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Thinking Inside the Box: Rediscovering How to Build Social Housing in Manitoba

Lynne Fernandez

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Right to Housing

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CANADIAN CENTRE for POLICY ALTERNATIVES MANITOBA OFFICE

Unit 301-583 Ellice Ave., Winnipeg, MB R3B 1Z7
tel 204-927-3200

email ccpamb@policyalternatives.ca

MRA MANITOBA RESEARCH ALLIANCE

About the Author

Lynne Fernandez is Co-Chair of the Education, Employment and Social Inclusion Research Stream of the Manitoba Research Alliance and a CCPA-Manitoba Research Associate. She is co-chair of the seniors working group for the Right to Housing Coalition

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Introduction

DESPITE YEARS OF advocacy by Manitoba's Right to Housing Coalition (RTHC) urging government to increase the supply of social housing, politicians seem convinced that the social housing crisis is an unsolvable problem that can only be tinkered with using private-sector participation, whether it be to construct new units or maintain and operate existing units (see the RTHC 2023 Social Housing Action Plan companion paper). But the private sector itself acknowledges deeply affordable housing is a public good that it cannot provide (Luck et al 2022). It is as though a sort of collective amnesia prevents government from tackling the social housing shortage with the same financing tools it successfully used in the past, or from considering reasonable options that are ripe for the taking. This paper will explain how the provincial government could relearn the strategies it has successfully used, and still has at hand, to increase the supply of social housing and repair and maintain existing stock.

The author reviewed details with local experts in public housing and the non-profit sector[1] to confirm how to best apply some of these strategies in the Manitoba context. The paper also includes a review of successful strategies being used in Canada and other countries.

1 Interaction with these individuals was solely to gather information/data in the ordinary course of their employment regarding organizations, policies, procedures, professional practices or statistical reports. They were not the focus of the research.

Hiding in Plain Sight

When members of the Manitoba Research Alliance, including the author, attended an international housing conference in Barcelona in June 2023, we learnt that the housing challenges Manitoba faces exist around the world (Mazzucato & Farha 2023, pgs. 8–12). RTHC's analysis mirrored that of an international group of policy experts with decades of experience providing and/or advocating for social housing. Many of the conclusions discussed by a myriad of experts at the conference reflect those recommended for years by RTHC, including the consensus that we cannot rely on the private sector to provide social housing for low-income households. Reflecting research from other jurisdictions, evidence compiled over the years by RTHC shows that it makes economic sense to fully engage the *public* sector to provide *public* housing (Hemingway 2022; Lawson et al, 2018; MacKinnon 2005; MacKinnon 2008; Silver and MacKinnon 2009; MacKinnon and Cooper, 2020; Mazzucato and Farha 2023). As we will see, the non-profit sector, which includes some coops, also plays an important role.

Jurisdictions around the world are re-discovering the public (social) housing model (Denvir and Freemark 2023). Using government funds to build public housing stimulates the economy by creating well-paying construction jobs, thereby increasing consumer demand and tax revenues. When low-income renters can spend less on rent, they have more for consumption, further stimulating the economy (Denvir and Freemark 2023).

In Barcelona we also learnt how models such as community land trusts are being used successfully in various European cities, explaining why there is growing interest in the model in Canada. A bold acquisition strategy in Barcelona is growing the social housing stock using private-sector logic to acquire existing buildings (Barcelona Regional 2023, 68, 125).

Social housing is defined in this paper as "non-market housing where rents are set at 30 percent or less of household income, or at social assistance rates for those who are eligible, in perpetuity. The difference between what the tenant pays and the cost of providing the unit is covered through a subsidy that is tied to the unit. Social housing can be owned by the government and operated by either government or non-profits. It can also be owned by non-profits or co-operatives that receive ongoing subsidies from the state through an agreement that ensures units remain available at social housing rates" (RTHC 2023, 12).

The conference reminded us of the resources we already have in our own backyard; resources that need to be reinvigorated with a renewed vision and political will.

Who Provides Social Housing in Manitoba?

In Manitoba social housing is provided by the public sector, through the Manitoba Housing and Renewal Corporation (MHRC), and the non-profit housing sector. The sectors work together, with some MHRC units managed by the non-profit sector, and government supporting social housing in the non-profit sector (not all non-profit housing is social housing). Although the sectors work together, and many of the strategies discussed apply to both, they are separate entities with different mandates and capabilities. This paper explains their mandates, how they support each other, and how the various strategies recommended affect each sector.

The MHRC is a Crown corporation. It has been providing social housing for over forty years. It has used or is timidly using many of the strategies this paper reviews and which are recommended by a growing consensus of international experts. As a Crown corporation, borrowing to invest in housing is partially self-supporting (rents paid help offset the cost) as opposed to completely taxpayer-supported (Hemingway 2022). Borrowing at lower rates of interest than what the private sector can access keeps costs down, and a well-designed procurement policy using social enterprises to build and maintain social housing would reduce government spending on other social services and help address the national shortage of construction workers (RTHC 2023; Yin 2023). Another key advantage is that the Crown would eventually end up with an infrastructure asset: housing (Hemingway 2022; Lawson et al. 2018), which significantly benefits its balance sheet, can be leveraged for additional expansion of housing or programs, and provides decades of social value.

In the non-profit housing sector, housing is owned and operated by a non-profit corporation, most often for moderate and/or low-income households. The sector includes some coop housing. This paper focuses on non-profits that provide government-supported social housing and examines how the government can better support them as they struggle to access sufficient capital to maintain and build new units and/or buy existing buildings and pay operating costs. Experts from the local non-profit housing sector confirmed the importance of raising equity to leverage the funds necessary to build and maintain social housing. Housing expert Steve Pomeroy has written about the need for the non-profit housing sector to acquire "naturally occurring affordable housing" (NOAH) that is being lost to private-sector speculators, many operating through Real Estate Investment Trusts (REITs) (Pomeroy 2020). Land banking and community land trusts can also protect social housing from the wave of financial speculation that has upended housing markets around the world (Pomeroy 2020, 2; Mazzucato & Farha 2023).

Strategies for lowering construction costs that apply to both the public and non-profit sectors will be reviewed. Land banks, community land trusts, acquisition of existing housing, and tax credits also lower costs and provide flexible ways to develop social housing.

