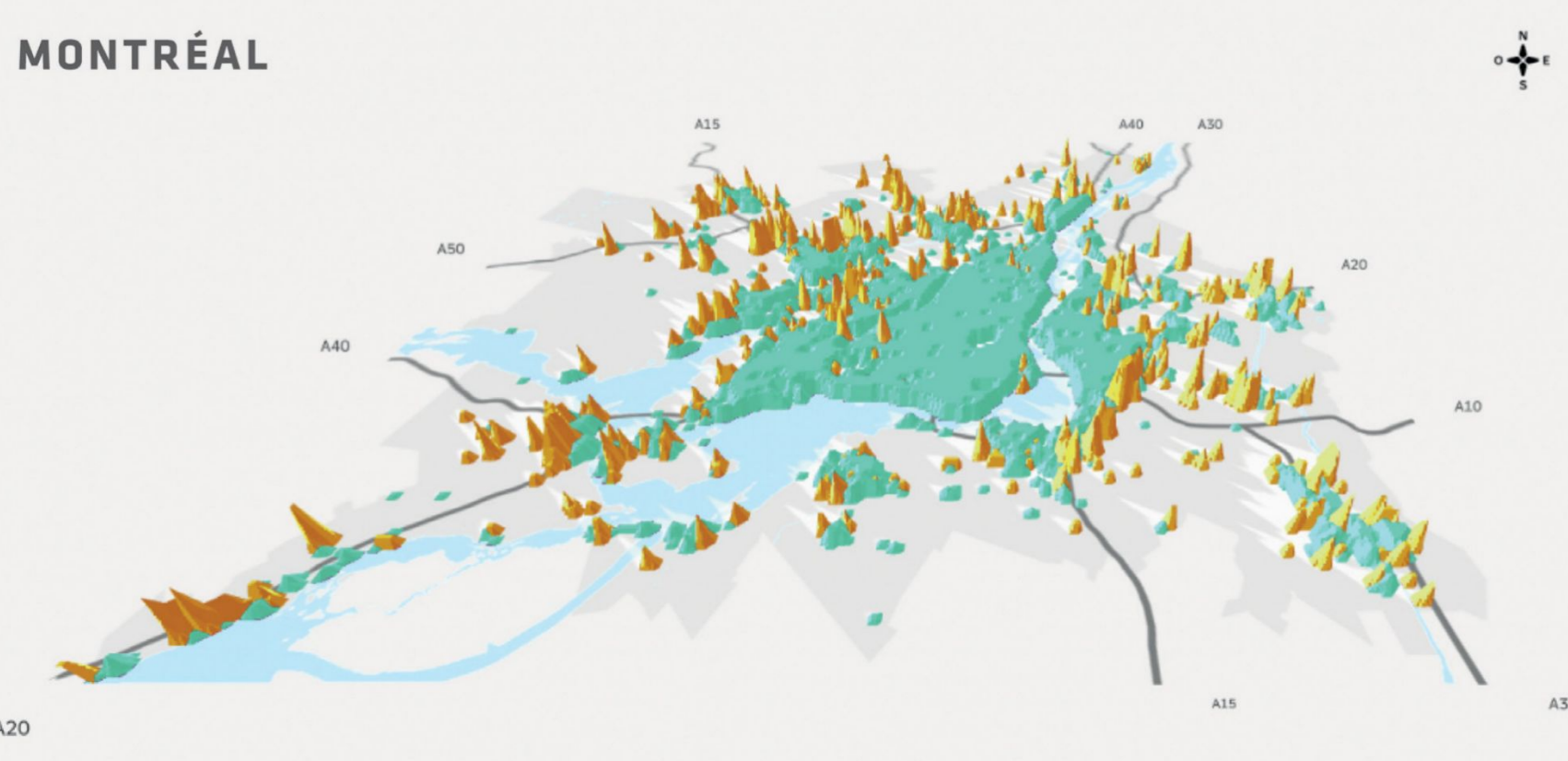


**Supply response?**

**What supply response?**



# The Québec Housing Crisis





# The Québec Housing Crisis

## QUÉBEC



**Construction costs**  
**match acquisition costs**



# Development costs are passed on to consumers

## SCHÉMATISATION SIMPLIFIÉE DES COÛTS EN CONSTRUCTION IMMOBILIÈRE



### COÛTS DE DÉVELOPPEMENT

Les **coûts de développement** du projet déterminent le montant du financement nécessaire

