LCF Affordable Housing Fund
Frequently Asked Questions

1. Why is LCF getting into financing affordable housing?

For six years, London Community Foundation has been financing affordable housing through its Social Impact Fund. With the assistance of Libro Credit Union and Lerners law firm in vetting proposals, we’ve approved low-interest loans representing a value of almost $10 million, and assisted in creating almost 400 affordable housing units.

Having safe, secure and affordable housing is the foundation to building a successful life. Until people have decent housing, it is almost impossible for them to successfully deal with other issues in their lives, be that responding to the special needs of their children or dealing with mental health or addiction issues.

2. What is the need for affordable housing in London?

According to LCF’s Vital Signs data:

- There are 5000 families currently on the list for rent-geared to income housing.
- 12.8% of Londoners are in living in core housing need – that is they are living in inadequate, unsuitable or unaffordable housing. The situation is significantly worse for our Indigenous (26.5%) and newcomer (38.9%) communities.
- In 2019 London’s vacancy rate was 1.8%. A healthy housing market has a 3% vacancy rate.
- In March 2020 a one bedroom unit apartment in London was $1182/month up 2.6% since December and represents more than a 25% year to year increase.

3. LCF announced in January that it had up to $20 million available to provide low-income loans for affordable housing projects. What is different now?

COVID-19 has created a lot of hardship in London and Middlesex, especially for those living in poverty. As well, many of the people who were staying in homeless shelters have are being housed in hotels/motels, but that’s only a temporary answer. The COVID-19 pandemic has disproportionately impacted our community’s most vulnerable and exacerbated London’s housing crisis, increasing the urgency and breadth of this issue. LCF is reaching out to organizations, including faith groups, ethnic groups, service clubs, existing non-profit and co-op housing providers, as well as private developers interested in affordable housing who may not be aware of the assistance the Foundation can provide.

4. How large are these loans and what are the typical terms and rates?

We have up to $20 million available and we are continuing to raise funds. Currently we are open to considering individual loans up to $5 million. We offer terms of up to 10 years. Our interest rates reflect our evaluation of the risk of the investment, but
generally range between ½ to three points above bank prime rates. Loans are generally interest only with principle due on closing, early payments with no cancellation fees.

5. Why work with LCF vs. a traditional financial institution?

- **Low Interest Rates:** Our low interest rates make the cost of borrowing more manageable; meaning more of your income can be used to grow your business. Special discount rates are offered to registered charity (RC) and not-for-profit (NFP) housing providers (includes developers/builders partnered with an RC or NFP)

- **Flexible Financing:** In addition to providing traditional loans, LCF can provide support through various other financial instruments, including lines of credit, letters of guarantee, mortgages or even an equity investment if the project is a good fit.

- **Streamlined Process:** We make it as quick and easy for you as possible to access funding through LCF by cutting through the red tape that traditional financing organizations are often burdened by.

- **Desire to Get to Yes:** LCF is always in your corner. We approach every meeting, every application with a desire to arrive at a solution that works for all parties.

- **Social Focus:** As a community foundation, LCF’s mandate centers around making our community a better place. Your mission and desire to make an impact is just as important to us as your profitability. Social impact is our business.

- **Trusted Partner:** LCF’s board and committees have decades of finance, investment, and community building experiencing informing every decision we make. You can trust us every step of the way.

6. What can the loans be used for? Are there any restrictions?

We offer early stage financing for:
- Project planning
- Re-zoning
- Land acquisition
- Site development
- Interim construction financing
- Organization costs
- Incorporation
The project must be in London and Middlesex County and lending must be directly attributable to the creation of an affordable housing project (i.e. no training, education, proof of concept research etc.)

7. How does LCF define affordable housing?

Affordable housing is defined by CMHC as rental housing that is at or below 80% of the Median Market Rent in a community. In London that is about $650 to $780 per month for a one bedroom unit and $750 to $940 per month for a two bedroom unit, depending on location. The rents are little lower for other communities in Middlesex County. Most affordable housing projects have some units set aside for persons that need deeper assistance and for persons with special needs and supports.

8. Won’t creating a lot of low-income housing ghettoize certain communities or neighbourhoods?

A great deal has been learned about properly creating affordable housing that fosters safe, healthy communities. In reviewing funding applications, LCF looks at the factors in the project that promote good communities, including what social support would need to be provided.

9. Isn’t there government funding available for this purpose?

There is generous government support to create affordable housing. But before that financing can be accessed, individual builders or organization must first purchase the property, create plans and have them approved. Many non-profit organizations cannot afford these carrying costs. LCF offers low-income financing that can help with some of the initial project costs. Banks and other traditional funders don’t usually provide loans until after property has been purchased and city has approved the plans.

LCF’s financing complements government funding; that is, programs are stackable. Our funding doesn’t preclude government funding, in fact it can be leveraged to increase probability of receiving additional government support. We work closely with CMHC and the Municipality.

10. Will the Foundation be purchasing property and creating housing?

At this time, LCF is committed to providing low-interest loans. There are, however, other communities in Canada and elsewhere, that are creating some innovative affordable housing. If there are builders or nonprofit organizations interested in unique or innovative ideas, then we are interested in listening. Of course, any expansion beyond the current social finance loan program would require the approval of the LCF Board of Directors.
11. What are the risks involved with LCF financing affordable housing? What if the loans aren’t repaid?

As a trusted partner we are able to support the project and mitigate risks for both the foundation and our applicants through our social finance committee review process, and collaboration with Libro and Lerners in vetting loan requests. As loans are repaid, the interest is reinvested in sustaining and growing the loan program.

The biggest risk comes in opportunity costs. London Community Foundation has limited staff and volunteer resources. Anytime we take on a big initiative, such as this, it limits our ability to take on other large projects. Affordable housing is a project has been recognized as one of the city’s greatest needs and it fits well within the strategic priorities of the Foundation.