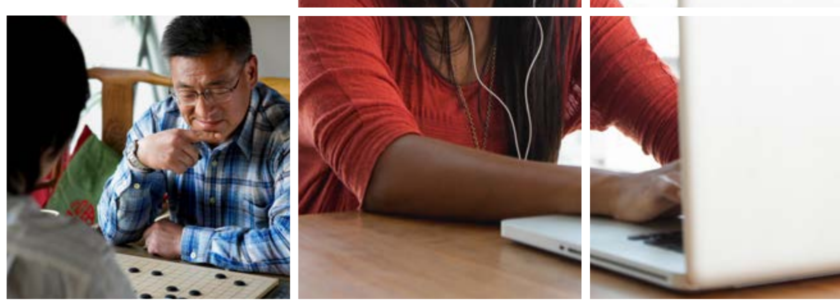
NATIONAL HOUSING STRATEGY

Evaluation of the Rental Construction Financing Initiative (RCFi)



FINAL REPORT

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1 Executive Summary

Purpose of the Evaluation

The evaluation was undertaken to determine whether intended outcomes are being achieved in the first years of implementation. The evaluation was conducted by CMHC Evaluation Services (Evaluation Services) who provide insights that support CMHC's ability to provide evidence-based policy advice to the government on future directions of programs.

Program Description

RCFi provides low-cost loans during the riskiest phase of development (construction through to stabilized operations) in order to facilitate the construction of purpose-built rental housing and increase the rental housing supply. Loans are funded by CMHC for a 10-year term with a fixed interest rate, after which they are transitioned to a private sector financial institution. There are several attractive features of the loan including low equity requirements; the possibility to amortize the loan up to 50 years; and the provision of CMHC mortgage loan insurance at no cost to the borrower.

Borrowers must meet RCFi minimum requirements on affordability, accessibility, and energy efficiency. The program also has a social outcomes scoring system, in which points are awarded to applications that exceed these requirements and/or achieve other outcomes such as proximity to transit and collaboration with other levels of government or partners.

Methodology

This evaluation included questions pertaining to the relevance and performance of the RCFi. The evaluation covered the period from April 2017 to November 2020. Evaluation Services conducted the evaluation using a mixed-method approach. These methodologies were data, documentation and literature review, key informant interviews, a survey of successful RCFi applicants, and the use of Statistics Canada's input-output model to estimate economic impact.

Key stakeholders engaged included CMHC Officials, approved applicants, declined applicants, and provincial housing agencies.

Summary of Key Findings and Recommendations

The RCFi remains relevant because there continues to be need for purpose-built rental supply. In addition, there are no other programs or initiatives in Canada that share its features and reach. Demand for RCFi is high, as demonstrated by the number of applications which has increased in each year. This need has been recognized by the Government of Canada with the amount of loans available under the program increasing three times to the current total lending capacity of $25.75B, of which $12B was committed in the 2020 Fall Economic Statement.

Overall, the expected outcomes of the RCFi are being met – from its inception in 2017 to November 30, 2020, the program has committed to increase the supply of rental housing by 14,090 units. RCFi loans to date are estimated to enable economic impacts of $4.8B to Gross Domestic Product and create 45,000 jobs. Many projects would not have been constructed or would have been constructed in a significantly different way in the absence of RCFi support.

There are some areas for improvement. First, as approved projects have exceeded the accessibility, energy efficiency and affordability requirements, there are opportunities to explore ways of further augmenting these positive outcomes, especially as minimum program requirements are not considered overly restrictive. Second, different options for underwriting and servicing can be further assessed to identify potential efficiencies. Finally, the evaluation process highlighted several areas in which CMHC could improve its performance measurement data including obtaining tenant information to better understand RCFi's tenants. The evaluation proposes the following three recommendations:

Recommendation 1

Review and consider how the RCFi could achieve greater affordability, energy efficiency, and accessibility outcomes while continuing to support the creation of new rental supply.

Recommendation 2

Continue to examine the current underwriting and servicing arrangement for the RCFi to identify potential efficiencies, taking into consideration the feasibility and risks of alternative options.

Recommendation 3

Review and reconfirm the performance measurement and data collection strategy for RCFi, including:

a) ensuring that data for performance indicators are collected consistently; and,

b) exploring the potential for obtaining tenant information.

2 Introduction

The Evaluation Study

This report presents the results of the evaluation of Canada Mortgage and Housing Corporation's (CMHC) Rental Construction Financing Initiative (RCFi), which was carried out over the period April 2020 through March 2021. The purpose of the evaluation was to provide a credible, reliable, and timely assessment of the RCFi and propose recommendations for improving the program in future years. The study was conducted by CMHC Evaluation Services and supported by KPMG LLP.

Rationale: The evaluation was undertaken to determine whether intended outcomes are being achieved in the first years of implementation. Evaluation Services provides insights through evaluations, which supports CMHC's ability to provide evidence-based policy advice to the government on future directions of these programs.

Scope: The evaluation included questions pertaining to relevance and performance of the RCFi. The period covered examined activities and outcomes over three full fiscal years and part of a fourth fiscal year - from April 2017 to November 2020.

Brief description of RCFi

The objective of the RCFi is to facilitate the construction of purpose-built residential rental projects in areas of need. The initiative provides low interest loans for a 10-year term with a fixed interest rate, after which they are transitioned from CMHC to private sector financial institutions. The payment requirements are shown below.

Construction up to occupancy permit	Occupancy permit up until stabilization	Stabilization of net operating income
No payments; interest is financed by the loan	Interest only payments paid by borrower required	Principal and interest payments

This payment structure lowers the cost for borrowers during the riskiest phase of development (construction). There are also several other attractive features of the loans, including:

- low equity requirements;
- lower minimum debt service requirement on residential space (1.1x versus 1.3x under market MLI);
- no replacement reserve requirement;
- no subtrade bonding requirement;
- the possibility to amortize the loan up to 50 years; and,
- CMHC mortgage loan insurance at no cost to borrower.

Borrowers must maintain affordability for at least 10 years and meet other affordability criteria and minimum requirements related to accessibility and energy efficiency. The program also has a social outcomes scoring system, where points are awarded to applicants who exceed these requirements. In addition, points are awarded for collaboration (partnerships, land donations, and supports from other governments) and the project's proximity to transit. The point score is used to determine the equity requirement of the project – a higher point score results in a lower equity requirement.

For a detailed program description, please see Annex C.

RCFi at the time of the evaluation

From the start of the program in April 2017 up to November 30, 2020, there were 107 loans approved through the RCFi totalling $4.38B for the construction of 14,090 units, as illustrated below.

Approved applications are defined here as applications that have either a signed loan agreement or have been funded. In other words, these are projects that either have a financial commitment or are under construction or constructed.

Figure 1: RCFi Loan Amounts (in $ Millions) and Number of Projects, by year

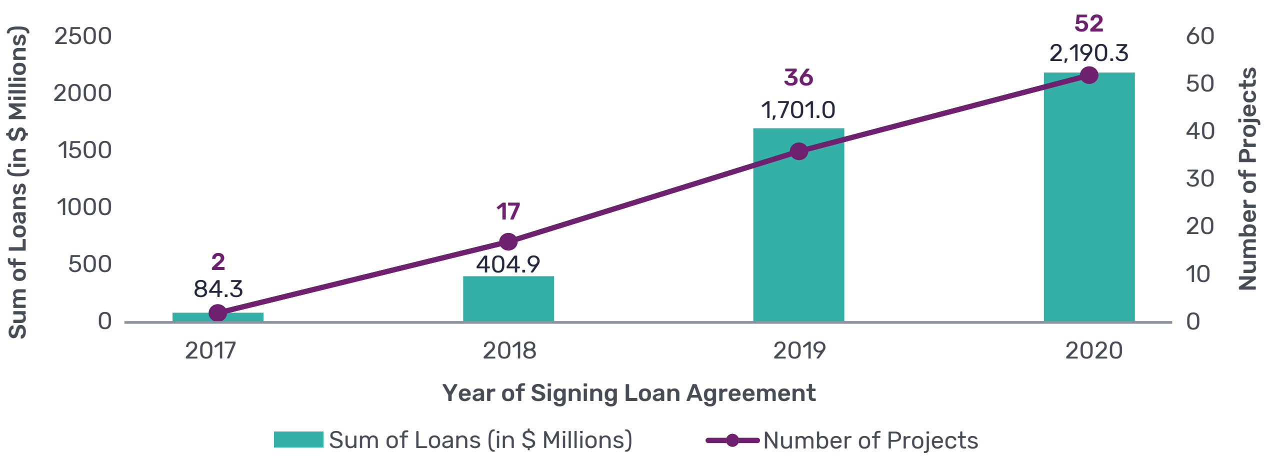
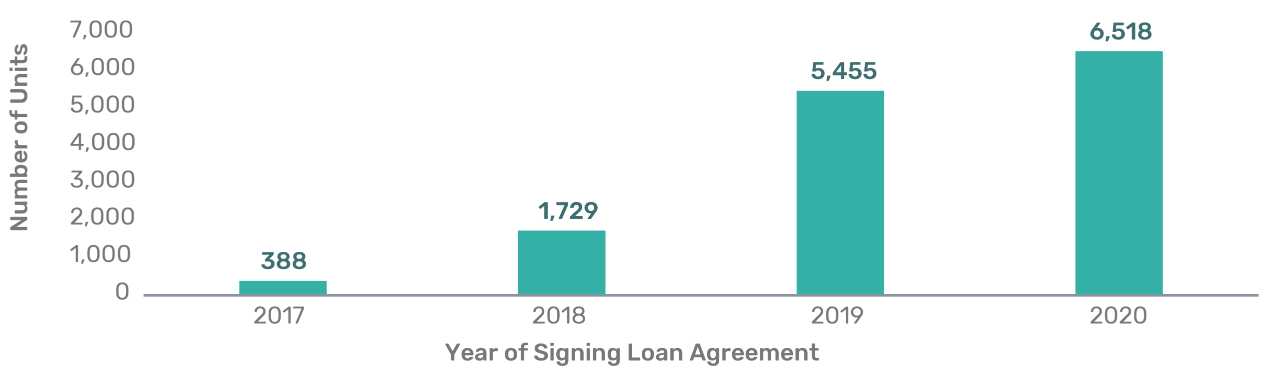


Figure 2: Number of Units Committed, by Year, until the end of the study period (November 30, 2020)



The amount of available funds for RCFi has increased from the program's inception in 2017. At the end of the study period (November 30, 2020), $13.75B was available over the 10-year period from 2017/18 to 2027/28 for the creation of 42,500 units. The 2020 Fall Economic Statement outlined a plan to increase the amount of available loans by an additional $12B, up to $25.75B, for the creation of a potential total of 71,000 units.

Evaluation Questions

The study addressed the following research questions.

Table 1: Evaluation Questions

#	Question
Relevance	
1	Is there a continued need for a program to encourage construction of rental housing?
2	Are the objectives of the program consistent with federal government and CMHC priorities?
Performance	
Effectiveness	
1	To what extent has the rental housing stock been increased as a result of the program?
2	To what extent has the program enabled the affordability of the housing stock to be preserved?
3	To what extent does the program encourage proximity to public transit, provides accessibility, and encourages mixed-income occupancy?
4	To what extent does the program facilitate the development of partnerships?
5	To what extent does the program facilitate collaboration with other levels of government?
6	To what extent does the program contributes to reduced energy use and reduced greenhouse emissions?
7	What are the economic impacts of the program?
Economy and Efficiency	
1	What would be the costs and benefits of CMHC potentially in-sourcing underwriting and servicing for RCFi and carrying out these activities internally?

The main focus of the evaluation was on Relevance Question 1 and Effectiveness Questions 1 and 2. For additional detail and for a list of indicators and sub-indicators, please refer to the Evaluation Matrix in Annex E: Evaluation Matrix.

3 Evaluation Methodology

This study was an implementation evaluation (often called a formative evaluation), designed to review the operation of the program during its first few years and determine whether it is on track to meet its objectives. The evaluation was conducted using a mixed-method approach. The methodologies were:

1. Review of internal (CMHC) documents and data
2. Review of external documents and data (e.g., Statistics Canada data and reports)
3. Interviews of successful applicants
4. Interviews of unsuccessful applicants
5. Survey of successful applicants
6. Interviews of staff at four provincial housing agencies
7. Focus group with RCFi program officials
8. Use of Statistics Canada input-output model
9. Interviews of CMHC officials familiar with the RCFi underwriting and servicing processes

Note that for the purposes of the evaluation, successful applicants were RCFi borrowers whose projects were approved (funded and have a signed loan agreement) before November 30, 2020.[1] Unsuccessful applicants were RCFi borrowers that were declined or withdrawn at the underwriting stage. Details regarding each of these methodologies follows:

1. Review of internal (CMHC) documents and data

This activity involved the review and analysis of available data from CMHC sources. The main data sources used were the RCFi applications database, program documents (include RCFi applications), policy and procedures documents, and CMHC data and research. Data was analyzed using descriptive statistics.

2. Review of external documents and data (e.g., Statistics Canada data and reports)

External data and documents were reviewed including academic literature, grey literature and Statistics Canada data. The majority of these were examined to support the assessment of program relevance.

3. Interviews of successful applicants

A total of 14 successful applicants were interviewed by telephone. The interviewees were applicants who had been through the entire underwriting process and whose application had been approved by RCFi. Four were funded in 2017 or 2018, and the remaining 10 were funded in 2019 or 2020. Six of these applicants' projects were already in operation at the time of the interviews, and the remaining eight were in construction.

The sample of interviewees was selected based on projects that were far along in implementation (i.e., either in operation or close to being in operation). This was done to get the most amount of information on their experience with the program. This sample was not chosen to be representative of all successful RCFi applicants.

The mean and median amounts of the loans of these interviewees varied considerably:

- Mean loan amount = $56M
- Median loan amount = $14M[2]

The reasons for such a large difference were: (1) there were a relatively large number of small loans in the sample, and (2) the calculation of the mean was heavily influenced by the presence of one very large loan in the sample ($357M). If the evaluation had removed this loan from the sample, the mean loan size would be $33M, which is close to the average RCFi loan size during the study period ($38M).

[1] In other words, these projects either have a financial commitment or are under construction or are built.

[2] For reference, the population (based on 107 projects approved up to November 30, 2020) had a mean of $40.9M and a median of $23M.

The mean and median number of units of the applicants' projects also varied widely:

- Mean number of units = 165
- Median number of units = 69

If the unusually large loan application had been removed from the sample, the mean would drop to 118.

4. Interviews of unsuccessful applicants

Eight unsuccessful applicants were interviewed by telephone. These interviewees were applicants whose applications were either declined by CMHC or withdrawn by the applicant during the underwriting process.

A note about sample sizes: These were small purposive samples of interviewees who were highly knowledgeable about the questions being asked, usually from their own personal experience. This is not like an opinion survey, for which large numbers of interviewees are needed for statistical reliability.

The mean and median amounts of the loan applications were $23M and $10M, respectively. The mean and median number of planned units were 79 and 60, respectively.

5. Survey of successful applicants

The evaluation team conducted an online survey of applicants with approved projects before November 30, 2020. In total, there were 107 projects and in some cases, a single applicant contact represented multiple projects. In order to minimize response burden, the evaluation randomly selected survey contacts who had more than one approved project and sent one survey.[3] As a result of this process, survey invitations were sent to 84 projects. The completion rate of the survey was 60%. Respondents were largely representative of the population of RCFi projects in terms of province, loan size and year of funding.[4]

6. Interviews of staff at four provincial housing agencies

The evaluation team interviewed representatives of four departments/agencies:

- BC Housing
- Manitoba Housing
- Ontario Ministry of Municipal Affairs and Housing
- Yukon Housing Corporation

The bulk of the questions dealt with the need for a program like RCFi to support the construction of rental housing, and the complementarity of RCFi with their provincial/territorial programs.