### DÉPENSES OPÉRATIONNELLES

Les coûts de financement combinés avec les coûts de la gestion de la propriété constituent les **dépenses opérationnelles**

### REVENUS

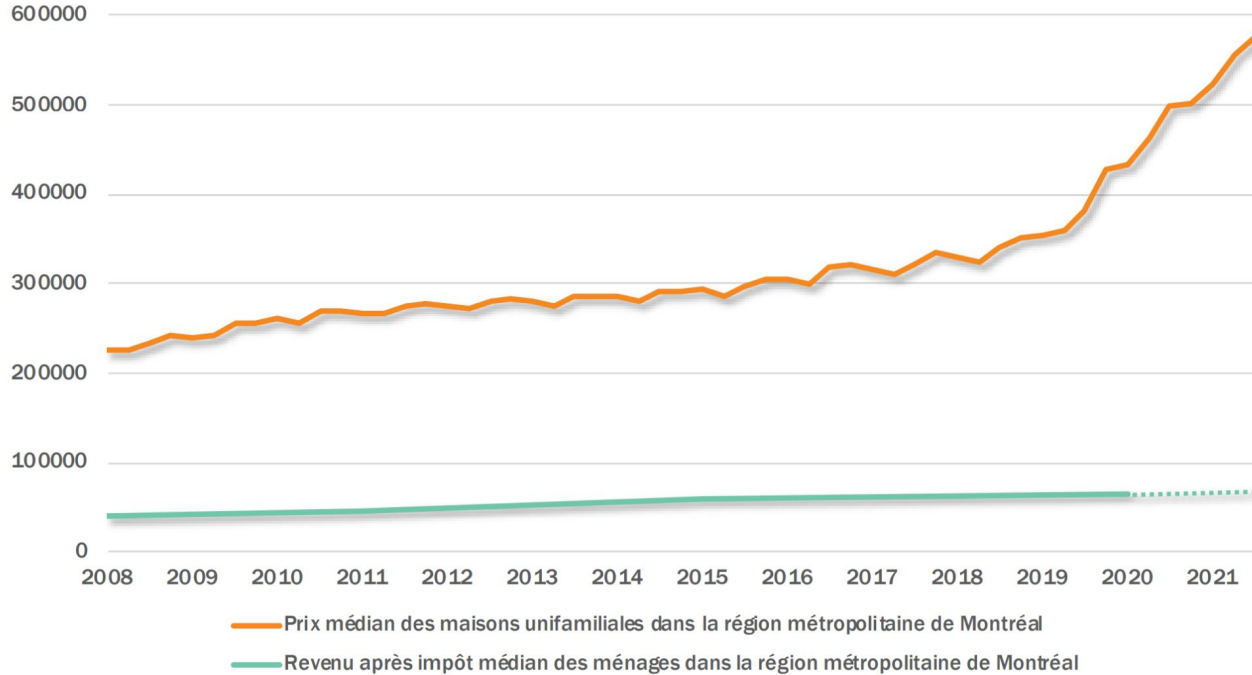
Les revenus du projet doivent couvrir les **coûts** de développement et dépenses opérationnelles.

