ACHAT

# The Austrian model

The mature and efficient
social housing ecosystem

**Quebec Mission to Vienna**
**Learning and Proposal Sheet**
**produced by ACHAT**

**October 2023**

# Table of Content

## 1. Who Are We?

The Alliance of Affordable Housing Corporations in the Quebec Territory (ACHAT) is a unique collective of nonprofit real estate enterprises (owners, operators, and developers) in the Quebec and Canadian social economy network. Our mission is to support our members in seeking innovations and implementing business strategies aimed at significantly increasing the supply of social and affordable housing in urban areas of Quebec, to the benefit of local communities. ACHAT serves as a platform for exchange and collaboration, specialized research, and resource sharing, all aimed at enhancing the organizational and financial capacities of its members to develop a larger volume of affordable housing units, thereby contributing to better structuring the supply of affordable housing in the residential market.

Our eight members collectively own a real estate portfolio consisting of 5,500 affordable rental units with a property value exceeding $800 million. Currently, they have over 2,000 new units in development slated for completion by 2024-2025. Our properties, primarily located in the Greater Montreal area, come in various sizes and types, ranging from recent construction to older or heritage buildings. We provide quality affordable rental housing (with services in some cases) to families, seniors, immigrants, students, single-parent households, low-income individuals, those with mental health issues, individuals in social reintegration, and people with disabilities, among others.

## 2. Introduction : Improving by Scaling Up

The Canadian federal and provincial governments, as well as municipalities, are grappling with a serious housing and residential affordability crisis[1]. The Government of Canada pledges to do more, while Quebec plans to unveil and soon implement a National Housing Action Plan. ACHAT has actively participated in various public consultations with federal, provincial, and municipal governments (including Bill 16 and Bill 31), putting forth several proposals aimed at significantly increasing the long-term impact of every new dollar invested today in the nonprofit housing sector.

More recently, we had the opportunity to take part in a Quebec learning mission on the social housing business model in Vienna. From this mission, we returned more convinced than ever of the relevance and potential of our development vision based on market power, sector professionalization, and the consolidation of the existing network. This document aims to go further, not by suggesting a complete replication of European models that have achieved a large volume of social housing, but rather by drawing inspiration from the means they have successfully created to progress towards a satisfactory level of sectoral maturity and performance.

After a week of seminars and field visits with Austrian nonprofit housing developers and Maria Vassilakov, the former Deputy Mayor of Vienna (from October 9th to 13th), we observed a consensus among our Quebec peers regarding the need for scaling up in Quebec. Our three participating organizations, ACHAT, Interloge, and UTILE, returned with reinforced confidence in the business model they promote, which involves increasing the volume of housing units held by social economy real estate enterprises (NPOs, cooperatives, or municipal offices).

As a reminder, and as we witnessed in Vienna, nonprofit housing provides immediate solutions to several well-documented challenges stemming from housing and affordability crises, ensuring that harmful phenomena for the national economy are not reproduced or exacerbated:

- Proliferation of abusive or illegal eviction schemes leading to uncontrolled rent price increases (renovictions).
- Erosion of the rental housing stock in favor of temporary tourist accommodations (such as Airbnb).

[1] *The CMHC now calculates a housing shortfall of 860,000 units for Quebec (compared to its estimate of 620,000 units last year), while Scotiabank suggests doubling the social housing stock in Canada. The federal housing advocate, along with ACHAT's proposal from last February, recommends increasing the market share of the nonprofit rental sector to 20% on a national scale.*

- Relocation of essential low-income workers to the outskirts of urban centers due to decreased household purchasing power (urban sprawl).

- Public health issues and homelessness growth directly related to rising rental costs and/or substandard housing conditions.

- Uncontrolled increase in household housing cost burden, economic precariousness, and homelessness.

- Real estate speculation leading to artificial land value appreciation and a disruption of the housing supply in relation to the actual needs of the population.

Our collective enterprises, which are members of ACHAT, remain resilient in times of economic crisis, cannot be sold to foreign or speculative interests, and their presence significantly contributes to maintaining a healthy and balanced real estate market, especially in the construction sector during inflationary instabilities.

## Our municipalities and social developers think big (as in Austria)

As a reminder, the Affordable Montreal Initiative (CMA), bringing together representatives from the private, community, union, and public sectors, released a declaration and progress report on April 12th, which, in our opinion, should resonate elsewhere in Quebec, where housing supply and affordability issues are also a concern[2].

In a context of inflation and a housing crisis, the CMA proposes an income quintile distribution for Montreal households. It assesses that currently, only the two wealthiest quintiles can afford housing at market prices with a reasonable cost burden of 30% of household income dedicated to housing. Very low vacancy rates throughout Montreal and Quebec, along with rising costs of constructing new housing, indicate that new properties offered by the private market will only be accessible to an increasingly smaller portion of the population. Meanwhile, more and more people will have to reduce their budgets for groceries, medication, transportation, and leisure to absorb the rising housing costs.