7. Focus group with RCFi program officials

The evaluation team held a focus group with five senior CMHC RCFi officials. The main topics involved the incrementality of RCFi support, the features of the program, and perceptions and experiences of the RCFi program.

8. Use of Statistics Canada input-output (I/O) model

The economic impacts analysis utilized program data (project budgeted expenditures minus land cost) and leveraged the input-output model ("I/O") model of the Canadian economy provided by Statistics Canada. The model allowed for the estimation of direct and indirect supplier impacts. The I/O model divides the economy into a matrix of industries and products. Relationships within the model map the production of products onto industries and identifies the primary or intermediate goods and services that are used in the production of each final product or service used by consumers or sold as an export. The model then aggregates all the employment and value-added impacts generated in the supply chain.

For more information on the methodology of the I/O Model, see Annex F.

[3] If a contact had more than one approved project and completed an evaluation interview on one of these projects, their other project was chosen for the survey.

[4] Projects from the province of Quebec was underrepresented in the survey by 6.8%, projects within $10M-$25M were underrepresented by 11.6% and projects within $25M-$50M were overrepresented by 6.8%.

9. Interviews of CMHC officials regarding RCFi underwriting and servicing processes

A total of 16 interviews were conducted with CMHC officials as part of an internal sub-study of the RCFi evaluation dealing with the assessment of program efficiency and economy. The purpose of this study was to compare the costs of the current arrangement for underwriting and servicing, which involves contracting out these activities to a private firm (CMLS Financial) with the costs of in-sourcing these activities and having them carried out by CMHC.

The approach used in this sub-study involved:

1. Estimating the personnel resources currently used by CMLS to carry out RCFi underwriting and servicing activities – i.e., the number of people at various staff levels and their levels of effort.
2. Estimating what the costs to CMHC would be under the assumption that, in the in-sourcing option, CMHC would carry out these activities using equivalently qualified and experienced people who would expend the same level of effort as CMLS currently expends. In this step, the results of step (1) were applied to CMHC personnel costs.
3. Calculating the fees charged by CMLS for these activities and comparing those with the results of step (2).

4 Relevance Findings

Evaluation Question 1: Is there a continued need for a program to encourage construction of rental housing?

Finding 1

There was a strong need for a program to encourage the construction of purpose-built rental housing at the time RCFi was introduced.

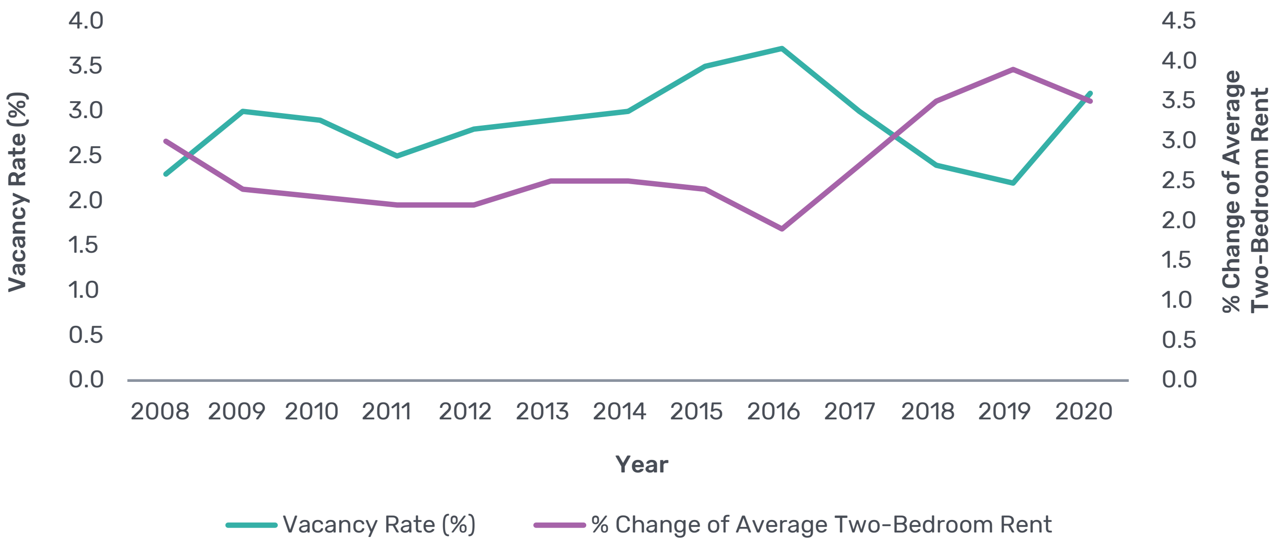
At the time of RCFi's inception in 2017, the high demand for purpose-built rentals[5] outpaced the growth in supply, resulting in a decline in the vacancy rate.[6] This trend continued to 2018, where the vacancy rate of 2.4% nationally was lower than the average of the previous 10 years at 3%, suggesting a very tight rental market. In 2018 and 2019, the average rent increase for a two-bedroom rental also rose to 10-year record highs (at 3.5% and 3.9%, respectively), which indicates rising rent prices. Figure 3 highlights the trends in vacancy rates and the annual % change in average two-bedroom rents. In addition, consultations conducted as part of the development of the National Housing Strategy in 2016 confirmed a rental supply shortage.[7]

[5] Purpose-built rental housing (also known as the primary rental market) is defined as rental units in privately-initiated apartment structures containing at least three rental units. However, rental units are not restricted to this definition, as the secondary market consists of dwellings such as single-detached and semi-detached houses, rented row/townhomes, rented duplex apartments, rented accessory apartments, and rented condominium units. Together, the primary and secondary markets form the broader rental universe in Canada.

[6] Canada Mortgage and Housing Corporation. *Rental Market Report 2017—Canada highlights*. https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/housing_markets/rentalmarketreportcanadahighlights/64667_2017_a01.pdf

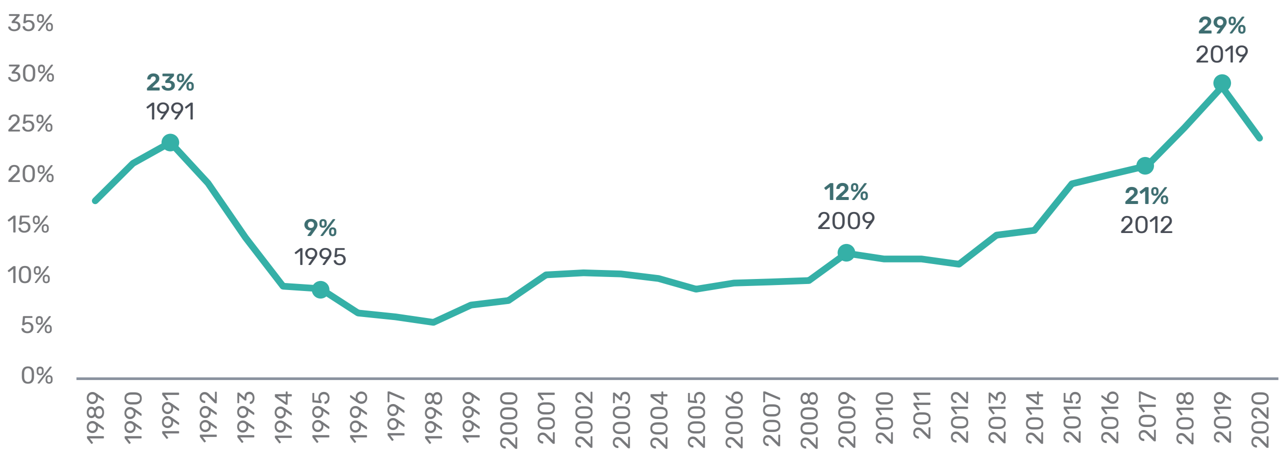
[7] Government of Canada. (n.d.). *What We Heard: Shaping Canada's National Housing Strategy*. https://www.placetocallhome.ca/-/media/sf/project/placetocallhome/pdfs/NHS-What-we-heard-report-en.pdf

Figure 3: Vacancy Rate and % Change of Average Two-Bedroom Rent in Canada (Census Areas of 10k+ population)[8]



As illustrated in Figure 4, the 1990s saw a dramatic drop in the construction of rentals (as compared to all housing construction starts). The graph shows that rental starts as a % of all housing starts was below 15% for the 20-year period between 1994 and 2014. By the time RCFi was created, rental starts were gradually increasing, but still low (at 21% in 2017).

Figure 4: Rentals as a Percentage of All Housing Starts (1989-2020)[9]



[8] This was retrieved from the Rental Market Survey Data Tables and Reports for 2008 to 2020.

[9] Statistics Canada. (2021.). *Table 34-10-0137-01 Canada Mortgage and Housing Corporation, housing starts, by type of dwelling unit and market type in all centres of 10,000 and over for Canada and provinces [Data table]*. https://doi.org/10.25318/3410013701-ENG.

Several studies note that a key reason for the historical lack of increase to the rental supply is **the unfavourable economics and finances of purpose-built rental buildings**.[10] These studies demonstrate that developers would need to charge "luxury" rents to reach an acceptable profit margin. As such, rental development has been much less profitable and riskier than condominium development, the latter of which can be pre-sold. These unfavourable economics contributed to the decreased supply of rental housing development prior to the introduction of RCFi. The evaluation also noted the unattractiveness of investments in rental development in the pro-forma analysis (see Effectiveness Question 1, Finding 7).

The literature also explains this lack of increase to the rental supply through other contributing factors:

- **Policy measures encouraging rental construction ended:** A number of government programs in the 1960s and 1970s assisted a high volume of rental construction.[11] By the mid-1980s, these programs had ended. This reduced the incentives to construct purpose-built rentals. At the same time, consumer and demographic shifts allowed this rental stock to sustain the weaker demand.
- **Rising homeownership rates in the 1990s and 2000s allowed the existing supply to meet the demand at the time:** Rising homeownership rates meant that many households were moving out of rental units and into ownership in the 1990s and 2000s.[12] Homeownership rates affect the supply of rental housing because the transition of first-time homebuyers from rental housing to ownership creates a "supply" of vacancies in the existing rental stock and releases pressure in the rental supply. Moreover, in 2016, the national homeownership rate declined after four decades of increases.[13] This meant fewer households are leaving the rental market, resulting in increased demand for rentals and a lack of natural supply created from moving to homeownership.[14]

High demand further constrains rental supply. At the time of RCFi's introduction, the demand for rental housing grew as a result of several factors:

- **Immigration:** Immigration increased rental demand because this influx of people often rent upon settling in Canada.[15] Even after settling, immigrants are less likely to own than those who were Canadian born.[16]
- **Employment Growth:** When job markets improved, young people earned more and were incentivized to leave their parents' home to form rental households.[17]

[10] Black, J. (2014). *The financing & economics of affordable housing development: Incentives and disincentives to private-sector participation*. https://www.deslibris.ca/ID/240449; Canada Mortgage and Housing Corporation. (2017). *Research Insight: The Economics of New Purpose-Built Rental Housing Development in Selected Canadian Markets*.

[11] Pomeroy, S., & Maclennan, D. (2019). *Rental Housing in Canada's Cities: Challenges & Responses.* The Urban Project. https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/housing_organizations/201904-up2-rentalhousing-challengesresponses.pdf

[12] Ibid.

[13] Statistics Canada. (2017a, October 25). *The Daily — Housing in Canada: Key results from the 2016 Census*.

[14] Pomeroy, S., & Lampert, G. (2017). *Examining the dynamics of Canada's housing tenure system*; Pomeroy, S., & Maclennan, D. (2019). Rental Housing in Canada's Cities.

[15] Canada Mortgage and Housing Corporation. *Rental Market Report 2018—Canada highlights*. https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/housing_markets/rentalmarketreportcanadahighlights/64667_2018_a01.pdf

[16] Brown, W. M., Lafrance, A., Statistics Canada, & Economic Analysis Division. (2013). *Trends in homeownership by age and household income: Factors associated with the decision to own*, 1981 to 2006. Economic Analysis Division, Statistics Canada. https://www150.statcan.gc.ca/n1/en/pub/11f0027m/11f0027m2013083-eng.pdf?st=ag2oWUBX

[17] Canada Mortgage and Housing Corporation. *Rental Market Report 2018—Canada highlights*.

- **Homeownership trends and challenges:** A slower movement towards homeownership likely increased the demand for rentals since this group of people are remaining in the rental market (rather than leaving the market to become homeowners). A multitude of factors impact homeownership: macro-level conditions such as rising home prices and costs, higher interest rates, unemployment rates; personal lifestyle choices can affect the decision, and possible generational differences.

These factors have affected major cities more than other parts of Canada.

The two-decade stagnation in rental housing development, the growing demand, and the low vacancy rates demonstrate that at the time of RCFi's inception, there was a strong need to increase the supply of rental housing. Purpose-built stock typically houses smaller households (one-person, non-family, couples without children) since these apartments are made of bachelors, one-, and two-bedrooms. The purpose-built rental stock is less suited to large families, since very few have three or more bedrooms. For example, in 2015, only 11% of purpose-built units had three or more bedrooms, whereas the secondary market contained more options for larger renter households.[18] Considering the need to increase rental supply, it is important to consider the suitability of the stock in meeting demographic demands.

Finding 2

There are indications of current need for the program, but there are also signs of a loosening rental market due to many factors including COVID-19.

After the introduction of RCFi, until 2019, there were still clear indications of a need for an increase in the purpose-built rental supply. Although the percentage of rental starts (out of all housing starts) rose to a 30-year record high of 29% (see Figure 4) in 2019, the national vacancy rate was at an all-time low of 2.2% and the percentage change in two-bedroom average rents was much higher than previously (see Figure 3). The growth in the demand for rental units was still outpacing the increase in supply.

Both successful and unsuccessful RCFi applicants perceive a continuing high need for rental development. On average, they rated the current need in their area as 9.0 on a 10-point scale (10 = very great need). The provincial housing agencies interviewed agreed that there is currently a major need for rental housing, although not as great as around the time of RCFi's inception in 2017.

Prior to COVID-19, growth in demand for rental units was outpacing the increase in supply. Beginning in 2020, COVID-19 has impacted the rental market, with vacancy rates rising to 3.2% nationally that year.[19] Turnover rates[20] dropped to 14% (compared to 17% in 2019), reflecting the reluctance to search for new housing or move during the pandemic.[21] Despite this, the average rent of a two-bedroom rose 3.5%.[22] In 2020, the **COVID-19 pandemic has generally weakened the demand for rentals**. This is because the pandemic has resulted in:

- **Impacts to the labour market** (i.e., job losses and/or disrupted incomes), especially to the service and hospitality sectors that employ younger workers; younger workers are a key component of renter households.[23]

[18] Ibid.

[19] Canada Mortgage and Housing Corporation. (2021a). *Rental Market Report 2020*. https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/housing_markets/rentalmarketreportcanadahighlights/rental-market-report-69720-2020-en.pdf

[20] Turnover rates are a measure of the mobility of tenants and provides a gauge of how often units become available in an area.

[21] Ibid.

[22] Canada Mortgage and Housing Corporation. (2021). *Rental Market Survey Data Tables 2020 [Data table]*. https://www.cmhc-schl.gc.ca/en/data-and-research/data-tables/rental-market-report-data-tables

[23] Canada Mortgage and Housing Corporation. (2021a). *Rental Market Report 2020*.