The Role of the Manitoba Housing and Renewal Corporation in Social Housing

THE MHRC PROVIDES legal and institutional resources to provide and manage publicly-owned and non-profit social housing in Manitoba. It is a Crown corporation and is the province's premier resource for the provision and control of public housing. MHRC was created by statute (The Housing and Renewal Corporation Act) in 1967, under the premiership of Conservative Dufferin Roblin. The Act stipulates the Crown's mandate to:

- "enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low to moderate incomes or those with specialized needs;
- maintain and improve the condition of existing housing stock;
- ensure there is an adequate supply of housing stock in Manitoba; and
- stimulate the activities of the housing market to the benefit of Manitobans as a whole."

And:

"In fulfilling its mandate, MHRC has the capacity to engage in many activities including: constructing and developing new and affordable housing; rehabilitating existing housing in areas of need; acquiring and disposing of land and/or buildings; making grants and loans; managing finances, including the investment and borrowing of funds and the provision of loan guarantees; creating and overseeing the operations of local housing authorities; and entering into inter-governmental agreements for renewal schemes and renewal projects for which provision is made under The National Housing Act (MHRC website)". In partnership with the Canada Mortgage and Housing Corporation (CMHC), MHRC manages and delivers federal funding made available under agreements with the province. Such agreements include the Social Housing Agreement, 1998–2031 and the more recent agreement under the National Housing Strategy, 2018–2028 (CMHC n/d). MHRC can also hold mortgages.

MHRC has a working relationship with Manitoba's non-profit housing sector which operates 4,000 of the 16,000 publicly-owned Manitoba Housing units (RTHC 2023, 21). Non-profit housing providers can apply to MHRC for grants, loans, loan guarantees, and letters of credit to expand their own social housing portfolios (MHRC 2021, Note 22). At issue is how to revisit MH's *legislated* mandate with fresh eyes and leverage it to meet Manitobans' housing needs.

The RTHC paper documents the important role MHRC plays in housing low-income families, but it also explains that a lack of political will to utilize the corporation's resources has caused existing units to fall into disrepair (RTHC 2023,38), and that at least 10,000 new units need to be built (20), something no government seems willing to address. As revealed in a September 2023 CBC report, the need for investment is great: Between 2015–2016 and 2021–2022 investment in maintaining MH housing units was slashed from $120M to $37M. Some tenants are living in unsafe circumstances (Annable and Barghout Sept. 28, 2023). On the positive side, between 1400–1500 vacant units are currently in the queue for or undergoing repairs (conversation with MHRC staff, December 13, 2023).

A policy brief from BC provides a timely reminder of why provinces should use Crown corporations to spearhead the development of social housing (Hemingway 2022). The following premises ground this analysis:

- as a government agency, a Crown corporation (such as Manitoba Housing) can borrow money at a lower rate than the private sector.

- it can amortize the debt over a longer period (up to 50 years), making payments more manageable.

- a Crown can use the rent it collects as a dedicated revenue stream to partially cover the cost of borrowing; known as 'self-supporting debt' the full cost does not fall on the taxpayer or diminish revenues needed for other social services. Crown corporations have their own budgets which gives them a degree of financial autonomy.

- because government investment eliminates developers' private profit margin, estimated at 4–8 percent in Manitoba (personal communication with MHRC staff member), rents collected cover more of the cost of construction.

- once the loan is retired, the government is left with a valuable asset (the building and the land) that can be used in perpetuity for the benefit of Manitobans rather than "serving as a huge source of passively accumulated private profit" (Hemingway 2022, 2–3).

A made-in-Manitoba version of this strategy has been running for decades. The question is how policymakers can make the most of the considerable powers the agency has to address Manitoba's low-income housing shortfall. We can start by rethinking how we look at government debt and spending.

Debt Allows us to Invest in Social Infrastructure

Concerns about government debt can distort our appreciation of the advantages of public borrowing including lower interest rates, elimination of profit, and longer amortization periods. Hemingway reminds us that the private sector does not view construction as a cost, but as an investment to generate profit (2022, 1). Similarly, we should consider public spending on social housing as an investment that benefits all of society. A comprehensive study from Australia confirmed the importance of framing social housing as *infrastructure*, thereby allowing us to reconsider the broad benefits of such investment and a more wholesome way of calculating net benefits (Lawson et al, 2018, 15). The study highlights findings from the London School of Economics Growth Commission referring to "…a series of public sector accounting distortions that have made it difficult to weigh up benefits and costs in a coherent way. In particular, targets for fiscal policy often draw on measures of public debt while failing to account for the value (and depreciation) of public assets"

(26). In Canada a former federal Liberal policy advisor recently argued that CMHC should invest tens of billions of dollars in government owned housing, noting that the value of the asset would result in a minimal impact on Ottawa's net debt (Clark 2023). Additionally, assets can be used for future leveraging to expand social housing and programs for residents, and the multiplier benefits from such an investment in construction would boost economic growth considerably (Denvir and Freemark 2023).

The 2021 Annual Report for MHRC shows its net financial debt at $828,200,192 and its net book value for its tangible capital assets to be $773,447,245, and prepaid expenses of $1,526,850, leaving an accumulated deficit of $53,226,097 (MHRC Annual Report 2021, 3). This full disclosure confirms that borrowing by MHRC has resulted in considerable tangible assets that must be considered to get the full fiscal story. Adding more MHRC units would add to the asset inventory. A full-cost accounting that considered government savings from housing vulnerable people (as opposed to the cost of treating the many societal ills that arise from housing insecurity and homelessness) would put an even higher value on these assets (RTHC 2023, 1).

Recent increases in the interest rate to fight inflation can raise concerns over the cost of the debt needed to address the housing crisis. The last time the federal government invested significantly in social housing was in the 1950s, 60s and 70s, with Manitoba getting on board in the 1970s (Cooper 2019). The annual rate of inflation during the 1970s was eight percent, reaching 10 percent by the early 80s so it was persistently higher than today (Bank of Canada Museum n/d). Between 1974 and 1981 the Bank of Canada prime rate fluctuated between 10.5 percent and 22.25 percent (CIBC 2023). Nonetheless, in Manitoba more than 11,000 social housing units were built in the 1970s (Smith 2023, 240).