: National Multifamily Housing Council, 2021



# Area household incomes can disconnect from area prices

## ÉVOLUTION DES REVENUS ET PRIX MÉDIANS DANS LES LOGEMENTS DANS LA RÉGION MÉTROPOLITAINE DE MONTRÉAL



Source: APCIQ, 2008-2018; SCHL, 2022



Sections

le journal  
de montréal

ACTUALITÉS

MONDE

ARGENT

OPINIONS

SPORTS

 » [ARGENT](#)

# Pire recul en huit ans: les mises en chantiers affectées par les taux d'intérêt



**A balanced supply depends  
on abundant non-profit units**



# Project Approach

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## LITERATURE REVIEW

Identifying financial, policy and institutional barriers to non-profit housing



## POLICY REVIEW

Documenting existing policy approaches in the Montreal region



## CASE STUDY ANALYSIS

Creating a list of good examples from other cities around the world



## DEVELOPER WORKSHOPS

Conducting workshops with non-profit housing developers to pinpoint barriers and brainstorm potential solutions



## RECOMMENDATIONS

Producing recommendations for public actors on how to reduce or eliminate barriers to non-profit construction



## TRAINING

Developing a training plan for governments who want to review and improve their strategies to support non-profit housing production



# Non-market housing in Montreal

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## Different models in Québec\*

### Public Housing

- HLM: Housing units managed by provincial or municipal agencies, where the rent is set at 25% of household income
- OMHM: Projects initiated by the Office municipal d'habitation de Montréal not part of the HLM program
- SHDM: Rental units owned by the Société d'habitation et de développement de Montréal, with some projects managed by housing NPOs

### Community Housing (Third sector)

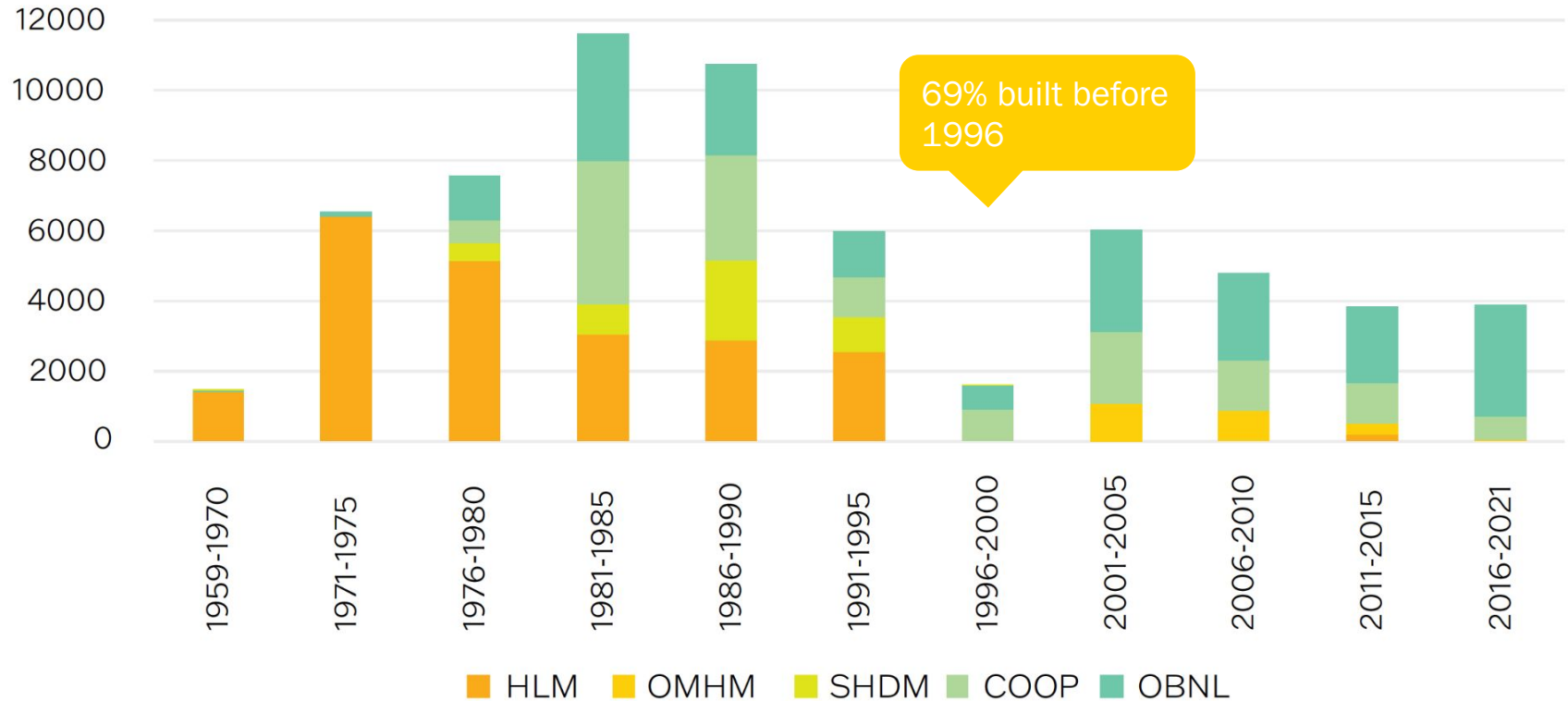
- Coop: Collectively owned housing units by the member-residents
- NPOs: Housing developed and managed by non-profit organizations





