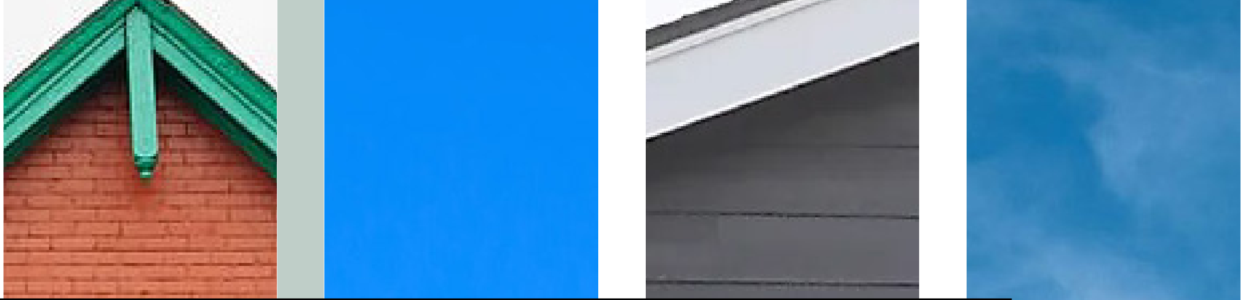
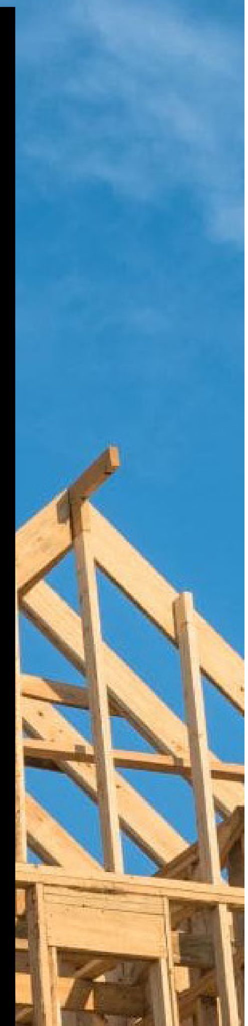
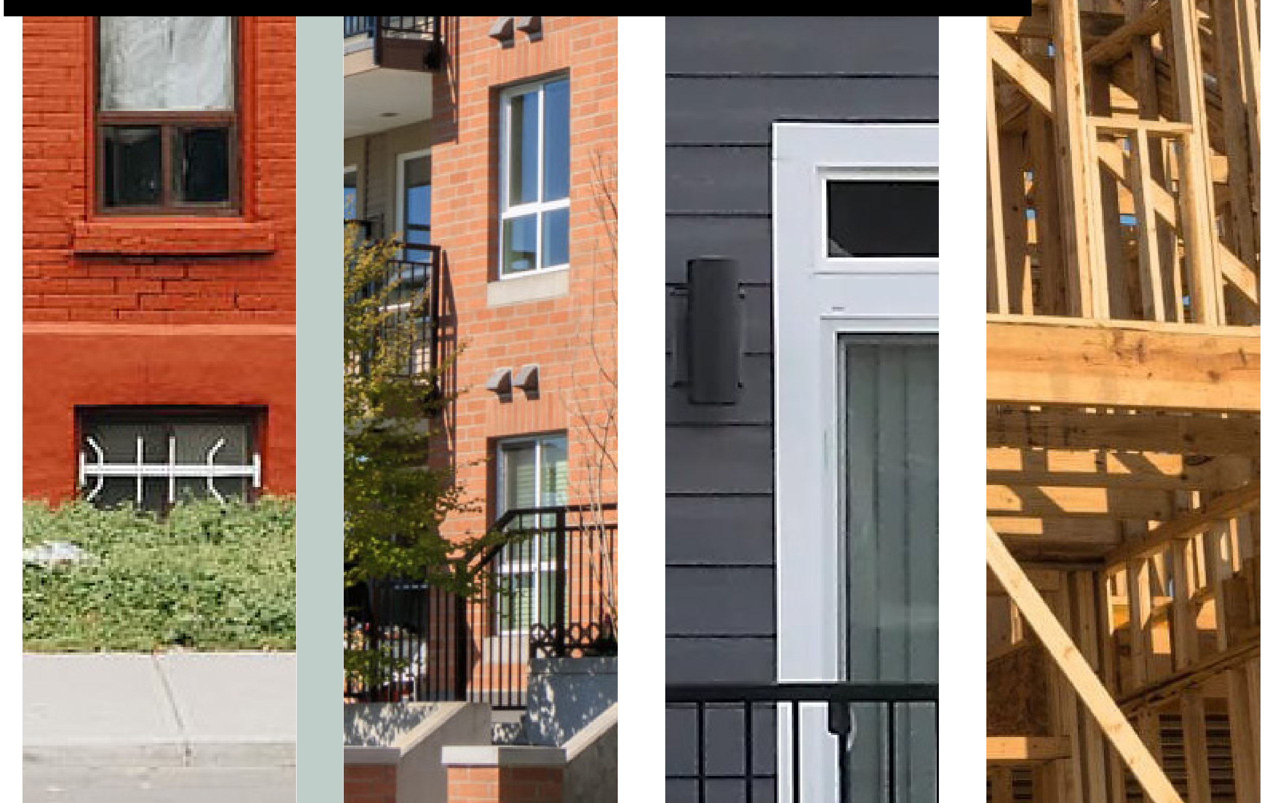



BUILDING NON-MARKET HOUSING THROUGH COMMUNITY LAND TRUST AND CREDIT UNION PARTNERSHIPS

CRAIG HORAN | MCGILL SCHOOL OF URBAN PLANNING

AUGUST, 2023

BUILDING NON-MARKET HOUSING THROUGH COMMUNITY LAND TRUST AND CREDIT UNION PARTNERSHIPS

CRAIG HORAN

SUPERVISED RESEARCH PROJECT

Submitted in partial fulfillment of the degree
Master of Urban Planning

Supervised by professor David Wachsmuth
and the Canadian Network of Community Land Trusts

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ABSTRACT | RÉSUMÉ

Expensive development, property acquisitions, and operational costs have made it challenging for CLTs to find the necessary finances to establish themselves or scale up. As member-owned institutions that have traditionally served underbanked communities and that have access to large amounts of capital, credit unions have the potential to help CLTs finance new affordable housing projects. Drawing on interviews with key informants from three CLT and credit union partnerships from across Canada, common narratives are extracted. A gap analysis is then conducted to identify gaps in the current state of CLT financing opportunities. The findings suggest that although credit unions play a versatile role within the affordable housing sector, the level of impact they have is limited. Even with improved services from credit unions, CLTs still require a range of financing options from additional partners like local and federal governments, as well as private benefactors.

Les coûts élevés de développement, de lacquisition des propriétés, et d'exploitation ont rendu difficile pour les CLT de trouver les financements nécessaires pour s'établir ou se développer. En tant qu'institutions appartenant à leurs membres qui ont traditionnellement servi les communautés sous-bancarisées et qui ont accès à de grandes quantités de capitaux, les coopératives de crédit ont le potentiel d'aider les CLT à financer de nouveaux projets de logements abordables. À partir d'entrevues avec des informateurs clés de trois partenariats de CLT et de coopératives de crédit de partout au Canada, des récits communs sont extraits. Une analyse des lacunes est ensuite effectuée pour identifier les lacunes dans l'état actuel des opportunités de financement du CLT. Les résultats suggèrent que même si les coopératives de crédit jouent un rôle polyvalent dans le secteur du logement abordable, le niveau d'impact qu'elles ont est limité. Même avec l'amélioration des services des coopératives de crédit, les CLT ont toujours besoin d'une gamme d'options de financement de la part de partenaires supplémentaires tels que les gouvernements locaux et fédéraux, ainsi que de bienfaiteurs privés.

AKNOWLEDGEMENTS

I would like to thank everyone who helped me complete this research project but, in particular, my supervisor David Wachsmuth and my advisor Nat Pace from the Canadian Network of Community Land Trusts. Thank you both for your support over the past year and for your guidance on how to produce this report. David, thank you for your invaluable feedback on how to structure this report. Nat, thank you for your sharing your expertise on community land trusts and helping me connect with potential interviewees. Coming into the MUP program, I hoped to learn more about the role of non-market housing within the Canadian housing sector. I can now confidently say that I've achieved that goal.

I would also like to thank all the interview participants who generously shared their time and knowledge with me. You have all been incredibly open about your organizations and the issues surrounding their finances. It has truly been a pleasure getting to know each community land trust and credit union on a deeper level. Speaking with all of you has given me hope about the type of work people are doing within their communities. I hope to see more community land trust and credit union partnerships develop in the future.

Finally, I would like to thank my colleagues, friends, and family for their moral support. My experience has been better with all of you. As anyone else who has written a thesis already knows, it is a difficult task. I appreciate the time all of you have taken to listen to my ideas, as well as helping me live a balanced life that enriched me beyond my studies. I would especially like to thank my partner Semih Cakir for his patience and his support in my decision to return to school. New doors have opened from completing this program and I look forward to the next chapter of my professional career.

TABLE OF CONTENTS

LIST OF TABLES AND FIGURES

1

INTRODUCTION

COMMUNITY LAND TRUSTS AS A PATHWAY TO NON-MARKET HOUSING

Soaring prices for renters and homebuyers across Canada have renewed government and public interest in non-market housing. Community Land Trusts (CLTs) have come to the forefront as a potential strategy for building long-term, resilient affordable housing. Although CLTs do not follow a single template, a traditional setup may involve a not-for-profit organization acquiring ownership of a property and removing it from the private market. Buildings on the property are then rented or purchased by occupants, thereby creating a split ownership scenario that separates the value of the land from the value of the building. This is the primary strategy that CLTs use to keep housing and other assets perpetually affordable.

CLTs in Canada are generally placed into one of three categories: public, sector, or community-based (Agha, 2018). Public CLTs are created and controlled through government legislation and often don't require membership. They are the least common type of CLT with just one entity, the Toronto Islands Residential Community Trust Corporation, located in Toronto, Ontario. Sector-based CLTs are typically formed through existing housing organizations, may target a specific type of housing (e.g. cooperative housing), have limited (if any) membership, and boards comprised of sector professionals and technical experts. They are often subsidiary companies of a larger non-profit, such as a cooperative housing federation. Finally, community-based CLTs are resident-initiated non-profit organizations which are democratically governed and have open membership. Compared to other CLT typologies, they tend to place greater emphasis on local advocacy and community-building. Regardless of which model a CLT uses, restrictions may be placed on things like member eligibility, board composition, or the resale formulas of dwellings.

While CLTs offer a promising route to land and housing decommodification, questions remain as to how they can expand their operations. Factors such as federal divestment from community housing, lack of local political will, and a lack of technical support have at times posed a barrier to CLTs (CMHC, 2005). There is a consensus, however, that the financial health of CLTs is critical to their success (Grounded Solutions Network, 2011; Housing Strategies Inc, 2005; Pace, 2023; Palmer, 2019; Shatan & Williams, 2020). CLTs that are unable to reach financial stability operate in a state of precarity that puts them at risk of insolvency. To prevent this, startup CLTs require a detailed business plan, as well as stable income streams through contributions from the government, foundations, or private donors.

Credit unions offer another possible avenue for financing CLT projects. As member-owned institutions that have access to large amounts of capital, credit unions are well-positioned to help propel affordable housing projects through any stage of development. Previous studies have examined the involvement of credit unions in community economic development (Fairbairn et al., 1997; McKillop & Wilson, 2015); however, little research focuses on the influence they have had within the affordable housing sector. Results from this research will help fill this gap by identifying the financial issues that CLTs currently face and how credit unions have helped address these issues. It will also contribute to the advancement of knowledge on CLT financing in Canada, for which there are few resources.

Using evidence collected from scholarly literature, websites, and interviews, the research presented here attempts to answer the following questions:

1. What has been the role of credit unions in the development of CLTs?
2. Which financial vehicles have been made available to CLTs through credit unions?
3. Where are there gaps in financing for CLTs?

These questions will be answered in the following seven chapters of this report. First, an examination of previous literature points to several issues affecting the affordable housing sector in Canada. The literature suggests that federal government disinvestment since the 1990s and the downloading of housing responsibilities to not-for-profit organizations has placed a greater strain on organizations competing for limited resources. It also highlights the suitability of credit unions as financial partners for affordable housing providers vis-à-vis mainstream banking institutions, since credit unions are member-owned financial cooperatives while, historically, banks have been linked to discriminatory processes. Even so, credit unions are limited in the amount of impact they can generate. Despite their progressive banking values, they must continue to operate as a functioning business that meets its bottom line.

Next, a brief overview is given of three case studies involving CLT and credit union partnerships from across Canada. These include Vancouver Community Land Trust (VCLT) and their collaboration with Vancity credit union, Kensington Market Community Land Trust (KMCLT) and their collaboration with Alterna Savings credit union, and Opportunity Villages Community Land Trust (OVCLT) and their collaboration with Libro credit union. A comparative table is used to highlight the individual characteristics of each CLT. CLTs are either community-based or sector-based and offer a range of housing tenures, from rental units to supportive housing or homeownership through life leases.

The methodology section presents the research methods that were used in this report. A qualitative approach was used to collect data, which included semi-structured interviews with key informants from each CLT and credit union, as well as a representative from Toronto-based organization Circle CLT, who was interviewed for their unique expertise having worked for both a credit union and CLT.

The findings section of the report highlights common narratives that were drawn from interviews. Interviewee responses indicate that the most important sources of financing for CLTs were municipal contributions and donations from private benefactors. Responses from credit unions indicated that their role extended beyond that of traditional banking institutions to include additional support services like financial literacy workshops. Credit unions also appeared to be open to improving their existing services by working on new financial vehicles. Ultimately, CLTs used credit unions for basic financial services but did not necessarily utilize specialized loans or grants.

