CANADA RENTAL PROTECTION FUND

Investment Approach

How CHAF invests to protect affordable rental housing across Canada

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PURPOSE

This Investment Approach explains how the Canadian Housing Acquisition Fund (CHAF) invests Canada Rental Protection Fund (CRPF) capital to protect existing affordable rental housing and grow community ownership across Canada. It outlines who and what the CRPF can fund, how CHAF assesses affordability and investment opportunities, how funding decisions are made, and how investments are stewarded over time.

It is intended to provide housing providers, partners and the public with a clear understanding of CHAF's approach to investing CRPF capital. Detailed application requirements, funding terms and supporting materials will be provided separately through the CRPF application process.

Our Investment Approach

The Canadian Housing Acquisition Fund (CHAF) is an independent non-profit organization that helps the community housing sector protect and grow affordable rental housing across Canada.

Through the **Canada Rental Protection Fund (CRPF)**, a $1.5 billion fund created by Build Canada Homes, CHAF provides funding to eligible community housing providers to acquire existing rental properties and preserve them as affordable housing for the long term.

Community housing providers are mission-driven, not-for-profit organizations focused on long-term affordability rather than profit, helping ensure homes remain affordable and stable for current and future tenants.

The CRPF has the potential to protect 7,000 homes across Canada over its first five years, subject to market conditions and available acquisition opportunities. Its impact will continue to grow as capital is repaid and reinvested, protecting more homes and strengthening communities over time.

The CRPF has three core program objectives:

- Increase community housing stock through acquisitions;
- Leverage the federal investment of CRPF funding to attract additional public, private and philanthropic investment
- Create a revolving source of capital that can support future acquisitions

CHAF is building partnerships across the public, private, philanthropic and impact investment sectors to extend the reach of the CRPF and protect more affordable homes across Canada.

1. What We Invest In

Eligible organizations

CHAF invests in eligible organizations that own and operate housing on a non-profit basis.

Eligible applicants include:

- **Community Housing Providers**, including non-profit societies, co-operatives and other wholly non-profit housing organizations without private ownership interests;
- **Government Housing Organizations** established by provincial, territorial or local governments[1] to operate affordable housing on a not-for-profit basis;
- **Indigenous Housing Organizations** established to develop, own or operate housing for Indigenous peoples;
- **Indigenous governments or governing bodies**, including First Nations, Inuit and Métis governments or governing bodies; and
- groups of eligible organizations working together.

Organizations must already own and operate a housing portfolio and have at least three years of experience operating housing.

Eligible housing

CRPF funding supports the acquisition of existing, occupied multi-unit rental housing in Canada. Eligible acquisitions must include the whole building and the underlying freehold interest and must be privately owned, not held by an eligible recipient before the acquisition. Individual condominium or strata units, partial interests and leasehold properties are not eligible.

Eligible properties must:

- contain **at least five self-contained residential units**;
- already be occupied and operating as rental housing, although some individual units may be vacant;
- be primarily residential and zoned for residential use, with non-residential space representing no more than 30% of the building;
- not be subject to any existing operating funding agreements, including with other levels of government;
- be able to operate without ongoing operating funding post-acquisition;
- be capable of obtaining standard commercial property and liability insurance;
- be acquired at a price consistent with local market conditions; and
- demonstrate meaningful affordability consistent with the CRPF's affordability objectives.

New developments, buildings that have never been occupied, fully vacant buildings, rooming houses, single-room occupancy properties, and manufactured or mobile-home properties are not eligible for CRPF funding.

[1] This does not include governments themselves.

The property must also be a good fit for the housing provider acquiring it. Its size, location and type should align with the organization’s acquisition strategy and its demonstrated ability to operate, maintain and steward the housing over the long term.

Protecting tenants and affordability

Eligible acquisitions must protect the housing security of existing tenants. Tenants cannot be displaced as a direct result of the acquisition, including where capital work is required after acquisition, unless suitable relocation is provided.

Properties acquired with CRPF funding must remain affordable for at least 20 years. Where enforceable in the applicable jurisdiction, this commitment will be legally secured on the property so that it continues even if ownership changes in the future.

2. Why We Invest: Protecting Affordability

Canada has a significant stock of existing rental housing with rents below current local market rates. Often called **naturally occurring affordable housing (NOAH)**, these homes may be affordable because of long tenancies, historic rent levels, building age or type, or rent regulation, even though they were not originally developed or subsidized as affordable housing.

When these properties are sold, that affordability can be lost through rising rents, redevelopment or conversion to other uses. CHAF helps community housing providers acquire these properties, protect existing tenants and preserve affordability over the long term.

