



Thank you for joining us for our fireside chat with American urban planner and real estate developer, Jonathan F.P. Rose. It was an insightful discussion with a true pioneer in the affordable housing sector, and one that left us with powerful advice and ideas. The conversation was timely, with affordable housing becoming less attainable, gas prices and inflation skyrocketing, budgets are being stretched. It is essential that alongside building new affordable housing, we also implement preservation policies. Without both, we are further away from achieving Canada's goal *that everyone has a home that they can afford and that meets their needs by 2030*.

Jonathan shared some distressing statistics, as it relates to the United States:

- 20 million people in the United States are spending more than 50% of their incoming on rent
- The United States is losing approximately 120,000 of affordable units per year to gentrification or abandonment in poor cities
- There is barely enough funding for new affordable housing; approximately 50-60k units are funded across the entire United States and roughly 20k of that is in New York

#### **Highlight from the fireside chat:**

##### **Green is Good**

The *impact of greening an asset* has returns that go beyond financial. Affordable housing and preservation should extend beyond just being a cost saving for residents but should also increase their quality of life. Many legacy buildings are rife with toxic materials such as carpet, insulation and sealer which can have serious impacts on residents' health. Jonathan regaled an inspiring story of children no longer suffering from asthma, thus were missing fewer days at school thanks to a healthy living environment. The green aspect of buildings is an economic and climate solution, as well as a social, healthcare and education solution.

Beyond the health benefits, the impact of greening a project on its investment case cannot be understated. Dilapidated, poor affordable housing is of exponentially greater cost to the tenant due to increased expenditure on utilities, however, by taking steps to insulate the property, the cost is reduced significantly for the residents (and meets company climate goals). When you change an LED light bulb or use insulation, you get a return on your energy bill, regardless of external factors like, inflation or interest rates rise. Another example Jonathan provided was water expenses. Steps such as low flow sink faucets, leaking toilet detectors, or the likes of [Rainsticks](#), which recycles water, can have massive effects on costs savings down the line.

### **Connectors in the Community**

Jonathan's insights further highlighted the role a developer can play in forming a community and providing residents access to services. Affordable housing developers should go beyond simply creating a home, they should aim to nurture communities of opportunity and, create environments that focus on bringing social, health and educational programs to residents. When Jonathan's team develops a building, they don't only focus on the rental units, there is attention paid to the amenities are offered. Whether it's installing in a new gym, community garden, medical exam room, library, or access to computers, developers are empowered to play a role in connecting residents of the community with services that make their lives better.

A big fear amongst affordable developers is that once they have developed a community and their investment horizon is nearing "end of life", that key assets get sold to faceless corporations who care about little other than raising rents. While, this is a justified concern, we are seeing more and more business (not just in real estate) chose to sell to buyers who will do what's best for the resident. Businesses recognize the significant value to having financial probity and a business grounded in ethics.

### **Affordable Housing is a Good Investment**

Jonathan made the case for affordable housing being an all-round, good investment. This is bittersweet, because unfortunately, the reason for its soundness as an investment is because of the perpetual demand from residents seeking affordable housing. The demand, along with a steady stream of income, makes for a compelling investment thesis. It's unsurprising that Wall Street firms like, Blackstone and Blackrock, have dedicated funds for affordable housing. Further, in the United States, rents are indexed to an area's median income and, with inflation on the rise, rents are rising along with it to offer a steady rate of return for the landlord.

Understandably, investors require a return on their investment and, historically real estate has been linked with maximizing profits and squeezing out every dollar of value. However, something suggested that the priority should be on **optimizing** the asset rather than **maximizing** it. Jonathan's funds have achieved 15% IRRs and yield 6%.

### **Pillars of Success**

Praveen Varshney raised an excellent question: what is key to implementing government programs? Jonathan responded referencing three pillars: Income, loans, and the government.

Firstly, income. The government plays a pivotal role in affordable housing initiatives and guaranteeing supplementing income is one initiative. Jonathan discussed how important Section 8 certificates are for residents in the US – a resident only pays 30% of their income towards the rent, with the government topping-up the rest.

Secondly are loans by way of inexpensive mortgages. Being able to borrow for 40/50 years at a fixed rate is hugely beneficial to planning costs. In the United States, government operators such as Fannie Mae and Freddie Mac will also lend an extra 5% for green improvements.

The third pillar discussed was the role of cities and the government that runs them. Cities with an abundance of preservative and sustainable funds that are available to developers to incorporate into their projects. It is critical that developers build strong relationships with cities and municipalities so they can leverage these grants where appropriate.

## **Preservation in Action**

We believe that any approach to housing must be anchored in the understanding that every human being needs to be treated with dignity and respect. Given the upward trajectory of housing costs, the case for preservation and housing affordability has never been more important. With the recent news of the new [Confidence and Supply Agreement](#) signed by the Federal Government, we are hopeful for more leadership to incorporate preservation in a substantial way. The Agreement includes a prioritization of making life more affordable for people by:

- Extending the Rapid Housing Initiative for an additional year.
- Re-focusing the Rental Construction Financing Initiative on affordable units (under 80% AMR) and use 80% AMR or below as definition of affordable housing.
- Moving forward on launching a Housing Accelerator Fund.
- Implementing a Homebuyer's Bill of Rights and tackling the financialization of the housing market by the end of 2023.
- Including a \$500 one-time top-up to Canada Housing Benefit in 2022 which would be renewed in coming years if cost of living challenges remains.

We are also encouraged by the commitment to move forward on home energy efficiency programs with investments to support multiple streams including low-income and multi-unit residential apartments that both enhance energy affordability for Canadians and reduce emissions. As a developer, we applaud these efforts while recognizing that more can be done to ensure preservation be a pillar of the National Housing Strategy.

## **Preservation – A Deeper Dive**

Please join us later this year as we take a deeper dive into preservation with Iman Novin, President of Novin Development, an experienced sponsor, and builder of large multifamily mixed-use communities with a double bottom line mission. Further detail will be available soon on our social media channels.