

# Could crowdfunding help solve Hamilton's housing crisis? 3H raises over \$340K in one week

A developer is planning a seven-storey, for-profit affordable housing tower to replace the former Wimpy's restaurant. Experts say it could be tough to pull off.

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A for-profit Vancouver developer is crowdfunding cash from small investors — as little a \$1 per share — to build “deeply affordable” housing in a planned apartment building on Main Street West.

It's a novel approach that affordable housing experts warned could be tough to pull off. But it has already attracted more than \$340,000 in small investments in about a week.

Landowner and would-be developer 3H Properties Group Inc. is planning a seven-storey, 96-unit building at the former home of Wimpy's Diner at 405 Main St. W, just east of Dundurn Street. It bought the land for \$3.2 million last year and has submitted a site plan to the city as well as the design review panel.

But instead of building condos, 3H co-founder Alfredo Hermano is proposing “100-per-cent” affordable rental units, including half offered at “deeply affordable” rents equivalent to \$884-a-month for a one bedroom.

Hermano said in an interview he has a \$305,000 “seed grant” from the Canadian Mortgage and Housing Corporation and he hopes to access more federal grants, city incentives and loans to make the \$27-million project a go.

Once constructed, the project would offset costs — and ideally, make money — on units that are closer to, but still below, average market rent. He said 3H wants to partner with a non-profit operator, but could also go it alone with a recently registered not-for-profit federal corporation, 3H Affordable Homes.

Hermano, who moved to Hamilton several years ago, said he grew up in affordable housing in Western Canada and has a longstanding interest in finding “private sector solutions” to the growing housing crisis. The Main Street project would be the first for the would-be affordable housing developer, but the group is eyeing potential builds on Barton Street and Queenston Road, too.

“We don’t have a track record (yet) but we are here to prove out our model,” he said, expressing hope work could begin this year, with construction complete by 2024.

To help raise a \$3-million down payment and secure a construction loan, Hermano has partnered with crowdfunding online investment website Addy.

That platform allows individuals to invest as little as \$1 a share — to a maximum of \$1,500 — in individual buildings. Hundreds of people have already bought tiny slices of four different projects in Hamilton — but this is the first for an affordable housing development.

After five days on the website, the Main Street project had already raised more than \$300,000 from 740 people, with an average individual investment around \$340.

The website estimates investors will make their money back after two years, with annual returns based on rental revenue later. But Addy CEO Michael Stephenson emphasized in an interview this is his company’s first micro-investment opportunity that lists the primary return as “societal,” rather than financial.

“The main reason people want to invest in this ... is because you want to see 96 new (affordable) homes created in Hamilton,” he said. “It’s more about impact investing.”

Hundreds of investors are jumping at the chance, despite the risks outlined on the site, which include a fledgling developer, property contamination and a business plan that calls for grants not yet in hand.

Can this type of for-profit, affordable housing model work?

The federal government has indicated it wants to partner more with the private sector to push its national housing strategy forward faster, Hermano noted.

The 3H website describes its twin purposes as developing “100% affordable housing in perpetuity” and creating “long-term investment opportunity,” eventually through a real estate investment trust (REIT) arm.

Housing experts reached by The Spectator were curious about the project, but also wary.

Most “truly affordable” housing units have government subsidies attached or are run by charities or non-profits, said Frank Clayton, a housing expert at Ryerson University’s Centre for Urban Research and Land Development.

Steve Pomeroy agreed. “Those words, ‘for profit’ and ‘deeply affordable,’ don’t usually live in the same sentence,” said the research fellow at Carleton University’s Centre for Urban Research and Education.

He noted REITs are often viewed skeptically by tenants who fear being “renovicted” out of buildings bought with the intent of raising rental income. But Pomeroy also said the Addy fundraising idea could be a “unique way to build equity” and get a valuable housing project off the ground faster.

Hermano acknowledged private developers are often “painted with a bit of a negative brush,” but emphasized his group aims to dispel concerns in a number of ways.

The company website, for example, states a goal to “never renovict” a tenant from a development and outlines plans for the country’s “first private REIT with a social purpose.”

The Main Street project is a new build with no existing tenants. But Hermano said the group is willing to commit the building to “long-term affordability” with a covenant registered on land title.

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