



## **Housing beyond the market** municipal tools for promoting non-profit housing in Montréal

A Supervised Research Project prepared by  
A.J. Bimm

Submitted in partial fulfillment for the Master of Urban Planning degree  
School of Urban Planning, McGill University

Supervisor: Nik Luka  
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## **Abstract**

The housing crisis in Montréal has been intensifying in recent years, with many households struggling to find affordable places to live. Non-profit housing providers play a crucial role in addressing this problem, but they are limited by a system that favors private-for-profit developments. Although the Ville de Montréal has implemented various policies and strategies to address diverse housing needs in recent decades, further action is required to support the development of non-profit housing. This Supervised Research Project argues that despite their limited financial means, Canadian municipal governments have various policy tools at their disposal to foster a more supportive development environment for non-profit builders. This study provides an overview of housing affordability in the Montréal context, situating the need for non-market housing alternatives as well as offering insight into the history of non-market housing in Québec and the changing roles of municipal government. Barriers now limiting the production of non-profit housing are reviewed and compared with insights arising from two workshops with non-profit housing actors in Montréal. The study examines various policy tools successfully used by local governments across Canada and farther afield to improve the production of non-profit housing. By way of synthesis, a set of policy recommendations are made for the Ville de Montréal that should help to support the development of more non-profit housing across the city.

## **Résumé**

La crise du logement à Montréal s'intensifie depuis ces dernières années, avec de nombreux ménages qui ont des difficultés à trouver un logement abordable. Les promoteurs de logements à but non-lucratif jouent un rôle essentiel dans la résolution de ce problème, mais ils sont limités par un système qui favorise les développements à but lucratif. Bien que la ville de Montréal ait mis en place différentes politiques et stratégies pour répondre aux divers besoins en matière de logement, d'autres mesures sont nécessaires pour soutenir le développement du logement à but non lucratif. Malgré ses moyens financiers limités, ce projet de recherche étudie le principe selon lequel les gouvernements municipaux disposent de divers outils politiques pouvant encourager un environnement de développement plus favorable aux promoteurs de logements sans but lucratif. Pour débiter, cette étude donne un aperçu du contexte d'accessibilité au logement à Montréal, ainsi que de l'importance de trouver des solutions de logement hors marché. Elle donne ensuite un aperçu de l'histoire du logement hors marché au Québec et du rôle du gouvernement municipal. En poursuivant, la troisième section de ce projet identifie les barrières qui limitent la production de logements à but non-lucratif et documente les idées issues de deux ateliers en compagnie de quelques promoteurs Montréalais. Entre autres, elle examine divers outils politiques utilisés par d'autres municipalités en Amérique du Nord et à l'étranger qui ont promu efficacement le logement à but non-lucratif. Enfin, ce projet se termine par quatre recommandations politiques pour la ville de Montréal qui ont pour but d'aider à soutenir le développement de logements à but non-lucratif.

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"Be ruthless to systems. Be kind to people."

*-Michael Brooks*

# Introduction

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Canada has a housing affordability problem and Montréal is no exception. Over the past two decades, housing costs have been increasing at a rate that far outpaces income growth, leaving many residents struggling to find (and to remain in) suitable places to live. This crisis has far-reaching impacts felt across the economic spectrum, from middle-income families struggling to afford a mortgage to young people feeling stuck with limited housing opportunities. Meanwhile, households with the lowest incomes are left with few alternatives but to endure substandard housing or face homelessness. This issue has significant implications, impacting the overall economic and social fabric of communities on a large scale.

At the core of this problem lies an inherent contradiction – housing, which is fundamental to our well-being and quality of life, has increasingly been seen as a vehicle for wealth accumulation rather than a basic human right (Doucet, 2021; Madden and Marcuse, 2016). Now widely known as the *financialization* of housing (August, 2022), this has led to exploitative real-estate investment in major cities like Montréal, driving rapid increases in the price of housing (Gaudreau, 2020). Addressing this complex problem requires a wide array of interventions, many of which are politically contentious or institutionally difficult to implement. One response to safeguard existing and new housing supply from the pressures of financialization and real-estate speculation over the long term is to invest in non-profit housing. Unlike the private market, non-profit housing can help ensure that the costs borne by households are balanced against supply-side costs (including construction, maintenance, repair, and property taxes) and the profits reaped by others; it limits speculative and extractive practices, providing stability. However, non-profit builders in many parts of Canada continue to face various institutional barriers which limit their ability to produce more housing and thereby to maintain a stable supply of options that fit well with the needs and preferences of diverse households.

When it comes to housing, observers call for all levels of government in Canada to take concerted action (Vivre en Ville, 2022; Whitzman et al., 2022). Nevertheless, local municipalities, including the Ville de Montréal, have historically been constrained in their capacity to support the delivery of non-profit housing. Over the last six decades, provincial governments have led the implementation of housing programs with financial support from the federal government. In recent years, however, the

Gouvernement du Québec has introduced several legislative changes, empowering municipalities with greater autonomy and recognizing their importance as local governments. As part of the *Réflexe Montréal* agreement signed in 2016, the Ville de Montréal was granted special status as the metropolis of Québec and given greater control over several responsibilities, including housing (Gouvernement du Québec, 2016). Bill 121 *Loi augmentant l'autonomie et les pouvoirs de la Ville de Montréal, métropole du Québec* was also passed by the provincial government in 2017, providing the Ville de Montréal with the necessary legal means to carry out the obligations established in the agreement (Gouvernement du Québec, 2017). With the new powers, the Ville de Montréal now possesses a range of crucial mechanisms that can enhance its ability to shape housing outcomes and support the delivery of non-profit housing.

Meeting the challenge of 'housing beyond the market' can be done by addressing the following question, which defines this research project: **How can municipal policies, programmes, and procedures be improved to stimulate the provision of non-profit housing in Montréal?** The overall objectives of this study are (a) to describe important legal, regulatory, and procedural barriers impeding the construction of non-profit housing and (b) to identify local responses that will support and enhance the development of a stable supply of deeply-affordable housing in Montréal, ideally produced through non-profit processes. Three main components are presented, starting with an overview of Montréal's current housing context, with attention paid to the historical significance of non-profit housing in this metropolitan region. It then examines various barriers that limit production while reviewing promising initiatives taken by other municipalities. Finally, it concludes by presenting strategies that can be adopted by the Ville de Montréal to better support non-profit housing providers, building on various measures and programmes already in place. The work presented in this study sheds light on how to support the ongoing efforts of non-profit organizations to expand their operations, while also assisting municipal stakeholders (including planners and policymakers) to improve access to housing across the city.

Three methods were used to complete this project, including a scan of literature and policies, a review of good practices, and workshops with key informants.

#### Literature scan and policy review

A careful scan of the literature on non-market housing policies both within Québec and internationally led to the identification of policy and financial barriers that apparently limit production, based on review of key contributions. The literature scan encompassed an overview of Canada's housing system

and delved into the historical context of non-profit housing development in Québec. An examination of policies and documents was also undertaken to take stock of current policy approaches for non-profit housing development in Montréal. At the municipal level, documents analyzed included the Ville de Montréal's previous *Stratégie d'inclusion de logements abordables*, *Règlement pour une métropole mixte*, and *Droit de préemption* (right of first refusal). Provincially, the *Programme d'habitation abordable Québec* was reviewed, and at the federal level, the National Housing Strategy was also considered.

### Review of good practices

An analysis of important precedents was conducted to identify projects or programs that have successfully supported non-profit housing construction. Although the primary focus of this study is Québec, the analytical scope was extended to encompass various tools and strategies utilized throughout North America and Europe, with a view to precedents that can readily be applied to the Montréal housing context.

### Key-informant workshops

To gain deeper insight into the barriers faced by non-profit housing builders in Montréal and explore potential solutions, two workshops were conducted, involving a total of four non-profit housing builders. These workshops were organized and facilitated in collaboration with Vivre en Ville, a non-profit policy group based in Montréal. The sessions provided an opportunity to share the findings from the literature review and case study research with the participants, who, in turn, shared their own experiences in navigating the identified barriers and brainstormed potential solutions to overcome the challenges. The insights from these workshops helped inform the policy recommendations for the Ville de Montréal.



# **Chapter 1:**

## **Housing in the Montréal context**

The housing context in Montréal stands out among other major cities in Canada. The city has a unique history, notably in the construction of dense neighbourhoods with many dwelling types—most distinctively, the enduring fabrics of “plex” housing (Legault, 1989). Tens of thousands of these dwellings in the existing stock were built in Montréal’s economic boom years of the late nineteenth and early twentieth centuries in response to rapid population growth caused by employment opportunities in the industrialized city (Legault, 1989; Linteau, 1998; van Nus, 1998). Housing at the time was built quickly and economically to provide decent housing for workers, but typically, neighbourhoods also had housing for a range of incomes as well as fine-grained mix of owner-occupied and rental units, as in other major cities across Québec (Choko, 1998). Today, multiplexes and low-rise apartments make up more than half of the housing stock in the metropolitan region, with 73% of units in the city built in apartment buildings under five storeys and row houses (Statistics Canada, 2022). In contrast, across all of Canada, these types of dwellings account for just 30% of units (Statistics Canada, 2022). Many typologies of dwellings including plexes and row houses help to sustain Montréal’s diverse and lively urban context, with relatively high densities of population and activities as well as the fine-grained mix of uses that correspond to contemporary planning ideals of the ‘walkable’ neighbourhood (Luka, 2023).

Montréal also has a unique rental market, with 64% of residents renting their dwellings, according to the 2021 Census (Statistics Canada, 2022). The rental context is reinforced by Québec’s rent control laws, which are among the strongest in the country. For example, under the Québec Civil Code, tenants have the right to maintain occupancy, meaning that they cannot be evicted from their homes unless required by law. This right also allows tenants to reject unreasonable rent increases within one month of receiving notice from their landlord.<sup>1</sup> This is a key element of Québec’s housing framework, providing tenant households with greater protection and stability for what is often called ‘deep affordability’. However, this situation is changing with new pressures on the housing market in recent years—transformations that warrant a brief review.

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1     Rent control laws in Québec do not apply to newly built units for the first five years of construction and are thus subject to unregulated price increases during this period.

## 1.1. Montréal real-estate boom

During the 1970s to 90s, Montréal had notably lower housing demand compared to other major Canadian cities. Factors such as the emerging separatist movement, stagnant population growth, and economic uncertainties resulted in a weak housing market until the early 2000s (Suttor, 2016). However, over the past two decades, a renewed interest in urban living and increased investment capital flowing into housing have brought about a significant shift in Montréal's housing market dynamics (Benali, 2005; Gaudreau, 2020).