[2] *It's worth noting that the Montreal Metropolitan Community (CMM) has recently adopted its very first Metropolitan Housing Policy (PMH), setting nonprofit housing targets for its 82 municipalities, integrated within the new Metropolitan Land Use and Development Plan (PMAD).*

The report also indicates that for the lowest-income quintile of households, only significant investments in social housing can adequately meet their housing needs and serve as the preferred tool for escaping poverty and the cycle of precariousness. The new homelessness problem (now estimated at 10,000 visible individuals on the streets) observed throughout Quebec in recent years includes many individuals who had a roof over their heads not long ago.

As for the proposed solutions, the CMA calls on all stakeholders to work together and overcome financial, permitting, regulatory, tax, and fee-related obstacles, especially for those involved in creating sustainable social and affordable housing. The last two recommendations are worth noting, aiming to "maximize the agility and delivery capacity of nonprofit organizations through a portfolio approach" (P9) and to "promote the scaling up of the entire nonprofit housing sector" (P10). These two suggestions align precisely with the direction of this document, although specific means of achieving them are not provided at this time. We believe that addressing these issues is urgent.

## 3. Vienna : Summary of Mission Learnings

### *Comparable Demographics — Different Choices*

Austria and Quebec have similar populations (around 8 million inhabitants each) and are both states currently led by economically conservative governments. Furthermore, Montreal and Vienna have similar population sizes, with generally more progressive local governments. However, for the same population, Austria has 182 nonprofit owners who operate nearly 1 million housing units (among them, 58% manage or own over 2000 units), whereas Quebec has more than 2500 nonprofit owners operating 135,000 rental housing units, indicating an evident and disproportionate sectoral fragmentation when compared. The average annual growth of nonprofit housing stocks is around 16,000 units for Austria and 2,000 units for Quebec, respectively.

| **Comparison of Nonprofit Production Ecosystems** | |
|---|---|
| **AUSTRIA** | **QUEBEC** |
| 662,000 rental units owned<br>(+ 276,000 affordable condo management) | 135,000 rental units owned[3] |
| Average annual growth 17,000 units<br>(6,000 in Vienna) | Average annual growth 2,000 units<br>(500 in Montreal) |
| 10 public offices own 260,000 units | 149 public offices own 74,000 units |
| 97 cooperative LPHA own 172,000 units | 1,300 cooperatives own 30,000 units |
| 75 LPHA own 230,000 units | 1,200 nonprofit organizations own 55,000 units |
| **TOTAL : 182 nonprofit owners (average of 3,637 units)** | **TOTAL : 2,649 nonprofit owners (average of 50 units)** |

The demand increase is somewhat higher in Austria. Vienna welcomes 25,000 new residents annually, including a suburban population returning to the center, while Montreal's overall population is maintained through international immigration that compensates for the negative migration balance to the suburbs. However, on a national scale, both states experience steady population growth, with approximately 80,000 immigrants per year in Austria and 60,000 in Quebec.

[3] *According to Statistics Quebec, the province had 135,000 nonprofit housing units (social, affordable, and community-based) in 2022. However, data published by various federations (RQOH, ROHQ, CQCH, and FHCQ) in 2023 indicate a higher total count of approximately 160,000 units. This difference is likely due to a cumulative double counting that ACHAT has not independently verified.*

### *Large Nonprofit Owners at the Heart of the Ecosystem*

All affordable housing companies recognized by the law are private limited-profit companies (similar to nonprofit organizations in Quebec, they are referred to as LPHA in English or GBV in German) or cooperatives, and they are all members of a unique consortium called GBV, which also includes their ten public offices. Among them, 58% manage or own more than 2000 units. This allows for:

- Economies of scale
- Integration of specific population needs within their portfolio
- Collaboration between professionals, private developers, and municipalities in large neighborhood developments from day one of planning
- Utilization of their market power and delivery capabilities to include 75% nonprofit housing in these development areas
- Use of equity to maintain and develop the housing stock
- Self-regulation of the production sector (development and construction)
- Absorption of architectural competition costs to ensure quality

Their presence in the financial markets increases the stability and resilience of businesses as they are seen as less risky. Consequently, they have better negotiation power and can borrow money at a lower cost (market power). They borrow at 60 basis points above the interbank rate (compared to 150-200 for private developers). Thanks to their production volume, their social housing costs as much or less to build than private housing (rather than more, as is the case with small groups in places like California and Quebec, for example).

Their large size allows for stable housing production and provides continuous work for the construction industry and financial markets since their pace is less cyclical than the private sector. The relationship with builders varies, but major players like Gesiba (30,000 units) or Sozialbau (50,000 units) regularly put out tenders to the market to get better prices. The flexibility of financing and competitions also encourages ongoing innovation. Their structured ecosystem for professional nonprofit development and management ensures innovative capacity for projects tailored to special needs. The high production volume allows for integrating individuals with specific needs into the developed housing and more communal projects like co-housing[4].

