



Optimization vs. Maximization

Webinar Recap

September 28, 2022

Last week we hosted a fireside chat with industry experts to discuss optimization vs maximization in affordable housing.

Special guests included: [Alfredo Hermano, CEO & Founding Partner of 3H Properties](#), [Bob Drizis, VP, Financing – Affordable Housing Specialist of Peakhill Capital](#), [Jeff Thomas, Group Head, Development of KingSett Capital](#), and [Jordan Hoogendam, President of Zon Engineering](#).

3H Properties recognizes the importance of optimization vs maximization of existing affordable housing stock holds in order to achieve their affordable housing goals. This includes seeking ways to ensure housing affordability, quality of life for tenants, health and wellness through building design, environmental and energy solutions, innovative construction techniques and how to achieve a reasonable and fair return for investors.

Highlights from the Fireside Chat:

Health & Wellness is Essential for Optimization

An essential theme for the optimization of affordable housing developments is health and wellness. This includes the alignment with public investments in job creation, skills training, transit, early learning, healthcare, cultural, and recreational infrastructure. However, this often comes with a hefty price tag and a focus on serving large urban centers. The building design process should keep health and wellness at the forefront by starting with understanding how occupants are interacting with and using spaces. This helps support long-term objectives by including appropriate components like the building envelope, adequate ventilation, understanding and deciding on what materials are being used for these as some might have detrimental effects on the occupants. These have an impact on factors like energy efficiency and thermal comfort. **Recommendation: include low emitting materials into the building from the start, not as an after-effect, to reduce project costs.**

Holistic Developers Prioritize Quality of Life for Tenants

Tenants want the best of all things – adding affordable housing into the mix supports that. It's important to consider quality of life in the planning of affordable housing projects, ex: community, amenities, heating and cooling, maintenance/property management, and proximity to services. When constructing smaller units, amenities become more important in terms of enhancing quality of life and tenant satisfaction.

Successful developers know exactly what their customers desire. Different tenants have different needs, some desire access to amenities, while others value proximity to services like school, work etc.

Recommendation: Knowing exactly what your prospective tenants are looking for helps to improve building design, property management, and saves time. Focus on quality of life will lead to a better future.

Shift in Priorities from Maximization to Optimization

The relationship between governments and the private sector is important for the success of the affordable housing industry (among others). All levels of government should orchestrate policies they're in control of, which impact downstream decisions. Federal policy when it comes to the training of skilled labour, for example, impacts provincial and municipal decisions while they're not stakeholders. The previous mandate for the surplus of land banks was to maximize the price of the land, passing it to the highest bidder, instead of better understanding what this low-cost and low-tax land could be used for. It should be looked at as an optimal approach for the development of affordable housing. The thinking has shifted as there is a greater need for a mix of mid-market and affordable housing. More collaboration is needed from governments, developers, and not-for-profit organizations. **Recommendation: Prioritizing individual tenant needs and fiscal sustainability of a project will help us achieve affordable housing for all – leading to safer, greener, more stable affordable housing and much better health.**

Optimization

Optimization is multi-faceted and is so much more than ROIs.

It's critical that we optimize every aspect of affordable housing to make the maximum impact on the industry, but also communities, and the environment.

This can take form in many ways, including:

- **Innovative construction techniques** that lower waste and carbon emissions, such as low carbon concrete and asphalt, robots and AI, and printed buildings.
- **Air quality programs** like Passive House. Companies have looked to utilize solar, geothermal, wind panels, heat pumps and heat recovery systems like capturing heat from waste.
- **Decarbonization** through **green home building practices** like fixing window leaks, solar film, improved insulation, routine air filter changes, lowering the temperature of water heaters, turning on fans during hot weather and raising thermostats temps, efficient dishwashers/fridges/washer/dryers, and LED lights.
- The affordability challenge has resulted in innovative financing models such as **Rent-to-own**, Real estate as a digital financial asset to trade, and **Co-ownership** to name a few.
- Social Programs like community gardens address food insecurity while also strengthening the community and improving quality of life.

Where To Go from Here

- 1) It's clear that given our current economic challenges, we have an opportunity to further build strong partnerships between government, not-for-profit and the private community in affordable housing given a move towards inclusionary zoning.
- 2) If we don't optimize our real estate efforts, not only in affordable housing but also in for-profit housing and do what's always been done, things won't change, and we will continue to face an uphill battle on affordability for all.

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