The city has experienced an acceleration in residential construction, with intense stretches of activity occurring between the early 2000s to 2008, and again from 2015 onwards (as illustrated in figure 1). At the same time, population growth has been outpacing the rate of construction, putting pressure on the market's ability to meet demand. According to CMHC's standards, a healthy rental market is indicated by a vacancy rate of 3% (CMHC, 2020). However, the average vacancy rate has not surpassed this threshold since 2016 and currently stands at 2% (CMHC, 2023). Figure 2 also shows how the proportion of completed owner-occupied units remaining unsold has significantly decreased significantly over the past 10-years, suggesting that the demand for new units is very high.

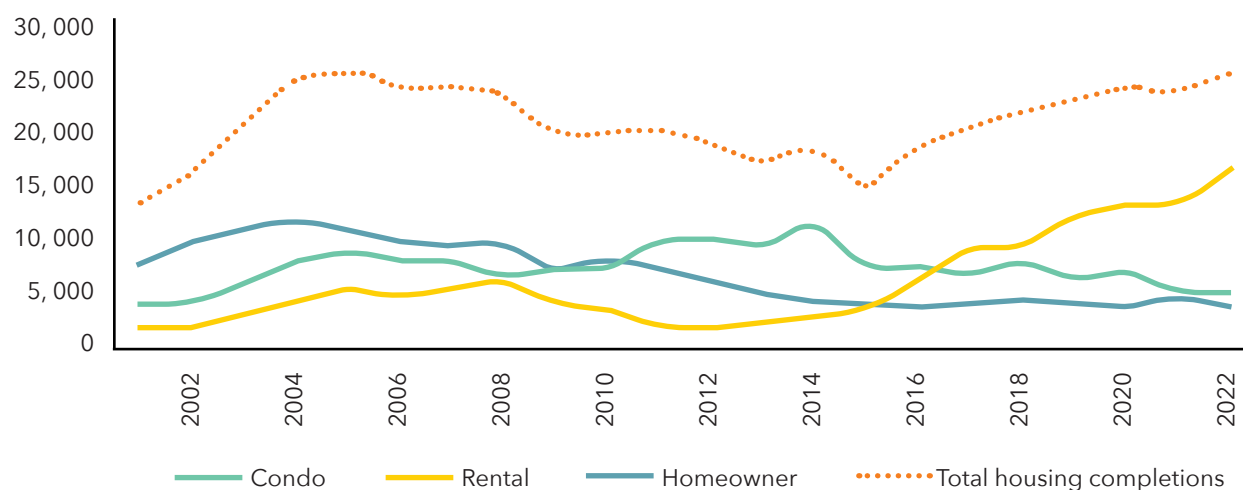


Figure 1: Construction completion, Montréal CMA (2001 - 2022). Source: CMHC Housing Market Information Portal, 2023

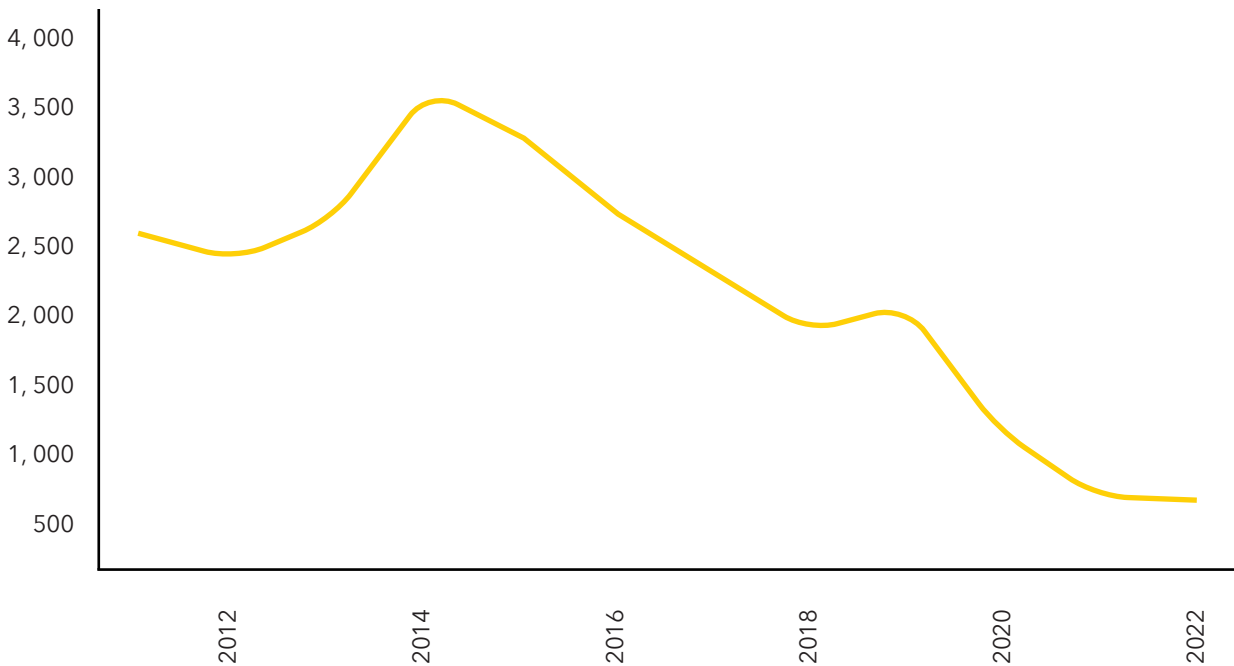


Figure 2: Unabsorbed housing units after completion, Montréal CMA (2011 – 2022). Source: CMHC Housing Market Information Portal, 2023

## 1.2. Investment and speculation

The growing population and housing shortage in Montréal has also created market conditions that are conducive to real-estate speculation. Landowners and financial institutions are investing more in property with the expectation of earning a return over time, causing house prices to be driven by their perceived economic “exchange” value rather than their “use” value as a place to live (Michelson, 1977; Harvey, 2009; CMHC, 2018). This speculative behaviour is largely driven by experienced buyers using the increased value of their current assets to acquire properties of higher value through selling or refinancing (Gaudreau et al., 2020). For these investors, the rising housing prices are not a mere consequence of supply and demand imbalances; instead, it is a deliberate objective that benefits sellers and landlords who can demand higher prices.

According to Gaudreau (2020), increasing speculation in the Montréal real-estate landscape is characterized by several elements, including a growing presence of investment funds, the concentration of large-scale developers, and the acceleration of condominium development. For example, investment groups such as Fonds de solidarité FTQ and Fierra Capital have become very active in the market, financing 8,689 units in Ville-Marie and Sud-Ouest boroughs from 2000 to 2015 (Gaudreau, 2020: 291). These institutions typically provide larger loans than other financial lenders but also set higher returns on investment, which consequently affects

project profitability and unit prices. Moreover, many institutions prefer to partner with experienced developers to mitigate risks, resulting in fewer actors taking on a larger share of development projects. Access to large amounts of capital has greatly benefited these developers, providing them with a competitive edge in bidding for land and strengthening their position in Montréal's urban development. Increasingly, the market value of real estate is determined by the maximum these companies are able to pay for land. As a result, any other potential buyer with alternative aims for the site, such as non-profit groups, are subject to land prices determined by major real-estate developers.

Additionally, the emergence of large investment funds and the concentration of development has had an influence on the type of residential projects being produced. These companies tended to favour high-density condominiums, which can produce faster financial returns than purpose-built rental projects (Gaudreau, 2020). As such, condominiums became an increasingly popular construction type in the early 2000's, peaking in 2014 where it represented over 60% of all construction completions (CMHC, 2023). A large proportion of units were bought by individuals who themselves were investors seeking to benefit financially from the appreciated value or rental income. According to CMHC, approximately 20% of condominium units in Montréal are rented out to tenants. However, they have historically been much less affordable than purpose-built rentals (see figure 3). Thus, while the growth of condominiums helped contribute to the overall housing stock, it also put increasing pressure on housing prices while reducing the overall availability of rental options in the city.

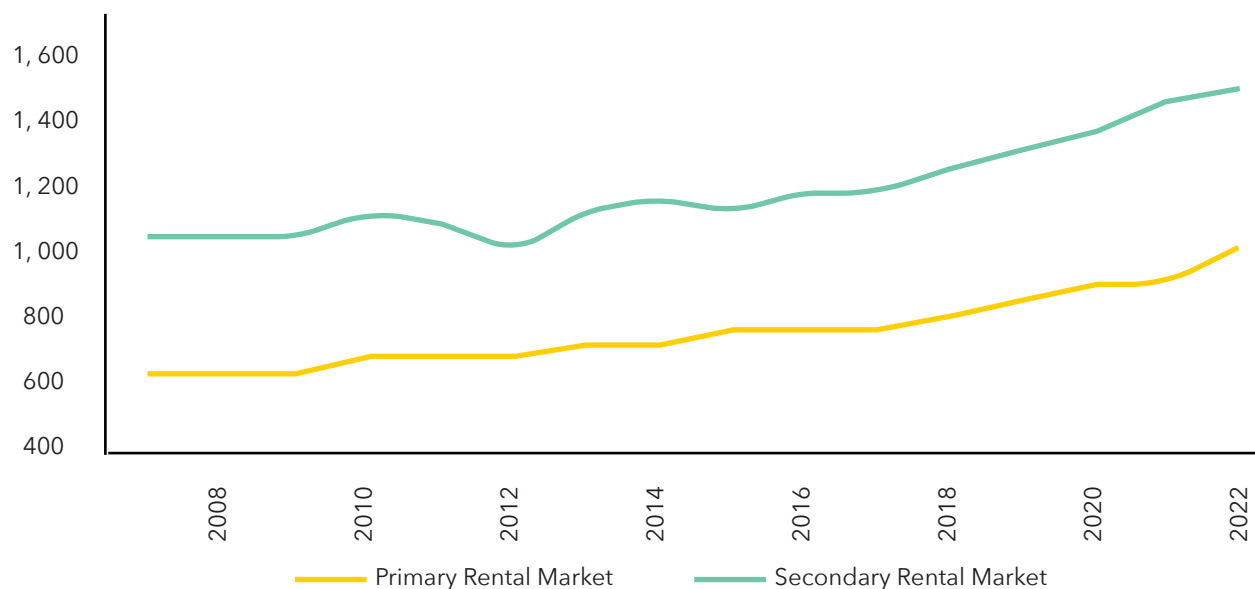


Figure 3: Average rent in primary and secondary rental market, Montréal CMA (2007 - 2022). Source: CMHC Housing Market Information Portal, 2023

In recent years, there has been significant renewed interest in the construction of purpose-built rentals. From 2015 to 2022, rental housing represented 48% of all newly-built units across the Montréal metropolitan region. The resurgence, according to Gaudreau et al. (2020), can be linked to the growing interest of large real-estate firms who consider it to be a lucrative market and safe investment. Recent research has connected the emergence of these “financialized landlords” in rental housing to issues such as displacement caused by aggressive rent increases and evictions (August and Walks, 2018). The common practice by landlords is to purchase older buildings, to renovate them, and to then squeeze revenues from tenants for maximum profit (August, 2020). Recent research by St-Hilaire et al. (2023) show that despite this being a recent trend, financialized landlords already own nearly 12% of all rental units in Montréal, reducing access to low-cost rental options, particularly in central neighbourhoods. In addition, as mentioned above, the rent control regulations in Québec do not apply to newly built units for the initial five years, leaving them vulnerable to unregulated price hikes during this period.