### *360-Business Model – Sector Professionalization*

Most LPHA are less community-oriented than in Quebec because they have chosen to professionalize and continue self-development in a real estate market logic (although not all of them develop; some of them sit on their assets). Achieving these ownership volumes has helped them create greater social solidarity and better respond to the needs of the most vulnerable. They have opted for a systemic approach to real estate development rather than small-scale projects. Their 360-business model allows for:

- Development revenue
- Steady cash flow from real estate operation
- Maintenance of permanent expertise
- Feedback loop - experiential feedback from operation in the design of new projects (owner-developers)
- Inclusion of special needs populations in partnership with organizations specialized in psychosocial intervention in all projects (few or no specialized projects led by groups specialized in psychosocial intervention)

### *Rotation of Equity – Generational Contract*

Mandatory base rent prices set by the government constitute a true generational pact, obliging nonprofit owners to levy a minimal amount from rent for the construction of new units once the mortgage is fully paid off, rather than maximizing rent reductions.

The smart use of equity by developer-owners reduces the required subsidies in the sector. In addition to revolving public financing (in the form of interest-free or 1% interest loans over 40 years), large housing companies reinvest their equity in the maintenance of their assets and the development of new housing (they are even obligated by law to do so when taking out a public loan). The 182 Austrian nonprofit developer-owners generate 1 billion euros in equity each year. In

[4] *Please refer to Annex III for the history of major Austrian nonprofit owners, who have undergone several mergers and voluntary absorptions of small cooperatives.*

summary, the fund rotation is twofold: public money circulates, and so does that of the developers.

The result is that Austria is the second country in Europe with the highest proportion of housing outside the speculative market, while only spending 0.5% of its GDP on housing, less than the European average[5]. For example, the city-province of Vienna, with an annual budget of 14 billion euros, spends an additional 100 million euros on rent, 267 million euros on new land for nonprofit housing, and 164 million euros on renovation support, totaling 533 million euros dedicated to nonprofit housing (federal funds are added to this)[6].

### *Key Pillars of Austrian Financing*

There are four financial tools related to project structures, three of which are rarely observed or absent in Quebec: tenant entry contributions, developer-owner contributions (equity), and low-interest public loans (public capitalization is done through subsidized grants)[7]:

- Tenant entry contributions (tenants contributing to construction financing, loans available in the financial market, or subsidies for very low-income individuals, 2-8% of the project structure)

- Public low-interest loan programs (public authorities, 30-40% of the project structure)

- Negotiated conventional mortgages (financial institutions, 30-50% of the project structure)

- Equity (self-contribution by the developer-owner, 10-25% of the project structure)

It should also be noted that Austrian taxation offers a competitive advantage to LPHA in the real estate market. Furthermore, another form of state financial support is used as a crucial strategic pillar in Vienna: an aggressive land acquisition

[5] *Please refer to Annex I for a more detailed technical sheet regarding the two types of equity rotation used by nonprofit housing agencies (LPHA), through surplus and refinancing.*

[6] *The detailed figures collected during the Quebec mission correspond to those on the City of Vienna's website, which intentionally does not include rent supplements in the housing budget but rather in the social services budget. We have combined them here for the purpose of comparison, as in Quebec, we account for these amounts together.*

[7] *In October 2023, the FOHM (Fédération des OSBL d'habitation de Montréal) published a study conducted by Marie-Sophie Banville on European financing models. See page 37 for a detailed overview of Austrian financing architecture.*

policy, which subsequently sets a capped selling price to nonprofit housing at 10% below market value. This high volume of transactions is carried out by the parapublic agency WohnFondsWien.

In summary, the Austrian state financially intervenes in the nonprofit housing sector in three ways: by forgoing certain income, by levying a percentage point on income dedicated to housing, and by granting certain recurring expenses[8].

- Support for sector operations: advantageous taxation
- Control of territory development: land interventions
- Support for project financing: revolving loan funds

### ***Public-Private Company of Land Development Regulation***

The strength of the Viennese agency (WohnFondsWien) in the land acquisition market allows them to adopt a long-term holding and land control strategy in urban areas to be redeveloped. The rotation of land over time makes their activities profitable despite sales to nonprofit owners at 10% below market value. This parapublic agency now holds 3.2 million square meters of land in Vienna and employs 60 full-time employees, all without operating a single building. Its mission is to intervene massively in the land market on behalf of nonprofit developer-owners, organize nonprofit sector competitions (through land sales contests), and carry out strategic heritage acquisitions for the municipality of Vienna.


[8] *As a reminder, rent supplements and entry fee subsidies are recorded in the social assistance budget, not the housing budget.*

### ***Sector Competitiveness and High Architectural Quality Standards***

The Viennese model generally operates through architectural competitions launched and regulated by WohnFondsWien when a plot of land is put up for sale. The requirements are set by the public authorities, and the evaluation criteria, known in advance by the developers, are as follows: social inclusion, affordability, architectural quality, and ecological impact. This leads to the realization of high-quality social housing projects that people are proud to live in and that blend into complete neighborhoods, thereby reducing the economic and social discrimination sometimes observed in ghettos in certain countries (e.g., France).