Protecting Existing Units and Expanding New Social Housing for Public and Non-Profit Sectors

THE RTHC SOCIAL Housing Action Plan (2023) paper recommends a long-term capital fund to create 1,000 net new social housing units annually for 10 years. It suggests at least half should be publicly-owned and the rest owned by non-profit or Indigenous-led housing providers. New units could result from the construction or acquisition of existing properties to be repurposed for social housing (30). The plan also recommends a capital maintenance fund to bring existing social housing buildings up to code and to support the maintenance of new social housing units brought on line. How does government pay for these investments?

Grants and Long-Term, Low-Cost Public Loans

Research from Australia recommends the use of grants and long-term public loans for investment in social housing (Lawson et al 2018, 1). MHRC's mandate accommodates such a strategy. It includes "constructing and developing new and affordable housing; rehabilitating existing housing in areas of need; acquiring and disposing of land and/or buildings; *making grants and loans*" (MHRC website). It can also access CMHC programs such as the Investment in Affordable Housing Agreement, the Social Infrastructure Fund Agreement and the National Housing Strategy, which provide substantial contributions to MHRC for social housing projects (MHRC 2021 Annual Report, 19). The province also invests in MHRC projects, charging interest only until construction is complete. The key advantages with provincially-funded investment are the lower borrowing costs, often with longer amortization periods, ability to leverage funds from the federal government, and the growth in assets.

MHRC also supports the non-profit housing sector with capital financing, grants, loan guarantees (up to $20 million), subsidies to allow for rent-geared-to-income (RGI) rents, and letters of credit. Access to MHRC financing, grants, subsidies, and guarantees helps the non-profit sector access CMHC programs.

Ideally, government grants provide enough equity so a non-profit housing provider can start a conversation with funding agencies and leverage the equity for more support. This approach mirrors research from other jurisdictions. As per the research from Australia (Lawson et al 2018, 1) and the Barcelona conference (Mazzucato, 2023), the non-profit sector relies on government grants and/or substantial subsidies to build equity. Our local interviewee confirmed that once equity is in place the next step is to look at the revenue stream from rents to help secure financing to build as many RGI units as possible. A variety of tools including Tax Increment Financing, operating subsidies, cross-subsidizing units, and rent supplements can be used to make up the difference between market rent and RGI. These tools can also be used to leverage grants, loans, and mortgages from CMHC and other lenders. Our non-profit housing interviewee explained that:

- Tax Increment Financing (TIF) from the province and city allows non-profit housing providers to access funding from CMHC. Once a construction project is completed, the amount of the incremental education tax collected is granted back to the developer annually, providing a revenue stream to help payback the loan.

- Operating subsidies from the province in lieu of capital can also give access to CMHC loans which can be amortized over 50 years. Longer amortization means more manageable payments and being able to borrow a larger principle.

- Cross-subsidizing units so that some are rented at market rates, others at below market rates, and some at RGI can help maintain some units.

- Supplements from the province for RGI helped the provider to get a loan from RB Insurance with a 40 year amortization and develop 32 RGI and 14 affordable units.

A variant of the cross-subsidization model was proposed in Rhode Island. Legislation filed earlier this year would set a $50 million revolving fund available to developers of mixed-income public housing. The State's Department of Housing would "issue $50 million in bonds to establish a housing production revolving fund" (Noori Farzan 2023). Were such a fund set up by MHRC, it could allow non-profit housing developers to apply for funding for construction and/or acquisition purposes, and the mixed-income model used in Rhode Island ensures that a percentage of units is available to low-income renters (Noori Farzan 2023). Mixed-income models can work well in a variety of situations, but one of the interviewees cautioned that some renters are hesitant to pay higher rents to subsidize RGI units. Other incentives such as a month's free rent could make mixed-income units more attractive.

Manitoba and Canada are not unique in providing government funding for social housing. Researchers in Australia found that "infrastructure, such as social housing, has traditionally attracted public investment in the form of grants and long term low cost public loans. Such direct public investment is allocated from general government revenue and raised via treasuries or specialist public-sector banks. Public investment is not an expense; rather it is investment in the public state. It creates value and can be recycled via active asset management to contribute revolving equity and loan programs" (Lawson et al 2018, 24).

MHRC provision of grants and/or loans for social housing, as per the following RTHC 2023 Social Housing Action Plan recommendations, would set in motion a sensible means to finally address Manitoba's social housing shortfall by maintaining existing units and expanding the supply. MHRC should:

- Fund a provincial capital maintenance fund to bring existing social housing buildings up to code and to support the maintenance needs of new social housing units brought online (41).

- Establish a long-term capital fund to create 1,000 net new social housing units annually for 10 years. At least half should be publicly-owned and the rest owned by non-profit or Indigenous-led housing providers. New units could result from construction or acquisition of existing properties to be repurposed for social housing (30).

Responsible stewardship of funds is important to ensure the public does not lose faith in the public sector. Accordingly, ways to keep construction costs, and therefore borrowing costs, down should be part of planning social housing construction and acquisition for both the public and non-profit sectors.

Lowering Costs

THE MHRC CAN learn from other jurisdictions how to lower the cost of expanding the social housing supply (and therefore reduce the amount of grants/loans it needs to access). A study of how to build affordable housing in Vancouver confirms that if we are to meet our goal of providing RGI housing, we need to expand non-market housing "with public-led approaches and non-profit development" (Lee 2021, 1). The strategies Lee explains are not only applicable to Vancouver: they apply to any jurisdiction.

Lee found that:

- Timber-frame construction is 20 per cent cheaper than concrete, leading to a 10–15 percent reduction in rents. The net environmental impact of timber is lower than concrete. Experts at the Barcelona Housing Conference explained how the climate and housing crises feed off each other and are exacerbated by the financialization of housing (Mazzucato and Farha 2023, pgs. 7,8). It is the public and regulated non-profit sectors that will employ more sustainable methods of construction.
- Modular construction techniques can lower construction costs up to 20 percent.
- A "big bang build-out" — building many units — would provide economies of scale sufficient to lower rents.

- Use of standardized blueprints that could be used in different sites would lower costs.
- Availability of public (from land banks or support for community land trusts) or other low-cost land will lower the subsidy needed to cover RGI rents.

Lee concluded that the ideal combination to lower costs is using a non-profit development model or public model with lower-rate government-backed borrowing (approximately 3.75 percent as of May, 2023: MHRC staff member) with timber-frame construction on low-cost land. Savings are enhanced when municipal development fees are waived (4).

Finally, the use of 3D-printed housing is on the rise and proponents believe it will lower costs considerably (CBC News Oct 27, 2022).