Another consequence stemming from investment and speculation in Montréal’s real-estate market is the loss of existing rental stock across the city. With the growth of condominium development in the early 2000s, many landlords were seeking to capitalize on this trend by renovating and converting their older rental apartments (Gaudreau and Johnson, 2019). Despite efforts to curb this trend through moratoriums and strict regulations, the practice remains widespread throughout Montréal. For instance, between 2001 and 2017, approximately 2281 units in the Plateau-Mont-Royal borough alone were potentially removed from the rental market and repurposed as condominiums (Gaudreau and Johnson, 2019). Concerns raised by several scholars have also pointed to the escalating influence of short-term rental platforms, such as Airbnb, and their contribution to the diminishing availability of rental units and broader gentrification of neighborhoods (Waschsmuth and Weisler, 2018). In the context of a large city like Montréal, the erosion of the existing rental stock due to the pressures of speculation raises significant challenges which cannot simply be addressed through the addition of new market-supply.

### 1.3. Housing affordability in Montréal

Overall, the strong real-estate activity in Montréal over the past two-decades has had a profound effect on the cost of housing for households. Between 2001 and 2021, the average purchase price of a dwelling unit across the Montréal CMA has skyrocketed by 218% (CMHC, 2023). Meanwhile, income growth has not kept pace with these housing cost increases. Today, the price of a dwelling unit costs 13.6 times the median household income, compared to 7.9 in 2001 (CMHC, 2023). For renters,

the average monthly price to rent a unit is now \$998 and nearly one in three tenants are cost-burdened, paying more than 30% of their income on shelter (CMHC, 2023). While the rising price of housing may be welcomed by some landlords and investors, for other households it means spending a greater proportion of their income on shelter and the erosion of housing affordability.

| City of Montreal: Population and Housing Statistics |                            |                                                                      |
|-----------------------------------------------------|----------------------------|----------------------------------------------------------------------|
| <b>Population:</b> 1.76 million                     | <b>Renters:</b> 63.6%      | <b>Renters in core:</b> 14.6%<br><b>housing need</b> <sup>2</sup>    |
| <b>Median household:</b> \$63, 600<br><b>income</b> | <b>Average rent:</b> \$995 | <b>Renters in unaffordable:</b> 27.8%<br><b>housing</b> <sup>3</sup> |

Table 1: Key Statistics on population and housing in Montréal Source: Statistics Canada, 2021 Census; CMHC Housing Information Portal, 2023

To counter these trends, the Communauté Métropolitaine de Montréal estimates that approximately 460, 000 new housing units are needed by 2030 to ensure that affordability levels are maintained and there is sufficient supply to meet the growing demand for housing (CMM, 2022). However, achieving this target will require doubling the rate of unit completions over the next few years. In addition, to ensure greater long-term housing affordability, advocates are also calling for a renewed commitment to building a substantial portion of housing that is removed from the private market, thus reducing the influence of speculative interests (Vivre en Ville, 2022; Banville et al., 2022). Doing so involves embracing a variety of alternative housing models that promote public and community benefits over profit.

To recapitulate, this chapter provided an overview of the housing context in Montréal, including its distinct built form, rental tenure dynamic, and trends shaping the housing market today. Evidently, the situation has reached an important juncture, characterized by historical low vacancy rates, a growing disconnect between house prices and what low to medium income households can afford, and the influence of large institutional and individual investors seeking to profit off real estate. The following chapter delves into the potential of shifting away from the market and towards non-profit housing as a response to the on-going affordability problem.

2 A household in core housing need is one whose dwelling is considered unaffordable, unsuitable or inadequate, and whose income levels are too low to afford alternative housing in their community (CMHC, n.d).

3 According to CMHC standards, housing is considered unaffordable if prices exceed 30% of household's before-tax income.

## Chapter 2: Non-profit housing: needs, opportunities, obstacles

Non-profit housing has long played a vital role in Canadian housing. Yet, public investments in the construction and maintenance of these assets have decreased significantly over the past 30 years. Today, non-market housing (defined here to include housing built or managed by government, cooperatives, and non-profit organizations) in Canada makes up only 3.5% of the total stock, which is one of the lowest proportions among OECD countries (see figure 4).<sup>4</sup> In the face of inadequate new supply and the explosion of housing costs across the country, it is imperative to invest in more non-profit housing. This chapter studies the need for more non-profit housing in Montréal. It starts with a general review their benefit in contrast to the private market. It then provides an overview of historical approaches of the federal, provincial, and municipal government to supporting non-profit housing. It then culminates with case-specific findings of primary research done in Montréal, shedding light on the barriers encountered by non-profit housing builders.

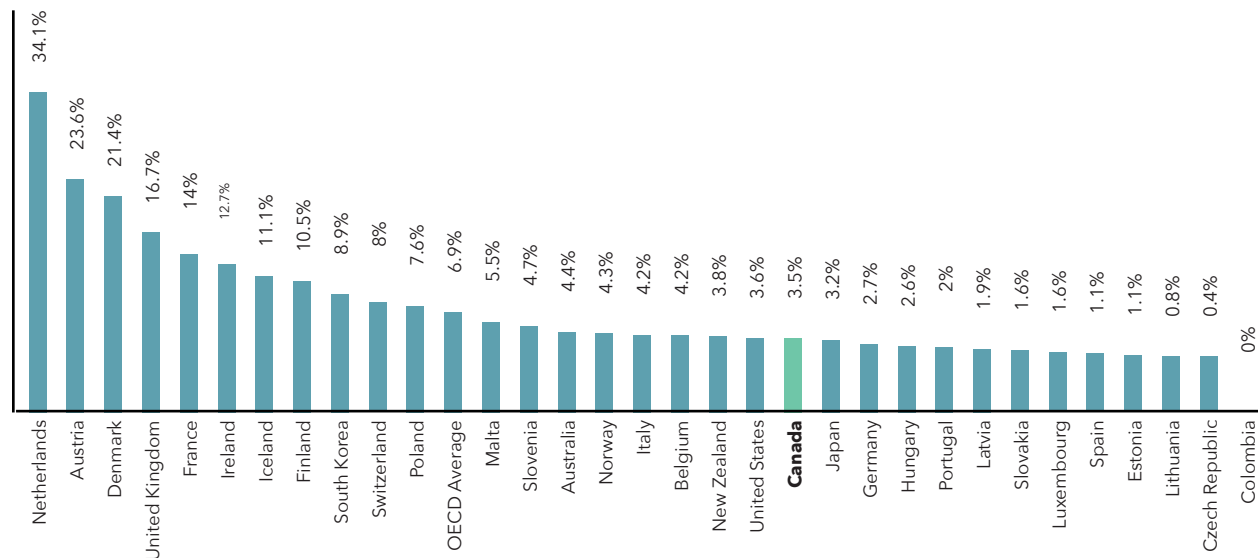


Figure 4: Proportion of non-market housing stock among OECD Countries as of 2020. Source: CMM (2022)

<sup>4</sup> There is no fixed definition of “non-market” housing as the term represents a highly diverse range of tenures and models which fall outside of the private-for-profit market.

To mitigate the negative impacts of the rapidly increasing housing costs, there is an urgent need to maintain and grow the stock of non-profit as well as other forms of non-market housing. In Canada, most forms of housing fall into one of the categories within the housing continuum as defined by CMHC (figure 5). In this study, the focus is on non-profit housing, which falls under the “Community or Social housing” category. In contrast to “affordable” housing where prices are linked to market rates and often for time-limited periods, non-profit housing can ensure long-term affordability as units are not bought and sold on the market and prices tend to reflect the actual cost of housing construction and not the highest of what the market can bear.

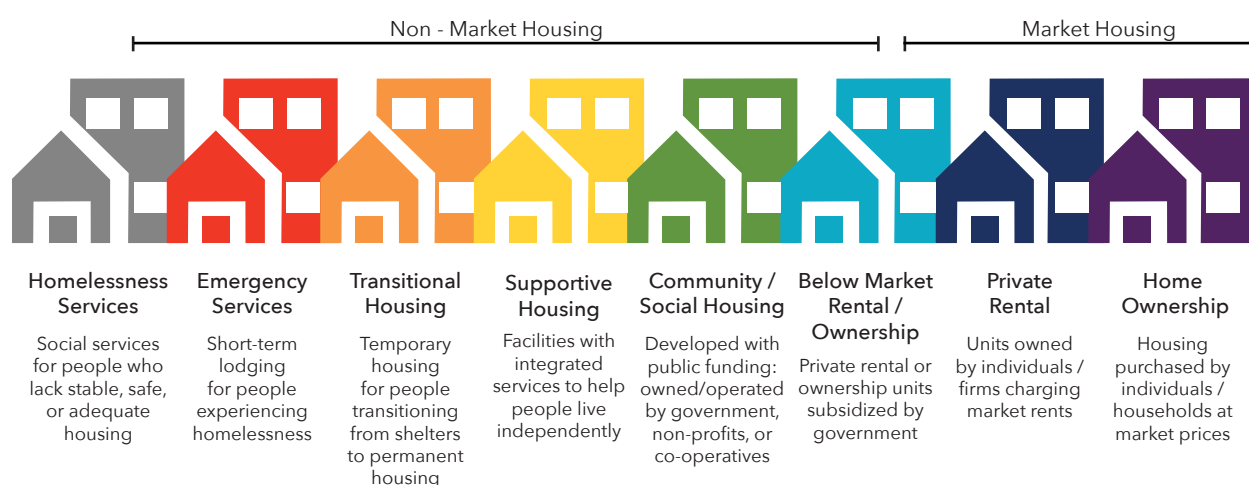


Figure 5: The Housing Continuum. Source: (Hachard et al., 2022).