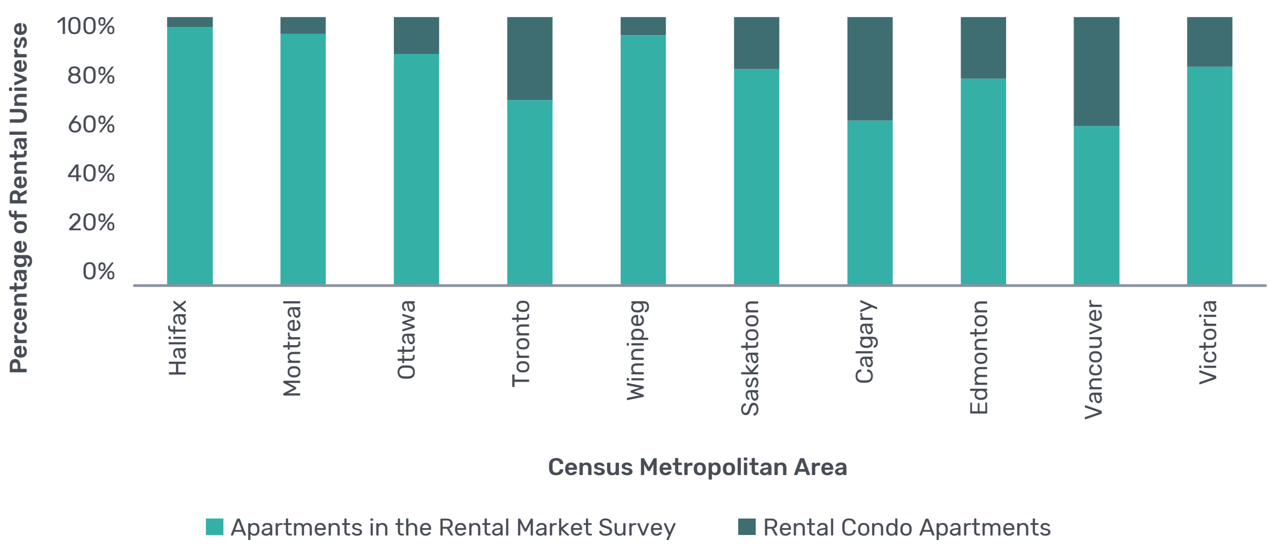
- **Lower migration** to Canada due to closed international borders, especially to major cities.[24] Immigrants and newcomers are a key component of renter households in some CMAs.
- **Impacts to post-secondary education** due to virtual learning. Rental demand has been reduced as many students and international students no longer need to rent near universities or in the city (choosing instead to stay with their families).[25]

While the COVID-19 pandemic has loosened the rental market in 2020, in some CMAs (Vancouver, Toronto, Montreal), the reduction in tourism has also likely increased the rental supply from the conversion of short-term rentals to long-term rentals.[26] With the government's announcements on higher immigration targets and eventual post-pandemic recovery, strong demand is likely to return and continue.[27] However, the path, timing, and speed of recovery is uncertain and likely will vary across Canada.

Condominium rentals are an important source of rental supply in some CMAs. However, they form part of the secondary market and therefore are more volatile (the units can be sold or repurposed on short notice) – purpose-built rental units provide more stable and dedicated long-term housing options.[28]

Based on 2020 Rental Market Survey and Condominium Apartment Survey data, Figure 5 looks at the proportion of the rental supply made of condominiums and purpose-built rentals.

Figure 5: % of Rental Housing in Purpose-Built Rentals vs. Rental Condominiums, 2020[29]



[24] Ibid.

[25] Ibid.

[26] Ibid.

[27] Immigration, Refugees and Citizenship Canada. (2020, October 30). *Government of Canada announces plan to support economic recovery through immigration* [News releases]. Gcnws. Retrieved March 6, 2021, from https://www.canada.ca/en/immigration-refugees-citizenship/news/2020/10/government-of-canada-announces-plan-to-support-economic-recovery-through-immigration.html; Canada Mortgage and Housing Corporation. (2021a). *Rental Market Report 2020*.

[28] Canada Mortgage and Housing Corporation. (2020, November 26). *Increase in supply of rental condominiums in Vancouver*.

[29] Canada Mortgage and Housing Corporation. (2021). Rental Market Survey Data Tables 2020 [Data table].

As seen in Figure 5, condominiums in Calgary, Toronto, and Vancouver comprise of 30% to 40% of the rental supply captured by the surveys in 2020. In these cities, where condominiums make up a large proportion of the rental supply, having a strong supply of purpose-built housing will be important for providing more affordable and stable rentals (condominium rentals are typically more expensive than purpose-built rentals).

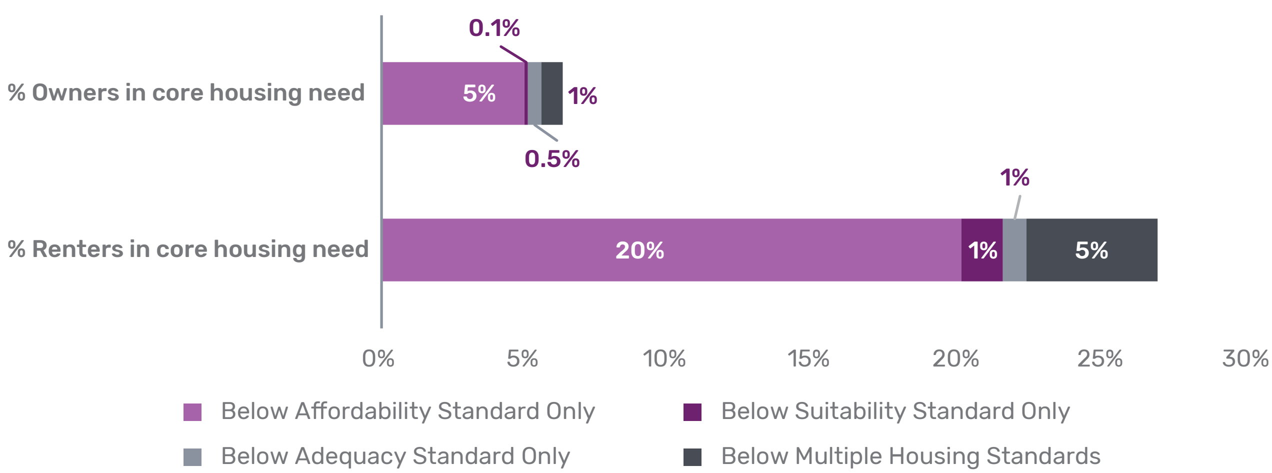
Finding 3

There is a need to increase the supply of affordably-priced rental housing.

Here, affordably-priced rental housing means it is affordable to lower income households. While this section focuses on rental housing in the market, there are other areas of the housing continuum that explicitly target households that cannot afford market rents using policies such as rent supplements, rent subsidies, housing benefits, and social/community housing.

In 2016, 26.8% of renters were in core housing need[30], compared to 6.3% of owners being in core housing need (see Figure 6).[31] Figure 6 also illustrates that most renters in core housing need face issues of affordability (i.e., shelter costs equal to or more than 30% of total before-tax household income) as compared to other characteristics of core housing need (i.e., suitability and adequacy). Among those experiencing core housing need, renters are more likely to face persistent housing challenges by remaining in core housing need.[32]

Figure 6: Incidence of Core Housing Need (2016)[33]



[30] Core housing need is defined as a household whose dwelling is unacceptable (it is unsuitable, inadequate, or unaffordable) and the acceptable alternative would cost 30% or more of the household's income. See this link for more information: https://www.cmhc-schl.gc.ca/en/data-and-research/core-housing-need/identifying-core-housing-need

[31] Canada Mortgage and Housing Corporation. (2020). *Characteristics of Households in Core Housing Need: Canada*, P/T, CMAs [Data table, Canada]. https://www.cmhc-schl.gc.ca/en/data-and-research/data-tables/characteristics-households-core-housing-need-canada-pt-cmas.

[32] Canada Mortgage and Housing Corporation. (2021c). *Research Insight: Transitions Into and Out of Core Housing Need:* https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/publications/research_insight/research-insight-transitions-into-out-core-housing-need-69726-en.pdf

[33] Statistics Canada. (2017c, November 15). *Core housing need*, 2016 Census. https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/chn-biml/index-eng.cfm

The 2020 Rental Market Report demonstrates that the lower quintiles of the income distribution face significant challenges in finding affordable market rental accommodations.[34] This is much more severe in some CMAs. Vacancy rates are also generally lower for the most affordable units. This demonstrates a need for more affordable rental units.

The evaluation also heard this need for affordable rental housing in the interviews. Successful and unsuccessful applicants' responses on the current need for affordable rental housing was higher than their responses regarding the need for rental housing in general. The provincial housing agencies that were interviewed all agreed that the need for affordable rental housing is greater than for rental housing in general.

In addition to the affordability criteria built into program requirements, RCFi can also indirectly lead to greater affordability by increasing supply. New construction and new supply typically have rents much higher than the overall average rental.[35] Buildings that are older or have fewer units tend to have lower median rent, so that these lower-rent options are typically older existing homes. Although newly-constructed units (such as those built from the RCFi) typically charge higher rents, there is a trickle-down effect: new rental housing adds to the rental supply, which can apply downward pressure on rents and/or create vacancies in the lower-end of the rental market by shifting moderate and higher-income households away from low-rent options. In tight markets where the rent price is driven up by demand, additional supply in the higher-end market may alleviate affordability issues.[36] However, this assumes there is a consistent stock of low-rent options. The availability of lower-rent options is impacted by demolitions, replacements, and renovations.

Another aspect of an unacceptable dwelling that indicates the core housing need of a household is suitability. This affects immigrants disproportionately. This overrepresentation of immigrants in crowded households suggests, "A scarcity of affordable rental housing suited to the typically larger sizes of immigrant households," and a difficulty in finding suitably sized and affordable rental housing.[37]

Finding 4

There are other programs to increase the supply of purpose-built rental housing within CMHC and at the provincial and municipal levels. These programs overlap with RCFi to some extent, but they do not duplicate RCFi because they use different policy tools as incentives, target different households, and have different eligibility requirements.

To increase the supply of purpose-built rental housing, there are other programs within Canada that aim to incentivize rental construction. At the federal level, RCFi has similarities with the Affordable Housing Mortgage Loan Insurance Flexibilities (known as "MLI Flex") option for new constructions, a Mortgage Loan Insurance (MLI) product that is offered by CMHC. Like RCFi, MLI Flex provides some attractive loan features with the same affordability requirements. However, MLI Flex encompasses other housing project types (Single Room Occupancies, student housing, retirement homes). There are also no accessibility or energy efficiency requirements under MLI Flex. The loan features are not as attractive as RCFi (up to 40 years amortization for MLI Flex). In the case of MLI Flex, the lender must be an approved lender, whereas for RCFi, the lender is CMHC. The reason for both options is that RCFi has a limited amount of funding for loans and cannot meet the entire demand for funding new rental construction projects.

CMHC's National Housing Co-Investment Fund's (NHCF) Construction Stream also encourages increased supply of affordable housing, which includes mixed-use market or affordable rentals (as well as shelters, transitional housing, and community housing). NHCF offers

[34] Canada Mortgage and Housing Corporation. (2021b, January 28). *The results of the 2020 Rental Market Survey are in!* Retrieved March 6, 2021, from https://www.cmhc-schl.gc.ca/en/housing-observer-online/2021/2020-rental-market-report

[35] Canada Mortgage and Housing Corporation. (2019a). *Research Insight; Demand or Supply Side Housing Assistance? Updating the Debate*.

[36] Pomeroy, S., & Lampert, G. (2017). *Examining the dynamics of Canada's housing tenure system*

[37] Ibid.

repayable loans, forgivable loans, and grants based on social outcome scoring. Projects must have received support from another level of government (provincial, territorial, municipal, Indigenous) and affordability requirements are deeper than RCFi. RCFi and NHCF, while sharing similar features, exist to target different areas of the housing continuum.

At the provincial/territorial level, there are a variety of program and initiatives encouraging rental construction. For example:

- **British Columbia**: The Provincial Rental Supply is delivered by BC Housing through the Housing Hub and offers interim construction financing for developing affordable and appropriate rental housing options. Like RCFi, projects must be financially viable, and rents must remain affordable for at least 10 years. However, this BC program targets middle-income households with income thresholds for tenant eligibility.
- **Ontario**: In 2018, the Ontario government exempted new rental units from rent control to encourage developers to build more rental housing.
- **Manitoba**: The Manitoba Government's Rental Housing Construction Tax Credit started in 2013. It is a financial incentive for for-profit and not-for-profit developers to develop more rental housing. Unlike RCFi, it is a tax credit that can offset 8% of the capital costs of construction, with the requirement that at least 10% of units are affordable.
- **Saskatchewan**: The Rental Development Program incentivizes new construction of affordable rental housing by offering forgivable loans of up to 70% of eligible capital construction costs. Unlike RCFi, this program targets low-income households requiring in-house support services (for households with disabilities, mental illness, behavioral issues/cognitive disabilities).
- **Nova Scotia**: Housing Nova Scotia has a program for developers interested in building new affordable rental housing to increase the supply of affordable housing. The program provides a forgivable loan. Unlike RCFi, projects must target low-income households and remain affordable for 15 years (whereas RCFi is designed for middle-income Canadians, with a minimum affordability of 10 years). This program can include a rent subsidy or rent supplement.
- **Prince Edward Island**: The Prince Edward Island Housing Corporation incentivizes the construction of rental units with a forgivable loan of up to $45,000 per unit, with the condition that rental rates remain affordable by remaining below maximum allowable affordable rental rates. Projects from private developers can receive a forgivable loan for up to 50% of the units, while projects from municipalities, development corporations, and non-profits can receive a forgivable loan for up to 100% of their units.

At the municipal level, one of the notable programs incentivizing the construction of purpose-built market rental housing is the **City of Vancouver's Secured Market Rental Policy**. These incentives are focused on the municipality's jurisdiction (parking reductions, development cost levy waivers, relaxation of unit size). Like RCFi, this program has affordability requirements that a minimum of 20% of residential space must be affordable; unlike RCFi, there are specific income thresholds for tenants.

While this review of programs is not exhaustive, it demonstrates that other programs exist at the federal, provincial/territorial, and municipal level that encourage construction of purpose-built rentals. This scan reveals that these incentives can use different policy tools, target different households, or require tenants to reach an income threshold. RCFi projects that are also approved under provincial/territorial or municipal programs may already be targeting tenants in order to fulfill other affordability requirements. The RCFi does not duplicate programs at other levels of government. RCFi's social outcomes account for collaboration with other governments as RCFi projects can also be approved under these rental construction programs from different provinces/territories and municipalities. Ultimately, the RCFi is unique in its loan features and its reach in incentivizing rental construction.

Evaluation Question 2: Are the objectives of the program consistent with federal government and CMHC priorities?

Finding 5

The objectives of the Rental Construction Financing Initiative are consistent and well aligned with federal government and CMHC priorities.

The evaluation reviewed CMHC's website and the 2021-2025 Corporate Plan and noted that the RCFi is well aligned with CMHC plans and priorities. CMHC's aspirational goal is to provide all Canadians with an affordable home that meets their needs by the year 2030. The implementation of the National Housing Strategy will contribute to meeting this goal, and creating new housing supply is a key pillar of the National Housing Strategy.