Following these findings is an analysis and recommendations section. Two analyses were conducted following the interviews: an assessment of financing options in relation to the real estate development life cycle, and a gap analysis. The provided recommendations are based on interview responses from the previous section, as well as the analyses. These include the need for CLTs to experiment with mixed developments, and to advocate municipal housing funds. Credit unions should unify competitive products for affordable housing providers across different institutions, and should work toward advancing new financial vehicles like low-interest patient capital loans and pooled funds.

The report concludes with a discussion on the overall role of credit unions within the affordable housing sector. In line with previous literature, contradictions were present in the role of credit unions, who often tried to balance social impact with standard business operations. Nevertheless, credit unions can still be seen as a promising avenue for additional financing. They should not be seen, however, a replacement for traditional financing streams such as government funding, but as a complementary resource to what is already in place.

2

LITERATURE REVIEW

THE SOCIAL ECONOMY

Capitalist economic models focusing on individual rather than collective profit have proven to be unsustainable in the new millennium. Consequently, alternative economic models with the ability to generate community wealth are needed to redress growing inequality. One such solution is the social economy: a network comprised of different actors like cooperatives, not-for-profits, and foundations who provide a variety of services in entertainment, agriculture, childcare, and healthcare, amongst others. Affordable housing providers like CLTs and community financial institutions like credit unions are also an important part of the social economy's fabric.

Social economy organizations (SEOs) are noteworthy for pursuing both economic wealth and social innovation as objectives (Bouchard, 2012; Bouchard et al., 2006; Moulaert & Ailenei, 2005; Neamtan, 2005). Although they generate revenue through their activity, the overall mission of an SEO must respond to the needs of its members. This is often done in response to the shortcomings of the government and the private market. Hence, SEOs occupy an intermediate area between the market and the state (Evers, 1995; Karaphillis et al., 2010; Quarter & Mook, 2010).

As social economy organizations, CLTs and credit unions may be seen as natural partners. Both aim to empower their communities by improving accessibility to vital services and resources. Nevertheless, certain differences exist between the structure of CLTs and credit unions. On the one hand, CLTs can be defined as community economic development organizations (CEDs) who drive local development through the provision of housing for low or moderate income households. CEDs earn their revenue through a variety of sources, including private donation and government grants. On the other hand, credit unions can be defined as social economy businesses (SEBs). SEBs place a greater emphasis on generating profit, and use a business model that is designed to compete with other organizations within the private market. In addition, a credit union does not focus on housing, but on the provision of financial services for its members. Because of these differences, CLT collaborations with credit unions present an interesting opportunity to access a separate pool of capital. Moreover, the large amount of capital at the disposal of credit unions is potentially an invaluable resource for CLTs to tap into.

The following chapter outlines the suitability of credit unions as additional sources of financing for CLTs. It begins with an overview of the funding landscape for affordable housing in Canada, which has seen increased competitiveness as a result of government disinvestment and other factors. Next, the history of banks and lending institutions is examined, and how these institutions have perpetuated social injustices. Consequently, mainstream banking institutions may not as be as well positioned as credit unions for collaborations with CLTs. Finally, the advantages and limitations of credit unions are examined. While credit unions offer an interesting opportunity for additional financing, factors like the growth mindset of credit unions and their inherent social-viability conflict may limit the amount of impact they can generate.

GOVERNMENT DISINVESTMENT AND COMPETITION FOR LIMITED RESOURCES

Canadian federal housing policy is designed to favour homeownership. This is exemplified by Canada's dual housing system that is primarily composed of homeowners instead of renters (Hulchanski, 2006), as well as the dominance of the private market, which accounts for 96% of the country's housing stock (Chisholm & Hulchanski, 2019). Moreover, current housing legislation does not allow government agents to charge capital gains taxes on the sale of primary residences, an uncommon (but deliberate) housing policy that has helped increase the profits of homeowners. For that reason, policies favouring homeownership can be viewed as politically strategic maneuvers that favour the majority of Canadian residents and help officials get re-elected. While this has bolstered the personal agendas of politicians, a widening wealth gap between homeowners and renters demonstrates the country's shortcomings in achieving equitable outcomes.

In response to these shortcomings, Canada has, over time, developed a substantial not-for-profit sector that is currently one of the largest in the world (Barr et al., 2005). The emergence of not-for-profit housing organizations began in the 1970s when public housing programs run by the federal government in the post-war period were discontinued. Consequently, the provision of housing by not-for-profit organizations continued to grow throughout the next decades, eventually peaking in 1994 when 178,700 non-market units were in operation (Chisholm & Hulchanski, 2019). Funding in subsequent decades was capped to support existing affordable housing stock only, rendering it difficult to create new affordable housing units.

The fiscal restraint of the Conservative government in the 1990s has had a lasting impact on affordable housing programs in Canada (Suttor, 2016). During that time, housing responsibilities were increasingly downloaded by the provinces to alleviate the federal government's responsibilities. The system has since decentralized even further to include municipalities as major funding distributors, which has resulted in all three levels of government participating in the funding and development of affordable housing projects. While a decentralized structure has helped municipalities better target projects to meet their individual needs, it has also required greater coordination between different levels of government: a task that has proven to be a challenge.

Canada released its first National Housing Strategy in 2017; however, the policy has been critiqued for being largely illusory and ineffective (Gorenkoff, 2023). Since the election of the Trudeau government in 2015, the federal housing budget has, in fact, only continued to decline. Current federal subsidy programs are fragmented and often require a funding commitment from other levels of government. Meanwhile, provincial and municipal programs provide piecemeal funding that serve only the 'worthiest' applicants. As a result, not-for-profit groups have had to compete against one another for a limited pool of resources (Phillips et al., 2008). Some researchers have also argued that the way in which funding is dispersed across Canada is problematic (Clément, 2021). Funding recipients often include only a small number of organizations, while significantly disproportionate amounts are allocated between each province by the federal government. Furthermore, specific sectors often receive a greater share of resources. This has resulted in some sectors being forgotten as the federal government decides on the new 'flavour of the month'.

Another issue facing not-for-profits is the inconsistent and short-term nature of funding, which can affect their ability to focus on their missions (Fyall, 2016; Scott, 2003). Several long-term funding programs for not-for-profit and cooperative housing in Canada are reaching, or have reached, their expiry date (Cooper, 2022). As a result, not-for-profit organizations have been forced to seek additional funding for their projects, which can trap them in an endless loop of grant applications. Grant applications require time and resources to complete, which for many not-for-profits operating on a limited budget simply do not have.

While the term 'no-for-profit' is being used here to describe any organization operating within the third sector, the same concerns are applicable to CLTs. As incorporated not-for-profits themselves, CLTs that are unable to obtain sufficient financing risk shutting down. Such instances have been documented in previous studies of CLTs in Canada (Bunce & Barndt, 2021). Finding a solution to meet the financial needs of CLTs is particularly complex, however. Different types of funding may be required based on the organization's maturity, which could include rounds of seed funding for their incorporation, additional funding for development, or long-term subsidies for their operations. (Grounded Solutions Network, 2011; Housing Strategies Inc, 2005). Therefore, the ability of CLTs to realize their objectives is largely dependent on their access to reliable income streams. Financial institutions like banks and credit unions present an interesting opportunity for CLTs to access additional capital to help finance their projects, however, they too come with their own set of challenges.

THE PROBLEM WITH MAINSTREAM BANKS

Mainstream financial institutions have been subject to criticism for discriminatory lending practices that disproportionately exclude low-income, minority groups (Caplan, 2014; Engel & McCoy, 2008; Harris, 2003; Renuart, 2004). Others claim that impartial lending practices are consistent with the rejection of low-income groups and that such policies simply reflect the entrenched inequalities within our society (Ferguson & Peters, 1995). Nevertheless, credit denial has disproportionately impacted certain demographics. Discriminatory policies regulating lending practices have led to subjective decision-making, and as a result, have been a major obstruction to disadvantaged populations looking to generate wealth.

After the New Deal in the 1930s, the Federal Housing Authority (FHA) used redlining as an underwriting strategy, in which neighbourhoods were classified as either desirable or hazardous (Mitchell & Franco, 2018). Maps were designed that prevented residents in certain neighbourhoods from accessing basic financial services such as banking accounts and mortgage loans. As a result, many residents were unable to secure financing to purchase or renovate their properties, and inner-city neighbourhoods fell into disrepair. This was compounded by lowering property values that stripped away any valuable equity residents had gained.

Although redlining examples are more widely documented in the United States, similar practices appeared in the Canadian suburbs in the 1940s (Harris, 2003). Like the US, deep racial divides were prevalent between districts and those with a larger population of visible minorities were disadvantaged when applying for loans. Using a method in which entire neighbourhoods were circled to avoid, the Canadian Mortgage and Housing Corporation (CMHC), Canada's national housing agency, denied mortgage loans to low-income urban areas. In addition, newer subdivisions lacking municipal services were also denied credit, as residents of these areas were viewed as undesirable clients. This continued for some time, until the Civil Rights era brought in new legislation such as the Fair

Housing Act in the US. Canada, however, only formally agreed to comply with the Right to Housing in 1976. Even so, new forms of financial discrimination emerged in later decades, as redlining gradually shifted to practices of predatory lending (Engel & McCoy, 2008).

Since their appearance in the 1990s, 'fringe banking' services have rapidly expanded and targeted vulnerable populations without access to credit. While proponents argue that these services play a vital role in providing loans to those excluded from mainstream banking institutions, others have decried their exploitative nature. In Canada, services like Money Mart and Easy Loan provide loan installments with interest rates that can reach up to 60%, while prepayment penalties and other potential fees are written in their terms (Gallagher, 2022). In addition, vulnerable residents lacking financial literacy or who find themselves in a precarious financial situation are more at risk of being lured into risky subprime mortgages. Such contracts have only resulted in further disenfranchising low-income groups by placing them in endless cycles of debt from which they cannot escape. While CLTs themselves are unlikely to be taking out pay-day loans, low-income residents living on their premises might.

The lingering effects of the fringe banking industry have been difficult to eliminate since an entire ecosystem is found against the backdrop of predatory lending (Renuart, 2004). Mortgage brokers are encouraged to secure high interest mortgages with borrowers in order to receive a commission fee from banks known as a yield spread premium (YSP). During the 2008 economic crash, banks also benefited from these mortgages by bundling and selling them to third parties as mortgage-backed securities (MBS). MBS are then sold to investors who earn interest from borrower debt, creating a de-facto pipeline in which investor repayment is prioritized. However, Canada has been somewhat sheltered from the risk of subprime mortgages, as all MBS in the country are CMHC-insured (Jarvis, 2022), essentially meaning that risky subprime mortgages are not bundled. Nevertheless, all mortgages carry some level of risk and exploitative payday lenders are not necessarily prohibited from pushing exploitative products onto vulnerable populations.

In response to these issues, progressive efforts have been made in the US to minimize credit-related problems through laws like the Community Reinvestment Act (CRA). Enacted in 1977, the CRA encourages American banks to meet the credit needs of low-to-moderate income (LMI) neighbourhoods and has so far had successful results (Lee & Bostic, 2020). An equivalent program has yet to be implemented in Canada, however. Therefore, no checks and balances exist to ensure that banks in Canada are providing equal credit opportunity. This may simply be due to Canada's significantly smaller banking network. To compare, Canada has 5 major banks, far below the 4000+ registered banks in the US. Even so, this should not prevent protective legislation from being implemented at the federal level in Canada. Canada's mainstream banking institutions should be held equally accountable to the needs of underserved demographics.

Additional banking options exist outside of Canada's Big 5 banks. CLTs looking to access financial services might also examine the possibility of working with a local financial institution like a credit union instead. Sharing their values of community, equity, and democracy, credit unions may be more philosophically aligned with CLTs. For that reason, they might provide services that are more tailored to the local context and the needs of affordable housing providers like CLTs.

THE ADVANTAGES AND LIMITATIONS OF CREDIT UNIONS

As not-for-profit financial cooperatives, credit unions are closely aligned with the values of their members. Historically, credit unions have tackled social exclusion by lowering barriers to financial services for underrepresented groups (Bernanke et al., 2009; Mook et al., 2015; Myers et al., 2012). They may also offer more personalized customer service and competitive financial benefits such as higher interest savings rates, and lower loan rates (Nembhard, 2013; Wilcox, 2006). Beyond the individual benefits that credit unions offer, a growing body of literature documents the impact they have had on community economic development (Benjamin et al., 2004; Geobey & Weber, 2013). Some credit unions have even marked affordable housing as one of their main pillars for creating impact, which suggests they are better positioned than regular financial institutions to provide financial services to community economic development organizations like CLTs.

Unlike mainstream banking institutions, credit unions incorporate democratic processes into their operations. Credit unions typically hold an annual vote to select their representative board members, who are then authorized to make decisions on how finances will be used for the upcoming term. A "one member, one vote" rule is applied, signifying that each member has an equal voice, regardless of their income bracket (McKillop & Wilson, 2011). This holds financial implications too, as member needs are prioritized over shareholder profits. This translates into any surplus earnings being given to members in the form of higher interest rates on savings, lower lending rates, and other benefits. Therefore, credit unions can be seen as participants in the world of social finance.

Social finance differs from conventional financing methods insofar that investors make investments with the intention of achieving social returns, rather than profits alone (Quarter et al., 2018; Shortall & Alter, 2009; Weber & Duan, 2012). On a spectrum with grants on one end and profit maximization on the other, credit unions lie somewhere in the middle. Credit unions use investment vehicles such as sub-market debt, or "soft" debt, meaning they do not expect a commercial rate of return on their investments. Soft debt includes products like patient capital with long repayment periods, interest holidays, or loans with lower interest rates. These types of lending vehicles have numerous benefits, as they allow lenders to take advantage of favourable rates, while still satisfying the need for credit unions to earn modest profits.