Their experience demonstrates that well-regulated competition encourages cooperation among organizations. The significant organizational and financial resources of Austrian players allow them to take the financial risks of pre-development and design associated with competitions. This model could not be imported overnight to Quebec in its current state of fragmentation in our sector.

### ***Separate Funding for Housing and Social Services***

Both from a political and developer perspective, we were repeatedly told during the mission not to mix the costs of social services with those of real estate. The economic model of social housing is robust in Austria (development and operation), and vulnerable individuals can benefit from various forms of support, including rent supplements, which come from separate budgets. The large-scale business model they advocate allows:

- To meet the needs of a larger number of vulnerable individuals[9]
- More volume = more opportunities and capabilities to integrate individuals with special needs in social mix
- Partnership between the psychosocial intervention sector and housing operators (the right expertise in the right place)

[9] *The volume of nonprofit housing production by a professionalized sector also allows for the realization of a greater number of community and social projects with local governance. These models are studied in publications like "**Affordable Housing, Governance and Finance, Innovations, Partnerships and Comparative Perspectives**", Routledge, 2020, Chapter 3, pp. 41-58. For example, in Quebec, Interloge has developed 1000 so-called affordable housing units in 45 years, including 250 units classified as social housing. Increasing production volume is possible while maintaining this ratio.*

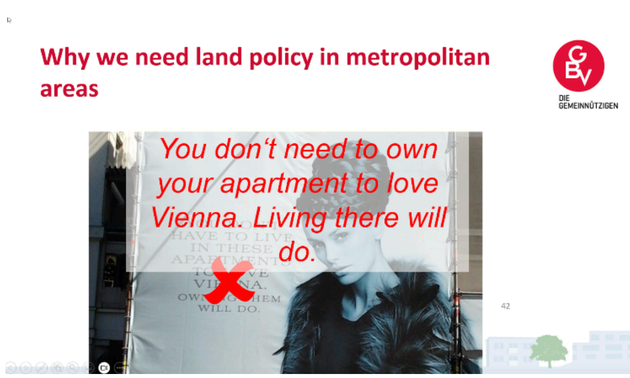
| Real Estate-Community Partnerships | |
|---|---|
| **REAL ESTATE EXPERTISE (GROUP A)** | **PSYCHOSOCIAL EXPERTISE (GROUP B)** |
| Development | Intervention Program(s) |
| Lease Management | Participant Selection |
| Health / Safety / Hygiene | Psychosocial Intervention |
| Income Perception | |
| Asset Maintenance | |

### *Targeting and Serving the Middle Class*

The Austrian model is based on a production volume that allows targeting not just the poor but rather everyone who isn't wealthy. This also helps reduce the stigmatization of vulnerable populations; anyone can live in social housing at some point, and in fact, everyone pays a percentage of their income in taxes to fund social housing, which also contributes to the "normalization" of this economic model.

### *Reinvented ownership Concept and Enhanced Rental*

Austria has chosen to reinvent the relationship with real estate ownership by developing a real alternative in the housing market (both in rental and nonprofit ownership). During the pre-development of a new project, tenants are asked for a financial contribution (entry fees, which can be subsidized for very low-income individuals), allowing them to measure the value of the place they will live in. They contribute to the capitalization of the project, guaranteeing them a lifelong right to rent. Thus, the funds released through affordability can be invested elsewhere; the logic of savings through mortgage loans and land appreciation has become less attractive to individuals, who are instead offered affordable living environments in perpetuity from a young age. Once again, the percentage of income tax collected contributes to creating the feeling that the social housing stock is a collective asset.



### *A Municipality That Understands the Market and Uses its Powers Effectively*

The Austrian model, particularly that of Vienna at its core, would not have emerged without the leadership of public authorities, who went much further than simply creating subsidy programs for housing. They truly used all of their powers in a comprehensive manner to structure the nonprofit housing sector in alignment with their goals of economic affordability and the development of sustainable and inclusive neighborhoods. Their real estate strategy relies on municipal tools related to urban planning, economics, and technology.

Specifically, as we have seen above, they maintained tight control over land within their territory and created a large land fund entrusted to the public-private partnership WohnFondsWien. At the provincial level, they imposed a one-percent income tax dedicated to social housing. In a long-term sector empowerment logic, they supported the development of large nonprofit housing providers through regulations and tax incentives that granted them competitive advantages. More recently, they adopted a policy requiring 75% of social housing in any development with over 150 units, and this policy is rigorously enforced by the sector, which has the capacity to meet these requirements. This would be impossible in Quebec today because our sector is too weak and fragmented.

### *Economic Benefits of a High-Performing Nonprofit Housing Sector*

The national association of 182 nonprofit housing providers (GBV) has conducted and produced several studies quantifying the impact of the sector. Notably, according to one of these studies, a 10% increase in the market share of the nonprofit sector reduces private market rents by 30 to 40 cents per square meter[10].