Costs can also be lowered through acquisition of existing properties, land banking and community land trusts (CLTS)

Acquisition

The MHRC can use the grants and loans it accesses from the federal and provincial governments to "establish an acquisition fund to enable public, non-profit, and Indigenous-led housing providers to purchase affordable rental housing from the market to operate at social housing rates" (RTHC 2023, 30) .

Acquiring existing housing or other properties and converting it to social housing can be significantly cheaper than new construction, especially in periods of high inflation. Both MHRC staff and the non-profit housing provider confirmed that acquisition of existing housing made a lot of sense. Today's high cost of construction is causing the public and non-profit housing sectors to shift to acquisition of existing housing. A 1960s walk-up apartment building with "good bones" can provide a lower-cost alternative to new construction, providing renovation grants are available (communication with non-profit expert). Various Canadian municipalities are converting the excess of empty office space found in city centres to housing (Younglai 2023), and the federal government is converting federal properties into housing, with $200 million on offer through CMHC to "develop or renovate federal assets into affordable, accessible and socially inclusive housing" (Fox

2023). Already in Winnipeg several private developers have converted empty downtown office space into apartments. In the words of one developer: "At the end of the day, you have a full concrete asset in a phenomenal location downtown and your redevelopment costs on that is definitely a discount to building an equivalent new building" (Frey-Sam 2023). MHRC should be exploring this option for both government-owned housing (it could start to reverse the damage done when the province sold its asset at 185 Smith St.) and to support non-profit sector acquisition. The City of Calgary has an incentive program to expedite office conversion to housing that includes grants, development permit waivers, and expedition of the approval process (Frey-Sam 2023). The Province could collaborate with the City of Winnipeg on a similar program.

Hotels and similar types of accommodation can also be adapted for social housing. The BC provincial government invested $403 million to acquire over 50 properties, nine of which were hotels. These buildings had been used to house people during the Covid 19 crisis and are now providing permanent housing for hundreds of residents (Uguen-Csenge 2022).

There is no reason why the public sector cannot use private-sector logic to acquire existing buildings, not only to keep costs down, but to shield housing from private sector activity that reduces the number of units available for social housing overall. Such logic is applied successfully in Barcelona, which has increased its social housing stock by acquiring private-sector buildings (Barcelona Regional 2023, 68). An acquisition fund would allow non-profit housing providers to acquire existing buildings. This strategy mirrors current literature on building a fund to acquire naturally occurring affordable housing.

Naturally Occurring Affordable Housing (NOAH)

According to Pomeroy, nationally 322,600 private rental units with rent less than $750/month were lost between 2011 and 2016 (2020, i). The decline in number of these affordable housing units is exacerbated by wealthy investors involved in the financialization of housing. Financialization depends on being able to purchase properties, upgrade them and raise rents (Pomeroy 2020, i). Locally we saw this happen in the non-profit sector with Lions Place, a seniors residence, sold to a Real Estate Investment Trust (REIT) (MacKinnon, 2022).

The availability of affordable housing in Barcelona is also growing thanks to the public acquisition of private housing. The primary means through which this has been achieved is through the right of first refusal to buy properties for sale, which is applicable to the City Council in various circumstances (Barcelona Regional 2023, 68).

The City of Barcelona has included an acquisition mechanism targeted at making 15 percent of homes in the city either social or affordable (Barcelona Regional 2023, 124). The many advantages to acquisition (besides cost) include being able to access housing in areas where social housing is scarce, thereby avoiding segregating lower-income households from mid-income areas (124).

Barcelona's acquisition strategy is bold and deserves study. It includes a legal provision giving right of first refusal to the City to buy certain properties at market value when they are sold. The entire city was declared an area of "preferential purchase" (Barcelona Regional 2023, 126). The policy has helped curb speculative activity that would increase rents and evict tenants (126). Right of first refusal for the sale of private property applies to the second and subsequent sales of applicable social housing, housing owned by banks and investment funds, and multi-family buildings, dilapidated or unoccupied buildings, and empty homes. The right of first refusal measure means the City Council can designate specific areas wherein the right of first refusal can, if required, apply to all the buildings, first sales in new areas, and empty homes and rentals (128).

In Canada, Pomeroy outlines how a funding program to support acquisition of existing rentals by non-profits would work. A non-profit housing provider could shield properties from the grasp of REITs looking for more assets to add to their portfolios. In his words, "such non-market acquisition can shift these assets out of the speculative market, preserve affordability in perpetuity, and expand the scale of the non-market sector" (Pomeroy 2020, i).

Pomeroy favours a non-profit approach to acquiring existing housing, but there is no reason why MHRC shouldn't follow the same strategy. In fact, until effective legislation is in place to prevent the sale of non-profit housing to the private sector (such as occurred with Lions Place), acquisition by the public sector makes a lot of sense.

Pomeroy proposes a new funding stream through CMHC that allows non-profit community-based entities to acquire moderate-rent buildings. The funding stream would be a combination of loans and grants, combined with technical assistance to search for "multi-unit purpose-built rental stock" to be purchased (ii). Provincial housing agencies (i.e. MHRC), municipalities, community-based providers, including land trusts would participate.

The City of Toronto has a Multi-unit Residential Acquisition Program that the province could examine. It helps non-profits and Indigenous housing organizations purchase private-sector stock and convert it to non-profit housing. The program includes support for community land trusts (City of Toronto n/d).

The local non-profit housing expert interviewed for this report confirmed the advantage to purchasing existing properties rather than building them. Properties with ongoing rent revenues can carry financing, keeping the subsidy lower than what would be required to build new. Even when the rents are set at market rate, at least the property has been removed from the grasp of investors who are pushing rents higher and higher (Pomeroy 2020, ii). Properties should not require a lot of renovations or retrofits and care needs to be taken to ensure that any environmental retrofits required to keep utility costs down are not too onerous.

Pomeroy notes the same concerns our local non-profit experts raised. Equity is scarce, and to acquire a property, non-profits must be “ready and nimble” (2020,7). If pre-approved financing is not available, a non-profit must turn to a government program, and the application process takes time, making it difficult to compete with private offers. An initiative such as Montreal’s right of first refusal for the sale of multi-unit buildings can help non-profits get ahead of private investors who have ready access to capital. The Montreal strategy is supported by the City with a fund for social investment and strong rent regulation and as of 2020 was strengthened with a city bylaw (2020, 5).