Still, there are limitations to the level of impact credit unions may generate. A large body of literature points to the inherent social-viability conflict of credit unions (McKillop & Wilson, 2015; Mook et al., 2015; Myers et al., 2012; Ralston & Wright, 2003). On the one hand, credit unions frequently list social impact as an objective, which is accomplished by providing services to marginalized members of society. On the other hand, credit unions, as businesses, cannot take on excessive risk that could compromise their own financial security. Consequently, some credit unions have implemented tighter measures such as limiting the size of an advance, or refusing credit to those with less ability to repay. Essentially, they may begin to replicate the behaviour of corporate banks.

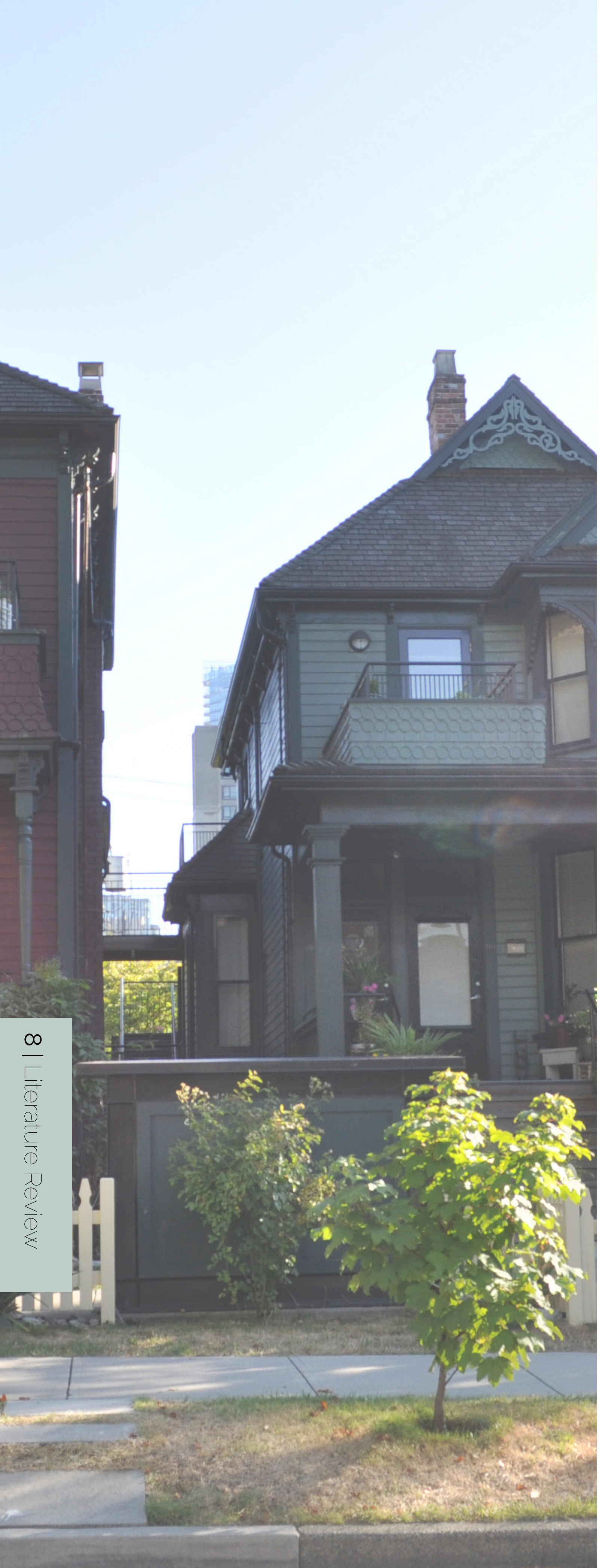
Another debate rests on the increased tendency of credit unions to perform mergers. Like for-profit businesses, credit union mergers display a growth mindset by increasing the overall asset holdings of credit unions, or by increasing the number of branches they operate. Others argue that mergers help generate economies of scale that allow credit unions to provide more efficient services. Even so, as credit unions grow in size, their original intent to serve as community financial institutions may be lost as they begin to operate like "near-banks" (Gentleman, 2014). Moreover, credit unions prioritizing growth may begin to feel limited by the structure of their organizations and their accompanying regulations. Management may be tempted to reform their organizational structure, where in rare cases, some credit unions have even converted into banks (Wilcox, 2006).

Finally, loans are not guaranteed to be competitive simply because they were issued by a community financial institution like a credit union. In certain cases, affordable housing providers have nonetheless been exposed to extractive financing from community financial institutions that mark up interest rates on capital (Shatan & Williams, 2020). CLTs may also be subject to risk premiums after being incorrectly labelled as high-risk borrowers, due to lenders' unfamiliarity with the CLT model. This is still the case despite the resilience that CLTs have displayed in economic downtowns (Thaden, 2010). Moreover, credit union lenders who are unfamiliar with ground leases, or other uncommon forms of tenure may be reluctant to provide mortgages (Bunce & Barndt, 2021; Housing Strategies Inc, 2005; Spicer et al., 2022; Stein, 2010). Like banks, credit unions can display behaviour that prioritizes their needs above those of their members. If credit unions are to truly be considered better financial institutions for affordable housing providers to partner with, they must demonstrate a certain level of flexibility and uphold their original values of serving underprivileged demographics.

CONCLUDING REMARKS ON PREVIOUS ACADEMIC LITERATURE

Future CLT development will rely on financing alternatives that are both sustainable and non-extractive. As previous academic literature demonstrates, the inconsistency of government support for affordable housing has unfortunately limited the number of resources available to affordable housing providers. In addition, heated competition for funding has burdened not-for-profit organizations who invest significant time in funding applications, without any guarantee their projects will be selected. Loans and grants from financial institutions are one possible way of solving the unpredictability of government grants, as they could provide a means of sustainable financing. Banks and credit unions are well-known financial institutions that would be the most likely to participate.

Historical records highlight a potential philosophical disconnect between banks and CLTs. Banks have been linked to discriminatory practices like redlining, as well as unethical services like pay-day loans. Ultimately, banks are driven by profit, which may result in CLTs being exposed to extractive financing schemes. Credit unions, however, are member-owned financial institutions that have preserved



democracy within their governance framework. Moreover, credit unions have defended social inclusion by providing financial services to historically underbanked segments of the population. Still, the conflicting roles of credit unions as businesses and community supporters presents certain dilemmas. Credit unions with a strong growth mindset might increasingly adopt the practices of regular banking institutions and, consequently, distance themselves from their original mission of helping their members prosper.

While previous research has demonstrated the charitable activities of credit unions and the role they play in community economic development, little of it has focused specifically on their contributions to the affordable housing sector. Yet, the commitment of credit unions to affordable housing projects may indicate whether credit unions have retained their community focus. In addition, previous studies on CLTs tend to provide only a general summary of the issues they encounter, without focusing on their financial component. Although project financing is frequently reported as a barrier, few studies have examined in detail how CLTs in Canada have managed to finance their operations. This paper aims to fill in these gaps by examining the sources of financing CLTs have utilized and the extent to which credit unions have participated in these projects.

3

METHODOLOGY

This study uses qualitative methods to gain deeper insights into the firsthand experiences of three CLT and credit union partnerships from across Canada. These include Vancouver Community Land Trust's (VCLT) partnership with Vancity credit union in Vancouver, Kensington Market Community Land Trust's partnership with Alterna Savings credit union in Toronto, and Opportunity Villages Community Land Trust's (OVCLT) partnership with Libro credit union in Chatham-Kent. Case studies were selected using a purposive sampling approach. CLT size, housing tenure model, and stage of development were prioritized in the selection of case studies to maximize data variability.

Several techniques were used to compare and evaluate each case study. First, a background review was conducted on each CLT and credit union by scanning relevant academic articles, grey literature, the web pages of each organization, and other online sources. Second, semi-structured interviews were conducted. This ensured that pertinent topics were covered while also permitting a flexible framework for new material to surface. Interviews were held with key informants from each CLT and credit union. CLT representatives included treasurers and executive directors, while credit union representatives included community impact directors and commercial lenders. An additional informant currently acting as the chief executive director of Circle CLT in Toronto, and who had previously worked at Alterna Savings, was consulted for their distinct expertise on CLT and credit union relationships. Questions that CLTs were asked focused on the types of funding they currently receive, their expenses, the services they required from credit unions, as well as how surplus revenues were used. Questions for credit unions were centred on the types of grants and loans they offer, mortgages, other supportive services, as well as investment opportunities. Questions were asked to both groups about their overall impressions of CLT and credit union partnerships, and whether they felt positively about them.

Inductive coding was used to draw out common narratives between each case study and to reveal any pertinent differences. Different sources of financing that CLTs used were documented and compared to the types of financing options credit unions offered in a two-part analysis. First, an illustrative exercise was carried out to determine which types of financing are available to CLTs during the real estate development lifecycle. Second, a gap analysis was conducted to assess which types of financing are still missing for CLTs in their current environment. Recommendations are provided at the end, with the intent of helping CLTs reach financial autonomy.

LIMITATIONS

It should be noted that certain limitations are present within this study. The multifaceted nature of CLTs and credit unions as institutions made it difficult to find interviewees with cross-departmental knowledge. Interviewees often came from either a financial or community background which, at times, made it difficult for them to respond to questions outside of their area of expertise. CLT treasurers were at times unfamiliar with the social aspects of their respective land trusts, while community impact representatives from credit unions were at times unfamiliar with their institution's lending practices, and vice-versa. Follow-up questions were asked through written correspondence to try and minimize these knowledge gaps.

Another issue present in the study was the sensitive nature of finance as a topic. Due to client confidentiality, credit unions could not always provide detailed information, while CLTs, understandably, did not share a complete spreadsheet outlining their finances. Consequently, a complete picture of each CLT's financing was not always realized. Future studies may opt to use surveys to better grasp the technicalities of CLT financing.

The results of this research cannot be generalized due to the small sample size being used. Other collaborations between CLTs and credit unions have occurred in Canada; however, they fall beyond the scope of this research. The aim of this paper is to develop an initial roadmap of the financial needs of CLTs through the selected case studies. It also hopes to serve as a basis for future research contributing to the understanding of the financial issues that affordable housing providers face in Canada.

4

CASE STUDIES

The following section provides an overview of three CLTs in Canada that have partnered with credit unions for their operations and growth. These include Vancouver Community Land Trust (VCLT) and their partnership with Vancity credit union in Vancouver, Kensington Market Community Land Trust (KMCLT) and their partnership with Alterna Savings credit union in Toronto, and Opportunity Vil-lages Community Land Trust (OVCLT) and their partnership with Libro credit union in Chatham-Kent. Table 1 displays key elements of each CLT and how they differ from one another.

TABLE 1 | Comparison between CLTs

	VCLT	KMCLT	OVCLT
Credit Union Partner	Vancity	Alterna Savings	Libro
Location	Vancouver, BC (and other outlying regions)	Toronto, ON	Chatham, ON
Established	1993	2017	2019
CLT Type	Sector-based (subsidiary of CHFBC)	Community-based	Community-based
Growth Strategy	Acquisition and new construction	Acquisition	New construction
Assets	2600+ units	1 property (10 affordable rentals, 2 market rentals, 5 commercial spaces)	1 undeveloped property
Housing Types	Cooperative, supportive, rental	Rental	Affordable homeownership through life leases

FIGURE 1 | The Bakerview Housing Cooperative is one site within VCLT's portfolio. Image credit: CHFBC

VANCOUVER COMMUNITY LAND TRUST AND VANCITY CREDIT UNION

VCLT and Vancity have spent several decades collaborating on affordable housing projects throughout BC. VCLT operates a collection of sites, some of which are financed through mortgages and other loans from Vancity. New sites are being acquired each year and Vancity has remained a close ally of VCLT throughout the process.

VANCOUVER COMMUNITY LAND TRUST

VCLT is notable among CLTs in Canada for the portfolio model that it uses. Within this model, VCLT owns and operates a collection of different sites, some of which are long-term leases on public lands. This stands in contrast to other CLT models where sites are subleased to individual not-for-profit organizations under a master lease. The benefit of such an approach is that it has helped streamline certain processes by allowing VCLT to act as a single developer and operator for more than one site. Using the principles of economies of scale, costs are also reduced using this approach. Perhaps more importantly, the portfolio model has also enabled cross-subsidization between higher-priced units generating more revenue and lower-priced units that are deeply affordable. Higher priced units may reach as high as 90% of market value (Patten, 2016).

Although its structure may not resemble a typical CLT, VCLT's vision to expand the supply of affordable community housing is nonetheless similar. In fact, its ability to scale up compared to other CLTs in the country makes it remarkable. Today, VCLT holds over 2,600 homes in its portfolio, 527 of which are under construction. This is in part due to the ecosystem VCLT has created around affordable housing. Members support VCLT through modest membership fees, amounting to $4.15 per unit per month (CHFBC, 2022). Revenues are also generated through CHFBC's education and management services, its planning services, as well as its group buying program. They now hold an impressive $1 million in their reserves, which are currently managed by social-purpose investment fund manager, Encasa Financial Inc. These funds can then be used toward a variety of purposes, such as housing renovations or the development of new affordable housing projects.

VANCITY CREDIT UNION

As the second largest credit union in Canada, Vancity is a major powerhouse in the social finance sector. It is composed of three subsidiary groups, Vancity Life Insurance Services Ltd., Vancity Investment Management, and Vancity Community Investment Bank. It is also the founder of the Vancity Community Foundation, which was established through an initial endowment in 1989. Since its inception, Vancity has undergone several mergers with other credit unions, dating back to its purchase of the U.B.C Employees Credit Union in 1946 (Vancity, 2023b). As a result, its numbers have continued to grow; Vancity counted 562,259 members across its 54 branch locations in 2022 (Vancity, 2022b). They also reported $34.3 billion in assets in 2022. While this pales in comparison to Canada's 'Big Five' commercial banks holding trillions in assets in the 2022 fiscal year (KPMG, 2022), Vancity's compounded annual growth rate on net earnings between 2000 and 2010 outperformed TD Bank (Geobey & Weber, 2013). This demonstrates the potential of social finance institutions like Vancity to scale up and generate community wealth.