**Impact calculation in the national economy :**

- Savings on rents: 1.2 billion euros in rent per year (2,000 euros per household)
- These amounts are reinvested in the economy and contribute to growth
- These savings reduce the need to subsidize rents
- Stabilizing effect on the private market because asset-based lending (ABL) is linear

[10] *See Annex II for more details*

**The Austrian system reduces costs for the government :**

- In rent subsidies
- In construction costs for new housing through equity rotation
- 115 euros per capita per year in housing budget for the government vs. 155 euros EU average and 427 in the UK
- The high volume of nonprofit housing provides "insurance" against housing price shocks
- Nonprofit housing cannot be acquired by foreign real estate companies
- Savings on public expenditures on social services

## 4. Propositions

For the attention of various public authorities and sector partners, here are some elements of a strategic transition vision towards a volume model, along with implementation recommendations. All of them aim to protect and enhance the Quebec rental housing stock, particularly by promoting the development of sustainable affordable housing throughout the territory.

### *Strategic vision for Transitioning to a Volume Model*

**Vision 1**
Increase the number of large organizations (1,000 units or more) that own properties in each region of Quebec while maintaining a competitive and competitive sector; support existing sector leaders who are already owners in the network; expand the business models of non-owner groups: the goal is to increase the number of high-performing developer-owners while reducing sector fragmentation, allowing developers to create their own assets, especially if they already have management expertise, and support those who are already doing so.

**Proposition 1**
In order to gradually develop economies of scale in the sector, financing programs could award additional points to projects whose final owner will be an existing nonprofit organization, public housing authority, or cooperative that is committed to scaling up (with growth targets, for example, or with a development plan). To ensure that such a measure does not hinder the sector's ability to address specific needs, points could also be awarded to partnership projects addressing specific local needs or underserved areas.

**Proposition 2**
Create and fund a housing consolidation office in the community sector, as this requires specialized expertise. Fund organizational development for social economy groups: a limited-time program with consultant budgets for mergers of small groups (Part 1) and a component for evolving the business models of large groups (Part 2).

**Vision 2**
Promote Housing/Social and Community Services partnerships. Separate the real estate function from the psychosocial function within the same organization. Encourage partnerships between groups with a housing mission on one hand and groups with a psychosocial intervention mission on the other.

| Real Estate-Community Partnerships | |
|---|---|
| **REAL ESTATE EXPERTISE (GROUP A)** | **PSYCHOSOCIAL EXPERTISE (GROUP B)** |
| Development | Intervention Program(s) |
| Lease Management | Participant Selection |
| Health / Safety / Hygiene | Psychosocial Intervention |
| Income Perception | |
| Asset Maintenance | |

### ***Proposals for Public Authorities***

All the requests made by the ACHAT group in the past year regarding the 2023-2024 budget, PL16, and PL31 consultations aim to create a specific government status for large non-profit property developers:

**Proposition 3**
Allow the use of equity in projects funded through the AccèsLogis program or any other SHQ program, based on certain criteria that ensure asset security, such as recognizing large non-profit organizations that have demonstrated their ability to operate and develop a volume of social and affordable housing. This would allow, without additional financial input, a reduction in the subsidy per unit in certain projects, or a decrease in the subsidies required for the maintenance of existing housing stock[11].

**Proposition 4**
Develop a financing mechanism for portfolios of large non-profit real estate companies that have demonstrated their ability to sustainably operate a large housing stock and expand.

**Proposition 5**
Exempt projects that are 100% non-profit from the Quebec Sales Tax (TVQ) on the basis that they fully meet the public objectives of long-term affordability and sustainable territorial development.

**Proposition 6**
Allow municipalities in Quebec to offer differentiated property taxation for projects that are 100% non-profit (in the form of exemptions, deferrals, or variable rates).

[11] *This request is also currently being made by the Community Housing Transformation Centre as part of the PLANCHER initiative, as well as by several other stakeholders in the field.*

**Proposition 7**
Allow municipalities to implement incentive and differentiated zoning for applicants developing 100% non-profit projects, based on the fact that they meet public objectives of long-term affordability and sustainable territorial development for all. Such a modification aimed at creating added value to certain lands would enable projects led by a non-profit organization, a housing authority, or a cooperative to benefit from a competitive financial advantage and, in some cases, reduce the need for subsidies.

