

# White Paper

## Building a Circular Affordable Housing Finance System through an Impact Real Estate Investment Trust (i-REIT) Framework

*A Made-in-Canada Circular Housing Finance Framework*

Prepared by:

**Kelly Lin, Founding Lead Executive Officer**

Happy Community Development

November 2025

---

### 1. The Issue

#### Current State

Canada's affordable-housing finance system continues to depend on direct public spending and debt-based project financing. Major funders — including CMHC, BC Housing, and municipalities — provide essential grants and low-interest loans, but these remain **transactional, not circular**. Each project relies on new government allocations rather than creating mechanisms for self-sustaining reinvestment.

#### Declining Social-Housing Funding

Social-housing funding across Canada has steadily decreased over the past decade and now functions almost entirely through **government subsidies and contributions**. Projects targeting the lowest-income households are rarely viable without layered grants or ongoing operating subsidies. This dependency limits scale, delays delivery, and leaves the sector vulnerable to fiscal and political shifts.

#### Fragmentation Across the Sector

Non-profit, Indigenous, and community housing providers often **compete for limited public dollars** rather than aligning resources or sharing financial infrastructure. While **impact investors and federally supported social-finance intermediaries** have begun to expand access to mission-oriented capital, the **cost of that capital remains too high** to close the affordability gap — especially for deeply affordable and social-housing

projects. These initiatives are important advances in Canada's social-finance landscape, yet their tools are primarily **loan-based or short-term**, rather than the **long-term equity mechanisms** needed to sustain affordable housing.

At the same time, **community bonds, trusts, and other short-term instruments** provide access only to debt, not ownership, leaving organizations without the financial base to **build resilience, reinvest, or scale sustainably**.

As a result, **direct government contributions and low-interest loans from public agencies remain the only viable sources of capital** for impact-driven housing development, perpetuating dependence on limited public budgets and short funding cycles.

### Fiscal Pressures

With rising construction costs, higher interest rates, and increasing demand for affordable housing, **public-sector funding capacity is under significant strain**. Federal, provincial, and municipal governments all face **tight budgetary constraints**, and the current model — based primarily on direct capital grants and low-interest loans — cannot meet the scale of need.

Because every project depends on a new round of public allocations, the system operates as a **closed loop of one-time spending** rather than a regenerative investment cycle. As budgets tighten, this approach not only limits the number of new affordable units but also **reduces the ability of non-profit and Indigenous organizations to maintain or reinvest** in their existing portfolios, widening the gap between community need and available resources.

### Regulatory Inaccessibility of Existing REIT Structures

The current REIT framework, established under the **federal Income Tax Act**, was designed for **private, profit-maximizing investors**. REITs must distribute most taxable income to shareholders annually and are structured to prioritize yield generation. This offers **no mechanism for mission-driven or community-owned organizations** — which cannot issue shares or distribute profits — to participate without compromising their governance or charitable mandates.

Consequently, **non-profit and Indigenous housing providers are effectively excluded** from the equity and liquidity advantages available to traditional REITs. They cannot benefit from flow-through tax treatment or pooled-investment models while maintaining affordability and mission control.

## Observed Challenges from Practice

Through **Terra Housing** and its sister companies, we are currently delivering over **\$2 billion** in social and affordable housing across Canada — including Indigenous housing, women’s shelters, seniors’ long term care homes, and multi-phase urban redevelopments.

From this vantage point, and through collaboration with **multiple sectors, funders, and partners** — including **private developers, non-profit organizations, Indigenous communities, governments, and academic institutions** — we have developed a deep understanding of the systemic barriers within the current system.

**Happy Community Development**, drawing on both data analysis and hands-on project experience with Terra Housing, has found that across these partnerships, several **structural weaknesses** have become evident:

- Lack of long-term equity: Non-profit and Indigenous partners cannot accumulate wealth or leverage assets for reinvestment.
- Institutional investors restricted to debt: Few options exist for long-term equity participation.
- No capital recycling: Public dollars exit the system after each build, preventing compounding impact.
- Fragmented delivery: Each project restarts from zero, with no shared infrastructure or financial continuity.
- Competitive silos: Funders and organizations duplicate effort and compete for visibility and resources.
- Reliance on political cycles: Shifting priorities disrupt pipelines and undermine local empowerment.

## Summary

The current system produces homes but not **durable financial ecosystems**. It delivers units, yet fails to generate community wealth or lasting affordability. Canada’s affordable-housing model remains **transactional, fragmented, and subsidy-dependent**, rather than regenerative and self-sustaining.

---

## 2. The Opportunity

A **Made-in-Canada Impact Real Estate Investment Trust (i-REIT)** offers a practical, scalable path beyond this cycle — **building on the foundations** of Canada’s growing

social-finance ecosystem while addressing the structural gaps that prevent non-profits and Indigenous partners from fully accessing equity capital.

The **i-REIT** is a **mission-locked investment vehicle** that places community first and capital second. It enables individuals, institutions, and governments to **co-invest in affordable and social-purpose real estate** while embedding affordability, inclusion, and reinvestment into its governance and dividend policy.