Despite its size, Vancity's operations have remained consistent with its commitment to social values. The institution has retained its democratic values, entitling each member to one vote in their annual board elections. Vancity is also the largest member of the Global Alliance on Banking and Values, a network comprised of independent banks that leverage their financial resources for social impact. And there are some impressive numbers that demonstrate Vancity's commitment. Thirty percent of their net profits are shared with members through their Shared Success program, which has allocated over $444 million since 1994 (Vancity, 2022b). Moreover, $16.8 million was invested in not-for-profit organizations and local businesses in 2022, highlighting the level of support Vancity has provided for its community.

Vancity also has a proven track record within the affordable housing sector. Its website lists impact real estate as a specialized sector and includes references to various support services for affordable housing (Vancity, 2023a). Accordingly, the number of affordable housing units Vancity funds continues to rise steadily, having reached 3,666 units in 2022 (Vancity, 2022b). Its success stems from the numerous grants and loans that have been made available to community partners. Examples of this include community grants that are available to help organizations develop a business plan in the initial stages of a project. Similarly, a new $5 million Non-Profit Housing Retrofit Program was announced in 2022 to help support low-carbon retrofits. These grants are made available through Vancity's Affordable Housing Accelerator Fund, which has provided $31.5 million in funding for 4,407 rental homes (Vancity, 2022a). In addition to grants, the Fund offers low-interest loans at a 2% simple interest rate for pre-development and pre-construction (Vancity Community Foundation, 2018). Therefore, multiple stages of the development process are covered through Vancity's large selection of financing options.

FIGURE 2 | Rendering of Fraser Street Seniors Co-op, a new site under development. Image credit: CHFBC

FIGURE 3 | KMCLT's building at 54-56 Kensington Avenue. Image credit: Kensington Market Community Land Trust

KENSINGTON MARKET COMMUNITY LAND TRUST AND ALTERNA CREDIT UNION

Kensington Market Community Land Trust (KMCLT) has been working with Alterna Savings since the purchase of their building at 54-56 Kensington Avenue in Toronto, in 2021. The group took out a mortgage loan on the property and has since been looking to acquire a second site. "Bylaw Number One", written by KMCLT, contains a financial section which states that the Board may designate the bank in which the money, bonds, or other securities are placed (KMCLT, 2021).

KENSINGTON MARKET COMMUNITY LAND TRUST

Incorporated as a not-for-profit corporation in 2017, KMCLT formed in protest of a proposed development project that threatened to displace existing tenants. The group describes their mandate as "Keeping Kensington, Kensington," in reference to Kensington Market's historical role as a vibrant cultural hub that was a haven for artists and immigrants. However, rising property prices and gentrification in the area have increasingly pressured long-term residents to move elsewhere. Through the efforts of residents and other community partners, KMCLT was successful in purchasing its current building at 54-56 Kensington Avenue. It is a mixed-use site holding 12 residential units, 10 of which are affordable, as well as 5 commercial spaces.

KCMLT's outreach has helped them become a recognizable figure in their community. Membership is open to the general public and is split into one of three categories: residential, community, or supporter. Roughly half of KCMLT's members either live or work in Kensington Market (KMCLT, 2023). In addition, the group participates in several projects promoting housing affordability, such as the Affordable Housing Challenge Project run by the University of Toronto School of Cities. It is also the first site in North America to pilot the Fairbnb platform, which mirrors for-profit business Airbnb but reinvests 50% of commission fees back into community projects (Fairbnb, 2023).

Since its first property acquisition in 2021, KMCLT has been looking to expand. Sessions with locals and the City of Toronto have taken place to acquire a city-owned parking lot located at 25 Bellevue Avenue, a site that is currently owned and run by the City of Toronto's Parking Authority. Although City Council approved the site for not-for-profit rental housing in July 2020, they have yet to issue a call for proposals (City of Toronto, 2020). In the event KMCLT is awarded a contract, the group has already laid the groundwork by approaching community partners to help develop and manage the site. Not-for-profit developer New Commons Development was selected to coordinate potential development on the site, while St. Clare's Multi-Faith Housing Society would become the operating partner.

More recently, KMCLT won a bid to purchase two additional properties located at 27 and 29 Kensington Avenue (O'Brien, 2023). The buildings are currently occupied by two ground-floor commercial spaces with residential units on top, which KMCLT intends to preserve and keep affordable. The question, however, is whether they will be able to foot the $4 million price tag. To do so, the group has requested a $1 million contribution from the City of Toronto and has also begun a fundraising campaign. Additionally, they may be able to tap into the City's Multi-Unit Residential Acquisition (MURA) program, which has dedicated $21.5 million for the acquisition and renovation of affordable housing properties (City of Toronto, 2023). For the offer to go through, KMCLT will need to reach their fundraising goals within a month. Otherwise, they stand to lose their buyer's deposit of 5% (Miller, 2023) and the contract may be rescinded.

ALTERNA SAVINGS CREDIT UNION

Alterna Savings has been in operation for 112 years, making it the oldest credit union in Ontario. It is comprised of Alterna Savings Credit Union Limited and its subsidiary, Alterna Bank. With its most recent acquisition of PACE credit union, it has successfully undergone seven mergers in total (Alterna Savings, 2022a). In 2022, Alterna was reported to be the 9th largest credit union in Canada, with roughly 217,000 members and 47 branches across Ontario. They managed an impressive $10.4 billion in assets and completed the year with $14.4 million in net income (Alterna Savings, 2022b). Despite its growth, Alterna continues to operate democratically by granting each member a vote to elect candidates for the Alterna Savings Board of Directors each year.

Alterna is a noteworthy philanthropist for social impact causes, where in 2022 they invested over $1.2 million in sponsorships and community support (Alterna Savings, 2022b). This included donations to local organizations like food coops, lacrosse leagues, and cancer foundations. In addition, they have a community granting program that offers grants of up to $1000 for various projects. Their most recognized program, however, is their micro-finance program that supports small business entrepreneurs from traditionally underrepresented communities. In the previous year, over $1 million was allocated through 100 micro-loans, providing additional capital to help start new businesses.

In addition to general funding, Alterna has a track record of working with affordable housing providers. In the previous year, Alterna celebrated a 25-year partnership with the Cooperative Housing Federation of Toronto (CHFT), to which Alterna has contributed over $3 million in funding (Alterna Savings, 2021). In addition, Alterna contributes toward the CHFT Diversity Scholarship Program and has awarded over $2 million to 415 recipients since it was first launched in 2012. Ultimately, their presence within the affordable housing sector continues to expand, with funds managed by Alterna's affordable housing group reaching $200 million in 2021.

FIGURE 4 | The property at 27 and 29 Kensington Avenue that KMCLT has bid on. Image credit: Paul Borkwood, CBC

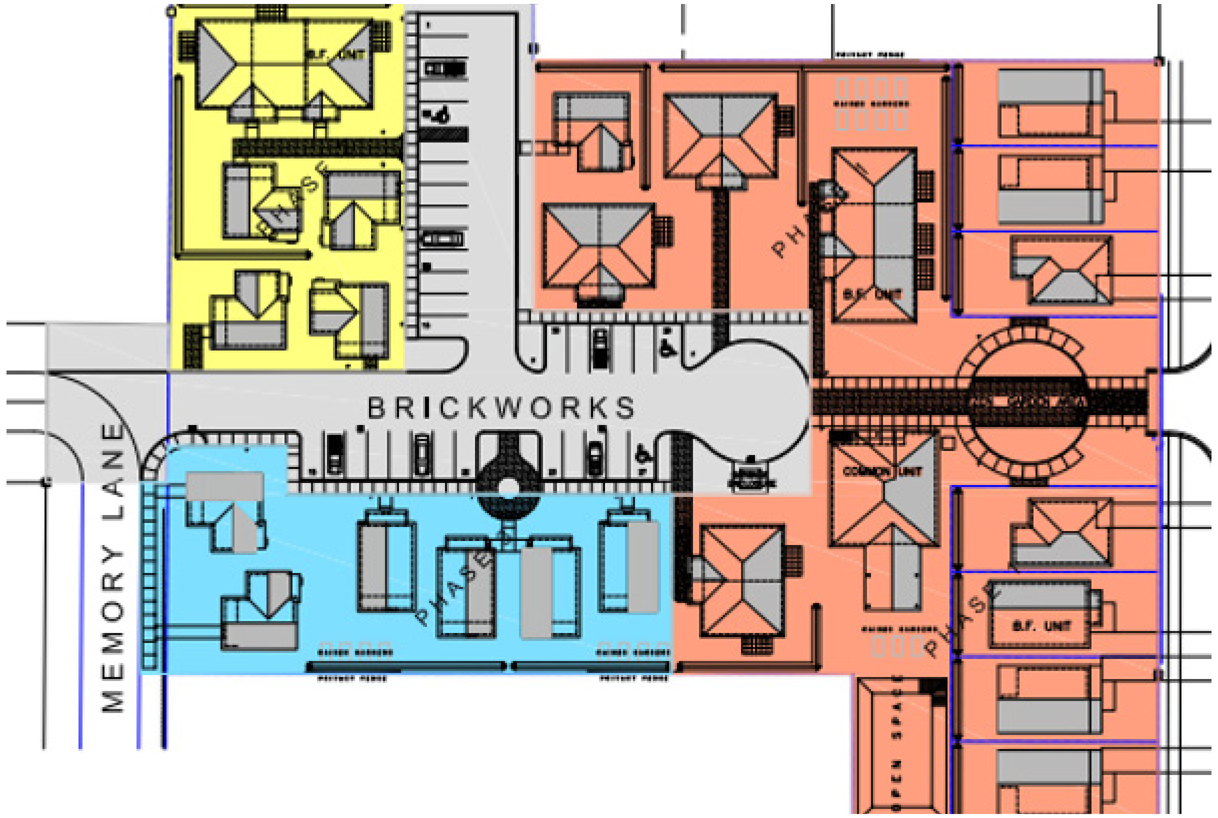


FIGURE 5 | Potential site plan of The Brickworks. Image credit: Opportunity Villages Community Land Trust

OPPORTUNITY VILLAGES COMMUNITY LAND TRUST AND LIBRO CREDIT UNION

Opportunity Villages Community Land Trust (OVCLT) is attempting to complete its first project known as "The Brickworks," which is currently under development. They recently established a partnership with Libro Credit Union in order to have access to financial and legal services.

OPPORTUNITY VILLAGES COMMUNITY LAND TRUST

OVCLT is a relatively new organization looking to implement an affordable homeownership model in the Chatham-Kent region of southern Ontario. They currently hold an undeveloped piece of property located at 10 Taylor Avenue, on which there are no existing buildings. Once completed, approximately 30 houses are expected be on site. Homes will be targeted toward low-to-moderate-income individuals by keeping sales prices ten percent below the market rate. To compare, the average home price in Chatham-Kent was $426,963 in February, 2023 (CREA, 2023).

"The Brickworks" advertises its properties as quality "tiny homes," that will have a strong sense of community (OVCLT, n.d.). OVCLT also intends to create a resident's association once 80% of homes have been occupied. However, the focal point of OVCLT is the life-lease model they intend to use, where interested homebuyers will purchase a life-lease interest in a property rather than a typical freehold interest. Under such an agreement, OVCLT would be the owner of the property and responsible for its overall maintenance, while residents would retain an interest in the building. Future leaseholders would then have the right to sell the interest on their unit when they wish to relocate. OCVLT's model is therefore unique compared to other CLTs in Canada that provide rental units only.

LIBRO CREDIT UNION

Libro credit union serves the southwestern region of Ontario and defines its mission as "making money better". Having merged with United Communities Credit Union in 2014, it is now the 17th largest credit union in Canada and the third largest in Ontario (Canadian Credit Union Association, 2022; Financial Services Regulatory Authority of Ontario, 2023). In 2022, it counted 113,579 members across 36 branch locations and held $11.6 billion in its total portfolio (Libro Credit Union, 2023). Members are referred to as "owners", as they are given a stake in how financial decisions are conducted. This is carried out through a unique governance structure in which a board of directors is selected by owner representatives, who are strategic community ambassadors elected by general members.

Libro's four pillars include financial resilience, employment, food accessibility, and housing. Using responsible investment strategies with member savings, Libro has contributed to positive outcomes such as reduced energy consumption and waste. In particular, its Community Investment Programs have donated $1,351,922 to community projects aligned with their pillars (Libro Credit Union, 2023). This includes sponsorship of more than 150 organizations, annual grants, as well as support for students through scholarships.

Libro focuses on the housing sector in a number of ways. First, it has contributed to the "Imagine Build" program to support efforts in building housing for the Indigenous Oneida Nation of the Thames. Moreover, they have collaborated with specific partners like Indwell's Dogwood Suites to create supportive affordable community housing in Simcoe, as well as Habitat for Humanity, a national not-for-profit organization that focuses on providing shelter for vulnerable populations. In addition to the financial contributions made to these organizations, Libro has even provided direct financing to the homeowners of these projects.

KEY TAKEAWAYS

As affordable housing providers, CLTs share many commonalities. But their underlying motives, membership, housing tenures, and operational strategies highlight their differences. In fact, a comparison between any two CLTs in Canada would likely demonstrate that none are identical.

The only one of its kind in Canada, VCLT is noteworthy for its portfolio approach, in which it operates under a subsidiary organization, CHFBC, to manage hundreds of different sites. This has helped it to scale up its operations to over 2600 units, and to create an entire ecosystem that supports essential services such as healthcare clinics, daycares, and other commercial services. In addition to affordable rental housing, VCLT also offers cooperative and supportive housing. It is also the only CLT examined in this study that has expanded its asset holdings through property acquisitions and new builds.

KMCLT is a community-based CLT, which was led by local activists fighting against displacement in downtown Toronto. To date, it has only acquired one site at 54-56 Kensington Avenue, which contains 10 affordable rental units, 2 market rental units, and commercial spaces on the ground floor. The group is actively trying to expand their assets by acquiring new properties but have yet to acquire a second site. Consequently, no new-build projects have been completed; however, this could become part of their strategy should the organization be selected to develop the parking lot at 25 Bellewood Avenue.