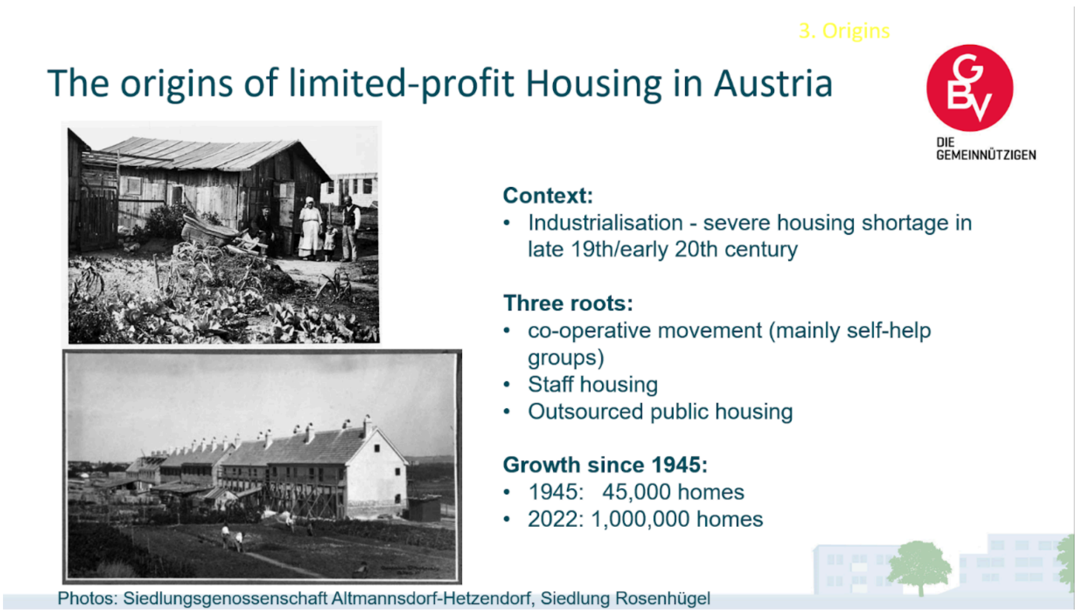
Conversely, offering this new added value to the private sector, in exchange for a reduced proportion of limited-term affordable housing units, would actually hinder the creation of long-term affordable housing within the competitive market logic. Making this distinction in Law 16 would have been an effective and cost-effective way for the government to encourage the development of social and affordable housing.

**Proposition 8**
Exempt non-profit housing projects from referendum processes in the context of projects that deviate from municipal regulations, while maintaining the obligation to hold public consultations.

**Proposition 9**
Expand the automation of the M-30 decree to all non-profit housing projects in order to expedite the receipt of federal assistance for affordable housing development.

## 5. Conclusion : What History Teaches Us

Austria already had 45,000 social housing units in 1945 and has since adopted public policies that have led to a stock of 1 million social housing units operated by a small number of relatively autonomous public and non-profit organizations with significant market power. This learning sheet describes how the ecosystem functions there today. It is true that the Austrians had a slight head start on Quebec in terms of vision and had to rebuild a country devastated by war. Nevertheless, what has happened since then? What can we learn from it, while we collectively struggle to increase our stock of 135,000 social housing units in Quebec?




In Canada, the CMHC was established at the same time (1946), after the end of World War II, to build bungalows for veterans (which have since returned to the private market). The first rental social housing developments appeared a bit later (for example, Habitations Jeanne-Mance in Montreal in 1959). The Société d'habitation du Québec (SHQ) was created in 1967 to support the development of federally funded social housing. In 1969, the City of Montreal created the Office municipal d'habitation de Montréal (OMHM), the first municipal housing authority, and the Association des Offices d'habitation (Association of Housing Authorities) appeared in 1972. Rent supplements were created in 1978, and this collaboration among the three levels of government (federal, provincial, municipal) helped create a stock of 67,000 social housing units in Quebec until the 1980s. In the late 1970s, the non-profit sector began to experience significant growth thanks to public policies that recognized the benefits of supporting the rise of the social economy in the production ecosystem. In 1986, Quebec took control of social housing development, and in the 1990s, the federal government completely withdrew its investments. In 1996, the Summit on the Economy and Employment propelled the sector through the development of financing tools (the creation of the Réseau d'investissement social du Québec — RISQ), the development of the network of Centres de la petite enfance (CPE), the implementation of social economy home support companies (EÉSAD) offering services to seniors and/or vulnerable individuals, and by recognizing the importance of continuing to develop social housing stock, which led to the creation of the AccèsLogis Québec program and support for the development of Technical Resource Groups (GRTs).

The most important lesson from our history is that there has never been a systemic vision for the development of social housing in Quebec. In Montreal, for example, documentary research identifies five "housing operations"[12] over time, which reflect not public policies aimed at permanently solving problems caused by economic dynamics supported by our laws, but rather projects designed to address urgent needs caused by these dynamics (the plaster policy[13]):

| | |
|---|---|
| **Operation 300 (1968-1969)** | 364 housing units in 4 projects totaling 36 buildings |
| **Operation 10,000 Housing Units (1979-1982), which became Operation 20,000 Housing Units (1979-1988)** | 19,539 units at more than 600 locations |
| **Operation Solidarity 5,000 Housing Units (2002-2005)** | 122 projects totaling 5,025 housing units |
| **Operation 15,000 Housing Units (2006-2009)** | Aiming for 5,000 social housing units and 10,000 "private" units |

Today, fortunately, more and more voices in Quebec and Canada are calling for a change of scale in a logic of systemic transformation, to be implemented pragmatically and moderately in the North American market environment. For this, we will need to adopt effective public policies and professionalize our production sector by directing it towards volume strategies. At present, we have neither.