Supporting non-profit housing helps ensure that units are protected from market pressures over a long period of time—often at least 30 years.<sup>5</sup> At the start of a project, new developments have similar costs to private-market builders. In the context of rapid increasing land values and construction costs, new affordable housing is expensive, and without subsidies, it is difficult to build units with rents at average or below-market price (Suttor et al. 2022). Nevertheless, over the long term, the situation normalizes as the cost for the end-user (i.e., the household) is determined by the minimum level of project revenue required to repay development costs and to cover operational expenses. In this “cost-rent” model, rents appreciate slowly relative to private-market units since the profit motive is removed from project considerations (Schindler and Kockelkorn, 2021). The result is that average rents can remain stable below what are considered “market” rates. For example, in England, it was found that rents for non-profit housing units were 49% lower than the market (UK Housing Review, 2022). Conversely, in a recent Canadian study by Suttor et al. (2022), the authors found that rents in non-profit and cooperative units built 15-40 years ago were one-quarter to one-third lower than market prices. To achieve up-front

<sup>5</sup> 30 years is the period the City of Montréal's Règlement pour une metropole mixte policy document refers to as long-term affordability (Ville de Montréal, 2020).



lower rents, some level of public intervention is required to reduce project revenue required. Much has been written about the importance of direct funding from governments, such as grants or long-term loans in supporting non-profit housing (Bouchard and Gaudreault, 2008; Morin et al., 2008). However, much less has focused on indirect subsidies, such as the use of municipal policy tools that can help reduce further reduce project costs and support widespread development. The next section provides an overview of non-profit housing in Québec and the role of different levels of government in influencing developing outcomes.

## 2.1. A brief history: growth of the non-profit housing sector in Montréal

### 2.1.1. *Origins of non-market housing policy in Canada*

Over the course of human history, the concept of relying on the private market for the provision of housing is relatively recent. It was only in the nineteenth century where the commodification of housing in Western cities came to replace older and pre-colonial systems of land tenure (Madden and Marcuse, 2016). However, various religious and charitable institutions continued to play a crucial role in addressing housing needs not met through the market. In Canada, it was not until the mid-20th century that the federal government established itself as a key player in the provision of housing as part of a series of developments generally referred to as the welfare state (Armstrong, 1997; Hulchanski, 2007). The first significant pieces of legislation that formalized the federal government's role in the housing industry were the Dominion Housing Act (1935) and the National Housing Act (1938). They created avenues for the government to support the construction and rehabilitation of housing and provide funding for projects, primarily to support workers and World War II veterans. As the war ended, the government looked to housing as a tool to promote economic development and postwar growth. The emphasis, however, was to create private housing for middle class Canadians. Indeed, Suttor (2016: 40) describes how early housing provided by the government was meant to be a temporary service and only offer "a bare minimum of housing for occupants". Even if it was still viewed as "a minor add-on to this market-enabling policy regime" (Suttor, 2016: 40), government-supported housing nonetheless signified an expansion of the State's role in supporting non-market housing development. The following section provides further insight into the evolution of non-market housing policy in Canada, with a particular focus on Québec.

### 2.1.2. *Non-market housing in Québec*

Up until the 1940s, Montréal experienced rapid population growth, combined with a

slow period of residential construction, which led to severe overcrowding in dwellings across the city (Choko, 1986). Housing became a major concern for all levels of government, which promoted the construction of low-cost housing units, such as Les Habitations Jeanne-Mance, Québec's first government housing project, in 1959 (Choko, 1986). Until this point, the federal government was the main state entity dictating housing policy and financing project capital costs through CMHC (Suttor, 2016). Municipal governments also had an important role of administering federal programs and were directly involved in land use decisions (Bacher, 1993). With changes to the National Housing Act in 1964, several provinces began establishing provincial housing agencies to scale up the production non-market (Suttor, 2016). In Québec, the Société d'Habitation du Québec (SHQ) was created in 1966 and became the main organization responsible for housing programs in the province. It began by providing housing to low-income residents through the form of rent geared to income (RGI) units known as *habitations à loyer modique* (HLM), where rents were limited to 25% of household income. For the province, HLMs were viewed as a response to relocate displaced residents and advance a series of "slum clearance" and revitalization efforts (Suttor, 2016). In the 10 years following the creation of the SHQ, an average of 772 HLM units were being produced annually across the island of Montréal (Ville de Montréal, 2022). By this time, however, large government housing projects began to receive increasing social opposition and government approaches to non-market housing evolved from isolated projects to more mixed-use and community-driven models (CMHC, 2011).

In the mid 1970s, a community housing model rose as an alternative to government-led public housing developments in Québec. Housing activists, especially in Montréal but also elsewhere in the province, pushed back against the top-down approach to housing and the spatial concentration of government housing in city neighbourhoods. Instead, they advocated for renters right to remain in their neighbourhood and access to quality housing (Bouchard and Hudon, 2008). The priority for community groups became acquiring and rehabilitating old rental stock and converting them into co-operatives owned and managed by their residents (Suttor, 2016). Supporting community housing models also had benefits for the government as it reduced public spending on managing housing projects. As a result, government policies shifted towards a non-market housing model developed in collaboration with a mix of community groups, religious institutions, and co-operatives (Suttor, 2016).

During this time, architects, advocates, and students began providing their technical support to the movement, which led to the development of an important institutional entity known as *Groupes de ressources techniques* or GRTs (Bouchard and Hudon,

2008). GRTs are organizations dedicated to assisting the development of housing built by non-profit organizations and co-operatives by providing capacity and coordination support.<sup>6</sup> When the new Parti Québécois party was elected in 1976, they opted to partner with community groups, rather than expand government reach, through the Logipop program (Bouchard and Hudon, 2008). This program provided financial support to cooperatives and non-profit organizations, and grants to expand the network of GRTs (Bouchard and Hudon, 2008). From 1977 to 1996, most non-market housing in Québec was produced through community managed co-operatives and non-profit organizations, which were developed with support from GRTs. In fact, 51% of all non-profit and co-operatives found in Montréal today were built in the 19 years following the provincial government's decision to fund GRTs (see figure 6). The availability of federal and provincial funding, strong levels of citizen participation, and the resultant political support made this period quite successful for non-market housing projects across Québec (Bouchard and Hudon, 2008).

The mid-1990s represents a significant shift in non-market housing development across the country. A confluence of factors, including an economic recession in the early 90s and the rise of neoliberal political ideologies among Western nations, led to a more market-oriented approach to housing on the part of the federal government (Suttor, 2016). MacLennan (2019) explains that this period of federal government retrenchment was influenced by four key principles: the minimization of state intervention, reducing public debt; the devolution of public services; and a growing conviction that free functioning markets were effective at addressing social needs. This context led to the end of federal funding and devolution of all non-market housing responsibility to the provinces in 1996 (Suttor, 2016). The withdrawal of federal support meant that the production of non-market housing came to a virtual halt (see figure 6), leaving the provinces and municipalities to grapple with significantly diminished capacity.

When the federal government withdrew from housing responsibilities, Québec was one of the only two provinces that remained engaged in the production of non-market housing (Morin et al., 2008). In 1997, Québec launched the *AccèsLogis* (AL) program, which helped boost the construction of non-market housing, although still considerably less than previous decades (Suttor, 2016). The financial assistance came through the form of a subsidy that supported up to half of eligible costs for projects carried out by non-profit organizations and cooperatives (SHQ, 2022). The program was considered successful for nearly two decades until the Gouvernement du Québec started making significant changes and funding cuts. Starting in 2015,

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<sup>6</sup> A significant portion of Québec's non-profit and co-op housing stock was made possible through the support of GRTs. For a more in-depth overview of their history, visit Association des groupes de ressources techniques du Québec (AGRTQ): [agrtq.qc.ca](http://agrtq.qc.ca)

although construction costs and housing needs were increasing, the province reduced the budget for AL by half (Vaillancourt et al., 2016). Moreover, in 2022, the Gouvernement du Québec replaced AL with the *Programme d'habitation abordable Québec* (PHAQ), a funding stream for affordable rental housing projects (Gouvernement du Québec, 2022). Unlike the former program, which is limited to non-profit organizations and cooperatives, PHAQ is also available for private sector developers. Without a program dedicated to non-market housing providers, there is a concern that they will have to compete with private developers with greater means to access provincial funding (Deschatelets, 2022).

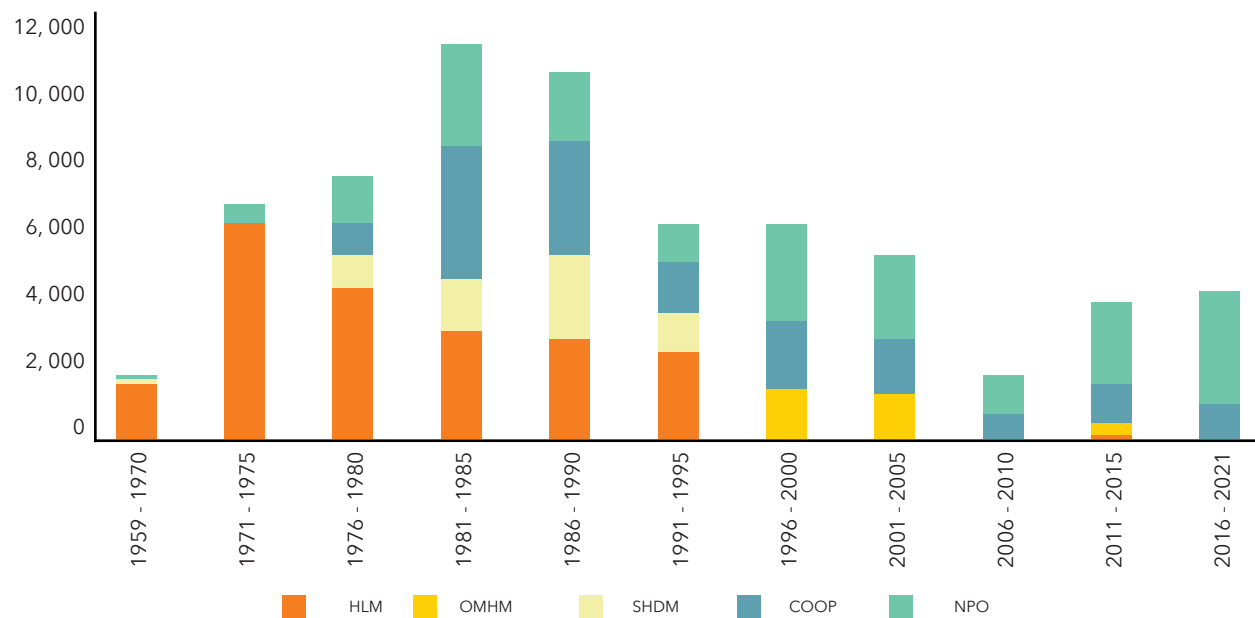


Figure 6: Non-market housing in Montréal (1959 - 2021). Source (Ville de Montréal, 2022)

Over the past decade, the transformation in provincial support for non-market housing has coincided with shifts in the federal government's involvement. In 2017, the federal government engaged anew in housing policy through the introduction of the National Housing Strategy (NHS). Notably, it acknowledges housing as a human right and pledges to "support the provinces and territories as they protect and build a sustainable community-based housing sector" (Government of Canada, 2018, pg. 13). A key policy regarding non-market housing is the introduction of a new Canada Community Housing Initiative, a funding agreement with provinces and territories to support households currently living in non-market housing. The two other major investments to support new supply are the National Housing Co-Investment Fund and the Rental Construction Financing, both which provide low-cost loans. Despite these efforts, the overall benefits of the NHS has attracted criticism for perceived funding inadequacies and its inability to generate the projected quantity of housing units (CMM, 2022).