As stated in the RCFi's introduction in Budget 2016 (prior to the National Housing Strategy), this program contributes to Government of Canada priorities such as supporting the middle class (a focus of the RCFi program), supporting municipalities and developers (for-profit and not-for-profit) in developing new rental housing, building socially inclusive communities and lowering greenhouse gas emissions from the housing sector.

The RCFi's purpose to incentivize the creation of new purpose-built rentals also aligns with the federal government commitment to housing through the National Housing Strategy. In 2017, the Government of Canada launched the $40B National Housing Strategy. A key pillar of National Housing Strategy initiatives is the creation of new housing supply, which RCFi supports. Since 2016, RCFi has received three rounds of additional funding, with the latest 2020 Fall Economic Statement increasing the RCFi's total lending capacity to $25.75B.

As for legislation, the 2019 National Housing Strategy Act recognizes the right to adequate housing a fundamental human right. Aligned with both CMHC's aspirational goal and federal strategic direction (as further described below), the National Housing Strategy Act requires that the federal government implement a national housing strategy that is directly targeted at Canadians who are in greatest need. The RCFi is one of the National Housing Strategy's complementary initiatives to address challenges across the continuum and spectrum of housing needs.

Affordable housing also lies at the core of CMHC's aspirational goal that "By 2030, everyone in Canada has a home they can afford and meets their needs." CMHC's Corporate Plan articulates the pathway to allow CMHC and the federal government to achieve this goal, supported by the National Housing Strategy. The RCFi plays a key role within both strategies. An increase in the supply of housing stock for different areas of the housing continuum allows for the appropriate quantity and mix of housing options to serve the diverse needs of Canadians. Designed to be a supply-based initiative, the RCFi is well aligned with federal government and CMHC plans and priorities.

As RCFi focuses on middle class Canadians, it does not explicitly target NHS priority populations such as seniors, veterans, newcomers, the homeless, and more. However, it does have minimum project requirements for energy efficiency, affordability and accessibility, which contribute to NHS social outcomes.

5 Effectiveness Findings

Evaluation Question 1: To what extent has the rental housing stock been increased as a result of the program?

Finding 6

RCFi has made a substantial contribution to the supply of rental apartments – 107 projects containing 14,090 units have been approved since program inception through November 2020.

The majority of the 14,090 units from approved applications during the study period are being built in Ontario, followed by British Columbia. These two provinces contain 71% of the total units that have been approved. Table 2 below summarizes the number of units from successful applications by region.

Table 2: Units Added by Region

Region	Number of units	Percentage of total	Number of Approved Projects	Percentage of Total Approved Projects
Atlantic	737	5%	7	7%
British Columbia	3,200	23%	32	30%
Ontario	6,833	48%	35	33%
Prairies and Territories	1,665	12%	15	14%
Quebec	1,655	12%	18	17%
Total	14,090	100%	107	100%

It is not surprising, therefore, that cities in Ontario and British Columbia have seen the majority of the increase in units, predominately Toronto, Vancouver, and Ottawa.[38] The table below summarizes the number of units from successful applications for the top five cities. More than half of the total units that will be added from RCFi funding to date are in these cities. Reviews carried out as part of the initial program planning noted that it is the urban centers where additional rental supply was most needed.

Table 3: Top 5 Cities with Units Added

City	Number of Units	Percentage of RCFi total
Toronto	3,907	28%
Vancouver	1,330	9%
Ottawa	1,183	8%
Calgary	889	6%
London	543	4%

Many cities throughout Canada have benefitted from RCFi; Table 4 below is a sample of other towns and cities across Canada where housing supply has increased due to RCFi.

[38] The top-up in available loans from Budget 2019 included specific rental unit targets for Toronto and Vancouver.

Table 4: Sample of Other Towns and Cities with Units Added

City	# of Units	% of total
Ajax	859	6%
Montreal	612	4%
Winnipeg	365	3%
Victoria	358	3%
Surrey	352	2%
Langford	311	2%
Edmonton	288	2%
Fredericton	132	1%
Gatineau	80	1%

Since RCFi is a program that encourages construction, the evaluation also sought to compare the rental starts from RCFi against the rental starts in the market. An analysis was conducted on the contribution RCFi has made to total rental starts during the study period. Upon review of city-level rental housing starts data produced by CMHC, 14 cities were identified where RCFi applicants planned to construct rental units. The results are shown below for years 2018 and 2019.

Note that this analysis assumed that the year of funding was the year in which construction started. As the data for this calculation comes from two data sources (Starts and Completion data as well as RCFi application data), this is an estimate of RCFi's contribution to overall rental starts.

Table 5: RCFi Contributions to Rental Starts Market

Project City	2018 Rental Starts	2018 RCFi Starts	% RCFi	2019 Rental Starts	2019 RCFi Starts	% RCFi	% 2018+2019
Calgary	913	121	**13%**	999	0	**0%**	6%
Chilliwack	164	67	**41%**	304	0	**0%**	14%
Edmonton	680	0	**0%**	1,603	40	**2%**	2%
London	428	123	**29%**	1,307	0	**0%**	7%
Montreal	11,380	199	**2%**	13,036	103	**1%**	1%
Ottawa	1,594	136	**9%**	1,336	372	**28%**	17%
Peterborough	16	0	**0%**	51	27	**53%**	40%

Project City	2018 Rental Starts	2018 RCFi Starts	% RCFi	2019 Rental Starts	2019 RCFi Starts	% RCFi	% 2018+2019
Summerside	16	0	**0%**	121	70	**58%**	51%
Tillsonburg	44	0	**0%**	0	16	**NA**	36%
Toronto	3,290	0	**0%**	4,090	2,704	**66%**	37%
Vancouver	6,425	115	**2%**	6,727	463	**7%**	4%
Victoria	2,106	53	**3%**	1,530	60	**4%**	3%
Wetaskiwin	0	0	**NA**	0	36	**NA**	100%
Winnipeg	1,784	204	**11%**	2,254	74	**3%**	7%
Total	28,840	1,018	**4%**	33,358	3,965	**12%**	8%

From Table 5 it can be seen that:

- RCFi units made up 8% of the total rental starts in 2018 and 2019 (4% in 2018 and 12% in 2019);
- The number of RCFi units in five of these cities was greater than 20% of their total rental unit starts in 2018 and 2019.

Finding 7

The basic structure of RCFi, particularly the structure of the loan agreement, makes pursuing rental apartment development significantly more attractive than if the development were undertaken using conventional financing.

One indicator of the financial attractiveness of RCFi is the demand for the program, as reflected by the number of applications received. Developers have applied for more than 50,000 units to be supported built through RCFi funding. The program has only been able to select 26% of units by November 30, 2020, which highlights the need in the market for attractive financing. Table 6 below summarizes the data on applications and number of units.[39]

[39] "Approved" applications (also referred to as "successful") are those that have a signed loan agreement or have been funded. In other words, these are applications with a financial commitment and projects that are under construction or have been built. Applications that were declined (in underwriting or otherwise) are labeled as "declined". "Pending" applications are defined here as applications that have a signed letter of intent, approved credit, is sent to underwriting, or is on hold. Finally, withdrawn applications are "withdrawn".

Table 6: Number of Applications and Units by Application Status

Status	Number of Applications	Percent of Total	Number of Units	Percent of Total
Approved	107	23%	14,090	26%
Declined[40]	230	49%	21,494	39%
Pending	63	13%	11,811	22%
Withdrawn	74	16%	7,510	14%
Total	474	100%	54,905	100%

According to interviewees, the two main factors taken into consideration by developers in considering the possible construction of rental housing are market demand and return on investment (ROI). RCFi addresses both these factors:

- The need for additional rental housing in the area (i.e., market demand) is one of the screening criteria RCFi emphasizes to potential applicants; and
- The ROI is significantly improved as a result of RCFi's favourable financing conditions (as described further in the pro forma analyses below).

The evaluation conducted a pro forma analysis to assess the financial attractiveness of RCFi to investors. The analysis compared the return on equity expected for recipients of RCFi funds in year 5 of operation in comparison with the estimated return on equity they would receive if they carried out the same development with a commercial loan (i.e., 25-year amortization, loan-to-value constraints, and market interest rates). Assumptions about the alternative of the commercial loan were made to gain an estimate of the applicable market rate. These assumptions included the applicable mortgage rate, the amortization period, loan-to-value constraints, etc. Three RCFi projects were assessed – one in a large city (population of more than 1 million), one in a medium-sized city (population of less than 1 million, and one in a small town (population below 50,000).

Adjustments were made to account for the differences in estimated costs and projected income associated with the projects. In particular:

- Projects using a commercial loan would not apply the same environmental standards as under RCFi. As such, construction costs were reduced by 5%. This was based upon third party sources discussing the added cost that environmental constraints add to construction.
- Rental income was adjusted to account for market rent in lieu of affordable rents; this information was sourced from appraisals provided in the applications.
- Loan sizes were constrained to 85% loan-to-value.
- Mortgages were constrained to 25 years of amortization.
- Mortgage Loan insurance was added to the loan and amortized over its life.
- Interest was determined to be the 5-year Government of Canada bond, in the month of application, with 150 basis point spread.

[40] There are many reasons why applications are declined. One of these reasons is the lack of available funds for RCFi applications. At RCFi's inception in 2017, a smaller amount of loan funding was available ($2.5B). Some of these applications were referred to other CMHC programs.

Table 7: Return on Equity in year 5 of Income Generation

Project	Return with RCFi funding	Return with a commercial loan
Large City project	8.9%	(1.0%)
Medium-Sized City project	79.0%	18.6%
Small Town project	2.1%	1.2%

In every scenario, RCFi makes pursuing the development more attractive. There are a few reasons to explain this, as listed below:

- For the Small Town, both the lower interest rate and increased amortization make RCFi more attractive. The Small Town property had a 6% higher operating margin using market rental rates, as opposed to RCFi affordable rental rates. Some of the additional profit can offset the benefits of the amortization period and interest rate. As a result, for the Small Town, applying either the RCFi interest rate or amortization length to the market rental income statement made a commercial loan more attractive than the RCFi loan.
- For the Medium-Sized City and Large City, the operating margins were much closer between RCFi affordable rental rates and market rental rates (less than 1% difference). Therefore, the amortization and interest rate are key reasons that RCFi loans were more attractive. Using the RCFi interest rate on the commercial loan gives the Large City project a small positive return - however an increase in the amortization period, using market rates of interest would make the project equally competitive. The reason for such a high return in the Medium-Sized City project is due to the fact that the project has a 99% loan-to-value ratio, because of its high social outcome score.

It is important to note that the results are summarizing the return observed in year 5 of the project earning revenue. When considering the lifelong return on equity between RCFi and a commercial loan, the difference may not be as stark. This is because over the life of the loan, the developer ends up paying a significantly higher mortgage under RCFi; however, on a year over year basis, it is more attractive.

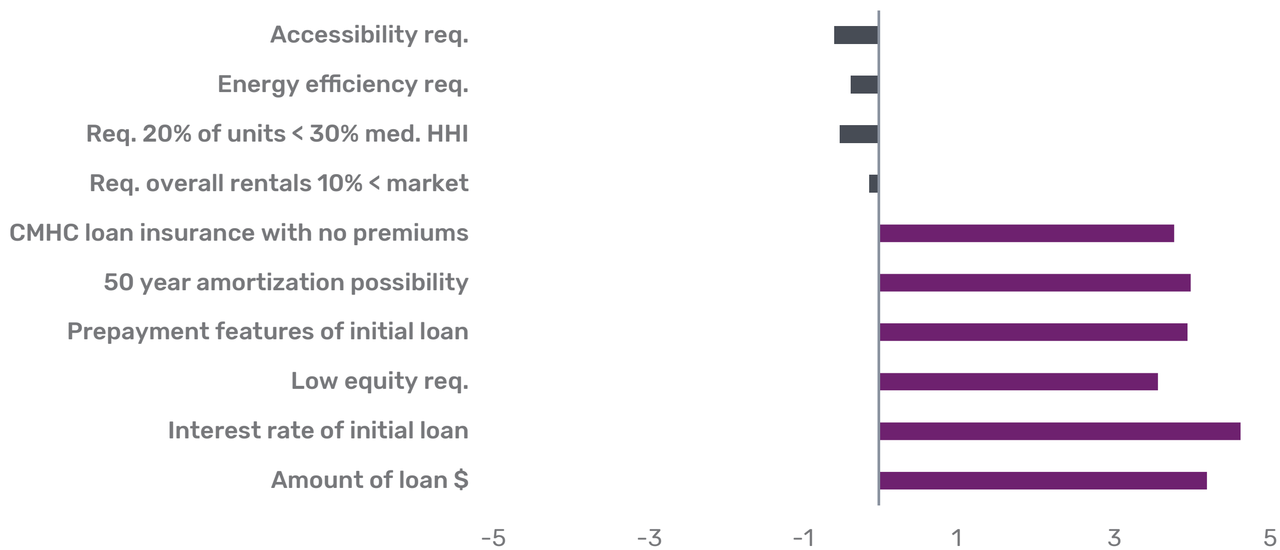
Finding 8

In the views of developers, the features of RCFi that are attractive to them far outweigh the program requirements that may require them to incur costs (relatively small compared to overall construction costs), such as the requirements to have a certain number of affordable units, accessibility requirements, and energy efficiency requirements.

During interviews, ten features of the RCFi program were rated by successful applicants on the extent to which the feature affected their decision to proceed with their project. Each feature was rated on the following scale:

Six of these features are features that would generally be perceived as "positive" from an investor perspective (i.e., loan features), and four are features that might be regarded as "negative" from an investor perspective (i.e., minimum requirements). These four features are program requirements that reflect intended social outcomes of the program. The responses are shown below in Figure 7.

Figure 7: Average rating of interview respondents



The unsuccessful applicants were asked to make the same ratings with similar results.

As seen, the "positive" feature ratings are quite positive (mean = 4.03), and the "negative" feature ratings are not very negative (mean = -0.39). There are many individual reasons for the lack of very negative ratings, but the overwhelming sentiment was, "The positive features of the program are so great that we can live with the negative features."

Results from the survey of successful RCFi applicants confirmed similar ratings as the interviewees. Overall, the mean positive features had a rating = 4.35 and the mean negative feature rating = 0.09.[41] The order of positive features from positive to negative was slightly different in the survey with the positive features ranking:

1. Interest rate of initial loan $ (mean of 4.67)
2. CMHC loan insurance with no premiums (mean of 4.33)
3. Amount of loan $ (mean of 4.27)
4. Low equity requirement (mean of 4.12)

[41] Although this rating is not strictly comparable, since only four positive features were rated rather than the six rated in the interviews.

The order of negative features from positive to negative was also slightly different in the survey with the negative features ranking:

1. Energy efficiency requirement (mean of 0.52)
2. Req. overall rentals 10% < market (mean of 0.00)
3. Req. 20% of units < 30% med. HHI (mean of 0.00)
4. Accessibility requirement (mean of -0.16)

Finding 9

About two-thirds of RCFi-supported projects either would not have been constructed or would have been constructed in a significantly different way (e.g., smaller or later) in the absence of RCFi support.