[12] *For more information about these documentary research conducted at the Housing Documentation and Information Service in Quebec (SDIH), the Canadian Housing Documentation Centre (CCDH), and the National Library and Archives of Quebec (BANQ), please contact ACHAT.*
[13] *This lack of a systemic vision is partially mentioned in the performance audit conducted by the Auditor General of Quebec in 2020 regarding the AccèsLogis program.*

**Looking ahead**

Several collective enterprises in Quebec have reached a level of maturity and size that allows them to use real estate assets and expertise more efficiently, in partnership with public administrations and financial actors, both private and philanthropic. But we are still far from mature European volume models. Right now, the weakness of our fragmented sector is causing us to miss historic opportunities to develop thousands of units in Greater Montreal (REM, Blue Line, Hippodrome-Namur, East Montreal, Bridge-Bonaventure, Lachine East, Louvain East, etc.), where private market prices will continue to skyrocket uncontrollably, as is the case throughout our territory. It is time to mainstream non-profit housing in the planning of our major developments.

The Alliance of Affordable Housing Corporations of Quebec (ACHAT) and its members propose to operate a significant change of scale immediately, in partnership with all housing sector stakeholders, in order to significantly increase the impact of our housing actions. We propose not only to set a target of 20% of the Quebec rental housing stock as non-profit, but also several concrete means to achieve this. These means rely on the shoulders of our sector and the public authorities, in a partnership logic that is absolutely essential to our success; this is the main lesson that Austria has taught us. By regularly increasing our stock of social and non-profit affordable housing units by several thousand units per year, we will contribute to structuring the residential rental market in a sustainable manner, in line with the Canadian, Quebec, and municipal public objectives for territorial development, social development, public health, and climate change mitigation.

# Annexe I : Equity rotation through surplus and refinancing

## Internal rotation (through surplus)

LPHA (Large Non-Profit Housing Associations) utilize three sources of surplus:

- Surplus from debt-free properties (base rent) (for the past 10 years, GBVs have been required to collect it - approximately 2 euros per square meter. Obligated to reinvest in the construction of new housing)

- Operating surpluses generated, development fees reinvested

- Return on invested equity

In the Austrian sector, 1 billion euros of equity are generated annually for new construction, with an additional approximately 3-4 billion euros in additional financing. They also have a budget of one billion euros per year for renovations.

Collectively, in Austria, they manage one million housing units and add approximately 16-17K per year. They have even managed to reach up to 26K per year. It is expected to slow down to -20% in 2024, with a projected -40% in 2025.

Construction costs have risen to approximately 2800 euros/m2 before taxes (10% tax on rent or purchase if you buy).

Thanks to this, especially during periods of low-interest rates, they have been able to undertake projects for a time (such as Sozialbau and Gesiba) with 100% private financing and equity (no public financing).

- GBVs are required to reinvest their surpluses in affordable housing development.

- They can remunerate their capital at a maximum of 3.5%, allowing their capital to grow and create an internal revolving capital fund.

- GBVs are legally required to charge a minimum base rent when their properties are debt-free, which is added to the actual costs of each building and therefore constitutes an additional annual surplus that gradually increases their capitalization and thus their investment capacity.

## Internal rotation (through refinancing)

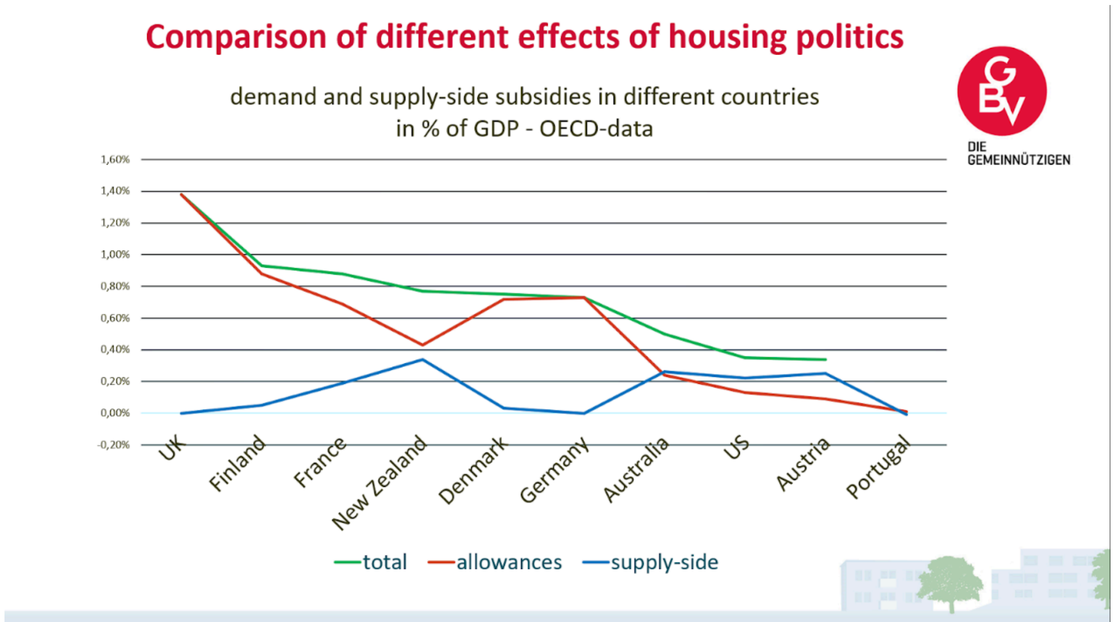
- To go beyond the Austrian model and learn from Quebec experiences, equity rotation practices through refinancing would be relevant.