Overall, the production of non-market housing today remains considerably lower than before the federal government ceased funding in the 1990s. Indeed, around 70% of the current non-market housing stock in Québec was built before the federal budget cuts in the 1990s (see figure 6). However, the level of provincial funding, support offered by GRTs, and a system of successful co-ops developments, have all helped shape Québec's approach to housing as unique in Canada. Observers argue that the current uncertainties of government funding, combined with problematic policy frameworks, force non-profit housing providers to diversify funding sources in new ways to complete projects, and thereby to rely less on public programs (Morin et al., 2008). Moreover, the inadequacy of federal and provincial support is giving rise to the importance of municipalities as key players in supporting development outcomes. The section, that follows provides further insight into the role of municipal governments and the influence of the Ville de Montréal on non-profit housing over the past three decades.

## 2.2. The role of municipal governments in housing

Municipalities hold critical influence across all aspects of the housing continuum despite their status as constitutional dependents of the provinces and territories. In Québec, the *Loi sur l'aménagement et l'urbanisme* is the guiding legislation which outlines regulatory measures that municipalities can utilize to control development within their jurisdiction, including the implementation of zoning regulations. Additionally, the *Loi sur la Société d'habitation du Québec* grants local municipalities the power to establish housing programs specifically aimed at promoting the development of housing for lower-income households. Together, these laws provide local governments with considerable authority over how much housing can be built and where it should go. However, municipalities are faced with constraints due to their limited financial resources. They have a restricted ability to raise funds to meet the housing needs of their communities, relying mainly on property taxes as a revenue source (Taylor and Dobson, 2020). Consequently, the success of most municipal housing programs relies on collaboration and involvement from higher levels of government. What follows is a brief review of opportunities and roles.

### 2.2.1. Communauté métropolitaine de Montréal (CMM)

The 82 municipalities across the Montréal region are all collectively governed by the Communauté métropolitaine de Montréal (CMM), an institution which oversees the regional integration of land use planning, economic development, the environment public transportation and social housing. Since its creation in 2001, improving access to housing has been one of its core missions and has played an important role in

filling the financial gap for social and community housing. In its 2023 budget, the CMM devoted 49% of its annual development budget of \$126.9M to the *Fonds du logement social métropolitain* (CMM, 2023). The fund, which is unique across Canada, reimburses municipalities for their non-market housing contributions and ensures that financing is fairly distributed across the region. In 2022, the CMM introduced its first Metropolitan Housing Policy which includes three objectives, with the first one being: “sustaining and accelerating the development of the social and community housing stock”. While the plan calls on increased financial efforts by the Canada and Québec government, it also brings attention to the important role of municipal governments and the need for innovative strategies.

2.2.2. *Ville de Montréal: Support for non-market housing*

Affordable housing targets have been embedded in Montréal planning policies for decades. With the withdrawal of the federal government in the 1980s and 1990s, the City took on an increasingly prominent role in the provision of non-market housing. For example, in 1989, the Ville de Montréal introduced the *Programme d’acquisition de logements locatifs* (PALL). This program was created to acquire and renovate housing units, then transfer management to non-profit organizations and helped create over 3000 units between 1989 and 1994 (Morin et al., 2008). Moreover, since the late 1990s, receiving provincial funding has been contingent on a community contribution to cover a portion of construction costs (Morin et al., 2008). In many cases, support has been provided by municipalities in the form of funds, tax exemptions, and below-market land sales or donations. Then, in the early 2000s, the Ville de Montréal introduced a new voluntary target in the 2004 *Plan d’urbanisme* where affordable housing would make up 30% of all new construction (15% social and community housing, 15% private affordable rental units). This led to the 2005 *Stratégie d’inclusion de logements abordables dans les nouveaux projets résidentiels*. The strategy was an incentive-based approach which enabled the city to negotiate housing contributions by private developers seeking to build projects with over 200 units, and required major planning exemptions (Ville de Montréal, 2021). The strategy, which was in place until 2021, helped produce over 7,000 units of non-market housing, representing 36% of all non-market housing units during this period.

| Stratégie d’inclusion de logements abordables dans les nouveaux projets résidentiels | Results                   |
|--------------------------------------------------------------------------------------|---------------------------|
| Agreements signed                                                                    | 145                       |
| Social and Community Housing Units                                                   | 7, 250 (453 units / year) |
| Private affordable housing units                                                     | 6, 690                    |

Table 2: Benefits of Montréal’s Stratégie d’inclusion de logement Source: (Ville de Montréal, 2021)

### 2.2.3. Ville de Montréal: current municipal strategies and tools to promote non-profit housing

In 2017, the Québec provincial government passed Bill 121 *Loi augmentant l'autonomie et les pouvoirs de la Ville de Montréal, métropole du Québec* and signed the *Réflexe Montréal* agreement with the Ville de Montréal, giving the municipal government new powers to support housing development. Since then, several policies have been introduced to improve the production of social and community housing, including the *règlement pour une métropole mixte* (RMM) and the pre-emptive purchase right, both of which warrant quick explanation.

#### *Règlement pour une métropole mixte*

In 2021, the Ville de Montréal introduced the *Règlement pour une métropole mixte* – known in English as the “By-law for a diverse metropolis” (Ville de Montréal, 2020). It stipulates that any housing project that is greater than 450m<sup>2</sup> (or approximately five dwellings) must contribute a supply of social, affordable, and family housing. While the number of affordable and family units depends on the scope and location of the project, the non-market housing contribution is set at 20%. This aims to ensure that a fair share of new housing in Montréal is managed by cooperatives, non-profit organizations, and the Office municipal d’habitation de Montréal. Building on the previous *Stratégie d’inclusion*, which was incentive-based, the new powers granted in 2017 enabled the Ville de Montréal to mandate developers to integrate certain types of housing in new projects or provide a cash in lieu contribution to the municipality.

#### *Droit de préemption*

In 2020, the Ville de Montréal acquired the *Droit de préemption*—known in English as the Pre-emptive right (or right of first refusal)—to purchase buildings or lots going onto the real-estate market in order to pursue planning objectives for community projects (Ville de Montréal, 2022). This tool grants the City an option of purchasing properties from private owners within 60 days of signalling their intent to sell, if the site will then be used to meet public-interest goals as stated in their planning policies.



Although both strategies are relatively new, and it is still too early to evaluate their overall effectiveness, several challenges have already been identified by various observers. Throughout the public hearings held by the Office de consultation publique de Montréal for the RMM, for instance, several civil-society organizations and analysts criticized the City's affordability criteria in their inclusionary housing policy, which is measured against the market value of housing rather than the income of tenants. Others see the by-law as being too restrictive, claiming it will disincentivize developers for building and risk making housing affordability worse (OCPM, nd). Regarding Montréal's use of the right of first refusal, the municipal government has been able to acquire land, but continues to experience challenges in completing projects. While the right of first refusal may help in removing property from the speculative real-estate market, the success of Montréal's droit de préemption still relies on funding support from higher levels of government, and it appears that it will only be exercised on occasion rather than systematically.

In sum, although the governments of Canada and Québec have historically had a large influence of the financing of non-market housing, as their support has diminished over the years, municipalities have been taking on an increasingly important role. Since the late 1980s, the Ville de Montréal has set itself apart as a municipality engaged in meeting the wide-ranging housing needs of its residents. Its new powers granted in 2016, provide the city with new regulatory levers, which if used effectively, can help achieve the target set out in the Charter of Ville de Montréal: "that quality affordable, social or family housing is available to all its residents, in particular to young families, modest income households and newcomers". To identify the areas of intervention which should be prioritized by the Ville de Montréal, it is important to have insight into various problems non-profit providers are facing. The next section in this chapter studies the barriers experienced by non-profit housing builders, revealed through a scan of literature and workshops with key-informants in Montréal.

### 2.3. Obstacles to non-profit housing production

Over the years, non-profit housing providers have adapted in various ways to address community needs. With inconsistent political support and policy changes, however, their capacity to expand operations has not been consistent. Canadian municipalities possess various tools that can promote the production of more non-profit housing. However, before identifying solutions, this section will outline various barriers identified in the literature on developing non-profit housing.



### 2.3.1. Financial barriers

The production of non-profit housing requires substantial financing efforts. Projects are typically started by combining a variety of grants and loans, which is paid back in the long-term through the rents of residents (Bouchard and Gaudreault, 2008). As explained above, even if government support has significantly contributed to creating and maintaining units, most non-profit housing projects still require additional funding to meet financial needs not covered by government loans. The additional funding can come from various sources, including private, public, or civil-society organizations. Some institutions provide non-profit organizations with favorable financing, such as lower interest rates and longer amortization periods, with many loans insured by different levels of governments. However, as Gaudreault and Bouchard (2002) explain, the criteria for acquiring a loan is practically the same for non-profit organizations and private developers. Lenders assess the viability and level of risk associated with a proposed project. The loan value is then determined by how readily a project is expected to ensure that its proponents can repay the debt incurred. Those that generate high net operating income will be able to obtain a larger loan. Thus, large financial institutions have historically been hesitant to provide loans for projects which are not profit-driven (Bouchard and Gaudreault, 2008). This perception that non-market housing projects are typically considered riskier investments in the for-profit lending framework now in place across Canada is a major reason why government support is almost always required to finance such projects. Nonetheless, given the equivocality of higher levels of government, it is important for non-profit organizations to be able to diversify their sources of financing and find innovative ways to reduce project costs.

Over recent years, the cost of development has also been accelerating and further contributing to financial constraints. According to the Altus Group, a major commercial real-estate consultancy that consistently reports on the costs of building across the country, the costs of construction for apartments in Montréal have increased between 7% and 18% since 2018.<sup>7</sup> This is largely due to the escalating price of materials, demand for labour, rising interest rates and supply chain disruptions (Altus Group, 2023). Over the past 15 years, land prices have also been steadily increasing in Montréal. The rise in land values can be attributed to a variety of reasons including pressure caused by high housing demand, speculative bidding, lack of adequate supply and slow construction starts (CHMC, 2018). Increasing development costs can impact all housing providers, but especially for non-profit organizations, which typically have smaller amounts of capital. These financial barriers

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<sup>7</sup> The annual Canadian Construction Guide reports produced by Altus group are considered the industry standard in Canada for estimating construction costs. For further information see: [altusgroup.com/insights/Canadian-cost-guide](https://altusgroup.com/insights/Canadian-cost-guide)

are exacerbated in turn by political and organizational barriers.

