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To build Ontario, public benefit nonprofits require access to the Infrastructure Ontario Loan Program

Introduction

Ontario's population is growing rapidly and essential community infrastructure, most of which is both [developed and operated by public benefit nonprofits](#), needs to keep up. Essential community infrastructure includes: transit, hospitals, childcare facilities, housing, multi-service community centres, youth recreational hubs, sports arenas, and much more.

Ontario's nonprofits are ready and willing to build, expand, repair, and retrofit essential community infrastructure that Ontarians rely on. However, lack of access to the Infrastructure Ontario Loan Program (IOLP) is getting in the way.

Nonprofits are ready partners to build Ontario's much needed infrastructure.

There is a growing need from Ontarians to have more community infrastructure, there is also a growing desire from nonprofits to build, expand, and repair infrastructure. Below are some recent examples of community infrastructure projects emerging from the nonprofit sector:

- **Child care:** Ontario [has committed to](#) creating 86,000 new spaces in the \$10/day program by the end of 2026, of which 27,993 have already been approved. In order to comply with the [Early Years and Childcare Act](#), Ontario will require up to 1.74 million square feet in new child care centres. As the average centre has about 87.44 [licensed spaces](#), this could mean 663 new centres, of which 464 would be nonprofit under existing targets. These estimates do not include the considerable needs of centres to renovate existing spaces.
- **Housing:** Ontario has set a goal of building at [least 1.5 million homes by 2031](#). To achieve this, Ontario will need 100,000 new builds a year, but the [2024 Fall Economic Statement](#) highlighted a deficit of 43,700 over the next 3 years to achieve that goal. With the right support, nonprofits could make up this deficit by [building non-market housing](#) that is deeply affordable
- **Mental health and addictions supportive housing:** Ontario's existing supportive housing stock is aging, and in need of substantial repairs and modernization. [Supportive housing providers have noted](#) an increase in clients declining housing options as aging buildings may not meet their accessibility needs and/or service needs, and due to the condition of the building and/or unit. Ontario's current shortage of mental health and addictions supportive housing units underscores the importance of maintaining the existing stock and ensuring its safe use for residents.
- **Friendship Centres:** There are 31 Friendship Centres across Ontario. Friendship Centres play a critical role in creating opportunities for urban Indigenous people to exercise their rights to access culturally relevant programs and services that meet their needs where

they live. They have a proven and extensive track record in managing physical and social infrastructure. Many Friendship Centres are now looking to expand their physical spaces so they can offer more programs and services, such as child care and health and wellness. In addition, there is a growing need for capital upgrades and repairs in Friendship Centres as some of the buildings are old.

- **Arts and culture:** According to [ONN's 2024 annual survey](#), one in four arts organizations are at risk of losing their current space, and more than two in five arts organizations expressed that their space does not meet their current needs and/or they are looking to expand.

Public benefit nonprofits of all sizes face barriers when accessing public and private financing.

Despite nonprofits' ability and willingness to build and expand essential community infrastructure, nonprofits face significant barriers in accessing financing to develop and repair bricks and mortar community spaces that Ontarians rely on. Often, nonprofits want to build these spaces collaboratively in mixed use developments and near transit, both to create community hubs and to be more economically efficient in development. Additionally, nonprofits are willing to take on loans for these infrastructure projects and have the ability to pay the loans back.

The issue is that nonprofits have very limited options when it comes to financing. There are primarily two types of financing: equity financing and debt financing. Nonprofits cannot use equity financing to access capital since they typically have no shareholders. This leaves debt financing as the only option for nonprofits. In addition, many mainstream and regulated financial institutions either do not provide loans or other financing mechanisms to nonprofits or charities, and/or are reluctant to lend to nonprofits because they are deemed "risky" investments. This is especially true for medium and small nonprofits across Ontario. Even larger nonprofits that are best positioned to meet mainstream financial institutions' risk assessments can find it difficult. When nonprofits are subject to risk assessment frameworks made for for-profit enterprises, risks are overstated, and lenders are discouraged from lending to them. Some assessments do not account for the unique realities of assets and any government contracts nonprofits may have.