Pomeroy also suggests that the non-profit sector be more proactive in finding potential asset sales (8). One way to incent property owners to sell to non-profits (or government) is by offering a vendor tax credit if a property is sold to a non-profit (8). Pomeroy anticipates that the funding program for an acquisition fund would be established by the NHS and managed by CMHC. Large intermediaries such as MHRC or the City of Winnipeg would participate in the program to administer funds for non-profit organizations (10). Once again, there is no reason why MHRC could not:

a. Set up its own acquisition fund to purchase existing assets to be used for social housing.

b. Set up an acquisition fund for the purchase of existing assets by non-profit social housing providers. BC recently introduced a $500 million Rental Protection Fund so non-profits can purchase older rental properties through one-time capital grants (RTHC 2023, 26).

However, now that the program is rolling out, the realization that many older buildings carry high maintenance costs has decreased the number of buildings available and increased the time needed to properly access whether the building is fit for purchase (Palmer 2023).

c. Take advantage of an NHS program, if it is offered, for its own acquisition of existing assets to be converted to social housing.

An acquisition fund would provide the non-profit sector with a means to start protecting rental properties from private-sector investors, but the strategy is premised on access to sufficient capital and financing instruments that is largely available only through government.

Land Banking

The Social Housing Action Plan 2023 paper recommends implementing public land banking and community land trusts for the purpose of expanding the social housing supply. MHRC can use the grants/loans accessed from the federal and provincial governments to acquire land for the purpose of developing publicly-owned social housing or to support the development of non-profit housing by selling or leasing at below-market prices.

Land banking refers to the practice of purchasing and holding land for development. In many jurisdictions, including Manitoba, providing affordable land to develop social infrastructure is the responsibility of government. Governments have moved away from land banking for social housing (Lawson et al 2018, 38), but this practice needs to be revived if Manitoba is to increase supply. MHRC staff confirmed that the provincial government purchased large tracts of land in the 1970s to be banked for future development. Some of that land was sold to developers and used to build the Waverly subdivision, a major development that included no social housing.

The MHRC 2021 Annual Report shows revenue totalling $34,279,508 for 2020 and 2021 from the sale of land (4). The report also indicates land inventory valuing $17,235,497 (3). These holdings need to be increased and when developed, should include affordable and social housing. If land is sold to private developers, revenues should be used to support social housing, whether it is included in the new district or other areas.

Conversations with MHRC staff confirmed the importance of having land available for development of social housing, and the need to increase, not decrease, holdings in the provincial land bank. Where land is located, and its size, is key to keeping development costs down. Donated or cheap land is often not optimal: it can be more difficult to access, be contaminated, or have obstacles that make it difficult to build on (conversation with MHRC staff). The private sector will build on big tracks of land where it can build multiple cookie-cutter buildings and realize economies of scale: ideally the public and non-profit sectors should do the same. Nonetheless, it is also the case that low-income people are often pushed out of central locations that are gentrified for high-income residents. Care must be taken to locate new social housing across the city, including in neighbourhoods close to public transportation and other amenities, including healthcare, childcare and recreation. Land acquired through transit development and zoned for higher density may present a viable option for building social housing (Lee 2021, 4).

Acquiring land in already developed, centrally located areas is also important. The province owns nine surface parking lots in downtown Winnipeg (Bellamy Oct. 2023). This land should become part of the land bank and be used exclusively for social housing. Developers are keen to build and sell infill housing in areas like Ft. Rouge, St. Boniface, and old St. Vital. But the housing being built in these neighbourhoods is typically not affordable for low-income households. There is no reason why social housing infills cannot be built in these and all areas of the City. There is great potential to increase capacity and efficiency by working more closely with other levels of government to use their collective knowledge, creativity, and expertise. For example, in some cases it makes sense to knock down derelict houses and replace them with six-plexes. If the three levels of government worked more closely together on social housing, such acquisition opportunities could be more easily discussed.

Community Land Trusts (CLTs)

Land banking is used in other jurisdictions to help the non-profit sector to develop community land trusts, along with grants or loans so the non-profit developer can purchase land when it is not donated.

First appearing in the US, CLTs, broadly defined, are non-profit, community-led entities that develop and manage affordable housing on an ongoing basis. Trusts are being used in the US, Canada, and throughout North-West

Europe. A CLT network was recently launched to strengthen the sector in Europe (European Community Land Trust Network 2023), and in Canada (Canadian Network of Community Land Trusts). The land in a CLT is owned collectively by the trust and buildings are owned or leased by residents. Under the terms of the trust the land can never be sold, thereby removing it from the real estate market, shielding it from speculative activity and keeping real estate values down. This protection in turn accommodates long-term affordable housing, helping to build community cohesion (SHICC 2019b, 3).

CLTs are becoming more popular in Canada. A 2023 CLT census carried out by the Canadian Network of Community Land Trusts (CNCLT) and academics from the University of Toronto found 41 active CLTs in Canada (Trana et al 2023, 1). Most are in BC, Ontario, and Quebec; none is in Manitoba. The working definition of a CLT for purposes of the census was "a community-governed organization, or program of an existing organization, that owns land to be used for community benefit, often but not always focused on the provision of affordable housing" (7). The census found that close to 2,400 new residential units are planned by the end of 2024, and that rentals are the fastest growing type of unit. The CNCLT recommends more funding from all three levels of government for property acquisition, new development, and operating grants (2). Most CLTs prioritize leadership by equity-deserving communities, but more funding is required for technical support (2).

Zooming in on BC's mature CLT environment where both provincial and municipal governments have supported the sector, we find more than 2,600 CLT homes are occupied by low and middle-income families throughout the province, including pricey Vancouver. Formed by the Co-operative Housing Federation of BC in 1993 on lands owned by the provincial government, it significantly expanded when the City of Vancouver partnered in 2012 with the CLT (Community Land Trust 2023). The trust partners with housing cooperatives, non-profit organizations, government, developers, and financial institutions (including CMHC) to acquire existing properties and build new ones (Community Land Trust 2023). The Vancouver land trust removed property from the speculative market and combined the resources of "hundreds of isolated non-profit housing societies and co-ops, combining their land equity and their clout to be able to finance new development" (Bula 2017).