OVCLT is another community-based CLT that is attempting to lower barriers to homeownership for its future residents. They plan to offer life leases which will be sold at a lower cost than market housing. While a piece of land has been secured for its future site, the CLT is still in development. New-build units will eventually be offered with the promise of additional community services. Located in Chatham, it is also the only CLT in this study that is not found in one of Canada's major urban centres.

Similar traits were noted among the credit unions examined in the case studies. All credit unions had affordable housing listed as one of their key pillars. In addition, each credit union had in some way offered financial support to affordable housing providers, whether through grants, specialized loans, or scholarships for residents. Differences were mostly in the size and asset holdings of each credit union, with Vancity being the largest. Certain structural differences also appeared between credit unions, with Vancity having incorporated its own foundation.

Considering the unique characteristics of each CLT and credit union, the conditions of each partnership likely vary. It is still unclear how these collaborations initiated, and which services CLTs are currently using through their credit unions. In addition, the exact role that credit unions play in financing CLTs and the remaining gaps in CLT financing are still unknown. The following chapter will dive further into these topics by analyzing data collected from interviews with key informants from each organization.

5

FINDINGS

The following section will discuss research findings from interviews held with key informants of the CLTs and credit unions from the previous section. It begins by analyzing the underlying reasons CLT and credit union partnerships formed. The chapter also examines how credit unions have supported CLTs by taking on three main roles: as teacher, advisor, and financial innovator. Credit unions are then placed on a social-financial axis, demonstrating where they fit in comparison to other services CLTs may use.

Next, the chapter outlines the various sources of financing CLTs have turned to in order to make their projects financially feasible. CLTs shared similarities in that they had to create repayment plans to manage their debt. The level of debt incurred by each CLT depended on factors like the stage of development the CLT had reached (i.e. in development or operational) and whether a mortgage loan was required.

WHY DID THESE PARTNERSHIPS FORM?

CLT and credit union partnerships did not form solely based on the services credit unions offered to CLTs. Additional factors such as a credit union's reputation, location, and customer service may be as important for drawing in clientele as the actual services they provide. OVCLT had been turned away by several mainstream banks prior to a contact's referral to Libro credit union. In contrast, KMCLT had immediately contacted a credit union for their financial needs. Another credit union had been consulted prior to Alterna because of their proximity to KMCLT's offices, but inadequate customer service led KMCLT to eventually leave and partner with Alterna instead. VCLT mentioned how they do not collaborate exclusively with Vancity and that partnerships with financial institutions varied based on each site within their portfolio.

CREDIT UNIONS: ACROBATS OF THE FINANCIAL LANDSCAPE

What is the exact role of a credit union? On the one hand, credit unions offered the same services as mainstream financial institutions, such as chequing and savings accounts, mortgages, lines of credit, and wire transfers. On the other hand, it was understood that the role of credit unions extended beyond basic financial services. Credit union representatives spoke of their work in developing financial literacy programs for not-for-profit and underrepresented groups, as well as the volunteer hours put in by their employees. Following interviewee responses, credit unions appeared to have three main roles. This included credit unions as teachers, advisors, and as financial innovators.

CREDIT UNION AS TEACHER

All credit union representatives mentioned financial literacy as one of their institution's objectives, which was accomplished through a variety of workshops and outreach programs. Vancity and Libro pointed to their 'Each One, Teach One' programs, where branch representatives host financial literacy workshops for traditionally underbanked groups in the community. Alterna also spoke of the financial literacy workshops they run, which are hosted in person or through webinars. These workshops included topics such as helping an organization determine its financial capacity and readiness for a project, how credit unions review a loan application, or how not-for-profit organizations can protect themselves against fraud. Through hosting these workshops, credit unions provided important support for human capital development within the not-for-profit sector. Considering that such services are not typically provided by mainstream banking institutions, credit unions filled a unique gap to help these organizations become more resilient and sustainable.

CREDIT UNION AS ADVISOR

All credit union representatives had at some point assisted not-for-profit groups in finding the necessary resources to complete their projects. This included redirecting CLTs to other support services provided by organizations like the Cooperative Housing Federation of Canada (CHF), as well as for-profit services related to housing development. Moreover, credit unions all participated in community engagement. It was cited that employees of credit unions frequently volunteered their time, having devoted hundreds of hours to different causes.

Some credit unions also highlighted their participation in roundtable discussions related to affordable housing. Alterna mentioned an affordable housing advisory committee in which they participate, held in conjunction with other stakeholders like the government and community leaders. The committee has been assisting eight CLTs across the province of Ontario that have only recently formed. Alterna's role within the committee is to help advise CLTs experiencing pain points while starting their projects. In addition, Alterna has collaborated with the Rotman School of Management at the University of Toronto to develop new social finance tools to respond to the needs brought up by CLTs. Alterna's significant outreach is but one example that demonstrates the role credit unions as advisors within their communities.

CREDIT UNION AS FINANCIAL INNOVATOR

When asked about the financial tools credit unions offered to CLTs, credit unions pointed to several different items. This included various types of loans, mortgages, and interest-bearing accounts. Table 2 displays the types of financing options made available to CLTs by credit unions.

Vancity is noteworthy for its complete set of financing, ranging from early-phase grants to post-occupancy grants. In fact, they were the only credit union to offer housing-specific grants for pre-development and post-occupancy. They were also the only credit union to offer dedicated low-interest loans for pre-development and pre-construction through their Affordable Housing Accelerator Fund. Alterna and Libro stated that they would most likely finance a project meeting its requirements, but that no dedicated fund existed. Interest rates are also likely to be less competitive than Vancity's.

The most popular products credit unions offered were interest-bearing accounts. Vancity and Alterna provide an account specifically created for affordable housing providers known as the Co-op Housing Interest Pool (CHIP) account. CHIP accounts are unique in that they pool resources between different affordable housing providers to enable them to earn higher interest rates. This is because monthly interest is paid out to participants according to the balance of the entire pool as opposed to individual accounts. At the current time of writing, CHIP accounts offer a 4.6% interest rate on savings (CHFBC, 2022).

Credit unions also appeared to be receptive toward unconventional mortgage structures. OVCLT expressed the difficulties they had in finding a financial institution to work with due to the complications involved with the life-lease model they are proposing. The group had been rejected by several mainstream banks prior to contacting Libro. Libro has been responsive to OVCLT's unique needs and is now working closely with its legal team to create a mortgage lease contract. Vancity also confirmed that they accept mortgages other than standard freehold mortgages. This included mortgages on properties with covenants, which can help CLTs by restricting on-site development for affordable housing. As legal instruments, covenants are typically refused by regular financial institutions due to their illiquidity and the risk associated with them. The willingness of credit unions to take on these types of contracts yet again displays their flexibility in the financial sector compared to other institutions.

Nevertheless, more can be done to create new and innovative products. A representative with financial experience from Circle CLT, a Toronto-based organization, noted that credit unions may not be fully leveraging their access todonors. This statement was supported by other credit union representatives who confirmed they didn't

TABLE 2 | Financing options provided by credit unions

	EARLY-STAGE GRANTS	PRE-DEVELOPMENT LOANS	PRE-CONSTRUCTION LOANS	CONSTRUCTION LOANS	RETROFITTING GRANTS	INTEREST BEARING ACCOUNTS	CHIP ACCOUNT	NON-STANDARD (LEASEHOLD) MORTGAGES	INVESTMENT MANAGEMENT SERVICES
Vancity	X	X	X	X	X	X	X	X	X
Alterna Savings	*[1]	*[2]		X		X	X	X	X
Libro	*[1]	*[2]		X		X		X	X

1 Alterna Savings and Libro offer general grants to community organizations, but they are not exlusive to housing
2 Alterna Savings and Libro may offer pre-development and pre-construction loans, but these are not provided through a dedicated housing fund with pre-determined, competitive interest rates

actively go out of their way to seek donations but would happily assist anyone looking to do so. During a time of unprecedented general wealth transfer, more people may be looking to donate stocks or other securities. Thus, credit unions that incorporate donors into their communications or create structures to accept donations could help outsource additional financing for affordable housing providers. Credit unions would also benefit from transactions between donors and affordable housing providers by keeping wealth internal.

In addition to leveraging access to donors, Circle CLT mentioned the idea of a fund that could act as a guarantee. They noted, "One of the biggest hurdles I've seen for not-for-profit developers are guarantees ... And often the city filled that gap, but there's less appetite for that these days. If you had a fund where you could say, "*This fund could act as a guarantee for financing*" that would be great because its not like you're actually tapping into that money, in theory." In short, CLTs attempting to access a loan will sometimes hit a roadblock, as credit unions require a guarantor if they feel the loan is insecure. Therefore, an existing fund could help circumvent this issue by acting as a guarantee for a loan in lieu of a municipality or another guarantor, which would ultimately give CLTs greater financial freedom.

THE ROLE OF CREDIT UNIONS

To answer the question, "What is the role of credit unions in the development of CLTs?", it is perhaps beneficial to compare credit unions to other figures within the affordable housing sector. Figure 6 displays a social-financial spectrum, along which credit unions are positioned in relation to other possible services used by CLTs. The financial end is categorized by organizations that provide financial services and who are driven by profit, such as banks. On the other end, social organizations are categorized by services that help the social governance of CLTs and that are less focused on profit. Credit unions are located near the center, as they participate in both the social and financial development of CLTs. However, as financial institutions that mainly provide financial services, they still lean toward the financial end of the axis.

To the left of credit unions are housing federations and management services. These services support the social aspects of CLTs, as they provide member-focused services such as education, advocacy, and site management. Foundations are placed at the centre of the graph due to their unique positioning as organizations that primarily deal with finances but redistribute donations to help fund other not-for-profit organizations.

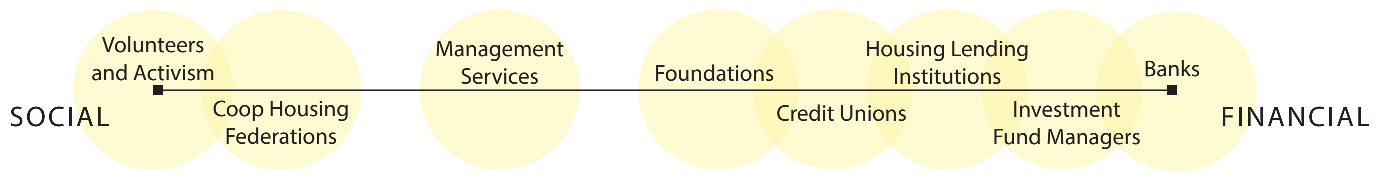


FIGURE 6 | Credit unions are placed along a social-financial spectrum in relation to other possible services CLTs use

To the right of credit unions are housing lending institutions, like HPC's Housing Investment Corporation (HIC), as well as not-for-profit investment fund managers, such as Encasa Financial. These types of institutions attempt to generate social impact by using different types of investment vehicles. As such, they have been placed on the financial end of the axis but can still be viewed as having a greater social focus than banks.

There are exceptions to this guide, as the spectrum between social and financial does not necessarily imply strict trade-offs. Banks, for example, may practice corporate social responsibility (CSR) and participate in charitable giving despite their placement on the furthest end of the financial side of the axis. Additionally, there are many overlapping points between institutions, which are implied by the overlapping circles. For example, credit unions and housing lending institutions offer similar types of loans, while many credit unions operate their own foundations.

CHASING DOLLAR BILLS

CLTs relied on different financing options for their operations. The individual financial profile of each CLT was based on factors like the types of provincial or municipal funding they were eligible for, personal relationships with municipal councillors, as well as connections to community members and other not-for-profits. Other factors included whether CLTs required a mortgage on their property and the degree of flexibility property sellers displayed during transactions related to property acquisitions. Table 3 illustrates the types of financing options each CLT used.

MAIN SOURCES OF FINANCING

The main source of income for CLTs currently in operation was rent. VCLT also charged an additional membership fee to its coop members. In contrast, OVCLT did not earn any revenue from rent or home purchases as the project has yet to be completed. Nonetheless, it plans to earn its revenue through home sales and a membership fee that will be based on the square footage of properties.

Unsurprisingly, government funding was a critical resource for CLTs. Among different levels of government, municipal funding was perhaps the most critical and was typically obtained through personal connections with municipal councillors. OVCLT had solicited city councillors and was awarded a $200,000 grant with an additional $180,000 of in-kind support. Similarly, KMCLT solicited its city councillors and received a $3 million forgivable loan for the purchase of their $6.8 million building in Toronto. KMCLT highlighted that in order to be competitive with the private market, tapping into municipal funds was necessary for the acquisition of their building. Compared to federal and provincial funding programs, municipal funds can be disbursed more quickly. They also require less burdensome applications. Finally, VCLT received financial support, typically in the form of land donations, from the City of Vancouver. Vancouver's increased recognition of affordable housing in its long-term objectives has helped create this pipeline.

CLTs confirmed they had all applied for federal construction or operational grants. OVCLT, however, expressed the difficulties they had in acquiring federal funding, as most programs are targeted toward rentals and not homeownership. To date, they have received no funding from the federal government. VCLT received funds from ongoing rental subsidy programs run by the federal government and renewed expiring operating agreements of older cooperatives through the Federal Community Housing Initiative (FCHI-2) program. They were also the only CLT to utilize provincial funding, which they plan to receive through the BC Community Housing Fund. Funding arrangements vary between provinces, however, where some may have less available funding for affordable housing programs.

