



Factsheet: Responsible Investing in Affordable Housing

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Many community foundations are at the forefront of driving local solutions to the housing crisis in their grantmaking and activity streams. There are many ways your community foundation can support affordable housing through responsible investments. Responsible investing offers the benefit of aligning your community foundation's financial goals with positive social and environmental impact, helping to drive sustainable change while managing long-term risks and returns.

Why should community foundations and endowments invest responsibly in housing?

- How foundations behave as investors can help make economic systems and structures more inclusive, productive and sustainable;
- Responsible investing can positively influence corporate conduct without compromising returns;
- Foundations can take accessible actions and use available tools to mitigate adverse human rights impacts related to housing investments.

What are the impacts of institutional investor participation in the housing market?

Investors seek returns in their residential real estate portfolios through rents (revenue) and capital appreciation on the price of an asset between purchase and sale dates. The value of an asset rises as rental income increases. This basic business model may generate unaffordability drivers, or specific practices with implications for affordability such as:

- **Rent increases:** Landlords can impose rent increases on tenants that exceed annual provincial/territorial rent increases in several jurisdictions when they make eligible capital expenditures, which generally include repair and replacement.
- **Rising rents:** Landlords may raise rents significantly between tenancies, and even more so when a unit was renovated after the previous tenant left.

By investing responsibly in housing, investors can uphold their human rights responsibilities, address the systemic risks of deepening housing inequality, and mitigate material(reputational, regulatory, and operational risks in their portfolios. Furthermore, the benefits that arise when housing is more affordable are of interest to institutional investors.

Principles for responsible investment in housing



The [Principles and Progressive Framework for Responsible Investment](#) in Housing is a proposal that aims to guide investors in upholding the human right to adequate housing. The document is a draft for discussion and a work in progress. Our draft principles are:

- Respect the Human Right to Adequate Housing
- Incorporate the right to housing into responsible investment and ESG frameworks
- Do not invest in strategies that are dependent upon the exploitation or displacement of low-income tenants
- Ensure that the principles of equality and non-discriminatory access to adequate housing are considered at every stage in the housing investment process
- Encourage resident participation in an active and meaningful way in decisions related to their housing
- Publicly disclose the ownership of residential real estate assets
- Identify opportunities to allocate capital to innovative affordable housing initiatives (will come back to this)
- Responsible contracting and procurement

How can community foundations take action?

There are many ways your investment committee can align your investment portfolio with your mission. Here are a few steps you can take to align your investment portfolio with your mission:

- **Investment framework:** Create investment beliefs that guide the alignment of the foundation/endowment's mission and its investment practices. Conduct regular review of the investment policy statement..
- **Asset manager accountability:** Engage your asset manager on housing affordability.
- **Corporate engagement:** Encourage your manager/service provider to engage the real estate companies in your portfolio.



Community Foundations of Canada is grateful for the collaboration of **Tamara Herman** in creating this factsheet for community foundations. For more information and resources, please

visit: <https://share.ca>.