- This is especially important as the main equity rotation models in Austria take 30 to 40 years to generate substantial sums.

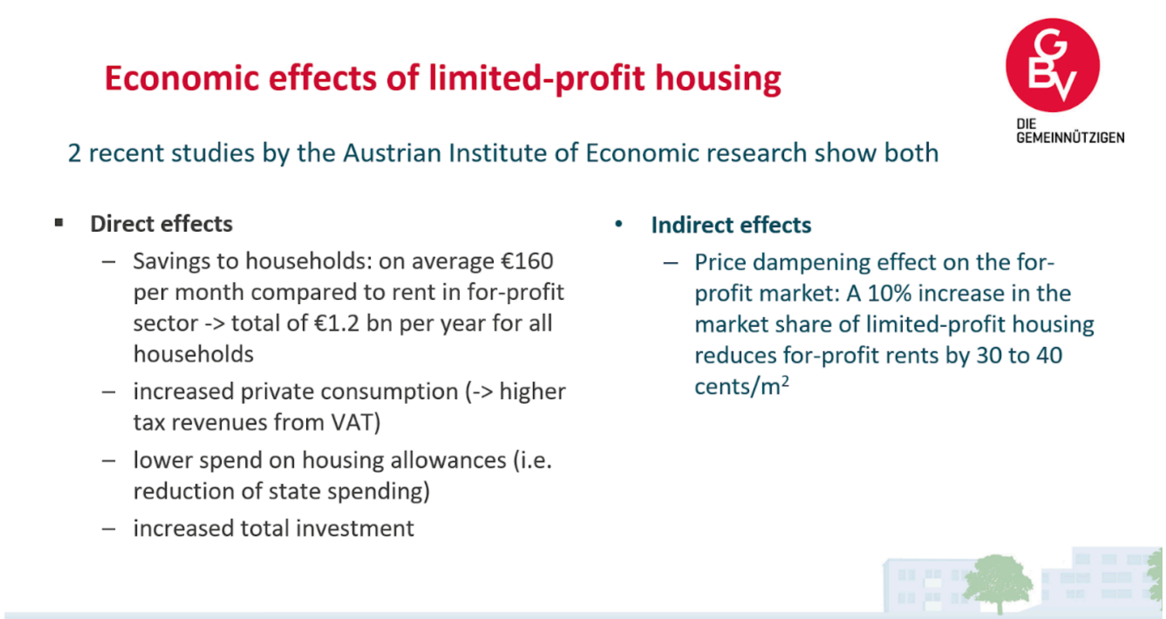
- In concrete terms, their model waits for the last loan (typically public loan) to be repaid before these sums become available again, and a surplus begins to accumulate. By refinancing their assets, large non-profit property owners can proactively maintain a mortgage on their buildings over the longer term and "exit" equity without waiting for full repayment. In Quebec, some players are more willing to take risks because the real estate market has historically been more stable (less marked by armed conflicts).

## Annex II : Subsidy Rates and Impact Measures

The Netherlands, France, Denmark, and Austria all share a large social housing sector that exceeds 20% of the rental market. However, as we have seen, Austria is the country that invests the least thanks to the equity generated by the major players in its sector.




The Austrian Institute of Economic Research has measured the impacts of the LPHA sector on the national economy.



## Annex III : History of Major Austrian Property Owners

History of Major Austrian Property Owners: Their nonprofit real estate companies are large, but they began as small cooperatives. Over the years, they have grown through mergers. One of the reasons mentioned during the mission is that it required a lot of volunteer work to administer and even more to develop a cooperative. Several groups sought a professional management team to absorb them and free themselves from real estate management and planning tasks; this allowed them to focus on community life. Other groups faced financial difficulties and were rescued by being absorbed into a larger group. The most common merger model is as follows: the absorption of small cooperatives by larger ones. With a second management level like Sozialbau, the cooperatives remain autonomous but benefit from centralized management at Sozialbau. The cooperative makes the final investment decision, but in the market, people only see Sozialbau, so they benefit from more market power. The overall result is positive: optimization of market strength and financial management while maintaining decentralized economic power and community life.