Conversations with a local land-trust expert confirmed that CLTs are a flexible means to supply social housing. He agreed that because land trusts remove land from the private, speculative market, they help to keep social housing costs down by ensuring land costs are not increasing. Government can be represented on CLT boards of directors to make sure that the CLT mandate holds. As in the European and BC examples, government should also provide financial support in the form of free or cheap land, long-term grants at low interest, forgivable loans from MHRC, and/or a co-investment fund such as the one available from CMHC. In Canada the CLT survey recommended the need to fund early-stage CLTs and for governments to fund property acquisition, new development, and staffing (Trana et al 2023, 41), a recommendation that makes sense considering how BC's successful CLT sector was supported by the provincial and municipal governments.

It is not clear how useful a CLT model for social housing would be in Manitoba. Land prices are relatively moderate and to date there has been little appetite for the model in the non-profit sector. CLTs are complicated and require significant financial, planning and legal expertise.

Social Procurement: A Smart Long-Term Investment

Advocacy groups like RTHC, The Canadian Community Economic Development Network and the Canadian Centre for Policy Alternatives have been recommending a Community Economic Development strategy, including social procurement, as part of the province's housing strategy for years (RTHC 2023, 51–52; CCPA 2022, 97). Also framed as "community wealth building", when anchor institutions like municipal and provincial government offices, hospitals, churches, libraries, etc. commit to buying and hiring locally, money circulates in the local economy, creating jobs and training opportunities for unemployed/under-employed workers. This activity has a long-term positive effect on the public purse by reducing spending on healthcare, child support, EIA and crime, and increasing revenues through taxation. Such a strategy is being successfully used in Chicago, Denver, London England, Amsterdam, and Scotland, and is being recommended in Toronto (Bruce Anthes, 2023). An abbreviated version of this model is being used in Manitoba to create jobs and training for low-income people in the construction and maintenance of social housing. Many of the current renovations taking place in Manitoba Housing units are being done by local social enterprises. Scaling up this model and expanding the existing social enterprise sector would help address the labour shortage in the construction industry (RTHC 2023, 29–30). Since the election of a new provincial government, there is renewed hope for tri-government support for Manitoba's social enterprise sector (Sanders 2023). Specific policy recommendations for the sector are outlined in the RTHC 2023 report (55).

Financing Operating Expenses

ALTHOUGH GOVERNMENT CAN finance grants at a lower rate than the private sector and it does not include a premium to cover a developer's profit, both public and non-profit social housing providers still need sufficient revenues to cover debt servicing and to pay for maintenance and operating expenses. Because rent-geared-to-income (RGI) rents do not cover all these expenses, operating subsidies are required to support operations. Right to Housing recommends establishing an operating subsidy program and fund that, combined with Manitoba's existing Rent Assist program and the capital maintenance fund called for earlier, would support sustainable operations of new and existing public and non-profit social housing assets in perpetuity (Pomeroy 2021; RTHC 2023, 25–26). Because Rent Assist currently is not available to households that receive another provincial subsidy or capital contribution, the program would have to be changed (RTHC 2023, 26). In the case where funds are not available from federal programs such as the Social Housing Agreement or National Housing Strategy, expenses will have to be covered by transfer payments from the province. It is difficult for the province to shoulder all the expenses so pressure on the federal government to be an active social housing partner needs to continue.

Expiring Operating Agreements

Social housing is at risk as operating agreements and their accompanying subsidies expire. Manitoba has continued to support the operations of public and some non-profit social housing units where subsidies have expired. Others have received support from National Housing Strategy programs, but the strategy expires in 2028. The operating subsidy program and fund recommended by Right to Housing is needed to ensure Manitoba does not lose any social housing units as agreements expire (RTHC 2023, 39–40).

Building Non-Profit Housing Capacity

THE RTHC 2023 report explains the important role the non-profit housing sector plays providing social housing in Manitoba (12), so government policies to help it function are important. A detailed conversation with an expert in the non-profit sector outlined the best way to support the sector. Besides confirming the need for grants, loans, mortgages, and tax credits from the province and/or federal government, and support for cost-cutting measures such as access to provincial land banks and support for acquisition of existing assets (as outlined above), the interviewee explained the following ways in which government could support the sector.

Accommodating longer timelines so non-profit housing providers can put deals together was highlighted as an important consideration. Agencies and funders should understand that raising equity and stacking loans and subsidies is complicated and time consuming. For example, had the province worked with the sector to support a non-profit purchaser, it could have prevented the sale of Lions Manor to a private Real Estate Investment Trust (REIT) (MacKinnon 2022).

Interviewees from both MHRC and the non-profit sector confirmed that there is a lack of trained personnel both in government and the non-profit sector. Proper funding would allow them to hire professionals with the skills needed for complicated work. For example, each time a government housing development program is offered, staff has to learn a new layer of rules to apply, and the paperwork is inevitably complicated and time consuming. Furthermore, each level of government has a different and complicated system to navigate.

In the 2000s a tri-level agreement allowed the federal and provincial governments and City of Winnipeg to develop social housing under the Winnipeg Housing and Homelessness Initiative. This model kept costs down by streamlining paperwork and decision making, as well as combining the knowledge of bureaucrats well-versed in the sector. The City of Winnipeg currently has a program to work with the non-profit sector to develop affordable housing in various housing improvement zones (City of Winnipeg website). The City of Winnipeg has voted to amend zoning regulations to comply with the Housing Accelerator Fund — a new program offered by the federal government that could help expand Winnipeg's supply of market and affordable housing (Pursaga November, 2023). It is not known how much, if any, social housing will be included. Augmenting these programs with resources from the federal and provincial governments, including coordinating their various funding and tax credit programs, could also be of use to the non-profit housing sector and ensure that RGI housing is included in the mix. A tri-partite office would help roll out programs in a more efficient, coordinated way. This idea recently became more feasible with the promise of a renewed tri-government working relationship (Sanders 2023).

Currently the sector is too reliant on volunteer boards that have difficulty finding and keeping qualified members, especially given that there are 200 non-profit housing organizations in the province (Annable and Barghout Sep. 29, 2023; Cooper and Zell 2023). Relying on a dwindling supply of volunteers to govern non-profit housing boards is neither efficient nor sustainable. Expertise could be better distributed by amalgamating the boards so there are fewer of them to populate, and having a MHRC staff person on the boards would augment knowledge and resources. As well, a capacity-building fund could help non-profit housing providers build and maintain capacity to plan and execute new housing developments (RTHC 2023, 30). The fund could also support staff training and hiring. Staff would be better equipped to monitor and respond to acquisition opportunities, including knowing how to access government programs. Pomeroy, like all our local housing experts, emphasized the need for professional staff who know the real estate market, can evaluate properties and have the skills and contacts to put workable proposals together.