Support from private benefactors was as important to the success of CLTs as support from municipal bodies. To purchase their property, OVCLT received a $500,000

TABLE 3 | Financing options provided by credit unions

	VCLT	KMCLT	OVCLT
DCR	*1.1[1]	1.2	No profit
RENTS	X	X	*2
MEMBERSHIP FEES	X		*3
FEDERAL FUNDING	X	X	
PROVINCIAL FUNDING	X		
MUNICIPAL FUNDING	X	X	X
BENEFACTORS		X	X
IN-KIND DONATIONS	X		X
THIRD-PARTY GRANTS			X
CREDIT UNION GRANTS	X		
TAKEBACK MORTGAGE		X	
MORTGAGE LOANS	X	X	
OTHER LOANS	X		
COMMUNITY BONDS		X	*4
COMMERCIAL REVENUES	X	X	
FUNDRAISING/ DONATIONS		X	X
HIGH-INTEREST ACCOUNTS	X	X	
INVESTMENTS	X		
VOLUNTEERS		X	X

1 VCLT's debt coverage ratio is dependent on the specific site within their portfolio, but averages around 1.1
2 OVCLT has not had any home purchases to date, but rents will eventually become a source of revenue
3 OVCLT plans to charge modest membership fees similar to a condo fee
4 OVCLT has explored community bonds as an option but has not made a public offering

donation in the form of a delayed-interest loan to purchase its property. They also received grants from other corporations and not-for-profit organizations across southwestern Ontario. KMCLT negotiated a $250,000 takeback mortgage with the former property owner of 54-56 Kensington, which will need to be repaid as a 20-year, no-interest loan. Like OVCLT, KMCLT received $50,000 from an anonymous donor, which was used as an initial deposit. The remaining $200,000 of their takeback mortgage is due next year.

Credit union grants appeared to be underutilized by CLTs, as most had only used credit unions for standard mortgages and banking services. This was the case for KMCLT, who had five separate banking accounts with Alterna and a $3.2 million mortgage loan. OVCLT only required banking services through Libro but did not require a mortgage since a private donation helped them obtain their property. VCLT was the only interviewee that had considered tapping into their credit unions' grants and specialized low-interest loans.

OTHER SOURCES OF FINANCING

Beyond the sources already listed, CLTs have become creative with their finances by raising money through other means. Some CLTs considered community bonds through organizations like Tapestry Capital as a way of obtaining additional financing. Community bonds are a relatively new social finance tool linking impact investors with community organizations. Investors purchasing these bonds receive a (modest) return of around 2-4% on their investments. One benefit of a community bond is that it can provide organizations with financing more quickly than traditional government grants. The terms set in the bond typically provide organizations with patient capital that is only repaid after the bond term expires. A typical bond term lasts 3-10 years, with the option to refinance.[1]

Furthermore, CLTs experimented with commercial activities to diversify their revenue streams. VCLT is supported by its parent organization, CHFBC, which also earns revenue through the project management services they provide, as well as the property management services at COHO. Meanwhile, OVCLT used digital platforms like GoFundMe to try and increase exposure to donors, while KMCLT has struck a partnership with an emerging platform known as Fairbnb, which mirrors the for-profit organization Airbnb but redistributes a portion of its earnings to community projects. These types of services should not necessarily be seen as a solution necessarily but as complementary strategies to traditional fundraising efforts. Leveraging them in the future may provide interesting opportunities for additional revenue streams.

Another point of discussion concerned how CLTs chose to invest any surplus revenues. Credit unions felt that not-for-profit organizations, even when it was not in their best interest, were only willing to make low-risk, conservative investments. Alterna mentioned how many not-for-profit leaders are risk averse, as they might worry about personal liability in the event of a sudden downturn of their organization's finances. At the same time, Alterna noted that a shift was beginning to occur with younger generations of non-profit leaders who are more eager to take advantage of investment opportunities. Both statements line up with previous research that suggests only one in nine not-for-profits have endowment funds (Lo et al., 2019), as well as the growing evidence of not-for-profit investment in Canada, where investment income increased on average by 10% annually between 2010 and 2020 (Statistics Canada, 2022). Of the three CLTs mentioned here, VCLT was the only CLT to invest its revenues in funds apart from a CHIP or standard interest-bearing account. However, this is likely due to the larger size and maturity of VCLT compared to other CLTs.

Finally, many CLTs relied on the generosity of volunteers to sustain their operations. Although CLTs considered a variety of revenue streams for financing, free labour was still important to avoid staffing costs. Board members of both KMCLT and OVCLT were staffed completely by volunteers. KMCLT noted that, through the help of a grant, they had just hired their first full-time staff member to act as an executive director. They also use a property management company to do most of the bookkeeping for the site. In contrast, all staff members of VCLT held salaried positions, suggesting that smaller CLTs are more in need of volunteers.

When asked about what more could be done to help CLTs finance their projects, CLTs unanimously responded that more government funding is needed. KMCLT also said they needed access to low-interest patient capital. They stated, "We need to be able to go to somebody and ask for, you know, $8 million to buy a building at 1% interest, or 1.5% or something like that. That's what we need to be able to do". Because patient capital loans can be provided at any point in the development process, they have the potential to fill in gaps where there is currently a lack of funding options. This is particularly true for the pre-development phase of affordable housing projects, as well as property acquisitions.

1 *Personal communication with a representative from Tapestry capital*

PAYING OUR DUES

A central question affecting CLTs was that of debt repayment. All respondents from CLTs noted that they had existing debts, often with multiple stakeholders. Outstanding debts consisted of mortgage loans, private loans, and costs related to real estate development. Although CLTs were not immediately concerned for their financial health, all had principal and/or interest payments due on loans at some point in the future. CLTs that were fully operational had a much greater ability to repay their lenders since they had a steady income stream from which they could draw upon.

Alterna noted how discussions around affordable housing were beginning to consider mixed development as a solution to making projects more financially viable. Projects that aim to be 100% deeply affordable may struggle to be profitable enough to sustain themselves over the long term. For that reason, CLTs and other affordable housing providers may find more success by introducing market (or near-market) housing into their designs. Alterna referenced a 70-30 model, in which 70% of development would be market housing and 30% deeply affordable housing. They also noted, however, that these types of projects would be viewed less favourably by impact investors looking to maximize impact.

MORTGAGE LOANS

Mortgage loans were a primary source of debt for CLTs. CLTs with low or break-even debt coverage ratios (DCRs) may find it particularly difficult to support large mortgages, as the profit margins they earn through rent may not be enough to cover mortgage payments and other costs. This is especially true in the current real estate climate of Canadian cities, where properties often cost several millions of dollars. VCLT noted that their projects are typically designed to be break-even or with a debt coverage ratio (DCR) of 1.1, which is a typical figure for many CLTs. Consequently, CLTs have little wiggle room to afford unpredictable costs.

In Canada, key aspects of mortgages are the mortgage term and amortization period. The mortgage term is the length of time a mortgage contract remains valid and can run up to five years or longer. When a mortgage contract is renewed, factors like the interest rate, payment frequency, and prepayment options are updated. Amortization refers to the amount of time it takes to pay off a mortgage and usually ranges between 5 and 25 years. Because mortgages use compounded interest, those with a lower amortization period will pay fewer fees.

When asked about the length of mortgage amortizations they offered, credit unions responded that 30 years was the maximum length they could permit. While this is slightly longer than the standard 25-year amortization, repayment periods that are extended for even longer amounts of time would likely be beneficial for CLTs. By increasing the amortization period, monthly mortgage payments are reduced. This would make CLTs more financially viable, as they would be able to meet costs even with the lower rents they charge. They may even be able to save extra income to put in "rainy day" reserve funds, or to use for the future development of new affordable housing projects.

Vancity's representative noted how the mortgage landscape has gradually shifted in provinces like British Columbia. A recent strategy for affordable housing organizations has been to secure low-interest CMHC mortgage insurance prior to entering a mortgage bidding process run by Housing BC. This includes programs like MLI Select, which offers premiums as low as 1% and amortization periods of up to 50 years (CMHC, 2022). As a result, Vancity described how not-for-profit groups have been leaving for more competitive rates offered by insurance companies and secondary private investment firms who purchase these mortgages as low-risk investments. Because they have less overhead costs, these companies are able to undercut credit unions like Vancity. They noted, "Insurance companies, they don't have any insurance offices. They don't have any banking services or costs whatsoever. We can't compete against it. It's like a Walmart versus your corner store". However, Vancity's representative also stated that they would begin accepting a larger volume of CMHC-insured mortgages, which may be a positive step forward for CLTs hoping to keep their finances in one place.

COSTS RELATED TO THE REAL ESTATE DEVELOPMENT PROCESS

The types of costs CLTs incurred were largely related to the stage of development they had reached. These included costs related to the three main phases of a real estate project: pre-development, development, and post-development (operational). Thus, depending on their needs, CLTs had the option to take out pre-development loans, construction loans, or repair loans. Other potential costs included hiring industry professionals, purchasing materials, or managing a site.

For CLTs still in the pre-development phase, and where no residents currently live, loan repayment is contingent on future rents. For that reason, many CLTs find it difficult to move past the pre-development phase when they lack reliable sources of income. This is because pre-development is often one of the most expensive phases of a real estate project, where fees quickly stack up through 'soft costs' like market studies, architectural plans, environmental assessments, legal fees, building permits, and other expenses. OVCLT stated that keeping construction costs low would be pivotal to ensuring their model remained affordable.

None of the CLTs interviewed had taken out a pre-development loan with their credit union. Similarly, most CLTs had not taken out a construction loan with their credit union, apart from VCLT. VCLT's need for construction loans is likely due to its advanced stage of development. They are currently in the process of developing hundreds of new sites to add to their portfolio and many of their co-operatives are new builds rather than existing property conversions. Although they have yet to need a construction loan, OVCLT will likely need to take out a loan in the near future once development of the Brickworks begins. For now, their project has been stalled due to delays in obtaining a record of site condition from the Ministry of Environment. This demonstrates how, even when financing is in place, affordable housing projects can still be derailed.

For post-development, CLTs were asked whether they handled financial and administrative tasks themselves. Smaller CLTs often did but also noted how they could use extra training and assistance with technical tasks. Conversely, credit union representatives felt that affordable housing providers who hired third parties to manage a site were generally more successful. Circle CLT's representative noted that there were pros and cons to each. CLTs acting as landlords will have more control over their finances but are likely to face higher internal administrative costs, whereas CLTs using a property management service might save administrative headaches at the cost of making less informed decisions on things like repairs. Ultimately, the decision to use external services depends on a CLT's budget and how much control they wish to have.

A STRONG TRACK RECORD

Despite the financial hurdles CLTs face, credit union representatives unanimously agreed that CLTs and other not-for-profit housing organizations had strong repayment records. Therefore, the sector was not necessarily viewed as high-risk. This is due to the precautionary measures that go into affordable housing projects before a project hits the runway. Credit union representatives confirmed that they required a detailed business plan and budget prior to issuing any loans to CLTs. Even in the event of a default, umbrella organizations like cooperative federations, as well as different levels of government, would likely step in to prevent such incidences. Furthermore, because affordable housing projects contain a certain level of political and reputational risk, it is not within the best interest of credit unions and other associated actors to let them fall through. Developing new CLTs should therefore not be viewed as a risky endeavor but as a pathway towards creating a stable, resilient model for affordable housing.

KEY FINDINGS FROM INTERVIEWS

Interviewees from both CLTs and credit unions expressed a positive outlook on CLT and credit union partnerships. Both parties felt that collaborative efforts were important for future opportunities of building non-market housing. On the one hand, CLTs required basic financial services such as banking accounts and mortgages, but had perhaps not utilized specialized loans and grants offered by credit unions. Credit unions were far from the only source of financing CLTs used, however. It was discovered that no two CLTs had the same financial makeup, as they drew from a range of sources like federal and municipal grants, private capital, community bonds, and rental income, amongst other options. Municipal grants and private loans appeared to be the most crucial sources of financing, particularly for smaller CLTs.

On the other hand, credit unions had all identified affordable housing as a strategic pillar. They also participated in activities that went beyond those of typical financial institutions, such as educational workshops and advisory committees. In terms of special financial products, CHIP accounts were popular, but not all credit unions offered them. Credit unions also displayed flexibility toward unconventional mortgage structures, as well as an openness to providing loans for projects with low DCRs. However, recent mergers and reluctance to take on excessive risk still hinted at an underlying growth mentality. Overall, the results indicate that credit unions are well-suited as financial providers for affordable housing projects, but that opportunities for improvement remain.

6

ANALYSIS AND RECOMMENDATIONS

The following section contains a two-part analysis that attempts to answer the question "Where are there gaps in financing for CLTs?" First, an illustrative exercise was carried out to visualize the types of financing available to CLTs during the real estate development life cycle. Second, a gap analysis was conducted based on interviewee responses. Problem areas emerged through these analyses, which serve as the focus of future recommendations. These include a lack of formalized options for CLTs to receive quick financing, potentially missed opportunities for CLTs to expand their assets outside of residential real estate, inconsistent product offerings across credit unions, as well as room for credit unions to create new financial vehicles and outsource more financing from donors.

CLT FINANCING OPTIONS DURING THE REAL ESTATE DEVELOPMENT LIFE CYCLE

Identifying where each source of financing fits into the development process is crucial to better understanding where resources are lacking. A simplified timeline for a real estate development project is shown in Figure 5. The figure highlights the three major phases of a real estate project: pre-development, development, and post-development. Milestones within each phase are listed in chronological order. It should be noted, however, that steps could occur in a different order than that listed, while some steps may not be identified on the chart. Various types of financing options are on the top half of the diagram, while credit union financing options are listed at the bottom. Spontaneous financing streams such as small grants, gifts, and donations have been omitted, due to their unpredictable nature.

The life cycle analysis illustrates certain issues regarding the options available to CLTs for financing. First, credit union loans cover nearly all phases of the development life cycle, apart from the early stages of CLT incorporation. Also, credit unions only offered grants during the early stage, pre-development and post-development phases. Consequently, there may be an opportunity for credit unions to develop new grants for property acquisitions and construction. It is also worth noting that not all credit unions offered all the loans and grants listed, notably pre-development and pre-construction loans. In an earlier section of this report, it was demonstrated that Vancity was the only one to provide all these options.