### *2.3.2. Policy barriers*

Local policies play a critical role in shaping the development process for non-profit housing organizations. Through land use and zoning regulation, municipalities can impact the amount of land available and feasibility of projects. Land use rules typically specify the types of developments that are permitted in a given location, such as residential, industrial, commercial, and recreational spaces. Zoning-by laws then detail the design elements including setbacks, building heights, floor area ratios, and parking requirements. When these rules are overly restrictive, they create artificial barriers on construction by limiting the amount and type of housing that can be built (Glaeser and Gyourko, 2002). In Canada, restrictive land uses have been extensively cited as a barrier to overall housing affordability. For example, 63.5% of residential land in Toronto and 80.5% in Vancouver is zoned exclusively for single-detached houses which are typically out of reach for lower-income households (Whitzman et al., 2022). As noted earlier, Montréal is a notable exception, given that multi-unit forms dominate the housing stock—often including a mix of rented and owner-occupied units, which in turn is a major reason why Montréal has a higher proportion of stable tenant households compared to the rest of the county.

While flexible zoning regulations are necessary to support a balanced supply of housing, the municipal approval process is another barrier which can influence the financial viability and outcome of projects. Depending on the type of application, the approval process can extend a project timeline by many months or even years; this significantly increases the production costs borne by the developer and then passed along to the eventual occupants of the dwellings (Bertolet, 2017). The lengthy and uncertain process exposes builders to the risk of increased costs, such as fluctuating interest rates, repayment costs, and other additional fees incurred with a delayed timeline (Bertolet, 2017). The delays are, in part, related to restrictive zoning rules which add a series of complicated requirements to navigate. For projects that do not conform with the regulatory framework, proponents must apply for rezoning or variances, causing projects to delay their timeline, resulting in builders having to charge higher rents or risk completing the project (Chau and Atkey, 2022). Although approval standards are necessary to ensure the safety, appropriateness, and coherence of new projects, the drawn-out process can restrict the total number of housing units being produced and their overall affordability.

Local opposition to new housing projects—commonly referred to as “Not In My Backyard” or “Pas dans ma cour” attitudes—must be acknowledged as a major

development barrier.<sup>8</sup> While public participation is an uncontested part of planning, unwarranted objections can create further roadblocks and delay the permitting and approval process by many months. In addition, those who oppose a project tend to engage more than those who may benefit from the new units. Some common objections include concerns about property values; increase in traffic; strain on public infrastructure and services; change in neighbourhood character; and claims that there is already enough housing in the area (FCM, 2009). CMHC conducted a literature scan of common strategies to overcome this barrier and identified inclusive engagement, clear communication, and regulatory measures that help smaller housing projects avoid the unnecessary push back, as important tools to mitigate NIMBYism (CMHC, 2019). At the time this study was completed, the gouvernement du Québec has tabled Bill 16, *Projet de loi modifiant la Loi sur l'aménagement et l'urbanisme et d'autres dispositions* which will repeal some requirements concerning public participation. In particular, the proposed changes will enable certain by-law changes to take effect without approval by way of referendum, including providing developers extra density (Gouvernement du Québec, 2023) Although the proposed amendment is still in review phase, it will be interesting to see its impact on housing production.

### 2.3.3. Organizational capacity

In addition to financial and policy constraints, non-profit housing providers vary in terms of technical, administrative, and development expertise, and this can significantly affect daily operations (Campbell et al., 2015). High rates of staff turnover and the recruitment of workers with the necessary skills to support housing development can also be a barrier (Fraser et al., 2022). Although GRTs have historically worked to support housing groups in Québec, Ryan (2021) notes that many organizations continue to struggle with their capacity, making it difficult to maintain political pressure and links with community groups. These issues, coupled with an aging housing stock, increasing numbers of disadvantaged tenants, and expiring operating agreements have all been identified as contributing factors limiting the capacity for non-profit organizations to address housing challenges (HPC, 2015). A great many existing non-market housing units were built in the 1970s and 1980s, and thus now require major investments for maintenance and capital-replacement undertakings such as new roofs. This means that more resources are being allocated to conserving the existing housing stock as opposed to investing in the construction of new dwellings.

To summarize, this section studied the prevalent barriers confronting non-profit

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<sup>8</sup> According to the Québec *Loi sur l'aménagement et l'urbanisme*, local residents can vote whether to approve or deny a zoning by-law amendment requested by developer by way of referendum.

housing providers, including financial constraints, policy limitations, and capacity challenges. While these categories are not mutually exclusive, they provide a framework for evaluating the institutional actors involved and how they are limiting development efforts. It is important to note that these barriers are not universally experienced by all non-profit housing organizations. Thus, two workshops were conducted with non-profit housing builders to gain insight into how they navigate development barriers differently. The following section summarizes important takeaways.

## 2.4. Key informant perspectives on barriers limiting production of non-profit housing

To take stock of how various barriers thwart housing production in Montréal, two workshops were conducted with non-profit housing developers to garner their perspectives on developing non-market housing in the region.<sup>9</sup> Four groups of builders participated in the discussions about the challenges they face on new projects and solutions that could help to overcome them. Key insights from the workshops were grouped into three categories, each of which is presented in turn: financial barriers, policy barriers, and organizational capacity.

### 2.4.1. Financial barriers

Participants clearly stressed that a main financial challenge for non-profit builders involves finding sufficient funding for the pre-development phase of projects. This stage, which includes searching for sites, hiring professionals, due diligence studies, and purchase of land, used to be covered by the AccèsLogis program. Funding programs from higher levels of government now increasingly require “shovel-ready” projects. One participant noted: “Everything from the time you locate land until you get the zoning change is the riskiest phase of a project. This falls into the category of development funding that nobody is currently funding for non-profit housing”.

There is a lack of necessary funding from public institutions to meet the growing demand for non-profit housing. Some participants noted that development costs have been increasing at a rate far faster than public funding, making it harder to find the required financial support to complete projects. In addition, others noted that there is an issue with how current resources are being allocated and concerns that the majority of funding is being put towards the renovation of older housing stock rather than into building new units.

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<sup>9</sup> The two workshops were conducted as part of a research project led by Vivre en Ville. Refer to Appendix for further information on workshop questions and structure.

Some non-profit organizations noted that while the lack of funding support from public and private institutions is important, it is a secondary issue compared to regulatory and capacity issues. There is an emerging role for new stakeholders such as municipalities, philanthropic organizations, credit unions, and others to fill non-market housing financial gaps, particularly for the pre-development phase of projects.

To help reduce land costs, some non-profit organizations pointed to the importance of leveraging public land. There is a variety of public institutions that own land which can be used for housing but have not traditionally been involved in the sector. One participant brought up Canada Post as an example of a public agency which owns many properties in suitable locations with considerable development capacity. There was agreement that more public actors and other forms of non-profit organizations can get involved in improving land access.

#### *2.4.2. Policy barriers*

Several non-profit builders indicated that the municipal development approval process is too long, complex, and can add significantly to project costs. In this regard, local governments have an important role in reducing the time it gets to receive a permit. The expectation is not to approve buildings that are poor-quality or do not meet necessary requirements, but rather to ensure that there is no unnecessary gap in processing times. Some boroughs in the city of Montréal are doing a good job. For example, the Plateau-Mont-Royal was identified as a borough that has been successful in reducing their development approval timelines and prioritizing non-profit builders. More work is needed, however.

Non-profit organizations at the workshops said that local governments can do more to provide them with a competitive edge against private developers. One participant noted that “it is difficult being in the same market but with a different mission”. When municipalities introduce broad regulatory changes for all types of development, it can lead to higher land values across the board thereby increasing the cost of development. This is why several participants acknowledged a need for policies that are specifically designed for non-profit housing, which would also help them better compete for land with the private sector.

Although non-profit organizations would like to see more support from the local government, they acknowledged how municipalities are also limited in their capacity to streamline development. There is a need to create innovative policies that rely less on administrative programs, but rather direct intervention in the market that support non-profit builders access development opportunities.

### *2.4.3. Organizational capacity*

There was a consensus around unevenness and for the most part the lack of expertise and innovation in terms of construction and financing across the non-profit housing sector. One issue is that many public offers are awarded to projects with the lowest bid. This leads to developers hiring the cheapest labour they can find and limits their ability to build-up their own in-house expertise and partnerships. In contrast, as one participant remarked: “Private developers have their own architects and engineers, so they know who they’re working with and how they can control costs”.

The lack of coherence among public funding programs is clearly a factor, with some participants noting the extra layer of difficulty associated with navigating through different application process for various government programs. Although cross-jurisdictional support is welcomed, there is a desire for a more streamlined approach among government programs, which can help reduce the amount of time it takes to get a project complete.

To recapitulate, this chapter encompassed a historical overview of non-profit housing policy in Québec, the barriers builders are facing, and their perspectives on developing housing in the Montréal region. The next chapter builds on this one to highlight various tools that municipal governments can use to help non-profit organizations overcome obstacles. It also makes recommendations to the Ville de Montréal.

## **Chapter 3:**

# **Municipal toolbox to promote the development of non-profit housing**

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Many potential responses can help overcome the barriers faced by non-profit housing providers. At an institutional level, the federal and provincial governments have an important role in shaping how much funding is available for projects. However, municipal government can foster a more productive environment by reducing local development barriers. This section highlights a variety of land and regulatory tools that municipal governments can use to support the development of non-profit housing projects, grouped into three sets: leveraging public land, land use planning, and the development approval process.

### **3.1. Leveraging public land**

Governments must facilitate access to land. This is central to generating development opportunities for non-profit housing organizations. In the absence of adequate funding that can assist providers to compete in the market, the provision of public land offers an alternative for local governments to support housing builders. The following paragraphs describe four common approaches: public land sales or donations, public land leases, public land reserves, and community land trusts.

#### **3.1.1 Public land sales / donations**

Municipalities can support non-profit housing builders by disposing some of their public land assets. This strategy involves donating or selling land, often at below-market value, as it becomes available. By leveraging public land, non-profit developers can avoid the initial high cost of purchasing land from the private market. According to a study in Vancouver, reducing or eliminating the price of land from development can cut costs by up to 25%, depending on the project location and type (Coriolis and Wollenberg, 2019). Another strategy involves selling land to projects which most closely align with urban development goals, rather than to the highest bidder, such as is the case in Berlin (see below). This approach helps non-profit housing developers by providing them with increased opportunities for land access.

#### **3.1.2. Public land leases**

Rather than selling public land, local governments can use land-leasing agreements



to reduce costs and make non-profit development projects more feasible (Bourassa and Hong, 2003). Through this model, a municipality maintains ownership of the land while granting long-term lease (emphyteutic lease in Québec) rights to an organization, typically between 50 and 99 years. When the lease expires, the land and any improvements made to it are returned to the government, unless the lease is renewed. The use of public land leasing to promote housing development has long been a practice in places such as Singapore, Austria, France, Sweden, and the Netherlands. It is also being used recently by local governments seeking to expand their non-profit housing stock (see example of Barcelona below). Through this strategy, governments can improve land access without requiring builders to pay the full cost of acquisition up front. Instead, there is usually a smaller fee at the start of the lease, followed by periodic land fees (Bourassa and Hong, 2003). Public land leases can therefore be helpful for non-profit organizations as it relieves upfront expenses while allowing the city to maintain long-term control over the use of the land.

