

White Paper

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

A Made-in-Canada Circular Housing Finance Framework

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1. The Issue

Current State

Canada's affordable-housing finance system continues to depend on direct public spending and debt-based project financing. Major funders — including CMHC, BC Housing, and municipalities — provide essential grants and low-interest loans, but these remain **transactional, not circular**. Each project relies on new government allocations rather than creating mechanisms for self-sustaining reinvestment. The barrier is not a lack of capital, but the absence of a standardized regulatory 'on-ramp' for mission-driven equity.

Declining Social-Housing Funding

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

Fragmentation Across the Sector

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

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

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

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

Fiscal Pressures

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

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

Regulatory Inaccessibility of Existing REIT Structures

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

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

Observed Challenges from Practice

Through **Terra Housing** and its sister companies, we are currently delivering over **\$2 billion** in social and affordable housing across Canada — including Indigenous housing, women’s shelters, seniors’ long term care homes, and multi-phase urban redevelopments. From this vantage point, and through collaboration with **multiple sectors, funders, and partners** — including **private developers, non-profit organizations, Indigenous communities, governments, and academic institutions** — we have developed a deep understanding of the systemic barriers within the current system.

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

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

Summary

The current system produces units but not a durable financial ecosystem. By relying solely on government funding and project-by-project allocations, Canada has created a "Linear Subsidy Trap" that is too slow and too expensive to meet the national need.

The structural barrier is the absence of a standardized, independent "on-ramp" for mission-driven equity. By utilizing existing trust and REIT regulations, the Canadian i-REIT Platform is designed to bypass these traditional bureaucratic bottlenecks—enabling **circular investment to start immediately, with minimal government red tape**.

2. The Opportunity

A **Made-in-Canada Impact Real Estate Investment Trust (i-REIT)** offers a practical, scalable path beyond this cycle — **building on the foundations** of Canada’s growing social-finance ecosystem while addressing the structural gaps that prevent non-profits and Indigenous partners from fully accessing equity capital.

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

Why a New Model Is Needed

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

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

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

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

Core Design Principles

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

- Hold and manage assets collectively, not project-by-project;
- Embed affordability, Indigenous participation, and community reinvestment within its mandate;
- Recycle surpluses into new community projects and social housing; and

- Report both financial and social outcomes, aligning with ESG and impact-investment standards.

Cross-Subsidy for Sustainable Affordability

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

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

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

Transformational Impact

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

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

3. i-REIT Framework

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

Core Framework

- **Standardized Model:** An independent, turnkey financial utility providing legal and financial templates that allow mission-driven organizations to bypass 90% of traditional setup costs and move at market speed.
- **Embedded Strong Impact Policies:** Common social-impact and affordability requirements ensure measurable, mission-aligned outcomes.
- **Digital Dashboard:** A real-time transparency engine that replaces manual departmental oversight with automated impact tracking. This ensures mission-lock and compliance without requiring project-by-project government approvals..
- **Access to Capital:** Aligning with a recognized REIT structure opens access to institutional and private equity typically reserved for large for-profit developers — **but within a governance model designed for mission-driven organizations**, ensuring that non-profit and Indigenous partners can participate without losing control of their assets or breaching their mandates.
- **Scalable Growth and Local Control:** Converts a complex structure into a **replicable, performance-based platform**, allowing each impact organization to govern, invest, and grow its assets according to its own mission priorities.
- **Versatile Design:** i-REITs can be established by **individual impact entities** (e.g., Indigenous development corporations) or through **pooled partnerships** of multiple non-profit, Indigenous, or municipal organizations. This flexibility enables partners to share responsibilities, risks, and rewards while collectively benefiting from publicly seeded equity and pooled asset performance.

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

4. Risks and Considerations

Risk	Description	Mitigation
Regulatory Alignment	REIT rules are built for profit-maximizing entities.	Establish a Phase 1 Regulatory Sandbox to model 'Mission-Locked' parameters within existing law, ensuring immediate operation while informing long-term policy evolution.
Market Confidence	Early investors may perceive social REITs as higher risk.	Apply a blended-finance approach , combining public seed capital and private equity to demonstrate stable performance, while leveraging established community-housing portfolios anchored in transparent and measurable impact policies .
Mission Drift	Profit motives could override social outcomes.	Embed affordability ratios, reinvestment policies, and transparent reporting directly into i-REIT governance.
Fragmented Adoption	Small providers may lack capacity.	Offer shared administrative, digital, and pooled-asset participation models to achieve scale.
Cost of Capital (The “Anchor Debt” Gap)	Without federal backing, the i-REIT must rely on commercial debt. High market interest rates force higher rents, breaking the 'Mission-Locked' affordability mandate.	Utilize a Blended-Finance Tier: Federal low-interest loans (via BCH or CMHC) serve as the 'Anchor Debt.' This de-risks the portfolio, allowing the i-REIT to attract private impact equity at a lower overall weighted average cost of capital (WACC).
Bureaucratic Delay	Traditional government approvals are too slow for market-speed real estate.	The Canadian i-REIT Platform is an independent, community-led initiative . Phase 1 is decoupled from multi-year legislative cycles, utilizing current frameworks to ensure rapid, market-speed execution.