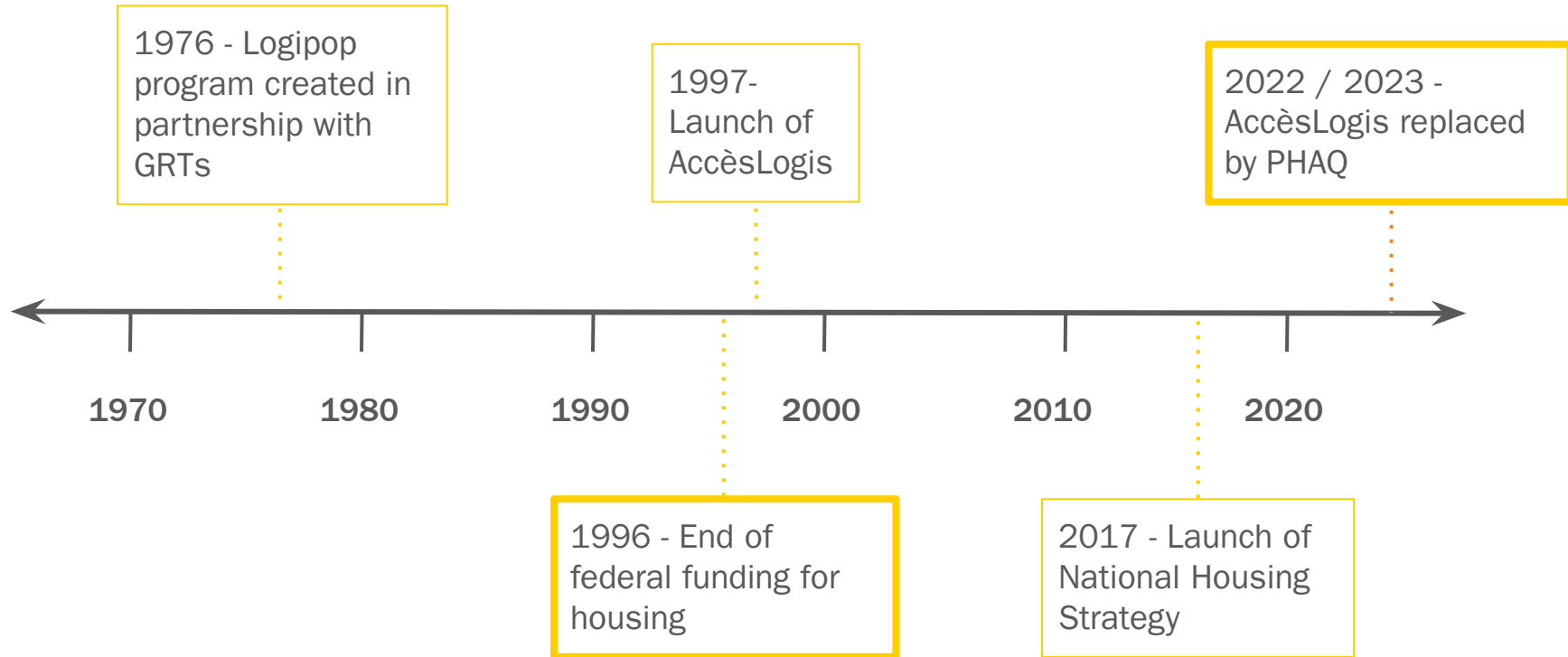
# Non-market Housing in Montreal

## Unit production (1959-2021)



# Non-market Housing Policy in Québec

## How did we get here



# Barriers

What is limiting production of non-market housing?



# Barriers

## Financial

Government funding programs have not kept pace with needs of middle and low-income households

Projects are typically considered riskier investments in a for-profit lending framework

Recent increase in construction and land costs due to changes in the labour market and increasing demand for housing



## Policies

Land use and zoning regulations which limit amount and type of housing permitted

A lengthy and complex development process can impact the financial viability of projects

Local opposition (NIMBYism / Pas dans ma cour) which is enabled by policies and legislation



## Capacity

Various levels of technical, administrative and development abilities

High level of staff turnover and recruitment of workers to support development

Aging housing stock which requires more resources to maintain



# Developers perspective

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Several workshops were conducted with non-profit housing developers to further unravel barriers to production and identify potential solutions. Here is some of what we heard:

“Construction costs are not considered in public funding”

“We need more in-house capacity”

“Local governments lack organizational capacity too”

“It’s difficult being in the same market but with a different mission”

“There is a lack of coherence among public programs”

“Funding for pre-development costs is a major challenge”

“Land prices have been increasing faster than public funding”

“The development process is too long”

“We need differentiated policies to help compete with the private sector”



# Solutions

Public Land | Regulatory Changes | Reducing Development Costs