During interviews, successful applicants were asked: What impact, if any, did the availability of RCFi funding have on your decision to build this rental project(s)? Their responses were:

Table 8: Interview Responses

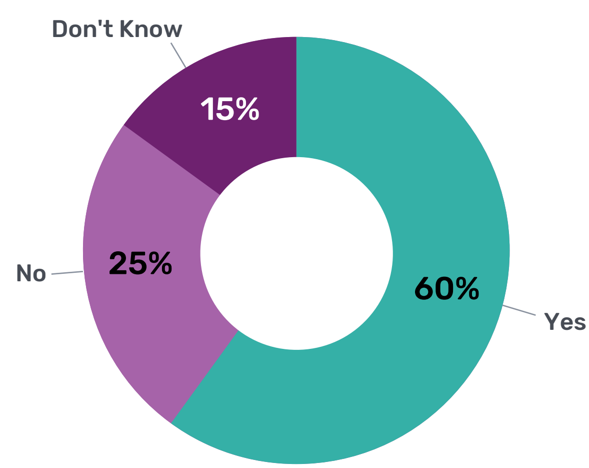
# of Interviewees	Extent of Impact	Meaning of Highly, Partially, and Minimal
5	Highly incremental	Would not have invested in housing development in the absence of RCFi support.
5	Partially incremental	Would have built a different type of rental development or another type of housing development (e.g., smaller, or later, or a condo development).
4	Minimally incremental	Although RCFi support made the project more attractive, they would have gone ahead with the project anyway.

Respondents that stated they would have built a different type of rental development or another type of housing development noted some aspects that would have differed from the RCFi project:

- They would have built smaller, and not as energy efficient.
- They probably would have built condos.
- They could not have built in the same location.
- They would have been built at a later date due to financing and would not have built with consideration for accessibility, nor have met the energy efficiency requirement.
- They would have had to build a smaller project.

As shown in the table, RCFi had an incremental impact on 10 of the 14 projects. This level of full or partial incrementality was reinforced by the results of the survey of successful applicants, in which 58% of the respondents said they would not have built the RCFi project in the absence of RCFi support.

Figure 8: Survey: Would capital have been difficult to acquire for your development project without RCFi?



The survey of successful applicants showed similar results to interviewees in that just under two thirds of survey respondents indicated capital would have been difficult to acquire without RCFi support (see Figure 8).

The survey also found that under two thirds of respondents (60%) indicated that the construction of condominium units is typically a more appealing option than the construction of rental units whereas 29.1% responded it was not and 10.9% did not know.

Unsuccessful applicant interviewees were asked, "what impact, if any, did the possibility of loan funding from RCFi have on your decision to plan this rental project?"

For 5 of the 8 projects RCFi had a moderate or major impact (a score of at least 5 out of 10, where 10 = very major impact).

Evaluation Question 2: To what extent has RCFi enabled the affordability of the housing stock to be preserved?

Note on the definition of "affordability": The standard definition of affordability is that shelter costs (rent, utilities, and municipal services) are considered "affordable" for a household if they are < 30% of the household's before-tax income. Thus whether a unit is affordable to a household depends on the income of the occupying household. In order to define an affordable unit for RCFi, CMHC based the definition on the rent of the unit rather than the standard definition based on income of the tenant in relation to the rent. **Thus, RCFi uses the definition: a unit is affordable if it priced at < 30% of the median area household income.** This is a reasonable proxy for the notion of affordability, but it imposes limitations to the analysis of affordability that need to be kept in mind when reading this section. For example, in cities with high median household incomes, such as Ottawa and Calgary, units can be classified as affordable according to this definition and still be priced at market rates or higher.

Finding 10

67% of the total units expected to be built with RCFi funding have been affordable units, as per the RCFi definition of affordability. Most applicants outperform the RCFi minimum requirement that 20% of units in their development be affordable units.

The number of affordable RCFi-supported rental units by year is shown below in Figure 9.

Figure 9: Affordable Units by Year of Loan Agreement

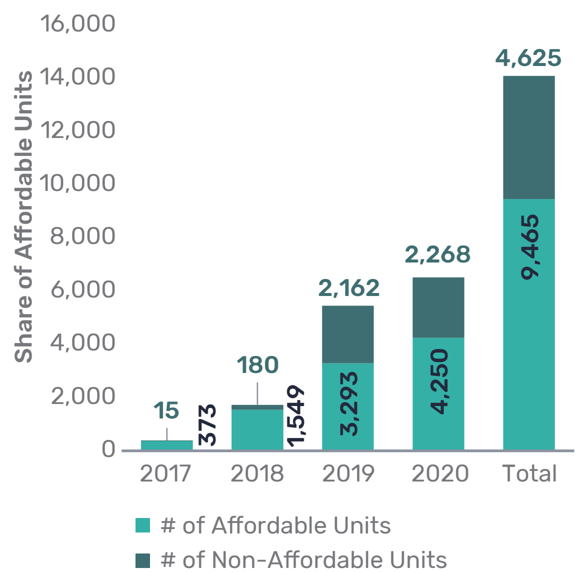


Figure 9 demonstrates that in total, 67% of all committed units (9,465 units) are affordable units.[42] This far exceeds the minimum requirement that 20% of each project's units are affordable. **RCFi units are often priced significantly lower than baseline affordability requirements.** The table below shows that 58% of units are priced at 90% of the baseline affordability requirement (i.e., rents are <= 30% of median household income), 52% of units are at 80% of baseline affordability with more than one-third of units (39%) at 70% of baseline affordability.

Table 9: Number of Units at Different Affordability Levels, by year

Year of Loan Agreement	# of Units	# of Units with Rents at 90% of Baseline Affordability	Share of Total Units	# of Units with Rents at 80% of Baseline Affordability	Share of Total Units	# of Units with Rents at 70% of Baseline Affordability	Share of Total Units
2017	388	373	96%	373	96%	259	67%
2018	1,729	1,552	90%	1,456	84%	1,179	68%
2019	5,455	3,163	58%	2,805	51%	1,964	36%
2020	6,518	3,016	46%	2,644	41%	2,136	33%
Total	14,090	8,104	58%	7,278	52%	5,538	39%

Additional evidence regarding affordability is provided by comparing the projected rents for RCFi one-bedroom units with the market appraisal rates for one-bedroom units for a similar building in that area. In general, RCFi one-bedroom rents are priced about 10-15% below market rates, as shown below in Table 10. This is not surprising since one of the affordability requirements (under Criteria A) is that a project's total residential rental income must be at least 10% below market rates. In 2019 and 2020, RCFi one-bedroom units were priced well below market rates.

Table 10: Projected 1-Bedroom Rent vs. Market 1-Bedroom Rent[43]

Year of Loan Agreement	Projected RCFi 1 Bedroom Rent	Market 1 Bedroom Rent	Percentage Below Market
2018	$1,165	$1,248	7%
2019	$1,299	$1,521	15%
2020	$1,242	$1,438	14%

[42] Note that 2017 had two projects approved.

[43] The evaluation only had data on 1-bedroom projects and therefore presented that here as an indicator of rental affordability.

Finding 11

The RCFi requirements related to affordability have increased the number of affordable units in RCFi-supported buildings by about 20% compared with what the number of affordable units would be in those projects in the absence of RCFi support.

During interviews, successful applicants were asked about their affordable rental units based on the definition that an affordable unit is a unit that satisfies **EITHER ONE** of the following criteria:

- Its rent is less than 30% of the median household income in the area, or
- Its rent is at least 10% below the potential market rent for a comparable rental unit in the area.

This is a broader definition than the definition used in the program, which requires **BOTH** of the criteria above to be met (under Criterion A applications); more units would qualify as "affordable" under this definition than the program definition. The evaluation used a broader definition in estimating the incremental impact of RCFi requirements on affordability.

Successful applicant interviewees were asked three questions about the extent to which they provide affordable rental housing, with the following results:

Table 11: Interview Responses on Affordability

Question	Mean Response
Roughly what % of the units in your RCFi building(s) are affordable?	79
What % of the units in your RCFi building(s) would have been affordable if RCFi did not have any affordability requirements?	59
Roughly what % of the units in rental apartment buildings you have built in the past have been affordable?	49

Comparing these three data points indicates that the RCFi has had an impact on increasing the number of affordable rental units.

This was confirmed in the survey of successful RCFi applicants. Of the respondents that indicated they would have built a rental project in the absence of RCFi support, 78% noted their project would have had fewer affordable units.

Evaluation Question 3: To what extent does the program encourage proximity to public transit, provide accessibility, and encourage mixed-income occupancy?

Note: The program provides bonus points in the social outcome score for proximity to public transit and facilitating alternative forms or transit. It also provides bones points for adaptable units and universal design units in excess of the program accessibility requirements. There are no bonus points for mixed-income occupancy (which is often beyond the control of the developer).

Finding 12

RCFi projects are in close proximity to public transit, and many also facilitate alternative forms of transit.

Nearly all (98%) of the 107 RCFi projects during the study period are within 1 km of public transit. In addition to being located within 1km of public transit, 68% of all projects also facilitate some form of alternative transit (car-share, bikes, etc.).

RCFi prioritizes areas with high need for rental supply. As previously discussed under Relevance Question 1, major cities generally face high rental demand. As a result, most RCFi projects reside in major cities, where there is greater access to public transit.

The survey of successful RCFi applicants included a number of questions on whether RCFi projects are in close proximity to amenities. Some of the results included: 92% of respondents indicated their projects are within close proximity to parks & recreational services, 84% within close proximity to schools, and 84% within close proximity to food services.

Finding 13

The vast majority of RCFi projects have either universal design units or adaptable units (or both) in addition to the program accessibility requirement.

The RCFi requires that at least 10% of units are accessible, meaning they meet or exceed the local accessibility standards and that all common areas are barrier free. Universal design refers to the design of units so that they can be used by all people without adaptation. Adaptable units have features that can be tailored to specific needs of residents.

In addition to the program accessibility requirements:

- 79 projects (74%) have at least two universal design units;
- 91 projects (85%) have at least two adaptable units; and
- 74 projects (69%) have both at least two universal design units and two adaptable units.

This demonstrates that at least 74% of RCFi projects outperformed the minimum accessibility requirement.

Finding 14

There are no data on the income of RCFi tenants, but it is likely that, because of the affordability criterion, RCFi projects are occupied by tenants with mixed incomes.

The data under Effectiveness Question 2 demonstrated the high number of affordable units in RCFi buildings. There is no information on the income levels of occupants, but it can be reasonably inferred from affordability levels that most projects have a mix of income levels.

In addition, for 7 of the 14 projects of successful applicant interviewees, there was some sort of arrangement with another level of government (province or municipality) or non-profits to stream households in need of affordable housing into the affordable units. For some of the other seven projects interviewed it was too early to say (e.g., still in construction). This indicates that although RCFi does not require targeting of affordable units to households in need, some targeting still exists from partnerships with other jurisdictions or organizations.

Evaluation Question 4: To what extent does the program facilitate the development of partnerships?

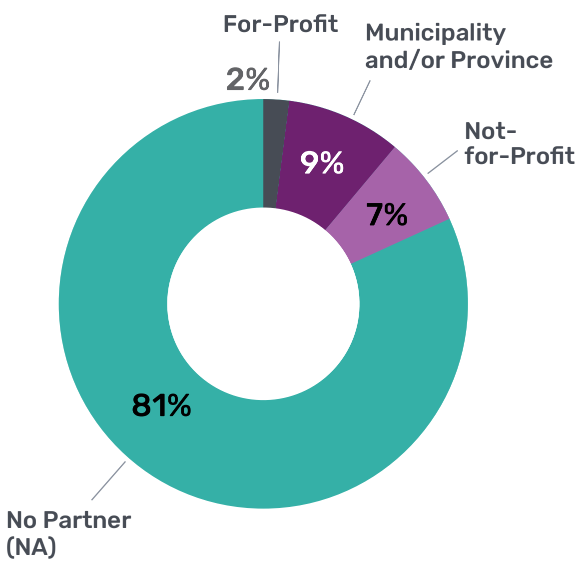
Note: The program provides bonus points in the social outcome score for partnerships.

Finding 15

19% of RCFi projects include some form of partnership.

20 of the 107 approved projects (19%) include some form of partnership (see Figure 10). Partnerships are when other organizations (non-profits, municipalities, for-profit developers, urban Aboriginal groups) take a long-term stake in the project.

Figure 10: Partnership Entities



These partnerships include having a stake in the project or involvement of the partner in the operation of the project. In the interviews of successful applicants, seven indicated that some projects had arrangements with government agencies or non-profits related to the placement of tenants in need of affordable housing. This means that at least seven of the 20 projects with partnerships ensured households in need of affordable housing were put into affordable RCFi units.

As for the successful RCFi applicants surveyed, half indicated that they partnered with a municipality (50%), and 22% partnered with a not-for-profit organization, and 14% with a province. Over half the respondents agreed that RCFi encourages the creation of new partnerships and over half the respondents agreed that RCFi encourages the continuation of existing partnerships.

The difference between the numbers shown in the graph and the survey results is mainly explained by the fact that the table was derived from RCFi applications, in which “partnerships” are defined as “having a long-term stake in the project”. This is verified so the project can receive a social outcome score based on this outcome. The survey results do not replicate this definition, but rather are based on the respondents’ views of what constituted a partnership.

Evaluation Question 5: To what extent does the program facilitate collaboration with other levels of government?

Note: The program provides bonus points in the social outcome score if the project has other government supports (funding, provision of land at less than market value, etc.).

Finding 16

Two-thirds of RCFi applicants are receiving some form of support from another level of government.

Approximately two-thirds of RCFi applicants are receiving some form of support from another level of government, and more than one-third are receiving three or more government supports. Possible supports include grants, concessions on property taxes, waiving development cost charges or other provincial/municipal fees, expedited approvals, waiving community amenity contributions, and more. In particular, 10 of the 14 successful applicants interviewed reported receiving some form of government support, which included:

- Provision of funding (4 projects)
- Provision of land at below market value (3 projects)
- Relaxation of certain requirements or concessions regarding development costs (4 projects).

Evaluation Question 6: To what extent does the program contribute to reduced energy use and reduced greenhouse gas emissions?

Note: RCFi requires that projects be at least 15% more efficient than 2015 model building codes. Bonus social outcome points are awarded for energy efficiency reductions greater than this.

Finding 17

Nearly all RCFi projects exceeded the program minimum energy efficiency requirement.

Finding 18

Average greenhouse gas reductions of RCFi projects during the study period are 30% below 2015 building codes.

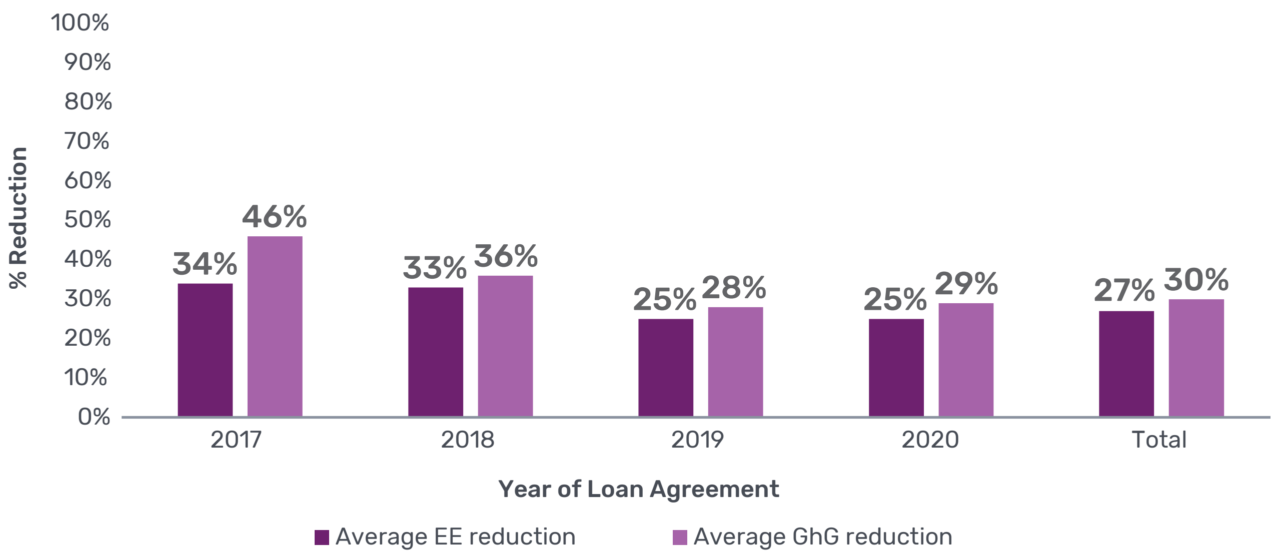
Table 12 summarizes the energy efficiency results from approved applications during the study period.