Conclusions and Recommendations

THE FINANCING STRATEGIES reviewed in this paper involve a variety of players, including provincial and federal Crown corporations like MHRC and CMHC, municipalities, and non-profit entities. All play a role in providing social housing and the strategies they use are complicated. But one aspect which is really very simple is that none of the strategies works without government, whether it be for funding, building, acquiring, operating or regulating.

The words "government loans, grants and equity" are repeated over and over, whether in the literature on social housing, international conferences, interviews with local experts, or corporate-sector giants such as Scotiabank, who remind us that government investment in housing may be "more cost-efficient for governments in the long run" (Young 2023). Even mainstream media commentators are calling for governments to solve our social housing crisis (Adler 2023).

Manitoba has the institutional and legislative framework to embark on an ambitious social housing investment plan as recommended in the RTHC 2023 paper. Using MHRC, it can:

Invest in Public Infrastructure

- Take on lower-interest government debt and provide grants, loans (forgivable or low interest) and low-interest mortgages with long amortization periods. Such borrowing allows us to invest in social infrastructure and to build and maintain public-housing assets that offset government debt on the balance sheet. It would allow us to establish a long-term capital fund to create 1,000 net new social housing units annually for 10 years. New units could be constructed or acquired from existing properties to be repurposed for social housing.
- Use self-supporting debt (revenues from rent) to cover a portion of the cost of government borrowing for such an investment.
- Fund a provincial capital maintenance fund to bring existing social housing buildings up to code and to support the maintenance needs of new social housing units brought online.
- Continue taking advantage of existing federal programs such as the National Housing Strategy and provide matching funding when required.
- Advocate for new federal programs to support the expansion and preservation of social housing for as long as it is needed.

Provide Operating Funds

- Immediately extend all "post-85" agreements with non-profit housing providers that will expire in the next two years (RTHC 2023, 41).
- Establish an operating subsidy program and fund that, combined with the capital maintenance fund called for above and the existing Rent Assist program, would support sustainable operations of new and existing public and non-profit social housing assets in perpetuity.
- Be ready to jump on new federal programs that provide operating subsidies as they appear and co-invest if necessary. Preference should be given to programs that provide long-term operating agreements that cover operating costs for the whole building as well as allowing for RGI rents. Rent supplements that are tied to the unit are not as encompassing as operating agreements, but they do allow RGI units and are the next most helpful type of support. Least helpful for the

non-profit sector are portable benefits which attach to the tenant rather than the unit, making rental income insecure and financing more difficult to obtain.

Build Land and Housing Assets

- Increase land bank holdings to ensure sufficient land is available for new social housing development today and in the future. The nine downtown surface parking lots owned by the province are low-hanging fruit.
- Establish an acquisition fund for the purchase of naturally occurring affordable housing.
- Expand the menu of building acquisitions to include empty office buildings that can be converted into apartments, as well as hotels and motels.
- A vendor tax credit for vendors that sell to the non-profit or public housing sectors would give social housing providers a leg up in acquiring rental properties from the private sector and/or in the acquisition of office buildings.
- Consider a right of first refusal policy so government and/or non-profits have a better chance of acquiring rental properties from the private sector. Examples from Barcelona and Montreal should be studied. The vendor tax credit would apply to sellers who use the right of first refusal option.

Support the Non-Profit Housing Sector

As a partner of the Manitoba Non-Profit Housing Association (Manitoba Housing 2020, 9), MHRC is well positioned to provide more support, including technical, and resources to the sector. It should:

- Collaborate with the non-profit housing sector to facilitate community land trusts, housing co-ops, acquisition of existing properties, and new construction. Grants and loans, such as were made available by the BC government (RTHC 2023, 13) are essential for building equity that then allows the provider to seek further financing for new builds and/or acquisition of existing buildings.

- Provide loan guarantees and letters of credit to help non-profits secure financing and protect non-profits in the case of mortgage default. For example, a loan guarantee issued to the Thompson Lions Seniors Manor Non-Profit Housing Coop Inc. was called by the mortgagor. MHRC paid off the debt and took over the mortgage (MHRC 2021, 30).
- Place MHRC staff on non-profit housing boards.
- Encourage the non-profit sector to consolidate its many boards.
- Provide a capacity building fund to help the non-profit sector hire and train staff and build and maintain capacity to plan and execute new housing developments.
- Continue using TIFs and other tax credits to make it easier for social housing providers to stack financing.

Combining Government Resources

Negotiate with the City of Winnipeg and the federal government to set up a tri-partite social housing office that helps with re-stocking land trusts, acquiring existing rental properties, and putting financing options and tax breaks from various levels of government together. This office could also provide technical assistance to those wanting to set up a community land trust or housing co-op. If such an office were established, the City could consider a "right to acquire" strategy for derelict properties that could then be folded into other government programs. The derelict property idea has already been floated by the Premier (Lambert Dec. 23, 2023).

The province should invest in training and hiring dedicated staff for the social housing file.

Address the Labour Shortage

Given the shortage of skilled workers needed to build new housing, government needs to design a comprehensive strategy to address several interconnected policy areas:

- Encourage the provincial government to use the Provincial Nominee Program to allow skilled construction workers to live and work in Manitoba.

- Expand the use of the social-enterprise sector in the building and maintenance of social housing, thereby extending government investment to support job training and local employment. Use MHRC procurement to support the sector.
- Work with unions, employers and educational institutions to strengthen education and apprenticeship programs for the construction trades.

Government provision of social housing is not a new idea, and the enduring societal benefit of building such infrastructure has been long understood. For more than a century, academics and advocates — like William Pearson of the Winnipeg Town Planning Association, have insisted, using facts, data, and moral arguments that "providing proper living accommodation for our people" would lead to "the reduction of bills for hospitals, and so forth, changing the expenses from one department to another, as it were, and to the great advantage of the public" (Pearson 1914). It is unconscionable that more than 100 years later we still have not applied our will and resources to right this wrong. As a society we can no longer use excuses as to why a growing number of us are living unhoused or in egregiously unacceptable accommodation. We need to, once and for all, reorient our political compass, find the courage to take up the tools we have at hand, and start building.