How CHAF assesses affordability

There is **no single rent level that defines affordability across Canada.** Housing costs, household incomes and rental markets vary considerably between communities.

CHAF therefore considers both **consistent national benchmarks and local housing conditions**, with a primary focus on the current, in-place rents that tenants are paying today. The objective is to identify properties where community ownership can preserve meaningful affordability and reduce the risk of tenants facing displacement or significantly higher rents.

CHAF considers the overall affordability of a property, including:

- current rents compared with local market and average rents;
- local renter and household incomes;
- the depth of affordability across the property;
- unit sizes and bedroom types;
- length of existing tenancies;
- local housing needs and market conditions; and
- the affordability that would be protected through community ownership.

Not every home in a property needs to have the same rent or level of affordability. CHAF considers these factors together to assess the overall affordability being preserved.

National screening benchmark

As a general screening standard, CHAF considers whether at least **40% of homes in a property have rents affordable at 30% of the applicable median renter household income**, with Build Canada Homes affordability parameters and reflects local market conditions. The goal is to preserve affordability, where existing rents are already below-market, recognizing that rental buildings may include a mix of rent levels at acquisition.

Applicants should generally expect at least 40% of units to meet this benchmark. It provides a consistent national starting point while allowing affordability thresholds to reflect local renter incomes and unit types.

Meeting the benchmark is an important indicator of acquisition suitability, but does not determine eligibility on its own. The property must also provide meaningful affordability relative to its local rental market.

National portfolio affordability target

CHAF is also working toward the broader CRPF affordability objective, established by Build Canada Homes that **at least 25% of acquired units nationally are affordable to low-income households**, defined as households earning up to 50% of local area median household income.

This is a **portfolio-level target, not a mandatory threshold for each acquisition.** CHAF considers how individual acquisitions contribute to this national objective alongside their local affordability, unit mix, tenant impact and broader housing value.

Different housing and market contexts

CHAF may consider properties that do not meet the general screening benchmark where it would not fairly reflect the affordability or housing value being preserved.

This may include properties with a significant proportion of larger family-sized homes, rural or remote properties where standard income data are limited, unusual housing forms, or acquisitions where other reliable evidence demonstrates a particularly strong affordability and tenant-protection outcome.

Any exception must be supported by sufficient evidence that the acquisition preserves meaningful affordability relative to the households, unit types and rental market being served.

3. How We Invest

CHAF uses CRPF capital to help bridge the gap between what an eligible community housing provider can sustainably finance and the total capital required to acquire and preserve a property.

Funding provided to pre-qualified housing providers can include a combination of:

- **Repayable loans:** Financing that is expected to be repaid, including through future refinancing at the end of a 10-year term. Repayable capital allows CHAF to reinvest funds in future acquisitions and extend the impact of the Fund over time; and
- **Forgivable loans:** Financing that may be forgiven when the recipient meets the affordability and other commitments associated with the investment.

CRPF financing is generally paired with a commercial mortgage, also on a 10-year term, and may be complemented by funding or investment from other governments, partners or the housing provider itself. This approach allows CRPF capital to leverage other sources of financing and protect more homes.

Acquisition and renewal

CRPF capital can support both the **acquisition of the property** and eligible **capital renewal required to support its long-term viability**.

CHAF considers the condition of the building, the scale and timing of required repairs, and whether the proposed capital plan represents a responsible use of funding. Renewal funding is intended to support the long-term safety, sustainability and financial viability of the property while making efficient use of CRPF capital.

Co-Investment

CHAF works with governments, community partners, private and impact investors, and philanthropic organizations to create opportunities to invest alongside the CRPF.

Co-investment can support a specific acquisition or housing provider, or provide funding that can be deployed more broadly alongside CRPF capital. By bringing together multiple sources of funding, CHAF can extend the reach of the CRPF, help community housing providers complete viable acquisitions, and protect more affordable homes.

Where co-investment is available, CHAF will consider how it can be combined with CRPF funding as part of the overall financing structure for an acquisition.

Investing across Canada

The CRPF is a national fund. CHAF's objective is to achieve **equitable geographic outcomes over time**, rather than allocating a predetermined percentage of CRPF capital to each province or territory.

Our national benchmark considers:

- where Canada's at-risk rental housing is located; and
- what it costs to acquire and preserve that housing in different markets.

Together, those factors help us determine whether the Fund's investments are producing an equitable distribution of protected homes across Canada, in communities both large and small.

This recognizes that protecting a rental home does not cost the same amount everywhere in Canada and that allocating identical amounts of funding across jurisdictions would therefore not necessarily produce equitable results.