Table 12: Energy Efficiency Gains

Relative to 2015 Model Building Codes	Number of Approved Applications	% of Approved Applications	Number of Units	% of Units
15% more efficient	2	2%	63	0.4%
> 15% to 25% more efficient	58	54%	9,601	68.1%
> 25% to 50% more efficient	41	38%	3,792	26.9%
> 50% more efficient	3	3%	378	2.7%
Net zero energy	2	2%	169	1.2%
Unknown	1	1%	87	0.6%
Total	**107**	**100%**	**14,090**	**100%**

This data demonstrates that RCFi projects are above and beyond the minimum environmental efficiency (EE) requirements that buildings must be 15% more efficient. Nearly all (98%) of projects (105 of 107) exceed this minimum requirement. Figure 11 below shows the average reduction in energy use and greenhouse gas emissions in each year of the program.

Figure 11: Average Reduction in Energy Use and Greenhouse Gas (GhG) Emissions Below 2015 Building Codes of RCFi Projects, by year



Note that there were only two approved projects in 2017, which explains the higher average greenhouse gas reductions that year. Overall, the two measures have around the same percentage reduction, with greenhouse gas reductions slightly higher.

Evaluation Question 7: What are the economic impacts of the program?

Finding 19

RCFi is expected to enable GDP contribution of $4.8 billion, and the creation of 45,000 jobs.

Economic Impact Model

In Canada, the most authoritative and comprehensive I/O model is the Statistics Canada Interprovincial Input-Output Model maintained by Statistics Canada which is the model that was used for this analysis.

There are two manners to estimate the economic impacts associated with activity: a simple I/O model and a custom model. Based on the current scope of work, the evaluation used the simple model. In the simple model, Statistics Canada's I/O multipliers are used to estimate the total economic impact. These multipliers were used to create a generic production function for the residential construction sector represented by residential building construction NAICS code (2361). Note that the multiplier used for this analysis is based upon the 2017 data of the Canadian economy. The multipliers are released on a three to four-year lag from present day. For more information on the methodology, see Annex F.

It is important to note that the following assumptions underpin this analysis:

- The project budget estimates were assumed to be estimated within a material amount of the final budget cost.
- The supply chain of the Rental Construction sector in all years covered in this analysis was comparable to the supply chain upon which is based the 2017 I/O multipliers.
- The estimated budgets have similar breakdowns in soft costs and hard costs to industry averages, upon which the 2017 I/O multipliers were based.
- RCFi applicant's application year budgets were estimated based upon the application year's dollar value.
- The year the loan was approved is the same year that the project was constructed (i.e., the same year the money is spent).[44]
- The difference between using fiscal year inputs and calendar year multipliers is immaterial.
- Some RCFi applications include a commercial component; for ease of calculation, all costs were assumed to be related to residential construction sector. Note that a sensitivity test applying the commercial construction sector did not materially change the results.
- Due to time and scope constraints, this study did not consider alternative outcomes as part of the economic impact estimation. In other words, if the NHS program did not exist, some of these developments may still have been built (or built smaller, later, etc.); these developments were not removed from the total economic impact of the program. As a result, this analysis delineated how the NHS programs enabled the relevant construction.
- Similarly, RCFi funding was often one component of funding provided to these projects. Therefore, this analysis clearly notes that RCFi enabled the economic impact since it was one of a few financial inputs for most projects.

Economic Impact Definitions

RCFi is expected to enable a wide range of economic benefits across Canada. Below is a description of each of these benefits, followed by details on the Gross Domestic Product and Employment impacts. Unless otherwise noted, all dollar values are inflation adjusted to 2020 equivalent values, and all reported values are national.

- **Employment**: During the study period, RCFi is expected to enable approximately 19,000 jobs directly within the sector, supporting an additional 15,800 jobs within industries that supply to the sector, and an additional 9,700 jobs through the spending of labour income earned in the residential construction sector. A detailed analysis and explanation of the employment impact is presented in the following section.
- **Gross Domestic Product (GDP)**: GDP is a measure of the value-added by the residential sector within the local economy. RCFi is expected to enable the contribution of approximately $2.2 billion directly to the economy, $1.7 billion through indirect impacts of suppliers to the sector, and an additional $1.2 billion through the spending of the labour income in the economy. In total, the potential direct GDP expected to be enabled by RCFi to the economy was $5.0 billion. A detailed analysis and explanation of the GDP impact is presented in the following section.

Current Economic Impact

The tables that follow below summarize estimates of the economic benefits that will be enabled from the residential construction finance sector as a result of RCFi in terms of GDP, and employment. Each of these is composed of the Direct Impact (employment, and value-added created directly by the residential construction sector), the Indirect Impact (employment, and value-added generated by suppliers to the residential construction sector), and Induced Impact (the impact of re-spending of labour income earned in the residential construction sector). These three types are described in greater detail in Annex F.

[44] This assumption would likely have an immaterial impact on the outcome of the study.

RCFi Enabled Economic Impacts

RCFi will enable the following **direct economic impacts**: $2.1 billion in GDP; and 19,800 jobs.

Through the indirect industries that supply goods for the residential construction sector, RCFi will enable the following **indirect economic impacts**: $1.6 billion in GDP; and 15,800 jobs.

In addition, the consumption induced by residential construction sector activity will enable the following **induced economic impacts** as a result of RCFi: $1.1 billion in GDP; and 9,700 jobs.

In addition to the quantitative economic impacts listed above, there may have also been some qualitative economic impacts that were not addressed under the scope of this analysis. These are described below:

- **Affordability**: Due to the affordability of the housing offered by RCFi buildings, tenants may be able to save money and use available funds to make purchases in other sectors.
- **Community**: Some RCFi developments include commercial real estate (i.e., retail, cafes, and restaurants) which may help to foster a community, and is expected to create jobs for tenants and the local neighborhood.
- **Stability**: For some residents, the introduction of affordable housing may increase their housing stability, and therefore, economic stability by allowing tenants to be more established within a particular community for an extended period of time.

In total, RCFi loans to date will enable the contribution of $4.8 billion in GDP, and 45,000 jobs.[45]

This means that for every dollar loaned by RCFi to a developer, $1.1 of GDP will be enabled; for every million dollars loaned by RCFi to a developer, 10.3 jobs will be enabled. A summary of these impacts is provided below in Figure 12.

Figure 12: Economic Impacts

	Direct Impact		Indirect Impact		Induced Impact		Total Impact
GDP	2.1B	+	1.6B	+	1.1B	=	4.8B
Jobs	19,800	+	15,800	+	9,700	=	45,300
	Impacts generated **directly** within the residential construction sector		Impacts within Suppliers to the residential construction sector		Impacts from the spending of Labour Income earned through direct and indirect impacts		

[45] Note that HST was included in some of the budgets provided by developers, and should be removed from an I/O model. This data is not readily available. When considering the potential impact of HST, the following results could hold: total GDP would be enabled between $4.3B and $4.6B, and total jobs would be enabled between 40K and 43K.

6 Economy and Efficiency Findings

Evaluation Question 1: What would be the costs and benefits of CMHC potentially in-sourcing underwriting and servicing for RCFi and carrying out these activities internally?

Finding 20

Preliminary evidence suggests there may be potential cost savings from in-sourcing underwriting and servicing activities.

As noted in section 3.0, **internal analyses are underway to compare the costs of the current arrangement for underwriting and servicing**, which involves contracting out these activities to a private firm (CMLS Financial), with the costs of in-sourcing these activities and having them carried out by CMHC. A preliminary analysis was provided to CMHC during the course of the evaluation.

The main analysis compared:

- The expected cost to CMHC for transitioning the responsibilities for underwriting and servicing from CMLS to CMHC at the end of 2022, except for the completion of on-going work in hand by CMLS; with
- The costs to CMHC of continuing with the current arrangement.

Assuming a successful transition to CMHC servicing at the end of 2022, the preliminary analysis projected that CMHC could potentially find savings under the program budget, however the study noted more work is needed to fully assess the implications and risks of a transition. Some other considerations span human resources and technology, including CMHC's ability and cost to build in-house expertise, capacity and IT infrastructure. In addition, there are other non-monetary and intangible benefits to outsourcing underwriting and servicing activities, such as the vendor's reputation and ability to recruit talent, which were not costed in the analysis.

7 Conclusions and Recommendations

The RCFi remains relevant because there continues to be need for purpose-built rental supply. In addition, there are no other programs or initiatives in Canada that share its features and reach. This need has been recognized by the Government of Canada with the amount of loans available under the program increasing three times to the current total lending capacity of $25.75B, of which $12B was committed in the 2020 Fall Economic Statement.

Overall, the expected outcomes of the RCFi are being met – from its inception in 2017 to November 2020, the program has committed to increase the supply of rental housing by 14,090 units. About two-thirds of RCFi-supported projects either would not have been constructed or would have been constructed in a significantly different way (e.g., smaller or later) in the absence of RCFi support. RCFi loans to date are estimated to enable economic impacts of $4.8B to Gross Domestic Product and create 45,000 jobs.

The program remains attractive to developers. Demand for RCFi is high, as demonstrated by the number of applications which has increased in each year. In general, approved projects have exceeded the affordability, accessibility, and energy efficiency requirements. There is an opportunity for the RCFi to explore ways of further augmenting these positive outcomes within the program, especially as minimum program requirements are not considered overly restrictive.

Currently, the program outsources the underwriting and servicing activities. There are opportunities to further assess different options to identify potential efficiencies.

Finally, the evaluation highlighted several areas in which CMHC could improve its performance measurement data including potential linkages to better enable CMHC to understand the impact of the program on specific populations including households in need of affordable housing.

The evaluation proposes the following three recommendations.

Recommendation 1

Review and consider how the RCFi could achieve greater affordability, energy efficiency, and accessibility outcomes while continuing to support the creation of new rental supply.

While the RCFi's primary purpose is to encourage the construction of purpose-built rental housing, the evaluation also demonstrated positive social outcomes of affordability, energy efficiency and accessibility, all of which have minimum requirements under the program. These requirements, which relate to the objectives of the National Housing Strategy, did not appear to serve as a significant barrier to program uptake and a high proportion of projects exceed minimum requirements in these areas.

This presents an opportunity for CMHC to further increase the impact RCFi can have on NHS outcomes. This could include reviewing ways of prioritizing or incentivizing projects with higher social outcome scores to accentuate the high achievement of affordability, efficiency and accessibility. Any approach to potential adjustments should be calibrated to take into account the impact on supply within differing contexts.

Recommendation 2

Continue to examine the current underwriting and servicing arrangement for the RCFi to identify potential efficiencies, taking into consideration the feasibility and risks of alternative options.

In the current arrangement, underwriting and servicing activities have been outsourced. The preliminary evidence of the evaluation suggests that there may be potential savings by bringing these activities into CMHC. There are however, non-monetary and intangible benefits to outsourcing underwriting and servicing activities. The feasibility and risks of alternatives should be assessed, including the cost to build the requisite expertise and capacity in addition to the robust IT infrastructure to support these activities.

Recommendation 3

Review and reconfirm the performance measurement and data collection strategy for RCFi, including:

a) ensuring that data for performance indicators are collected consistently; and,

b) exploring the potential for obtaining tenant information.

Throughout the data collection phase of the evaluation, extra effort was taken by the evaluation team to populate RCFi's database to report on the extent to which outcomes have been achieved. While data on social outcome scores, costs and loan features are filled out correctly in the application documents, this information is not transferred consistently to program databases. Having robust and up-to-date performance data will provide useful information to CMHC management for program monitoring and enable more regular reporting of outcomes, including NHS social outcomes. Part of this review should consider the ease for program staff to collect data on these performance indicators.

There is also an opportunity to explore obtaining information about tenants of the RCFi's projects to address the contribution of RCFi in providing affordable units to target households, including on National Housing Strategy priority populations. Although RCFi was not originally part of the NHS and has the main purpose of increasing rental supply, it has become part of the NHS. Having this information could provide details on the extent to which RCFi is meeting the need for affordable housing and support policy decisions. CMHC can explore obtaining data through an arrangement with Statistics Canada and/or other organizations. In addition, this type of data partnership may support other CMHC programs and initiatives.

Annex A: Acronyms and Abbreviations

CMHC	Canada Mortgage and Housing Corporation
EE	Energy Efficiency
EQ	Evaluation Question
FY	Fiscal Year
GDP	Gross Domestic Product
HHI	Household Income
I/O Model	Input-Output Model
LTV	Loan-to-Value
MLI	Mortgage Loan Insurance
NAICS	North American Industry Classification System
NHCF	National Housing Co-Investment Fund
NHS	National Housing Strategy
QA	Quality Assurance
RCFi	Rental Construction Financing initiative
TBS	Treasury Board Secretariat

Annex B: Key Definitions

These terms are defined as per their use in the RCFi Evaluation Report.

Term	Definition
Affordability	The household has the financial ability or means to effectively enter or compete in the housing market.
Affordable Housing	A housing unit that can be owned or rented by a household with shelter costs (rent or mortgage, utilities, etc.) that are less than 30 per cent of its gross income.
Core Housing Need	A household is considered in "Core Housing Need" if its housing does not meet one or more of the adequacy, suitability or affordability standards, and it would have to spend 30% or more of its before tax income to access acceptable local housing. Acceptable housing is adequate in condition, suitable in size, and affordable. Adequate housing does not require any major repairs, according to residents. Suitable housing has enough bedrooms for the size (number of people) and makeup (gender, single/couple, etc.) of the needs of the households, according to National Occupancy Standard requirements. Affordable housing costs less than 30% of before tax (gross) household income.[46]
Energy Efficiency	Energy efficiency, means using energy more effectively, and often refers to some form of change in technology. Energy efficiency measures differences in how much energy is used to provide the same level of comfort, performance or convenience by the same type of product, building.
Greenhouse Gas Emissions	Gases – primarily carbon dioxide, methane, nitrous oxide and fluorinated gases — are emitted by the combustion of fossil fuels such as diesel, oil, or natural gas, to supply of heat and electricity to buildings.
Mixed-income Housing	Mixed-income housing is any type of housing development (rent or owned) that includes a range of income levels among its residents, including low, moderate and/or higher incomes.
Purpose-Built Rental Housing (Primary Market)	Purpose-built rental housing (also known as the primary rental market) is defined as rental units in privately-initiated apartment structures containing at least three rental units. They are designed and built expressly as rental accommodation. However, rental units are not restricted to this definition, as the secondary market consists of dwellings such as single-detached and semi-detached houses, rented row/townhomes, rented duplex apartments, rented accessory apartments, and rented condominium units. Together, the primary and secondary markets form the broader rental universe in Canada.
Secondary Rental Market	The secondary rental market consists of rental dwellings that are not purpose-built rental housing such as single-detached and semi-detached houses, rented row/townhomes, rented duplex apartments, rented accessory apartments, and rented condominium units.