Glossary

Affordable housing

There are various definitions; here are the two most commonly used in Manitoba: Manitoba Housing defines it as median-market rent. The CMHC co-investment fund defines it as 80 percent of median-market rent. Affordable housing is not social housing and is not necessarily non-market (in other words, the private rental market can include affordable housing).

Amortize

To reduce a debt through regular principal and interest payments over a set period of time.

Capital

Money invested to purchase assets. In business finance, accumulated assets that generate income for a business.

CMHC

Canadian Mortgage and Housing Corporation, a federal Crown corporation whose mandate is "to promote housing affordability and choice, facilitate access to, and competition and efficient in the provision of housing finance, protect the availability of adequate funding for housing at low cost, and generally contribute to the well-being of the housing sector in the national economy." (CMHC 2023–2027 Summary of the Corporate Plan)

Co-investment fund

In the context of this paper, we are specifically referring to the Federal Co-investment fund: "The Co-Investment Fund provides capital to partnered organizations for new affordable housing and the renovation and repair of existing affordable and community housing. Funds are provided as low-interest and/or forgivable loans and contributions. This fund is for organizations that have partnered with another organization of a level of government and have secured some funding". https://www.cmhc-schl.gc.ca/professionals/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/co-investment-fund

Crown corporation

Federally or provincially-owned enterprises dedicated to providing infrastructure and services to the public. Examples include Canada Post; CMHC; Bank of Canada; Manitoba Hydro; Quebec Hydro; Manitoba Housing and Renewal Corporation.

Equity

With regard to real estate, it is the value of the property minus any debt owing.

Financialization

When a country's financial sector increases in size and importance relative to the economy at large, the process is called financialization. This phenomenon has increased as advanced capitalist economies have moved away from industrialization. Wealth for some increases, but production of goods and services shrinks relative to the growth of that wealth.

Government bonds

A bond issued by a government and purchased by an investor who receives yearly payments for a set period of time. At the end of the period, the face value of the bond is paid back to the investor. So, a five-year bond of $10,000 with a 3 percent interest rate would pay $300/year for five years, at which time the $10,000 is returned to the investor. Governments issue bonds to raise money for public spending.

Letters of credit

A letter from a bank (or government) that guarantees a buyer's payment to a seller will be received on the due date and for the agreed amount. The bank is responsible for any shortfall or late payment.

Leveraging
When existing funding or equity underpins an investor or purchaser's ability to raise more capital.

Loan guarantee
A promise by one party (guarantor) to be responsible for the debt of another party in the case of non-payment of the debt.

Market rent
The rent charged by private landlords. Market rent is rarely affordable for low-income families.

Multiplier effect/benefit
When you spend money, the person or business that receives that money will spend at least part of it, so part of every dollar you spend gets reinvested in the economy, increasing the impact the dollar has. On a macro level, large government expenditures (particularly on infrastructure) can have a noticeable effect on the economy at large which is seen by an increase in employment, leading to more spending by workers for goods and services, and an increase in tax revenue paid to the government.

NHA
National Housing Act. A federal act of parliament supporting the construction and modernization of housing, along with improving the living conditions of Canadians. The CMHC is the agency that administers the act.

Operating agreements
Refers to agreements between government and non-profit housing providers that were tied to the mortgage (usually held by CMHC). Under the agreement, subsidies to pay the mortgage were/are paid to the non-profit, and in some cases an additional amount was/is paid so the non-profit can offer RGI to some, if not all, tenants. Publicly-owned social housing also receives subsidies through agreements between the federal and provincial governments. As of 2021, the operating agreements of around 7,000 non-profit housing units had expired. Around 6,400 units will expire between 2021–2030. As operating agreements expire, many non-profit housing providers struggle with maintenance and renewal costs and cannot continue offering RGI units.

Operating subsidy
A subsidy paid by the government to allow a non-profit housing provider to charge affordable or RGI rent.

REIT
Real estate investment trust. A company that owns and operates rental properties. They typically buy properties that require minor upgrades and once they have been done, increase rent such that low-income renters have to move. According to Steve Pomeroy, since 2014, rent increases now exceed inflation by two or three times, and residential rental properties are an increasingly preferred asset class, changing the nature of housing from a home to an investment vehicle for wealthy and powerful corporations. "The sole purpose is to purchase property and increase rental income for their investors" (2020,3).

Rent Assist
A portable housing benefit for people who receive Employment and Income Assistance (EIA) and low-income renters living in unsubsidized housing. https://www.gov.mb.ca/fs/eia/rent_assist.html

Rent Geared to Income (RGI)
A term used to refer to how much a renter pays for social housing. Rent will be a portion of the renter's income (no more than 30 percent).

Rent Supplement
When the province has an agreement with operators and/or owners of private or non-profit housing providers to subsidize a portion of the units in the rental property. The subsidy is non-portable (tied to the unit). The supplement is the difference between RGI and the approved market rent for affordable housing. The tenant has to apply and qualification is based on total household income (must be less than the Program Income Limits set by CMHC). https://www.gov.mb.ca/housing/progs/rent_supplement.html

Social housing
In this paper, social housing is defined as non-market housing (not in the private-rental market) with rents that are 30 percent or less of household income, or at social assistance rates for those who are eligible. The difference between what the tenant pays and the cost of providing the unit is paid

by a subsidy that is tied to the unit. Social housing is either owned by the government or a non-profit housing provider.

Tangible asset
A physical asset such as housing and land. Can also include equipment, vehicles, furniture, machinery and stocks, bonds and cash.

Tax credit
Deductions allowed on calculation of total taxable income.

TIF
According to the Government of Manitoba website:

> When significant new development occurs, there is an increase in the assessed market value of a property. Through legislation, the province is able to use the incremental education-related property taxes created by the new development to invest back into the project for a limited amount of time (up to 25 years). Incremental taxes are the difference between the amount of property tax revenue generated before the development occurred and the amount of property tax revenue generated after the project is complete.
>
> No payments (to the developer) are made until the projects have completed construction and incremental taxes have been collected. At that point, the equivalent of the applicable incremental education taxes collected from TIF projects will be granted back to the developers annually.

TIFs can also involve a rebate of both education and municipal taxes.

Treasury Board
A sub-committee of the provincial Cabinet that oversees the fiscal management and reporting of government, ensuring effective management of public funds.

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