### *3.1.3. Public land reserves*

Municipalities can also support non-profit organizations by acquiring land from the private market and reserving it for future development. Under this strategy, a public agency such as a land development corporation is established to purchase underused or vacant lands and turn them into productive use. Some cities can use pre-emptive purchase powers which gives them first priority to buy available land in order to meet public interest goals. By acquiring land, local authorities gain significant control over the type of development that is produced and can choose to either re-sell or retain ownership. It has been a common strategy used by many European cities, including Vienna (see below) to guide development priorities and is increasingly used to support non-profit organizations to access land (Lawson and Ruonavaara, 2019). More broadly, public land reserves helps reduce land speculation and ensures housing needs are addressed.

### *3.1.4. Community land trusts*

The community land trust model (CLT) is an emerging strategy for maintaining and expanding the stock of non-profit land. They are non-profit organizations that maintain long-term ownership of land while leasing it to other groups to use. Although not technically public, partnering with CLTs can be an alternative for local governments that do not have the capacity to manage the use of all their land. In Québec, social utility trusts are the most similar to CLTs under the Québec Civil Code. However, they still have limited institutional support and no housing projects have yet to be realized through this approach, despite their ability to protect land from



speculation and rapid price increases (Marchand, 2021).

#### *Berlin (Germany): Concept procedures (Konzeptverfahren)*

Due to high land prices for non-profit developers, the city-state of Berlin reframed its municipal land allocation process in 2019 to award public land based on how a project aligns with urban development goals, rather than the highest bid. This policy, known as concept procedures (Konzeptverfahren), is aimed at prioritizing local needs and has a target of awarding 20% of public land to support co-operatives and social institutions, giving them more equitable leverage against the private sector (Berlin Senate Department of Urban Development, n.d)

Website: [berlin.de/sen/bauen/neubau/konzeptverfahren](https://berlin.de/sen/bauen/neubau/konzeptverfahren)

#### *Barcelona (Spain): Using public land for non-market housing*

The City of Barcelona's Right to Housing Plan 2016-2025 includes a commitment to increasing the city's stock of social housing to address resident housing needs. The plan has a target of building 8,000 public rental units, of which 20% will be allocated through long term land leases over 75 years (Barcelona City Council, 2016a). Under this model, the municipality will maintain ownership of the land, through a Municipal Housing Trust, while making it available through long-term leases that provide surface rights to use and modify the property. The City also signed a public-community framework agreement (Conveni ESAL) with an alliance of non-profit organizations, cooperatives, and foundations to develop over 1000 units on public land (Barcelona City Council, 2016b). Through this agreement, the different groups will work together to develop projects, which will also be streamlined through the approval process. This framework is considered unique and lays the foundation for future community land trust where socially oriented groups can have more influence in the allocation of housing units.

Website: [habitatge.barcelona/en/strategy/right-to-housing-plan](https://habitatge.barcelona/en/strategy/right-to-housing-plan)

### *Vienna (Austria): Wohnfonds Wien*

Established in 1984, Wohnfonds Wien (Vienna Land Distribution and Urban Renewal Fund) has played a pivotal role as a municipal land development company in Vienna, actively supporting the acquisition and allocation of land for social housing. By providing non-profit developers with “ready-to-use” sites, Wohnfonds Wien fosters a conducive environment for the creation of much-needed affordable housing. Moreover, they prioritize the renovation of existing buildings to preserve the city’s existing housing stock. In line with the city’s long-term strategic plan, Wohnfonds Wien acquires land from the open market, targeting specific areas deemed essential for development. It then conducts necessary site planning and co-ordination with relevant municipal departments. When land is required for housing projects, the company conducts public competitions for developers, emphasizing quality and affordability as key selection criteria (City of Vienna, n.d).

Website: [wohnfonds.wien.at](http://wohnfonds.wien.at)

## **3.2. Land-use planning**

In addition to using public land, municipalities can use statutory planning—specifically land-use regulations—to incentivize development and contribute to the supply of non-profit housing. While many planning tools can facilitate development opportunities, two promising pathways are inclusionary zoning and differentiated zoning.

### *3.2.1. Inclusionary zoning*

Inclusionary zoning (IZ) is a policy which requires or encourages builders to support various forms of below-market rate housing as a condition for new developments. It is an increasingly used strategy in North America, tracing its origins to Montgomery County in Maryland (see below). Under mandatory IZ policies, municipalities can ask for a specific proportion of units in new developments be below-market price or allocated to non-profit housing providers. Conversely, in jurisdictions that have a voluntary IZ policy, developers may obtain cost offsets and chose to contribute to a municipal fund rather than build the required units. The literature on IZ suggests that while such policies can increase the supply of below market-rate units, they may have trade-offs, such as leading to higher prices for other units or developers switching to housing types that are exempt from IZ rules (Hamilton, 2021). There are also concerns over the duration of the affordability commitment for new units and whether

it would apply to future households (Mukhija et al., 2015). Moreover, the success of IZ depends on the strength of the market and specific policy terms. In their review of IZ policies in the United States, Wang and Fu (2022), find that the most effective IZ policies are those that were mandatory, older, covered the entire jurisdiction and used income requirements. Although some IZ-produced units are passed on to non-profit organizations to manage, the success of the strategy ultimately relies on participation from the private sector, shifting land supply responsibilities away from public institutions.

### *3.2.2. Differentiated zoning*

Differentiated zoning provides special building permissions in areas where they may not typically be permitted. An example which is increasingly being used to support non-profit housing providers is affordable housing zoning overlays, such as the case in Cambridge, Massachusetts (see below). This policy can be considered an added layer to a local municipal zoning-bylaw which grants incentives, such as on-site density bonuses, for housing projects seeking to build below-market rate units (Butler, 2022). In general, the increased density enables non-profit developers to build more units and reach closer to break-even rents (Coriolis and Wollenberg, 2019). The benefit of affordable housing overlays is that they provide non-profit organisations a competitive edge against private developers for potential sites. Another example is rental tenure zoning, which is being implemented in British Columbia (see below). The policy limits the construction of housing in some areas to rental housing. In areas zoned for rental, property values could decrease as the policy restricts the redevelopment potential of the land (Penaloza et al., 2019). Ultimately, this can reduce the cost of land and incentivize developers to build more rental housing by making such projects more financially viable. It is important to note, however, that while rental tenure zoning may support more non-profit organizations in accessing land, the benefits may be limited as they can still face significant competition from private rental developers.

### *Montgomery County (Maryland): Moderately Priced Dwellings Unit Program*

Established in 1976, the Moderately Priced Dwellings Unit Program (MPDUP) in Montgomery County is one of the longest-established inclusionary-zoning policies in North America. The program mandates residential projects with more than 20 units to allocate up to 15% of units for low and moderate-income households (Montgomery County Government, 2023a). The County Council sets regulatory requirements such as income limits, maximum sales prices, and rental rates. The MPDUP office works with builders to form an agreement over the construction process, establishes the sale and rental prices of the inclusionary units, and oversees the selection of buyers and tenants. They also oversee the resale of the existing units. Non-profit organizations are able to reserve up to 40% of MPDUP units that are offered. Moreover, the law requires a developer to identify all land in the County where they own so they cannot separate their development into several that are below 20 units. Through the MPDUP an average of 234 home ownership and 123 rental units were built per year since 1976 to 2021 (Montgomery County Government, 2023b).

Website: [montgomerycountymd.gov/DHCA/MPDU/](https://montgomerycountymd.gov/DHCA/MPDU/)

### *Cambridge (Massachusetts): 100% Affordable Housing Overlay*

In 2020, the City of Cambridge adopted the 100% Affordable Housing Overlay to help non-profit housing providers create new supply more cost-effectively in areas with limited options (City of Cambridge, 2020). This policy allows non-profit developers to build denser housing than what is typically allowed under the base zoning, with all units restricted to households earning 100% of the median household income. By introducing this program, the City has made it easier for not-for-profit developers to make their projects viable, without having to directly support the development financially. In addition, projects that are approved through the initiative are also streamlined through the development process to help further ensure their success.

Website: [cambridgema.gov/CDD/Projects/Housing/affordablehousingoverlay](https://cambridgema.gov/CDD/Projects/Housing/affordablehousingoverlay)

### *British Columbia: Residential Rental Tenure Zoning*

In 2018, the government of British Columbia permitted municipalities to introduce Residential Rental Tenure Zoning (RRTZ) in their land use planning frameworks (Government of British Columbia, 2018). RRTZ is a policy tool to promote more purpose-built rental, including non-profit housing, by designating specific areas in a city where development would be limited to exclusively rental housing. RRTZ is a relatively new tool and has not been implemented in any other jurisdiction in North America other than British Columbia. The City of New Westminster was the first to enact this tool to address growing tenant insecurity by protecting the existing rental stock and enabling the construction of new units. Victoria and Burnaby have since implemented similar rental tenure policies. While the zoning is not limited to non-profit housing projects, it supports providers by giving them a competitive edge against private condominium developers in accessing land. Website: [2.gov.bc.ca/assets/gov/british-columbians-our-government-local-governments/planning-land-use/residential\\_rental\\_tenure\\_zoning](https://2.gov.bc.ca/assets/gov/british-columbians-our-government-local-governments/planning-land-use/residential_rental_tenure_zoning)

### **3.3. Development approval process**

Municipalities can improve the feasibility of housing projects by prioritizing non-profit organizations in the development approval process and reducing development costs. Two effective approaches include streamlining the approval process and providing fee waivers or tax exemptions.

#### *3.3.1. Streamlining the approval process*

Streamlining the approval process for non-profit housing means that these projects can get approved faster than other types of developments and helps reduce costs caused by delays. This strategy enables construction to start sooner, thus lowering project carrying costs and risks (Chau and Atkey, 2022). To ensure that the process does not add an additional administrative burden for non-profit organizations, local governments can also assign staff to assist developers in navigating the planning process and prepare project proposals (Adamo, 2016). By making it easier to obtain necessary permits and approvals, the process for building non-profit housing can become more transparent while also saving time and money. Many cities in Canada have implemented policies to prioritize non-profit housing applications, including the City of Burnaby and City of Toronto (see below).

### 3.3.2. Fee waivers and tax exemptions

Providing fee waivers and tax exemptions are another strategy to reduce development costs for non-market housing projects. Common financial incentives being implemented include the reduction or waiver of development charges, application fees, and property taxes (Adamo, 2016). Although such fees are useful revenue tools for municipalities, they impose significant financial barriers to the development of non-profit housing (Chau and Atkey, 2022). In Montréal, removing government charges on housing development can reduce total construction costs by up to 12% (CMHC, 2022). Without the need for additional income to cover such upfront costs can, the viability of projects can improve, and builders may be able to charge lower rents.