For example, for a child care license to be considered an "asset," risk frameworks expect the license to be sellable. However, given the legislative and regulatory systems in Ontario, child care licenses cannot be sold. On top of that, unlike for-profit child care providers, nonprofit child care providers can't sell their business operations to someone else for a profit. This results in a higher perceived risk, even though this is not a true reflection of nonprofit child care providers' ability to meet financial obligations. The assessment should instead evaluate the interest of the government to fund the childcare centres and the number of children in the neighbourhood waiting for child care. Another example is funding agreements - many nonprofits have ongoing transfer payment agreements with governments or other types of funding agreements with non-governmental funders, which risk assessments might not adequately value.

IOLP eligibility criteria limits nonprofits' ability to support their communities.

The Infrastructure Ontario Loan Program has the potential to fill the financing gap for nonprofit infrastructure projects. Compared to other types of loans, IO loans are advantageous for the nonprofit sector because they provide funds during construction without repayment and interest until after construction. In addition, they offer a below market interest rate over a long period of time (up to 40 years). These provisions can empower organizations to successfully undertake building or renovation projects. For example, the YWCA in Toronto estimates that it saved \$1 million on its [Elm Street project](#) by using an Infrastructure Ontario loan rather than another loan mechanism. However, according to the current eligible borrowers list, only [some nonprofits](#) are eligible for the IOLP, resulting in uneven access across the sector. For example:

- Arts training organizations are eligible, but performing arts organizations, such as theatres that also train and hire graduates, are not.
- Aboriginal Health Access Centres are eligible, but Friendship Centres that provide culturally appropriate services such as child care, shelter, and mental health services for Indigenous people living in urban centres, are not.
- For housing infrastructure, only nonprofits incorporated as a local housing corporation under Part III of the *Social Housing Reform Act, 2000* and nonprofit and/or co-op housing providers that provide (or will provide) housing under a federally, provincially, or municipally funded housing program in Ontario are eligible. This is a missed opportunity for other nonprofit housing providers to expand and provide much needed affordable housing to Ontarians.
- Social Services Hubs are only eligible if they are also a Community Health Centre and are funded provincially. This narrow criteria leaves a significant number of social service organizations and multi-service organizations without access even though they urgently need capital to expand or repair their facilities.
- Not eligible are nonprofit child care providers, shelters, and food banks as well as organizations wanting to build community hubs to accommodate day programs and drop-ins for youth, seniors, unhoused people, and/or people with disabilities despite soaring demands.

This uneven distribution of access to the IOLP places undue barriers on nonprofits to building infrastructure that responds to the rising needs of Ontarians.

To realize the government's objectives of building local infrastructure to create jobs and support a growing Ontario, we urge the government to consider the following recommendations:

- Expand the current IOLP eligibility criteria to include all public benefit nonprofits for financing.



- Adjust the eligibility and/or risk assessment framework for Infrastructure Ontario loans so that it appropriately and realistically values nonprofit sources of funding, is sensitive to community needs, and recognises a nonprofit's ability to undertake the project.
- Establish a loan guarantee program in collaboration with municipalities for smaller projects which cannot obtain capital for projects. Since IOLP was originally set up to provide loans to municipalities and not necessarily for small and/or medium sized projects, Infrastructure Ontario can work with municipalities on loan guarantees for smaller nonprofit projects so municipalities can guarantee the community financing of these capital needs.

Conclusion

Nonprofits across the province are ready to work alongside the government to deliver on your plan to build Ontario. The Infrastructure Ontario Loans Program (IOLP) is one lever that, if changed to include all public benefit nonprofits in its eligibility criteria, can equip nonprofits with the ability to finance capital expenditures in order to modernize, improve, manage, and build infrastructure for the public benefit.

About ONN

ONN is the independent nonprofit network for the 58,000 nonprofits in Ontario, focused on policy, advocacy, and services to strengthen the sector as a key pillar of our society and economy. We work to create a public policy environment that allows nonprofits to thrive. We engage our network of diverse nonprofit organizations across Ontario to work together on issues affecting the sector and channel the voices of our network to government, funders and other stakeholders.