Other types of financing include funding from different levels of government, private donations, patient capital loans, deals with existing property owners, and CLT rents. The chart illustrates an important point: CLTs only begin to generate revenue once they've hit the post-development phase of the life cycle, suggesting they will need financing up until that point. Before reaching post-development, CLTs must choose from an assortment of financing options spanning the life cycle. In line with interviewee responses, CLTs had unique financial profiles that drew from federal and provincial funding, municipal contributions, private benefactors, and patient capital. Although the graph suggests that federal and provincial funding is available

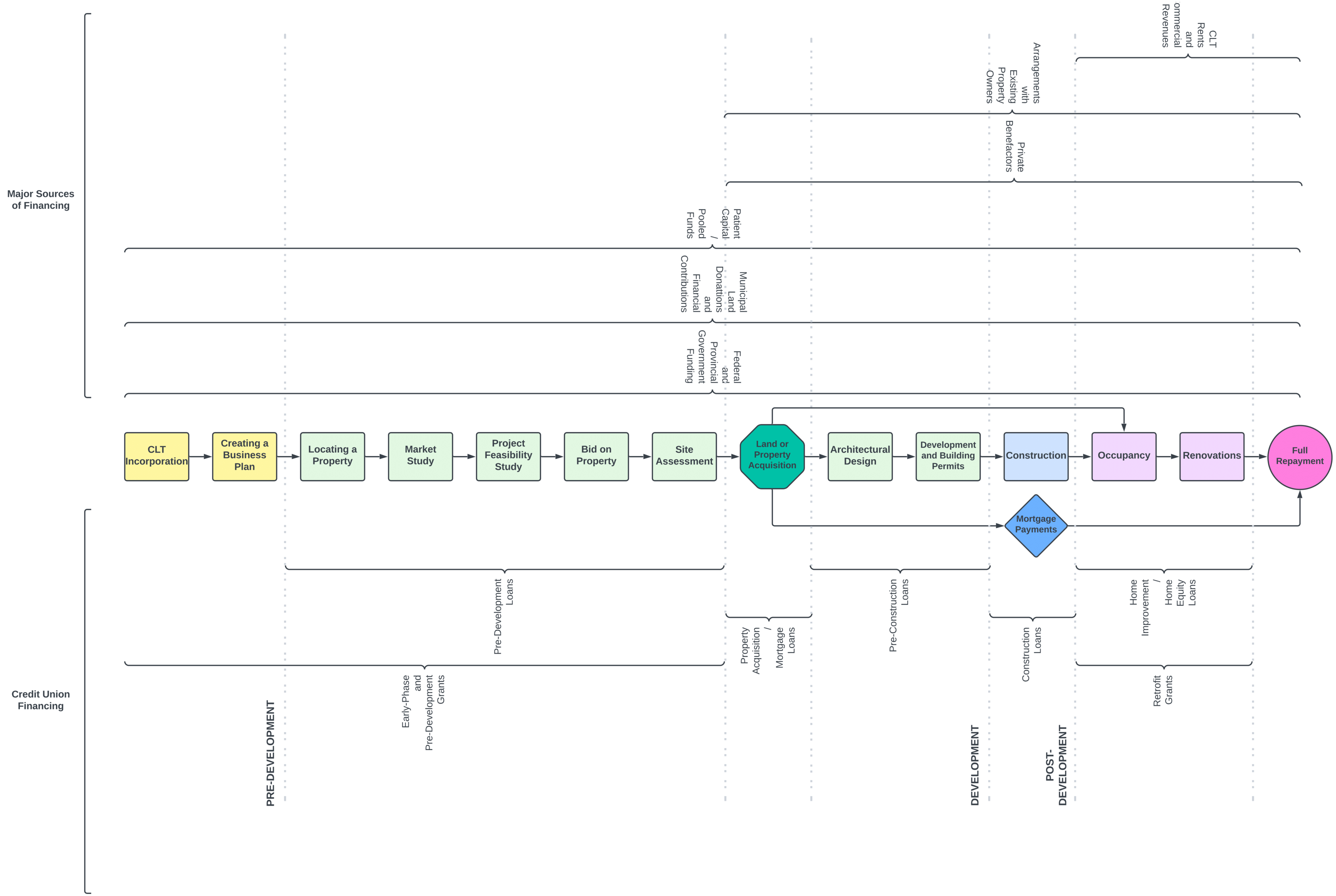


FIGURE 7 | Financing options available to CLTs during the real estate development life cycle throughout the entire life cycle, CLTs noted the lack of resources for pre-development and property acquisitions, explaining the sudden appearance of private benefactors and independent deals with existing property owners at the property acquisition stage. Patient capital from sources like community bonds displays great potential, as it spans the entire development life cycle and could fill important gaps in financing.

GAP ANALYSIS

A gap analysis has been used to identify potential opportunities to help CLTs become more financially autonomous. This was informed by interviewee responses, as well as the real estate development life cycle analysis. Figure 6 displays the current state and desired state of CLTs, as well as the gaps that should be addressed to help CLTs reach financial autonomy. Currently, CLTs do not have financially independent, while credit unions are generally used for standard banking services only. In their desired state, CLTs should have sufficient access to financing options to help them scale up, with a full suite of financing options made available through credit unions.

Gaps were observed for both CLTs and credit unions. Smaller CLTs lacked options for rapid funding advances, explaining why private donations were so common in the financial profiles of smaller CLTs. CLTs also had low debt coverage ratios, which limited their ability to scale up. Moreover, most did not make use of different investment opportunities beyond interest-bearing accounts.

Meanwhile, credit unions did not offer consistent loan and banking products across institutions. As a result, some had missing financing options. Credit unions also have the potential to expand their existing services. For example, most credit unions lacked housing-specific grants and did not fully leverage their access to donors. In addition, new types of investment vehicles like patient capital loans and pooled-income funds have not been implemented. The proceeding section outlines different actions to be taken to address these issues.

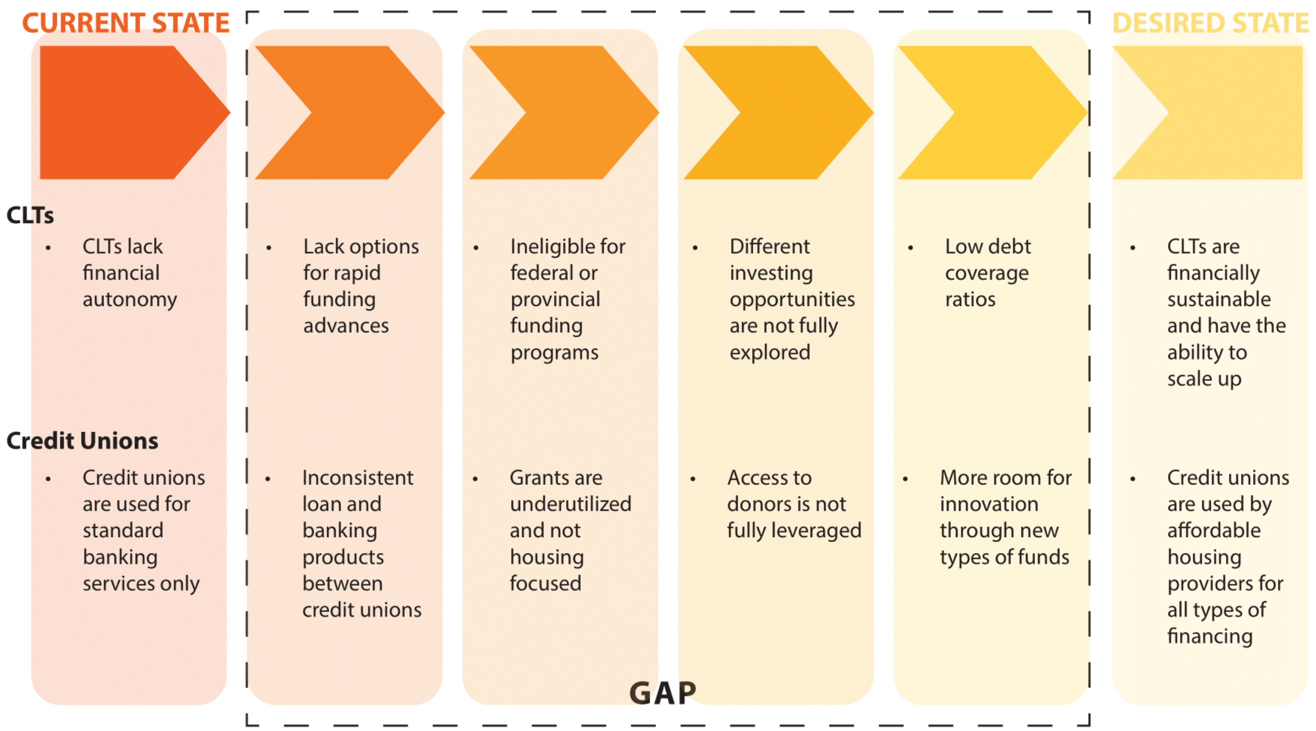


FIGURE 8 | Gap analysis of CLTs and credit unions.

RECOMMENDATIONS FOR CREDIT UNIONS

Develop Vehicles for Low-Interest Patient Capital

Credit unions that develop vehicles for low-interest patient capital loans (with a 0-2% interest rate) could possibly have a major impact. First, patient capital loans are versatile and can be taken out at any point during the development process, and therefore have the potential to supplement gaps in CLT financing when government funding is in short supply. Second, these loans could prevent CLTs from spending additional time and resources seeking out private benefactors for financial contributions. Patient capital loans do not require CLTs to begin repaying the principal amount until the loan term has expired, which can often run several years or even decades. This is a crucial detail that could make CLT models more viable, as CLTs would only begin repaying loans once they are operational and occupants have started paying rent.

Develop Pooled-Income Funds

Pooled-income funds are funds created through a variety of stakeholders including the government, foundations, credit unions, donors, and investors. CLTs can also make contributions to these funds, or in certain cases, even earn modest returns by leveraging the equity in their buildings. The idea is to pool resources to build a larger fund that can be used for different purposes. Funds could be used to issue loans and grants to affordable housing providers, or as a guarantee. While credit unions may not necessarily initiate these programs, they can provide crucial technical support by administering lines of credit and other services. Examples of pooled-income funds include the Plancher Initiative or the Nova Scotia Community Housing Growth Fund run by The Community Housing Transformation Centre (Community Housing Transformation Centre, 2023).

Initiate More Housing-Focused Grants

Although Vancity excelled in this category, other credit unions have an opportunity to offer a greater range of housing-focused grants. These grants would not replace government funding but would instead provide an extra sliver of financing to CLTs. Grants could be made available for all stages of the real estate development life cycle, from early-stage development to pre-development, construction, and operations. Grants for property acquisitions could also be useful as top-ups on down payments, as the majority of CLTs are currently pursuing acquisition-based strategies.

Improve Donor Outreach

Credit unions have access to (high-profile) clients who may be interested in donating cash or other types of securities. Credit unions could act proactively by notifying clients of different impact investment opportunities through regular communications. Credit unions may even wish to create their own foundations through an initial endowment, which could provide them with greater control over how their capital is spent. Several resources on how to create a foundation are available online (The National Credit Union Foundation, 2023).

Unify Products Across Credit Unions

Credit unions should attempt to network across provinces to ensure smaller, localized institutions offer the same products as larger conglomerates. More specifically, CHIP accounts should be offered across all credit unions in Canada. The positive effects of this would be two-fold: acquiring new members would help these accounts grow and earn higher interest rates, while also ensuring that CLTs banking with more localized institutions are not left out. The same can be said for other products such as low-interest pre-development and construction loans.

RECOMMENDATIONS FOR COMMUNITY LAND TRUSTS

Advocate for Municipal Housing Funds

Municipalities can provide large sums of money to CLTs more quickly than other levels of government. In addition, younger affordable housing providers may have trouble meeting the eligibility requirements of federal funding applications that ask for a specific type of housing tenure, or other documents proving their financial capacity and management experience. Municipalities should respond to these issues by creating dedicated funds for affordable housing from which they can draw when they receive requests for financial support from affordable housing providers. In addition, CLTs should lobby the government for such funds. Examples of this include Toronto's Multi-Unit Residential Acquisition (MURA) program, as well as Vancouver's Affordable Housing Endowment Fund (VAHEF).

Create Long-Term Investment Plans

Although this suggestion may be more relevant for mature CLTs that have reached a point of financially stability, CLTs should aim to develop long-term investment plans to help them reach milestones such as building acquisitions. Many CLTs already utilitzed CHIP accounts and other interest-bearing accounts that offer small returns, however, these are minimal compared to returns on other types of investments. Several options exist for CLTs to invest their income. This can be done through credit unions directly or through other specialized services like investment fund managers. Before investing their funds, however, CLTs will need to create a policy that clearly outlines the purpose of the funds, as well as the regulations surrounding withdrawals. Templates can be found online for developing a customized policy (Propel Nonprofits, 2023).

Consider Mixed-Housing Development

Many CLTs aim to create projects that offer 100% affordable housing. Although projects with high affordability targets can still be successful, they may face more difficulties in trying to reach financial sustainability. Moreover, housing developments that strictly contain affordable units risk stigmatizing inhabitants despite unjustified assumptions about the effects of concentrated poverty (Jacobs & Flanagan, 2013). Therefore, more CLTs should consider mixed housing developments that include market or near-market housing. However, this should be done carefully to ensure CLTs are still compliant with the criteria set by grant issuers. CLTs should also examine the possibility of commercial spaces in their developments. There are several examples of CLTs in Canada who have successfully stewarded commercial services like daycares, clinics, and stores.

7

DISCUSSION

THE EVOLVING ROLE OF CREDIT UNIONS

CLTs have gone through painstaking efforts to outsource additional financing, suggesting a clear need for more options. Government funding is perpetually in short supply and does not provide capital quickly enough for CLTs to compete with the private real estate market. Consequently, CLTs have often had to persuade local municipal councillors, property owners, or private benefactors to support their projects. Without their help, the initiatives of smaller CLTs would likely not have been realized. At the same time, CLTs have not fully leveraged their internal abilities to raise more capital. Many CLTs attempt to provide 100% affordable housing; however, low debt coverage ratios may inhibit them from saving funds for future property acquisitions. Moreover, CLTs may not be making the most of commercial opportunities, credit union products, or other investing opportunities. It may be the case that CLTs are simply unaware of these resources.