#### *Toronto: Open Door Affordable Housing Program*

The City of Toronto approved the Open Door Affordable Housing Program in 2016, providing a series of financial incentives for non-profit organizations and housing providers seeking to build below-market rentals, including the waiver of development charges, planning application and permit fees, and property tax deferrals (City of Toronto, 2021). Approved projects are also streamlined through the planning approval process. The program led to the approval of over 2,000 affordable<sup>10</sup> housing units between the years of 2017 and 2018 (Gadon, 2021). The program's flexible guidelines make it accessible to a variety of developments and provides more certainty to builders on the City's commitment to supporting the approval of projects.

Website: [www.toronto.ca/community-people/community-partners/housing-partners/housing-initiatives/open-door-affordable-housing-program/](http://www.toronto.ca/community-people/community-partners/housing-partners/housing-initiatives/open-door-affordable-housing-program/)

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<sup>10</sup> The City of Toronto defines affordable rental housing when the total monthly shelter cost is at or below the city's average market rent.

### *Burnaby: Preferential Processing for Affordable Housing Applicants and Permit Fees Deferral Policy*

Since 1991, the City of Burnaby has a policy to expedite the application process for non-profit housing developments during the review stage over other projects (City of Burnaby, n.d). The policy aims to prioritize and reduce the processing time for non-profit housing permit approvals to save money and avoid associated risks in the development process. Projects go through the same review process; however, a planner from the City is assigned to assist applicants through the various stages of the process and leads to coordination between various departments. Burnaby also has a permit fee deferral policy that applies to non-profit housing projects for up to 24 months. Together, these policies help offset upfront development cost, recognizing that it is one of the most difficult stages of the development process.

Website: [www.burnaby.ca/our-city/programs-and-policies/housing](http://www.burnaby.ca/our-city/programs-and-policies/housing)

In sum, municipalities can influence the development outcomes of non-profit housing by leveraging tools, including public land, land use planning mechanisms, and the development approval process. The next section builds on the various land and regulatory strategies that were mentioned to provide the Ville de Montréal with several recommendation that can complement existing efforts and better support the delivery of non-profit housing projects.

## **Chapter 4:**

# **Recommendations—four policy options for the Ville de Montréal**

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This study has provided insight into how municipal governments can help meet the challenge of providing ‘housing beyond the market’. To recap, the main question guiding the research is: **How can municipal policies, programmes, and procedures be improved to stimulate the provision of non-profit housing in Montréal?** Overcoming the barriers faced by non-profit housing providers requires intervention from all levels of government as well as partnerships with other key stakeholders. However, given that housing issues are most acute in urban areas, the role of municipalities should not be understated, as they are uniquely positioned to understand local needs and can respond by using tools to influence development outcomes within their jurisdiction. In the case of Montréal, the government possesses a range of tools at its disposal that, while not capable of solving all problems, can make a significant contribution to the promotion and development of non-profit housing. The following recommendations are meant to offer an entry point for a discussion on how the municipal government can add to its existing toolbox and introduce new policies to support non-profit housing providers.

### **Recommendation 1: Introduce a differentiated zoning policy for non-profit housing providers**

Considering the challenges non-profit housing providers often face in competing with market-rate developers in accessing land, the Ville de Montréal can consider leveling the playing field by introducing a differentiated zoning policy that favors affordable housing projects. This policy would empower developers seeking to build units at below-market rates at higher density, including increased height and bulk, greater site coverage, and/or higher numbers of units (which may also entail reduced minimum unit sizes). As a result, no rezoning applications would be required for a project to be approved quickly and thus get built at reasonable costs. In addition, it may decrease the share of public subsidy required by enabling the purchase of land at a lower price per unit. This policy, combined with the City’s current inclusionary housing by-law, would help encourage the construction of more non-profit and affordable rental housing throughout the city.

### **Considerations and entailments**

The implementation of a differentiated zoning policy would raise certain legal



challenges. Currently, the Québec *Loi sur l'aménagement et l'urbanisme* permits municipalities to use their zoning powers to regulate land use. However, it is unclear whether it would be permitted to provide special permissions to a particular class of builders. That said, the recent proposed Bill 16 by the province of Québec would enable incentive zoning. This means that cities in Québec may be given the ability to grant developers provisions, such as density bonuses, in exchange for a certain amount of affordable, social, or family housing. Perhaps the Ville de Montréal could limit these incentives to builders seeking to build all units at below-market price, thus providing non-profit organizations an advantage.

### **Recommendation 2: Accelerate the review of development applications for non-profit housing projects**

To tackle the development barrier caused by the long and complex approval process, the Ville de Montréal could prioritize and expedite the review of applications submitted by non-profit housing providers. This could involve reviewing the overall number of steps required in the process with the aim of reducing inefficiencies and ensuring that non-profit projects are added to the top of the review list. In addition, the City could create a dedicated team of staff responsible for handling the application and coordinating with all municipal departments to ensure it is reviewed in a timely matter. Moreover, it may be helpful to establish clear guidelines and criteria for the review of non-profit housing applications. A form of 'guidebook' would improve transparency in the decision-making process and provide clarity regarding the expectation of applications which would enable developers to better prepare their documents. Together, by ensuring they are added to the top of the review list, this strategy would help accelerate the production of units, reduce overall project costs, and avoid uncertainties associated with prolonged waiting periods.

### **Considerations and entailments**

In order to ensure that a streamlined review process is effective, it is important that the initiative does not result in extra steps in the application process for non-profit organizations. The goal is to approve appropriate developments more quickly. The process should not put additional pressure on the organizational capacity of groups. To be successful, the Ville de Montréal does not have to reinvent the wheel as many major cities around Canada have been introducing similar policies in recent years. In addition, as was mentioned during the workshops, the Plateau-Mont-Royal borough has had an informal policy to prioritize non-profit applications for years. Other boroughs can look to them and formally adopt a similar approach city-wide.

### Recommendation 3: Provide pre-development funding for non-profit developers

A primary challenge for non-profit housing builders is accessing funding at the pre-development stage of projects. Currently, there is a major gap in the development timeline during which funding is required for several aspects of a project that are not considered eligible under public financing programs. The City could thus establish a pre-development funding program targeted towards non-profit housing initiatives. The program could offer grants or low-interest rate loans in order to cover costs such as due-diligence studies, architectural engineering, and planning fees, as well as other early expenses. By providing upfront financial support, the City would help non-profit housing providers by better ensuring the financial viability and progression of their projects. It may also complement programs at the provincial and federal level, which fund later stages of development. Several of these programs already ask for some form of contribution from municipalities. Funding the initial stages of project could cover this requirement.

#### *Considerations and entailments*

Although the municipal government is restricted in its revenue generating capacity, it could leverage funding from existing housing initiatives. For example, since the Ville de Montréal's RMM was introduced in 2021, the City has raised \$24.5 million from developer financial contributions (Ville de Montréal, 2023). In addition, by providing pre-development funding, the City would be taking-on a considerable level of financial risk. To overcome this challenge, some form of mitigation strategies may be required, such as conditions on the distribution of funds.

### Recommendation 4: Create municipal land trusts

To improve access to land for non-profit organizations, the Ville de Montréal should develop municipal land trusts with the aim of removing land from the private-market and preserving it for social use. This would involve acquiring land, either through its pre-emptive right or through the open market. The city could then perform necessary adjustments, such as rezoning or servicing changes, and decide to either lease or sell the land. This gives the municipality significantly more control over the type of development that is produced, particularly in areas where speculative pressures are high and land access is low. Moreover, according to the Charter of Ville de Montréal, the City already has the ability to acquire land either through agreement or expropriation and hold it in reserve for public use, including housing. Therefore, the establishment of a municipal land trust would help the city better leverage its existing powers to achieve its housing goals.

### *Considerations and entailments*

In deploying a proactive approach to land development, the local government would be taking on a higher degree of risk. However, it may be able to mitigate it by using the land reserve to generate a certain level of profit. It could, for example, set aside a designated amount of land for non-profit and community use, and sell the remaining amount through an open-bidding process.

## Conclusion

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In Montréal, the housing crisis has reached a point where it can be difficult for households to find quality housing at a price they can afford. The situation, marked by a shortage of supply and unprecedented investment, has given rise to the old debate over which solutions are best suited to address this problem. It also provokes critical questions about the role of different levels of government in meeting housing needs and the type of policies that should be encouraged. For the non-profit housing sector, the solution is obvious: removing land from the speculative market. The larger question is how this can be done.

Non-profit housing providers, whose mission is to ensure the long-term affordability of rents, are operating in a system that works against them. Existing financial products and government policies endorse the provision of private-for-profit development while leaving support for non-market housing on the margins. Meanwhile, the municipal role in housing production has been largely overlooked. Although their financial means are limited, cities have several tools that could be better used to encourage the development of non-profit housing on their territory. This is why this SRP has sought to draw attention to various strategies that cities, like Montréal, can leverage to be more proactive in improving access to housing.

Of course, investing in non-profit housing is only one among a wide array of interventions which are needed to effectively tackle this crisis and ensure that housing is genuinely attainable for everyone. However, reducing the need to profit from housing is perhaps the first step to ensuring prices better reflect operational costs. Addressing the shortage and rising costs of labour and materials will also be important to ensuring the amount of supply that is needed can be built. In addition to new supply, we also require a review of strategies which promote the renovation of the existing stock and protection from investments.

To fix our housing problem for good, we need collaborative efforts from all levels of government, builders both private and non-profit alike, to acknowledge the task at hand and prioritize the community benefit of affordable cities. What is ultimately needed is a collective commitment to creating a future where housing is recognized as not just a commodity, but a fundamental human right for everyone.

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# Appendix

## Developer Workshop Structure and Questions

The workshops were facilitated with Vive en Ville as part of the Balanced Supply of Housing funded project: Tools for overcoming institutional obstacles to non-market housing production in the Montreal Metropolitan Area. Two workshops were held in February and March 2023 with a total of 4 non-profit organizations. The names of each group are confidential.

Each workshop was organised in two parts:

- 1) The main barriers limiting the production of non-profit housing
- 2) Solutions to improve the production of non-profit housing.

In each part, I began by presenting my literature review and then had a follow-up discussion on how the barriers and solutions presented aligned with what each non-profit developer experienced in their work.

The discussions were guided by six main questions:

- What are the challenges you face as a non-profit housing developer?
- What are the main solutions you know of to overcome these barriers?
- What do the barriers identified in the literature mean to you? How do they relate to the issues you have identified?
- What do you think of the proposed solutions identified in the literature? How do they relate to the solutions you have identified?
- Have you ever tried to approach public players to encourage the implementation of these or other solutions? What kind of response or welcome have you received from the public authorities to these solutions?
- Do you feel that some solutions have more potential for progress at political or administrative level? If so, which ones?