[46] https://www.cmhc-schl.gc.ca/en/nhs/guidepage-strategy/glossary

Annex C: Program Profile

Historical context

The Rental Construction Financing Initiative (RCFi) was first announced in the 2016 Federal Budget as the Affordable Rental Housing Financing Initiative. The rationale for the program was that many Canadian cities lacked a supply of affordable rental housing and had large demand pressures from population growth and the rising cost of homeownership. This drives up rental rates and impacts the ability of middle-class Canadians to live in the communities in which they work and use services.[47] It was confirmed through consultations that key barriers to rental development included economic constraints such as scarcity and high cost of land, and land use regulations.[48] As such, the development of purpose-built rentals were less appealing when compared to condominium developments, because rental projects cannot generate as much immediate cash flow and must leave equity in the project for a longer period. RCFi was intended to offer a low-cost loan during the riskiest phase of development (e.g. construction and stabilization) in order to encourage purpose-built rentals and encourage an increase in rental housing supply. In 2016, The Government of Canada announced that $2.5B in loans would be provided for four years (2017-18 to 2020-21) and borrowed from the Crown Borrowing Program. In addition, the Government would appropriate $49.8M for interest rate costs over five years, $120M to offset Mortgage Loan Insurance premiums, and $59.3M until 2030-31 for operational costs. Originally, the $2.5B in loans was intended to meet the target of 10,000 new rental units.

Budget 2018 expanded the Rental Construction Financing Initiative from $2.5B to $3.75B in loans over the following three years (2018-19 to 2020-21). $133.7M in appropriations was provided, with $29.7M for interest rate costs over four years, $60M for insurance premiums over three years, and $44M until 2031-32 for operational costs. The expanded RCFi included a new target of 14,000 new rental units (4,000 incremental from Budget 2018).

RCFi by providing an extra $10B in loans over nine years (2019-20 to 2027-28), for a total of $13.75B in available loans. This increase allows for more rental units in more expensive housing markets (e.g. Vancouver and Toronto). The new targets for the program include financing the construction of 42,500 new rental units (28,500 incremental from Budget 2019), among which 14,250 units would be dedicated to Toronto and Vancouver.[49] $829.5M in appropriations was provided, with $169M for interest rate costs over seven years, $480M for insurance premiums over 12 years, and $180.5M for operational costs until 2037-38.

The 2020 Fall Economic Statement further expanded RCFi's lending capacity by an extra $12B, for a total of $25.75B.

Delivery model

Application process

CMHC delivers the Rental Construction Financing Initiative by providing low-cost loans with preferred interest rates to successful applicants, with a focus on standard apartment projects with general occupants. Projects must be dedicated to the construction of new rental affordable housing, with a minimum of five units, and with the primary use being residential.

The loan (at a minimum of $1M) is funded by CMHC for a 10-year term. After that, long-term financing must be obtained from private lenders (called "take-out financing"). This will be after construction risk is gone, so the loan is more attractive to private lender.

The application and approval process, which normally takes about 10 months[50], is summarized below:

[47] TB Sub 2016, s. 8

[48] TB Sub 2016, s.16

[49] TB Sub 2019, s. 4

[50] The median number of days from application submission to signing of the loan agreement is 226 (source: *RCFi Business Model Review*, page 9.)

Application Process Step	Comments
1. Application submitted online	Applications are submitted on an on-going basis, within a 60-day application window that ends the 23rd of each month.
2. Initial review and pre-screening	Applications are reviewed for eligibility, and an initial pre-screening is performed. CMHC regional officials may be engaged to provide input based on their local experiences during this step.
3. Prioritization	Applications that meet minimum eligibility requirements are assessed based on extent of affordability, accessibility, and energy efficiency, as well as other social outcomes and the need for additional rental supply in the market and financial capacity/viability. Applications that are prioritized at this stage are forwarded to CMLS Financials for underwriting assessments. (CMLS is a mortgage services company to which underwriting has been outsourced.)
4. Underwriting by CMLS	The CMLS underwriting assessment is submitted to RCFi for decision.
5. Credit Committee Review	Based on the loan parameters (i.e., loan amount and/or risking grid score) RCFi Credit Committee or the Rental Housing Credit Committee makes the final decision[51]
6. Letter of Intent	Negotiation and execution of the letter of intent.
7. Loan agreement	Negotiation and execution of the loan agreement.
8. Funding and servicing	CMHC is responsible for the first 10 years of the loan. Servicing is carried out by CMLS.

Loan details

The loan offers a 10-year term with fixed interest rate locked in at the beginning of the term as of the first advance (there is also a hybrid option of floating and fixed rate offered at the discretion of CMHC).[52]

The payment requirements are shown below:

Construction up to occupancy permit	Occupancy permit up until stabilization	Stabilization of net operating income
No payments; interest is added to the loan balance	Interest only payments required	Principal and interest payments

This payment structure lowers the cost for borrowers during riskiest phases of development (construction). The minimum debt coverage ratio (= net operating income/total debt service) requirements are 1.10 for residential loan components, and 1.40 for non-residential loan components. RCFi provides up to 100% loan to cost funding for residential components and up to 75% loan to cost funding for non-residential space. This is dependent on the scoring of the application (see below for details). In addition, CMHC mortgage loan Insurance is included for the duration of the amortization period, which can be up to 50 years. The borrower only pays the PST on the premium (not the premium itself).

[51] The final credit decision is made by the RCFi Credit Committee when the application falls within RCFi authority levels and is not considered non typical. In those cases the application must be deferred to the Rental Housing Credit Committee.

[52] Highlight Sheet https://assets.cmhc-schl.gc.ca/sites/cmhc/nhs/rental-construction-financing/nhs-rcfi-highlight-sheet-en.pdf?rev=120a2f86-ec9d-4508-8e74-be508d014a04

Minimum eligibility and prioritization scoring

In addition to encouraging the construction of purpose-built rentals, RCFi also seeks to contribute to a number of social outcomes. This includes affordability, energy efficiency, accessibility, collaboration, and proximity to transit. The first three of these have associated minimum project requirements:

Affordability – Projects are deemed affordable through meeting one of two sets of criteria; denoted as Criterion A or Criterion B of the program. Affordability, regardless of the selected criteria, must be maintained for at least 10 years from the date of first occupancy.

- **Criterion A**: requires that total residential rental income must be at least 10% below its gross achievable residential rental income as supported by an independent appraisal report. In addition, at least 20% of units must have rents at or below 30% of the median total income for all families for the area.
- **Criterion B**: allows applicants to be deemed as meeting the affordability requirement if the proposal has been approved under another affordable housing program or initiative (federal, provincial, territorial, or municipal) including capital grants, municipal concessions or expedited planning processing.

Energy efficiency – The project will be expected to achieve a minimum 15% decrease in greenhouse gas emissions and energy intensity relative to the 2015 model building codes.

Accessibility - A minimum of 10% of units should meet or exceed local accessibility standards (as per municipality or province/territory) for people with disabilities, and all common areas must be barrier free.

CMHC uses a prioritization grid to score the extent to which the application meets or exceeds these social outcome criteria, as well as additional criteria related to accessibility to transit and collaboration with partners and other levels of government. The overall score an application receives is used to determine the project's anticipated "social outcome tier" and therein its equity requirement. There are different Loan-to-Cost (LTC) levels for each of the three tiers: up to 100% LTC for Tier 1; up to 95% LTC for Tier 2, and; up to 90% LTC for Tier 3.

Target groups

The target population of the RCFi program is the eligible borrowers, which include private entrepreneurs/builders/developers, public or private non-profit housing organizations, rental co-operatives (not including equity co-ops), and municipalities.

Program objective and expected results

The objective of the Rental Construction Financing Initiative is to **encourage the construction of purpose-built rental housing in areas of need**. Prior to the 2020 Fall Economic Statement, the key program target is the construction of 42,500 new rental housing units. The 2020 Fall Economic Statement increased this target by an additional 28,500. As discussed above, through eligibility requirements and prioritization scoring, RCFi incentivizes the financial viability of projects, affordable residential rents, accessible units, socially-inclusive communities, energy efficiency, and reduced greenhouse gas emissions. The stated expected results for this program include the following.

- **Private sector plays a renewed role in new construction of purpose-built rental housing:** The attractive loan structure and other attributes of the financing are anticipated to encourage the attractiveness of purpose-built rental housing construction for the private sector.
- **Middle-class Canadians have increased rental housing options:** The attractive loan structure and other attributes of the financing are anticipated to encourage the construction of purpose-built rental projects. Collectively, these incentives would be anticipated to contribute to enabling middle-class Canadians to have access to increased rental housing options. Further, having more purpose-built rental housing may contribute to providing populations with a more stable and affordable form of rental supply.
- **Socially inclusive and vibrant communities are created:** The attractive loan structure and other attributes, alongside the social outcomes scoring and project prioritization, is anticipated to encourage developers to construct units that support socially inclusive communities with mixed-income projects.

- **New rental housing projects outperform local or national accessibility standards:** The attractive loan structure and other attributes, alongside the social outcomes scoring and project prioritization, is anticipated to encourage developers to construct units that are physically accessible.
- **New rental housing projects outperform energy efficiency standards of the 2015 model building code:** The attractive loan structure and other attributes, alongside the social outcomes scoring and project prioritization, is anticipated to encourage developers to construct units that are energy efficient.

A program logic model is provided in Annex D.

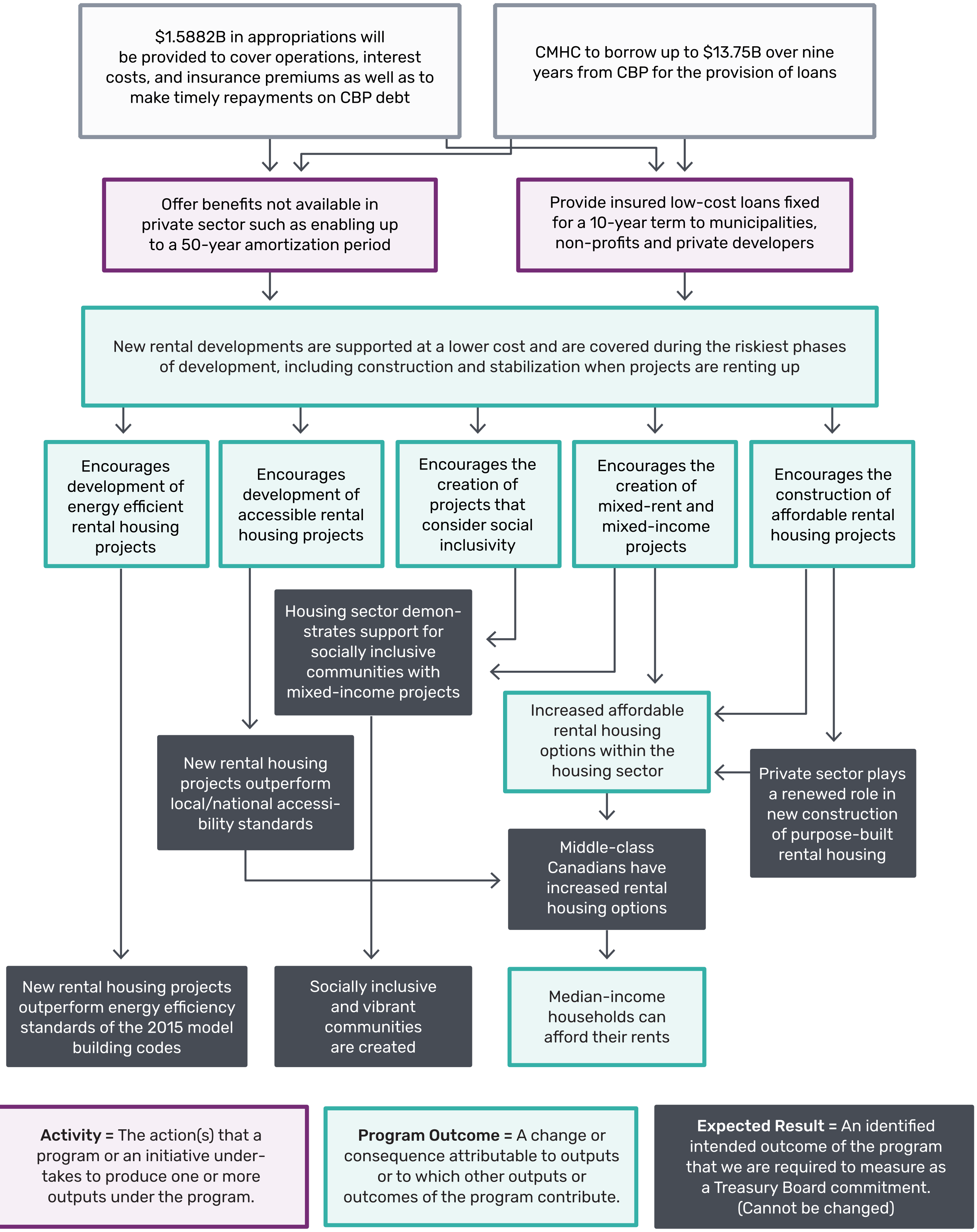
Program Resources

Funding is derived from Vote 1 Contributions. As per the iteration of RCFi from Budget 2019, the $13.75B in loans will be borrowed from the Crown Borrowing Program.

A total of $1.5882B in appropriations (from all three Treasury Board Submissions of 2017, 2018, and 2019) would be provided from the Government for: 1) interest rate costs 2) insurance premiums 3) operating costs. Of that, $248.5M will be used for interest rate costs, as it is estimated the appropriated interest cost needed during the period will be around $248.5M. This enables CMHC to maintain an income neutral position as RCFi projects are undergoing the construction phase.

Once the projects reach stabilization phase and the borrower starts paying back the loan, CMHC will repay the government the appropriated funds through direct payments to the Consolidated Revenue Fund. It is anticipated that the appropriated interest costs will be repaid by 2033-34. $660M of the appropriations are for insurance premiums over 12 years. This amount is for offsetting the Mortgage Loan Insurance since the $13.75B in loans results in $13.75B in mortgage loan exposure. Finally, $283.8M of the appropriations are for operational costs, including delivering the program until 2027-28 and servicing the loans until 2037-38. Operational costs also include oversight functions, legal services, treasury function, loan origination, and loans administration. It is anticipated that over time, administration costs will gradually reduce.

Annex D: Logic Model



Annex E: Evaluation Matrix

This table provides a summary of the lines of evidence that will be used to gather data and information about each evaluation question and related evaluation indicators, as planned in the Methodology Report.