### Why a New Model Is Needed

Canada's existing REIT framework is designed for **private, profit-maximizing entities**, leaving non-profit and Indigenous organizations effectively excluded from participating. Current REITs require maximizing investor returns, distributing most taxable income to shareholders, and maintaining high asset thresholds — conditions incompatible with community-owned or mission-driven housing.

These organizations cannot issue shares, distribute profits, or transfer asset control without violating their mandates or losing charitable status. As a result, they remain **locked out of equity-based capital markets**, dependent on grants and low-interest loans, and unable to build wealth or scale on equal footing with institutional developers.

The **i-REIT** addresses this structural gap by adapting the REIT model to recognize **impact-first mandates** and **community ownership**. It provides non-profits, Indigenous governments, and municipalities with a **regulated, transparent platform** to pool assets, attract investment, and reinvest surpluses — all while maintaining mission alignment and local control.

It complements, rather than replaces, existing public programs and social-finance mechanisms by offering a **long-term equity counterpart** to debt-based tools such as community bonds, impact funds, Rental Protection Fund, or the federal Social Finance Fund.

### Core Design Principles

Unlike conventional REITs that prioritize profit extraction, the i-REIT is designed to:

- Hold and manage assets collectively, not project-by-project;
- Embed affordability, Indigenous participation, and community reinvestment within its mandate;
- Recycle surpluses into new community projects and social housing; and
- Report both financial and social outcomes, aligning with ESG and impact-investment standards.

### Cross-Subsidy for Sustainable Affordability

Through the i-REIT model, **equity generated from near-market or mixed-income assets can cross-subsidize social housing and other community priorities**. Each participating organization determines how its retained earnings are reinvested — whether to deepen affordability, fund supportive housing, or create community infrastructure — all under transparent impact-reporting requirements.

This structure gives impact organizations **greater financial autonomy and accountability**, rewarding effective asset management and encouraging innovation. Equity flows become a **renewable resource**, empowering each community to shape its own development and investment agenda while building long-term resilience.

The i-REIT framework is **versatile**: it can be established by a **single impact entity** (such as an Indigenous development corporation or housing society) or through **pooled partnerships** where multiple organizations share responsibilities, risks, and benefits from jointly held equity.

### Transformational Impact

If every public dollar invested could leverage two or three private dollars of long-term equity that **stays within the community**, non-profits, Indigenous governments, and municipalities could build local wealth, strengthen affordability, and reduce reliance on future subsidies.

Through the i-REIT, **Canada can transform affordable housing from a cost centre into a circular investment ecosystem** — one that multiplies public value while advancing affordability, inclusion, Indigenous reconciliation, and economic self-determination.

---

## 3. i-REIT Framework

The **Impact Real Estate Investment Trust (i-REIT)** is a standardized framework enabling mission-driven organizations to establish their own REITs at significantly lower cost, using shared legal, financial, and governance architecture.

### Core Framework

- **Standardized Model:** Turnkey legal and financial templates for trust formation, governance, and reporting drastically reduce cost and setup time.

- **Embedded Strong Impact Policies:** Common social-impact and affordability requirements ensure measurable, mission-aligned outcomes.
- **Digital Dashboard:** A centralized platform provides compliance monitoring, analytics, and transparent reporting.
- **Access to Capital:** Aligning with a recognized REIT structure opens access to institutional and private equity typically reserved for large for-profit developers — **but within a governance model designed for mission-driven organizations**, ensuring that non-profit and Indigenous partners can participate without losing control of their assets or breaching their mandates.
- **Scalable Growth and Local Control:** Converts a complex structure into a **replicable, performance-based platform**, allowing each impact organization to govern, invest, and grow its assets according to its own mission priorities.
- **Versatile Design:** i-REITs can be established by **individual impact entities** (e.g., Indigenous development corporations) or through **pooled partnerships** of multiple non-profit, Indigenous, or municipal organizations. This flexibility enables partners to share responsibilities, risks, and rewards while collectively benefiting from publicly seeded equity and pooled asset performance.

In essence, **i-REIT democratizes access to real-estate equity**, equipping community organizations with institutional-grade financial tools while embedding social purpose at the core.

#### 4. Risks and Considerations

Risk	Description	Mitigation
<b>Regulatory Alignment</b>	REIT rules are built for profit-maximizing entities.	Partner with <b>Finance Canada, Canada Revenue Agency, CMHC</b> , and <b>Build Canada Homes</b> to establish an “Impact REIT” category or pilot exemption, and explore administrative or interpretive solutions within existing frameworks.
<b>Market Confidence</b>	Early investors may perceive social REITs as higher risk.	<b>Apply a blended-finance approach</b> , combining public seed capital and private equity to demonstrate stable performance, while leveraging established

Risk	Description	Mitigation
		community-housing portfolios <b>anchored in transparent and measurable impact policies.</b>
<b>Mission Drift</b>	Profit motives could override social outcomes.	Embed affordability ratios, reinvestment policies, and transparent reporting directly into i-REIT governance.
<b>Fragmented Adoption</b>	Small providers may lack capacity.	Offer shared administrative, digital, and pooled-asset participation models to achieve scale.