Acquisition activity will also vary over time. One region may have a strong pipeline of viable acquisitions while another has relatively few properties available. As a result, the CRPF portfolio may be above or below its geographic benchmarks at different points in time.

CHAF assesses geographic equity across the portfolio and over its longer investment horizon. It does not require every year or every round of investments to mirror Canada's geographic distribution precisely.

This gives CHAF the flexibility to respond to strong acquisition opportunities as they arise while continuing to monitor whether the CRPF is reaching communities across the country.

4. How Investment Decisions Are Made

CHAF uses a staged process so organizations can confirm their eligibility and capacity before undertaking the more detailed work required for a specific acquisition.

Stage 1: Organizational Pre-qualification

Eligible housing providers first complete a pre-qualification process. This confirms basic program eligibility and assesses whether the organization has the governance, financial position and organizational capacity needed to participate.

Pre-qualification is open on an ongoing basis, and CHAF targets completion of Stage 1 reviews within approximately two weeks of receiving a complete application. Review timelines may vary depending on application volume, complexity, completeness and any clarification or additional information required.

Stage 2: Property Application and Evaluation

Pre-qualified organizations can then bring forward specific acquisition opportunities.

CHAF evaluates proposals using a consistent framework that considers factors including:

- affordability and tenant impact;
- organizational capacity and experience;
- alignment with existing portfolio;
- financial viability;
- property condition and long-term sustainability;
- acquisition price and value;
- efficient use of CRPF capital;
- ability to attract other financing;
- geographic outcomes;
- Indigenous leadership, partnerships and housing outcomes; and
- broader strategic housing value[2].

This stage identifies acquisitions that advance the CRPF's housing objectives and have a realistic path to successful completion and long-term operation.

Property applications are accepted through **regular intake cycles**, with **deadlines approximately every two months**. This allows CHAF to assess applications and shortlisted applicants to complete the due diligence required before a final investment decision.

[2] Strategic housing value refers to how the proposed acquisition can maximize the impact of funding to advance the goals of providing communities with safe, secure, and equitable affordable housing.

Stage 3: Due Diligence and Underwriting

Shortlisted proposals then move into detailed financial and property underwriting.

Applicants must submit a comprehensive due diligence and underwriting package to CHAF on any potential acquisitions, including:

- title documentation;
- LOI from the lender or other sources of capital;
- Building Condition Assessment;
- Phase 1 Environmental Assessment;
- third-party appraisal;
- historical data on utilities;
- property tax documentation;
- insurance quote;
- updated acquisition pro forma; and
- any other reports that may be required for the specific property.

In parallel, CHAF and its financing partners assess the organization's financial capacity, the property's operating performance and condition, the proposed financing and capital requirements, and whether the property can remain financially sustainable while maintaining affordability.

Where a repayable loan is involved, CHAF's dedicated loan implementation partner also completes an independent credit review through its Credit Committee.

The due diligence and underwriting process generally takes **four to six weeks** to complete.

Investment Decision

Following successful evaluation and underwriting, the proposal is presented to CHAF's **Investment Committee**.

The Investment Committee has final decision-making authority over CRPF investments. It considers the complete proposal, including affordability impact, financial viability, capital structure, and long-term sustainability.

No single measure determines approval. CHAF considers the overall strength of the proposed acquisition and how it contributes to the objectives and long-term performance of the CRPF.

The Investment Committee meets approximately **every two months throughout the year** to consider acquisitions that have successfully completed evaluation and underwriting.

5. Stewardship and Reinvestment: What Happens After the Investment

CHAF's role continues after an acquisition closes.

Recipients of CRPF funding make long-term commitments to the affordability, operation and stewardship of the housing they acquire. CHAF monitors investments through regular property reporting to confirm that those commitments continue to be met and that public capital is being responsibly managed.

This includes monitoring:

- ongoing compliance with affordability and tenant-protection commitments;
- financial performance and financing obligations;
- completion of approved capital renewal work;
- property and asset stewardship;
- required reserves and preparations for future refinancing; and
- financial, impact and compliance reporting.

For organizations that receive more than one CHAF investment over time, their track record as an owner and operator also matters. When considering future investments, CHAF may consider how successfully an organization has maintained affordability, managed its properties, completed capital work, and met its reporting and financial commitments.

Recycling capital for future acquisitions

A key part of the CRPF is that some of the capital invested today can be used again for future acquisitions.

Repayable loans are structured with the property's long-term financial health and refinancing capacity in mind. When capital is repaid or recovered through future refinancing, CHAF can reinvest those funds to help community housing providers acquire more affordable rental homes.

This creates a growing cycle of community ownership: protect affordable housing today, steward it responsibly over time, and reinvest capital to protect more homes in the future.