# Solutions

## Public Land

**Improve access to land** by supporting acquisition / leveraging public land and transferring ownership or providing use rights through long-term lease agreements

### Transfer of public land

Donate or sell land, often at below market value, when it becomes available

### Public land leases

Municipality retains ownership of the land while transferring its use rights with a long-term lease

### Community Land Trusts

Nonprofits that retain land on a long-term basis while leasing it to other groups for use



Can reduce development costs by 15-25%

## Berlin - Concept procedures & Right of first refusal



### Concept procedures

- Gives priority to local needs
- A target of allocating at least **20% of public land to support co-operatives and social institutions**

### Right of first refusal

- First right to buy private properties in predefined "social conservation zones"
- Between 2017 and 2021, Berlin used the right of first refusal to buy and protect more than 9,500 homes
- If the right of pre-emption is used in favour of other groups (municipal housing associations, NPOs, cooperatives and tenants' associations), they must also prove that the purchase is economically viable for them



## United Kingdom - Build Now, Pay Later



### Build Now, Pay Later

- Objective of developing 100,000 homes on surplus public land
- Developers **pay for the land after starting the project**
- Land price is paid in phases, with specific dates or triggers for when payments are due
- Less pressure on initial finances and developers face less upfront risk

# Solutions

## Policy changes

Introduce regulatory changes to **incentivize development** such as differentiated zoning to provide non-profits a competitive advantage over private developers

### Inclusionary Zoning

Policy that requires or encourages below-market priced units as a condition of construction.