## 5. Pilot Partners

Led by **Kelly Lin**, Founding Lead Executive Officer of **Happy Community Development** and Principal Advisor at **Terra Housing**, the pilot draws on more than **20 years of Canadian and international hands-on experience** spanning planning, finance, design, and construction — with **\$2 billion** in social, Indigenous, and community-housing delivery nationwide.

### Confirmed and Prospective Partners and Technical Advisors:

Partners: City of Burnaby (BC) · Musqueam Squamish Tsleil-Waututh Nations Development Corporation (BC) · Entre Nous Femmes Housing Society (BC) · HomeSpace Society (AB) · Centretown Citizens Ottawa Corporation (ON) · Rental Rescue (Canada). Technical Advisors: Canadian Apartment Properties REIT (Canada) · Terra Housing (Canada). Academic Partner: New York University REIT Center & Building Better Cities Collaborative (U.S.)

Together, these partners form a **diverse and credible coalition** across Indigenous, municipal, non-profit, private, and academic sectors, ensuring that the pilot produces **replicable, evidence-based, and scalable results.**



## 6. Phased Implementation Strategy

### Phase 1 – Feasibility & Regulatory Exploration (6 months | CMHC Innovation Fund)

Assess how an Impact REIT can function within current REIT and tax frameworks and model financial/social outcomes.

**Deliverables:** Feasibility & Impact Report · Regulatory Insight Memo · Next-Step Plan

### Phase 2 – Demonstration & Framework Creation (12–18 months)

Launch a live pilot with real assets and partners; create a replicable **i-REIT Framework Toolkit** with governance, tax, and impact-metrics templates.

### Phase 3 – National Replication (18–36 months)

Scale adoption nationwide through a certification and shared-infrastructure stream under **Build Canada Homes** or a designated implementing agency.

---

## 7. Value to the Ministry, Build Canada Homes, and CMHC

The Phase 1 i-REIT Pilot offers a **low-risk, high-return opportunity** to test a transformative financing model requiring no legislative change or long-term fiscal exposure.

### Policy Outcome

### Benefit

**Evidence of social-purpose investment within existing frameworks**

Informs future CMHC, CRA, and Finance Canada reforms.

**Circular, reinvestable finance model**

Demonstrates how affordable housing can recycle capital instead of relying solely on grants.

**Long-term affordability & community ownership**

Builds equity for non-profit and Indigenous partners, advancing reconciliation and wealth-building.

**Alignment with federal priorities**

Supports Financing Affordable Homes (Build Canada Homes), National Housing Strategy, Housing Supply Acceleration, Indigenous Reconciliation, Social Finance Fund, and ESG investment.

**Low-risk participation**

Limited to a six-month design and modeling phase.



Policy Outcome	Benefit
Intergovernmental leverage	Adaptable framework across jurisdictions.
Evidence-based innovation	Produces standardized templates and a <b>Replication Toolkit (v1)</b> .
Public-private proof of concept	Shows how modest federal investment can attract institutional capital.
Legacy opportunity	Establishes a pioneering, community-owned circular-finance model for Canada.

---

## 8. Next Steps

1. **Endorse** the i-REIT Pilot under CMHC's Innovation Fund or Build Canada Homes' demonstration stream.
  2. **Fund Phase 1** to complete framework design, digital prototype, and partner validation.
  3. **Convene** a Federal–Provincial–Community Working Table to align policy and prepare for Phase 2.
  4. **Position** i-REIT as a national model for circular, socially-purposed investment.
- 

## Summary

The **i-REIT Pilot** is a pragmatic, evidence-based initiative to modernize Canada's housing-finance system with **minimal risk and maximum policy return**. It unlocks new capital, strengthens partnerships, and enables communities to reinvest in their own priorities.

Grounded in **Indigenous teachings of generational responsibility** and guided by both **Eastern and Western approaches to stewardship and value creation**, the i-REIT redefines investment as a shared act of regeneration — building homes today while sustaining prosperity for future generations.

**Kelly Lin**, Founding Lead Executive Officer of **Happy Community Development**, brings over two decades of experience in **planning, finance, and development**, delivering more than **\$2 billion** in social, Indigenous, and affordable-housing projects across **Canada and internationally**. A former **Executive Director of the Tofino Housing Authority**, and **founder of several social-impact development organizations**, she also **serves on Indigenous economic development boards**, advancing reconciliation-focused housing and investment strategies.

By supporting this pilot, **CMHC** and **Build Canada Homes** can:

- Lead **nationally and globally** in advancing impact-finance innovation;
- Establish a **self-reinvesting, circular housing-finance system**; and
- Create a **lasting federal legacy** of regeneration and shared prosperity.

In short, the **i-REIT Pilot** is a **low-risk investment with generational returns** — positioning Canada as a **global leader** in transforming not only how we build homes, but **how we finance, own, and sustain them together**.