Main Evaluation Indicators	Sub-Indicators	Line of Evidence			
		Key Informant Interviews	Survey	Internal Data and Documentation	External Data and Documentation
1. Relevance					
1.1 Is there a continued need for a program to encourage construction of rental housing?					
Evidence of the continued need for affordable housing in Canada	Core housing need			X	
	Housing hardship rate			X	
	Homeownership rate			X	
	Evidence of the extent to which there is demand for affordable housing	X		X	X
	Extent to which there is adequate supply of affordable housing	X		X	X
	Extent to which there has been investments in affordable housing in the past			X	X
	Extent to which areas of the housing continuum impact one another			X	X

Main Evaluation Indicators	Sub-Indicators	Line of Evidence			
		Key Informant Interviews	Survey	Internal Data and Documentation	External Data and Documentation
Evidence of the continued need for rental housing	Perceptions of key informants regarding the extent to which there is a continued need for a program that provides financial incentives to developers to construct rental housing	X			
	Vacancy Rate			X	
	Ownership-rental rate			X	X
	Average market rent			X	
	Rental starts			X	X
	Core housing need of renters			X	X
	% of purpose-built rentals compared to whole of rental universe			X	X
	Evidence of the extent to which there is demand for rental housing	X		X	X
	Evidence of the extent to which there is adequate supply of rental housing	X		X	X
	Evidence of the extent to which rental housing is affordable			X	X
	Age and condition of the rental housing stock			X	X
	Ownership of the rental housing stock			X	X
	Evidence of the extent to which purpose-built rental housing is profitable			X	X

Main Evaluation Indicators	Sub-Indicators	Line of Evidence			
		Key Informant Interviews	Survey	Internal Data and Documentation	External Data and Documentation
Evidence of the continued need for new construction	Perceptions of key informants regarding the extent to which there is a continued need for a program like the RCFi to support new construction	X			
	Evidence in document and literature review regarding the extent to which there is a continued need for new construction			X	X
	Rate of housing starts and completions			X	X
	Rate of building permits administered			X	X
	Average cost to construct new affordable housing units			X	X
1.2 Are the objectives of the program consistent with federal government and CMHC priorities?					
Extent to which the program aligns with federal strategic direction	Evidence in document and literature review regarding the extent to which the RCFi is aligned with federal strategic direction			X	X
Extent to which the program aligns with CMHC plans and priorities	Evidence in document review regarding the extent to which the RCFi is aligned with CMHC plans and priorities			X	

Main Evaluation Indicators	Sub-Indicators	Line of Evidence: Key Informant Interviews	Line of Evidence: Survey	Line of Evidence: Internal Data and Documentation	Line of Evidence: External Data and Documentation
2. Effectiveness					
2.1 To what extent has the program contributed to the achievement of intended results of the National Housing Strategy?					
1. Extent to which the rental housing stock has been expanded as a result of the program	Number of new rental units funded by the program, actual and projected			X	
	Number of new rental units in Toronto and Vancouver			X	
	Cost per unit of RCFi-funded projects			X	
	Impact of the program on applicants' decisions to build rental units.	X	X		
	Number of applications and successful applicants			X	
	Percentage of projects with private sector developers			X	
	Rental starts in select cities pre-RCFi			X	
	Rental starts (including projected rental starts) in selected cities post-RCFi			X	
	Building permits in select cities pre-RCFi				X
	Building permits (including projected building permits) in selected cities post-RCFi				X
	Results of pro forma analyses regarding the attractiveness of an RCFi-supported building vs. a non-RCFi-supported building			X	
	Percentage of projects with mixed-rent levels			X	
	Percentage of units that are affordable to households with median area income			X	

Main Evaluation Indicators	Sub-Indicators	Line of Evidence			
		Key Informant Interviews	Survey	Internal Data and Documentation	External Data and Documentation
2. Extent to which the program enables the affordability of the housing stock to be preserved	Number of affordably-priced units that have been built (Note: both definitions of "affordably priced units" to be used.)			X	
	Number of affordably-priced units that are planned to be built			X	
	Perception of borrowers of the likelihood of building affordably-priced apartments in the absence of RCFi	X	X		
	Perception of the attractiveness of affordably-priced housing to developers	X	X		
	Average rent of RCFi building in a city			X	
	Average market rent of a comparable building in a city			X	
3a. Extent to which the program encourages proximity to public transit	Average proximity to transit for new rental units			X	
3b. Extent to which the program encourages accessibility	Number of new units which are part of buildings which achieve universal design			X	
	Number of new units which are adaptable			X	
	Percentage of new units within a building that exceed local accessibility standards or universal design			X	
	Impact of accessibility requirements on the decision to apply for RCFi	X	X		
3c. Extent to which the program encourages mixed-income occupancy of apartment buildings	Perceptions of key informants (borrowers, social housing agencies, program staff) regarding the extent to which informal guidelines or approaches are being used to encourage social inclusion	X			

Main Evaluation Indicators	Sub-Indicators	Line of Evidence			
		Key Informant Interviews	Survey	Internal Data and Documentation	External Data and Documentation
4. Extent to which the program facilitates collaboration with other levels of government	Percentage of RCFi projects involving collaboration with other levels of government			X	
	Forms of supports received by RCFi projects from other levels of governments			X	
	Perceptions of key informants (borrowers, social housing agencies) regarding the reasons for collaboration and supports, or lack of collaboration and supports, with other levels of governments	X			
	Perceptions of key informants regarding the extent to which the program contributes to collaboration with other levels of government	X	X		
5. Extent to which the program facilitates the development of partnerships	Percentage of RCFi projects involving multiple partners			X	
	Perceptions of key informants (borrowers, social housing agencies) regarding the advantages and disadvantages of forming partnerships, as well as the reasons for partnerships	X			
6. Extent to which the program contributes to reduced energy use and greenhouse gas emissions	Impact of energy efficiency requirements on the decision to apply for RCFi	X	X		
	Percentage improvement above the 2015 National Energy Code for Buildings (NECB) or the 2015 National Building Code (NBC) energy consumption requirements for new buildings			X	X
	Percentage improvement above the 2015 National Energy Code for Buildings (NECB) or the 2015 National Building Code (NBC) greenhouse gas emission reduction requirements for new buildings			X	X
7. Economic impacts of the program	Construction expenditures of RCFi projects			X	
	Evidence of the impact of RCFi projects on Canadian economic growth				X

Main Evaluation Indicators	Sub-Indicators	Line of Evidence: Key Informant Interviews	Line of Evidence: Survey	Line of Evidence: Internal Data and Documentation	Line of Evidence: External Data and Documentation
3. Economy and Efficiency					
3.1 Are there alternative options for underwriting and servicing that would allow the program to be delivered in a more economic and efficient manner?					
Evidence of the professional effort and costs for the underwriting of approved loans	Estimated number of files that can be underwritten by a CMLS core team	X		X	
	Other professional effort required for underwriting	X		X	
	Estimated personnel costs for underwriting approved loans			X	
Evidence of the professional effort and costs due to declined loans	Estimated professional effort for declining loans	X			
	Estimated personnel costs due to declined loans			X	
Estimated professional effort and costs for servicing loans	Estimated professional effort for servicing loans	X		X	
	Estimated personnel costs due to servicing loans			X	
Evidence of other incremental costs of the in-sourcing option	Contract termination costs	X			
	Recruitment and training costs	X			
	Technology development costs	X			

Annex F: Detailed Methodology for Economic Impacts (Input-Output Model)

The first step in performing any analysis using the I/O multipliers is to understand how much revenue is being contributed within a specific sector. The analysis relied on the project cost estimates for all projects approved and funded under RCFi. Each dollar related to project costs is viewed as one dollar of revenue for the rental construction industry. Project cost estimates were used for all projects accepted through November 2020; this included hard costs (construction) and soft costs (marketing and administration). Each budget also included land costs associated with the application. These costs were removed from the final cost estimates as land costs are a transfer of economic wealth, and therefore do not lead to an additional economic impact.

Since the I/O multipliers are based upon 2017 data in the Canadian economy, the revenue inputs need to be converted to 2017 dollars. For purposes of this analysis, projects were included that were accepted into RCFi in the years 2017 through 2020. In order to ensure that consistent dollars were used, budget estimates were converted into 2017 dollars based upon the year that the project was approved. The Canadian Consumer Price Index was used to inflate or deflate budget estimates in each year. This relies on the assumption that the year the loan was approved is the same year that the project is constructed (i.e., the same year the money is spent).[53]

Once all project budget estimates were converted to 2017 dollars, the relevant input-output multipliers from the Statistics Canada input-output model were applied to the budgeted costs. Final impacts to GDP were converted back to 2020 dollars using the Canadian Consumer Price Index. The three types of impacts are described in further detail below:

- **Direct Economic Impact:** Direct economic impact is the total amount of additional expenditure within a defined geographical area that can be directly attributed to activity within the sector. Direct economic impact represents the deliveries by domestic industries and imports necessary to satisfy final demand expenditures on products and services. An example of a direct economic impact is the GDP, and employment created directly by the operations of a residential construction firm.
- **Indirect Economic Impact:** Indirect economic impacts are the upstream activities associated with supplying intermediate inputs (the current expenditures on goods and services used up in the production process) to the sector. An example of an indirect economic impact is the purchase of goods and services (such as raw materials, utilities, office equipment, etc.) that the sector makes to meet their firm's needs.
- **Induced Economic Impact:** Induced economic impacts are an estimation of the production and imports associated with the spending of wages and income from the Sector. An example of an induced economic impact are the employees of a residential construction firm purchasing goods and services (at a household level) with their earnings. Induced economic impacts, while having significant effect on the Canadian economy, are difficult to forecast accurately and are sometimes not considered when evaluating a specific activity's economic benefit.

[53] This assumption would likely have an immaterial impact on the outcome of the study.

Annex G: Limitations and Quality Assurance

Evaluation Limitations

Limitations	Mitigation Strategies
1. Though not a limitation, it should be noted that this study will not address meeting the need for affordable housing. It will be addressing the extent to which the program enables the affordability of the housing stock to be preserved i.e., the impact of the program on the supply of affordable housing (in accordance with various definitions of "affordable housing").	It will be made clear in the report that helping to meet the need for affordable housing is not a near-term or even intermediate objective of RCFi (see logic model). RCFi was mainly designed as a rental supply initiative, with some emphasis on the supply of affordable housing, but with no mechanisms to increase the likelihood that RCFi tenants were people in need of affordable housing.
2. Much of the information collected in the study will be collected from borrowers, and information from program beneficiaries has the potential for being biased.	First, the interview guides for successful applicants has been carefully designed so that there is very little potential for bias. In addition, the interviews will be carried out by very experienced interviewers. Second, the evaluation will triangulate different lines of evidence to the degree possible. In particular, considerable secondary data will be analyzed for the main effectiveness indicators (#1 and #2).
3. The analysis of the program impact on social inclusion, partnerships, and collaboration with other levels of government will be mainly based on program data from applications.	This is not a problem for partnerships and collaboration, which are straightforward. It will be challenging, however, to assess the program impact on social inclusion. There are two outcomes in the logic model related to social inclusion: • The development of mixed-income projects, and • The development of projects that consider social inclusivity. However, other than the affordability requirements, there are no features of the program design or operation that link to either of these outcomes. This will need to be explained in the report.
4. A limitation of the analysis of RCFi underwriting and servicing and the potential for in-sourcing is that it is not possible to interview the contractor that is currently delivering these services about the implications of losing their contract.	This has been mitigated by the identification of interviewees within CMHC who have a high degree of knowledge of the contractor's operations.

Limitations	Mitigation Strategies
5. COVID-19 may impact the capacity of some program recipients to follow their project's plan due to the disruptive nature of the pandemic on social and economic activity. Work arrangements have also been impacted. The evaluation team must be sensitive to reasonable delays in planned activities which may be attributed to the pandemic.	The evaluation team will take all possible steps to complete the study by the planned end date. Subject to budget limitations, the evaluation team can consider allowing more time for data collection if necessary to capture results that were briefly delayed by the pandemic. During conduct, the evaluation team will be sensitive to and will record any indication of significant delays to program delivery and project execution due to the pandemic. The evaluation team and KPMG is also flexible and has adapted to current exceptional work arrangements.

Quality Assurance

To ensure quality assurance throughout certain key stages of the evaluation process, the CMHC Lead (along with the Supports) will review all deliverables and provide updates. This evaluation will also undergo an internal peer review. This includes having another Evaluation team member provide an objective review of the Methodology Report and the Evaluation Report.

In addition, the RCFi program staff, Policy, and Research will have an opportunity to review the Methodology Report and the Evaluation Report.

Further, this evaluation followed the Program Evaluation Standards of the Canadian Evaluation Society, the CMHC Code of Ethics, and sound research practice.

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Alternative text and data for figures

Figure 1: RCFi Loan Amounts (in $ Millions) and Number of Projects, by year

Year	Sum of Loans (in $ Millions)	Number of Projects
2017	84	2
2018	405	17
2019	1,701	36
2020	2,190	52

Figure 2: Number of Units Committed, by Year, until the end of the study period (November 30, 2020)

Year of Signing Loan Agreement	Number of Units
2017	388
2018	1,729
2019	5,455
2020	6,518

Figure 3: Vacancy Rate and % Change of Average Two-Bedroom Rent in Canada (Census Areas of 10k+ population)

Year	Vacancy Rate (%)	% Change of Average Two-Bedroom Rent
2008	2.3	3.0
2009	3.0	2.4
2010	2.9	2.3
2011	2.5	2.2
2012	2.8	2.2
2013	2.9	2.5
2014	3.0	2.5
2015	3.5	2.4
2016	3.7	1.9
2017	3.0	2.7
2018	2.4	3.5
2019	2.2	3.9
2020	3.2	3.5

Figure 4: Rentals as a Percentage of All Housing Starts (1989-2020)

Year	Rental %
1989	18%
1990	21%
1991	23%
1992	19%
1993	14%
1994	9%
1995	9%
1996	7%
1997	6%
1998	6%
1999	7%
2000	8%
2001	10%
2002	11%
2003	10%
2004	10%
2005	9%
2006	9%
2007	10%
2008	10%
2009	12%
2010	12%
2011	12%
2012	11%
2013	14%
2014	15%
2015	19%
2016	20%
2017	21%
2018	25%
2019	29%
2020	24%

Figure 5: % of Rental Housing in Purpose-Built Rentals vs. Rental Condominiums, 2020

Centre	Apartments in the Rental Market Survey	Rental Condo Apartments
Halifax	52,244	2,005
Montréal	602,897	40,322
Ottawa	66,084	10,488
Toronto	318,613	142,381
Winnipeg	62,453	4,549
Saskatoon	14,687	3,502
Calgary	41,995	26,240
Edmonton	72,061	21,396
Vancouver	113,141	77,104
Victoria	27,499	6,255

Figure 6: Incidence of Core Housing Need (2016)

	% Renters in core housing need	% Owners in core housing need
Below Affordability Standard Only	20%	5%
Below Suitability Standard Only	1%	0.1%
Below Adequacy Standard Only	1%	0.5%
Below Multiple Housing Standards	5%	1%

Figure 7: Average rating of interview respondents

	Rating
Amount of loan $	4.21
Interest rate of initial loan	4.64
Low equity requirement	3.58
Prepayment features of initial loan	3.96
50 year amortization possibility	4
CMHC loan insurance with no premiums	3.79
Req. overall rentals 10% < market	-0.125
Req. 20% of units < 30% med. HHI	-0.5
Energy efficiency requirement	-0.36
Accessibility requirement	-0.57

Figure 8: Survey: Would capital have been difficult to acquire for your development project without RCFi

Response	Percentage
Yes	60%
No	25%
Don't Know	15%

Figure 9: Affordable Units by Year of Loan Agreement

Year	# of Affordable Units	# of Non-Affordable Units
2017	373	15
2018	1,549	180
2019	3,293	2,162
2020	4,250	2,268
Total	**9,465**	**4,625**

Figure 10: Partnership Entities

Type	Partnership Entities
For-Profit	2%
Municipality and/or Province	9%
Not-for-Profit	7%
No Partner / NA	81%

Figure 11: Average Reduction in Energy Use and Greenhouse Gas (GhG) Emissions Below 2015 Building Codes of RCFi Projects, by year

Year	Average EE reduction	Average GhG reduction
2017	34%	46%
2018	33%	36%
2019	25%	28%
2020	25%	29%
Total	**27%**	**30%**