Municipalities may require a specific proportion or developers may choose to contribute to a municipal fund

### Differentiated Zoning

Policies that grant special building permissions in areas where they are not generally allowed (e.g. affordable housing zoning overlays or tenure zoning)







Offers NPOs a competitive advantage



## Règlement de zonage en vigueur

## Règlement de zonage pour les projets à but non lucratif

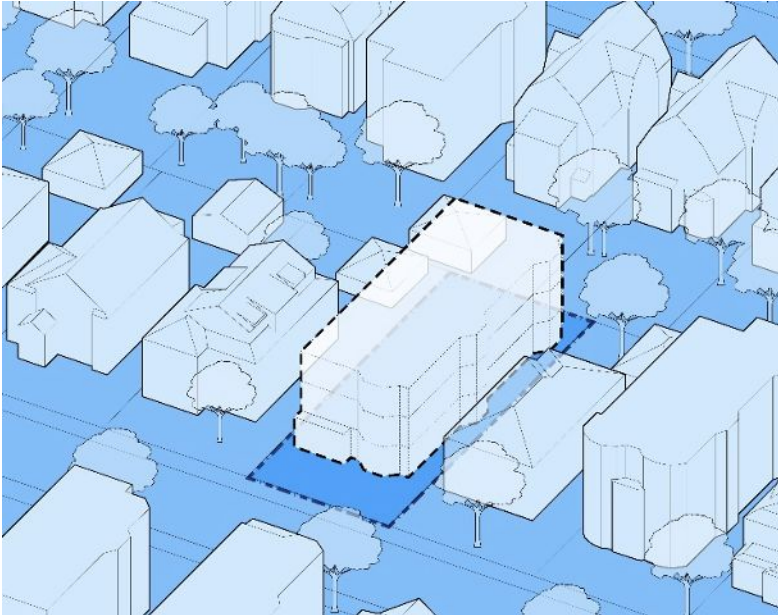
	Règlement de zonage en vigueur		Règlement de zonage pour les projets à but non lucratif	
Mode de tenure	 Logements à but lucratif	 Logements à but lucratif	 Logements à but non lucratif	 Logements à but non lucratif
Opportunité	Sans privilège, tel que prescrit au règlement de zonage		Possibilité de construire à un <b>plus haut taux de densité</b> afin d'accueillir <b>plus de logements à but non lucratif</b>	Possibilité <b>d'augmenter le nombre de logements à but non lucratif</b> d'un bâtiment existant

### ÉTUDE DE CAS

	Règlement de zonage en vigueur	Règlement de zonage pour les projets à but non lucratif
Nombre d'étages	8 étages	11 étages
Nombre de logements et de chambres	111 logements 189 chambres	149 logements 249 chambres
Prix du terrain	7,6 M\$ (68 468 \$ / logement)	7,6 M\$ (44 706 \$ / logement)
Subvention nécessaire	8,3 M\$ (49 000 \$ / chambre)	7,3 M\$ (29 317 \$ / chambre)



## Cambridge - 100%-Affordable Housing Zoning Overlay



Example of a project under the affordable housing overlay

### 100% Affordable Housing Overlay

- A regulatory framework layered on top of the existing policies, **allowing higher density as of right** for projects offering 100% affordable units
- The city makes it easier for not-for-profit developers to make their projects profitable, **without having to directly support the development financially**
- Approved projects are accelerated through the development process

# Solutions

## Reducing development costs

Reduce development costs by **prioritizing non-profits** through the development process and help construction to begin earlier / reduce costs caused by delays



# Burnaby - Preferential Processing & Permit Fees Deferral Policy



### Preferential Processing

- Objective of accelerating the development process for non-profit housing projects
- Reduce the time it takes to approve permits in order to save money and avoid the risks associated with the development process
- Assign planning staff to oversee application from start to finish

### Permit Fees Deferral

- Defer permit fees for up to 24 months for non-market housing projects
- Helps reduce initial development costs



# Looking Ahead

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## Recommendations

Developing a set of policy recommendations to address the barriers hindering non-profit housing production across the Montreal region. While federal and provincial government support is crucial, municipalities can also be champions of nonprofit housing by removing development barriers and ensuring that each dollar invested is being maximized.

## Training tool

Developing a training tool will aid public officials in understanding their options to effectively respond to housing needs. In this regard, this project aims to support the ongoing efforts of nonprofit housing providers to expand their operations while also assisting municipal stakeholders, such as city planners and policymakers, interested in advancing housing accessibility in the Montreal region.



# Thank you !

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