Credit unions played a versatile role in the development of CLTs that balanced social and financial considerations. While credit unions provided CLTs with basic financial services, they also went above and beyond by participating in financial literacy workshops, committees, and collaborations with other community members like universities. In line with previous literature, however, credit unions in this study struggled to balance their contradictory roles of generating social impact while running a profitable business (McKillop & Wilson, 2015; Mook et al., 2015; Myers et al., 2012; Ralston & Wright, 2003) Credit unions displayed a growth mentality to some extent, as all of them had gone through mergers over the past decade. Representatives of credit unions also attested that mortgage loans and other types of financing were only provided if the likelihood of repayment was high.

Nevertheless, all participants felt positive about collaborations between credit unions and CLTs. The results indicate that credit unions partnered to varying degrees with CLTs. Some CLTs like KMCLT had a standard relationship with their credit union, similar to that of any other financial institution, while others like OVCLT depended on the flexibility of credit unions in order to sort out the legalities of their housing model. For that reason, credit unions are still an imperative resource for CLTs.

Innovation was also key. Credit unions' commitment to their members and progressive philosophical values appear to be driving factors that have led them to push boundaries within the financial sector. This is displayed through the financial products they have made available to affordable housing providers like the CHIP account. However, credit unions must not limit themselves, as there is more that can be done. Credit unions that offer patient capital, assist with the delivery of pooled-income funds, or collect donations from clients could greatly expand the current toolkit available to CLTs. By empowering CLTs with more options for financing, credit unions can become an even greater part of the affordable housing sector.

Ultimately, credit unions are limited in how much impact they can generate (Benjamin et al., 2004). Even with competitive policies, credit unions are still affected by broader economic forces that can raise interest rates and make the cost of borrowing high. Furthermore, credit unions can only stray so far from their original purpose as financial institutions. As one interviewee expressed, other institutions like cooperative federations may be better equipped to handle support services related to advocacy and networking. Furthermore, other institutions such as insurance companies, not-for-profit investment services, and housing lending institutions are encroaching on markets traditionally occupied by credit unions. As competition in the field increases, it is unclear what the exact role of credit unions will be in the future.

MOVING FORWARD

New and innovative solutions are required to address the problem of affordable housing. If fully leveraged, CLTs offer a unique and flexible housing model that can potentially increase the supply of deeply affordable units. But they are just one piece of the puzzle. Other types of affordable housing models, underpined by carefully developed housing policies, will also be crucial to solving these issues. Yet, the principal question remains, "Where will the money come from?"

Continued agility and resourcefulness will be required on the part of CLTs to make the numbers work. Meanwhile, credit unions may be the safety net for what government funding cannot accomplish. By working within their communities to increase financial literacy and by continuing to push financial innovation, credit unions are propelling affordable housing projects forward. Still, there are opportunities upon which credit unions can expand. They must follow their original purpose as community financial institutions to develop new ways of financing affordable housing projects.

However, like CLTs, credit unions should not be viewed as the solution, but as part of an overall solution. For that reason, credit unions should not attempt to duplicate the services offered by other institutions, particularly those that offer technical advice for the social aspects affecting affordable housing providers. Instead, they should focus on ensuring top-quality services of what is already their bread and butter: finance. The financial sector is complicated and credit unions have the knowledge and power to help guide affordable housing providers to make more calculated decisions.

Ultimately, a holistic view should be used when assessing the viability of CLT projects, as scalability is something that can take decades to accomplish. CLTs that are not feasible in their early years may very well become profitable once they are in operation and the principal on their mortgage has been paid down. A credible housing strategy must therefore look beyond immediate challenges and envision what the housing market could look like in 20, 50, or even 100 years. Long-term targets should be developed, and adequate financial support should be given to affordable housing providers, particularly newer organizations facing more barriers to entry. Within this idealized future, credit unions will likely be there to support the plight of CLTs and other affordable housing providers. But they cannot do it alone. As the saying goes, "It takes a community to build a village".

LIST OF INTERVIEWEES

All interviewees were representatives of the community land trusts or credit unions examined in this study. Additionally, an interviewee from Circle Land Trust was consulted for their unique experience having worked for both a credit union and CLT.

1. Vancity | Commercial lender for business lending
2. Alterna Savings | Director of community impact and financial inclusion
3. Libro | Community manager
4. Vancouver Community Land Trust | Director of finance
5. Kensington Community Land Trust | Secretary treasurer
6. Opportunity Villages Community Land Trust | Executive Director and Secretary treasurer
7. Circle Community Land Trust | Chief Executive Officer

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ANNEX

VCLT Interview Guide

General:
- Tell me about your role at Vancouver CLT.
- What plans does Vancouver CLT have to expand their operations, if any?
- How many sites are currently run by the CLT?
- Are they run the same way?
- How was Vancouver CLT able to scale up its operations?
- What are the biggest challenges in scaling up?
- What are the advantages (or disadvantages) of using a portfolio approach?
- How are units priced?
- Have homeownership housing models ever been considered?
- Does Vancouver CLT collaborate with other (smaller) CLTs?

CLT Contract Terms:
- Who is eligible for a Vancouver CLT housing unit?
- Is affordability based on tenant income or market prices?
- Could you describe your contract terms when a new member joins your CLT?
- What fees do members have to pay?
- What happens if the organization dissolves?

Funding:
- Please list all of your sources of revenue.
- Which of these is your largest source of funding?
- At what stage have you required the most funding?
- Is/was it difficult to find funding?
- What are the biggest issues with funders?
- Are you able to meet operational costs through rents alone?
- Please list all of your expenses.
- What other partners have equity in your projects (if any)?
- Is there a stage at which projects are most likely to hit a roadblock?
- Has your CLT ever run into financial difficulties?

Management:
- What is done with surplus revenue (if any)?
- Is your CLT well-equipped to handle administrative tasks related to finance?
- Which tasks have required the help of external organizations?
- Do you have or require volunteers?

Credit Union Partnership:
- Why did you choose Vancity?
- What services did you need?
- Have you considered other financial institutions?
- Were there any eligibility requirements to access their services? (minimum credit score, deposit?)
- Are there any specific services you weren't able to access through Vancity?

Financial Tools:
- What specific financial tools are offered to you by your financial institution (bank accounts, community funds or bonds, special interest rates, mortgage deals, financial support programs, other)?

Impressions:
- What do you think is the biggest challenge that CLTs face financially?
- What more could be done to help CLTs on a financial level?
- Do you have a positive, neutral, or negative view of credit unions?
- Would you ever consider switching financial institutions?
- Are there any questions I haven't asked that should be addressed?

KMCLT Interview Guide

General:
- Tell me about your role at KMCLT.
- What are the primary goals of your CLT?
- What plans does KMCLT have to expand their operations, if any?
- How are units priced?
- Is affordability based on tenant income or market prices?
- What housing tenure options are there? Rental only?

CLT Contract Terms:
- Who is eligible for a KMCLT housing unit?
- Is affordability based on tenant income or market prices?
- Could you describe your contract terms when a new member joins your CLT?
- What fees do new members have to pay?
- What happens if the organization dissolves?

Revenues and Expenses:
- Please list all of your sources of revenue.
- Which of these is your largest source of funding?
- At what stage did you require the most funding? (seed funding, development, operations?)
- Is/was it difficult to find funding?
- What are the biggest issues with funders?
- Are you able to meet operational costs through rents alone?
- Please list all of your expenses
- What other partners have equity in your projects (if any)?
- Does KMCLT benefit from purchasing programs like those offered to cooperatives?
- Has your CLT ever run into financial difficulties?

Management:
- What is done with surplus revenue (if any)?
- Is your CLT well-equipped to handle administrative tasks related to finance?
- Which tasks have required the help of external organizations?
- Do you have or require volunteers?

Credit Union Partnership:
- Why did you choose Alterna?
- Had you considered other financial institutions?
- What services did you need?
- Were there any eligibility requirements to access their services? (minimum credit score, deposit?)
- Are there any specific services you weren't able to access through Alterna?
- Have you worked with Alterna on developing new strategies for affordable housing?

Financial Tools:
- What specific financial tools are offered to you by your financial institution (bank accounts, community funds or bonds, special interest rates, mortgage deals, financial support programs, other)?

Impressions:
- What do you think is the biggest challenge that CLTs face financially?
- What more could be done to help CLTs on a financial level?
- Do you have a positive, neutral, or negative view of credit unions?
- Would you ever consider switching financial institutions?
- Are there any questions I haven't asked that should be addressed?

OVCLT Interview Guide

General:
- Tell me about your role at OVCLT.
- What are the primary goals of your CLT?
- At what stage in the development process is the Brickworks?
- Is there an estimated completion date?
- Have there been delays?
- How did OVCLT obtain its property?
- What plans does KMCLT have to expand their operations, if any?
- How are units priced?
- Is affordability based on tenant income or market prices?

CLT Contract Terms:
- Who is eligible for an OVCLT housing unit?
- Is affordability based on tenant income or market prices?
- Could you describe your contract terms when a new member joins your CLT?
- What fees do new members have to pay?
- What happens if the organization dissolves?

Revenues and Expenses:
- Please list all of your sources of revenue.
- Which of these is your largest source of funding?
- At what stage did you require the most funding? (seed funding, development, operations?)
- Is/was it difficult to find funding?
- What are the biggest issues with funders?
- Are you able to meet operational costs through rents alone?
- Please list all of your expenses.
- What other partners have equity in your projects (if any)?
- Does OVCLT benefit from purchasing programs like those offered to cooperatives?
- Has your CLT ever run into financial difficulties?

Management:
- What is done with surplus revenue (if any)?
- Is your CLT well-equipped to handle administrative tasks related to finance?
- Which tasks have required the help of external organizations?
- Do you have or require volunteers?

Credit Union Partnership:
- Why did you choose Libro?
- Had you considered other financial institutions?
- What services did you need?
- Were there any eligibility requirements to access their services? (minimum credit score, deposit?)
- Are there any specific services you weren't able to access through Libro?
- Have you worked with Libro on developing new strategies for affordable housing?

Financial Tools:
- What specific financial tools are offered to you by your financial institution (bank accounts, community funds or bonds, special interest rates, mortgage deals, financial support programs, other)?

Impressions:
- What do you think is the biggest challenge that CLTs face financially?
- What more could be done to help CLTs on a financial level?
- Do you have a positive, neutral, or negative view of credit unions?
- Would you ever consider switching financial institutions?
- Are there any questions I haven't asked that should be addressed?

Circle CLT Interview Guide

General:
- Tell me about your role at Circle CLT.
- What are the primary goals of your CLT?
- Is circle incorporated as a not-for profit organization?
- Does Circle CLT aim for 100% affordable housing?
- What types of issues have you encountered in affordable housing projects?
- At what stage of development do roadblocks typically occur?

CLT and credit union partnerships:
- How do CLT and credit union partnerships typically initiate?
- How can CLTs benefit from these partnerships?
- Are affordable housing providers making the most of available funds or programs that credit unions offer?
- Which gaps have yet to be filled by credit unions to help affordable housing providers?

Circle CLT:
- Did Circle CLT require a mortgage loan?
- Was it different than a standard mortgage?
- Have you required any other types of loans?
- Which financial vehicles or programs does Circle CLT use from its credit union?

Revenues and Expenses:
- What is your largest source of revenue?
- Are you able to meet operating costs through rents alone?
- Are there opportunities for more private donations/investment?
- Please list all of your expenses.

Impressions:
- What do you think is the biggest challenge that CLTs face financially?
- What more could be done to help CLTs on a financial level?
- Do you have a positive, neutral, or negative view of credit unions?
- Are there any questions I haven't asked that should be addressed?

Credit Union Interview Guide (Vancity, Alterna, Libro)

General:
- Tell me about your role.
- Could you tell me about your credit union's work in the affordable housing sector?
- Do you have a dedicated department for social (community) real estate?
- What CLTs, coops, or not-for-profit housing groups have you partnered with in the past?
- Why do affordable housing providers normally approach you?
- What are Vancity's long-term goals?
- Is Vancity trying to exapnd its services (number of branches, asset holdings, etc.)?
- Does Vancity participate in community events or roundtables?

Technical Yes/No Answers:
- Does your credit union offer the following types of funding options?
  - Seed funding/early grants?
  - Pre-development grants?
  - Construction grants or loans?
  - Operational grants or loans?
  - Other?
- Does your credit union offer the following support services?
  - Educational programs for non-profits?
  - Help developing a vision for a new housing project?
  - Help with feasibility studies?
  - Help with developing a business plan?
  - Financial monitoring?
  - Other?

Mortgages:
- Does your credit union offer underwriting services for unconventional mortgage structures?
- What criteria does your credit union consider prior to issuing a loan?
- What is the longest amortization period available?
- Do CLTs generally have a good repayment record?
- What protective measures are in place to prevent insolvency?

Financial Tools:
- What special banking accounts are available to non-profit housing providers?
- Are there any other special products or services?
- Does your credit union have structures in place for charitable donations?
- Have there been requests from non-profit housing organizations for other products?
- Are any new products currently being developed?

Investments:
- Does Vancity provide help non-profits create reserve funds?
- Are there any limitations on reserve funds?
- Does your credit union have an investment arm?
- Can investors donate shares of stocks or securities to non-profit groups?
- Does your credit union have connections to impact investors?
- Does your credit union outsource donations from private donors?
- Do you think non-profits could use investments as a vehicle to acquire property?

Impressions:
- Are non-profit housing organizations making the most of available funds and programs from credit unions?
- What types of issues have you encountered in non-profit housing projects?
- What opportunities do you think exist for credit unions to help non profit housing organizations?
- Do you have a positive, neutral, or negative view of credit unions?
- Are there any questions I haven't asked that should be addressed?