5. Pilot Partners

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

Confirmed and Prospective Partners and Technical Advisors:

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

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

6. Phased Implementation Strategy

Phase 1 – Independent Feasibility & Implementation Sprint (6 months): Operating entirely within existing legislation, this phase focuses on the feasibility and technical modeling required to finalize the **turnkey infrastructure**. This is an **independent feasibility study** that requires **no new regulatory approvals or legislative changes** to launch, ensuring an immediate start toward building the platform's foundational architecture.

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

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

Launch a live pilot with real assets and partners; create a replicable **i-REIT Platform Toolkit** with governance, tax, and impact-metrics templates. The i-REIT Digital Dashboard provides the government with **real-time, automated oversight**. By baking affordability and impact metrics directly into the platform, the need for manual departmental reviews and

project-by-project approvals is eliminated, allowing for rapid asset acquisition and development.

Phase 3 – National Replication (18–36 months)

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

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

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

Policy Outcome	Benefit
Evidence of social-purpose investment within existing frameworks	Informs future CMHC, CRA, and Finance Canada reforms.
Circular, reinvestable finance model	Creates a perpetual reinvestment engine for CMHC and BCH. Instead of \$1 being spent once, it seeds a trust that self-funds future maintenance and expansion, reducing the 'capital call' on the federal treasury every 10 years
Long-term affordability & community ownership	Builds equity for non-profit and Indigenous partners, advancing reconciliation and wealth-building.
Alignment with federal priorities	Serves as the standardized delivery vehicle for Build Canada Homes. It allows BCH to deploy low-interest capital at scale through a regulated platform rather than thousands of fragmented project-level applications. Supports Financing Affordable Homes (Build Canada Homes), National Housing Strategy, Housing Supply Acceleration, Indigenous Reconciliation, Social Finance Fund, and ESG investment.
Low-risk participation	Offers a 'Proof-of-Concept' sandbox . Phase 1 provides the data and legal modeling needed to inform a long-term

Policy Outcome	Benefit
	National Low-Interest Impact Loan facility without immediate legislative risk.
Intergovernmental leverage	Adaptable framework across jurisdictions.
Evidence-based innovation	Produces standardized templates and a Replication Toolkit (v1) .
Public-private proof of concept	Shows how modest federal investment can attract institutional capital.
Legacy opportunity	Establishes a pioneering, community-owned circular-finance model for Canada.

8. Next Steps

1. **Launch the Phase 1 Pilot Partnership:** Secure federal funding through an innovation or demonstration stream (such as CMHC or Build Canada Homes) to seed the Phase 1 feasibility pilot. This partnership allows the government to support a "Made-in-Canada" financial utility with minimal risk, while the platform is built and tested independently. By onboarding as a pilot partner, the federal government demonstrates immediate leadership in housing innovation and Indigenous economic reconciliation without requiring early-stage regulatory changes.
2. **Seed the Technical Blueprint:** Use Phase 1 funding to build the digital prototype and legal framework for the Canadian i-REIT Platform. This work will be done independently to create a "turnkey" system that the government can eventually utilize without having to manage the day-to-day operations.
3. **Establish a Technical Dialogue:** Maintain a simple working relationship with federal teams (Finance, CRA, CMHC) to ensure the platform's technical design aligns with existing rules. This ensures that when the platform is ready, it is already "pre-vetted" for fast-track use.
4. **Demonstrate the Circular Model:** Use the results of the Phase 1 pilot to show how this independent platform can eventually recycle capital, reducing the long-term

need for constant government grants

Summary

The Canadian i-REIT Platform is a **ready-to-execute** financial utility designed to modernize Canada's housing-finance system. By shifting from a 'Linear Subsidy' model to a circular, reinvestable framework, the Platform unlocks dormant mission-driven equity and maximizes policy returns. It provides the standardized, independent 'on-ramp' necessary for communities to move at market speed, reducing administrative friction and ensuring that public dollars stay within a regenerative ecosystem.

Grounded in Indigenous principles of generational stewardship and guided by a synthesis of global value-creation strategies, the i-REIT redefines investment as an act of **Economic Reconciliation**. It empowers Nations and non-profits to build local wealth today while securing community prosperity for seven generations.

Kelly Lin, Founding Lead Executive Officer, is a systems-innovator who has de-risked and delivered over **\$2 billion** in social, Indigenous, and community-housing assets globally. As the **former Executive Director of the Tofino Housing Authority** and a **principal advisor** to over 30 non-profit and Indigenous partners, Kelly possesses the unique 'full-spectrum' expertise required to **bridge the gap** between institutional capital markets and community needs. Her career is dedicated to actualizing independent, turnkey financial tools that transform housing from a cost center into a self-sustaining national asset.

By partnering in this Phase 1 Pilot, **the federal government** can:

- **Mainstream Innovation:** Lead the global shift toward impact-first, circular housing finance.
- **End Subsidy Dependency:** Establish a self-reinvesting system that recycles capital, reducing the long-term 'capital call' on the federal treasury.
- **Solidify a Legacy:** Create a turnkey, independent infrastructure that delivers shared prosperity and advances Indigenous economic sovereignty.

In short, the i-REIT Pilot is a low-risk investment in a high-capacity future. By seeding this independent feasibility phase, the federal government enables the creation of a **national financial utility**—positioning Canada as a global leader in transforming how we finance, own, and sustain our communities together through a self-reinvesting, circular system.