

Habitat for Humanity Canada

National Housing Strategy Submission: Bridging the Gap

Executive Summary

The Habitat Model

The Habitat for Humanity model is based on a partnership between the family, the community, volunteers, the private sector and, at times with modest one-time contributions from different orders of governments. Families help build and purchase their homes with a mortgage that they can afford through Habitat. In many cases, Habitat works with local skills and apprentice programs. We build homes in different forms, ranging from single-detached to multi-unit to mixed-use. The size of our developments can exceed 60 units.

Bridging the gap between social/rental housing and market housing

Affordable homeownership helps to bridge the gap between social/rental housing and market housing. Because the gap is too big for families to manage on their own, Habitat is the bridge that makes it possible. Affordable homeownership helps break the cycle of poverty and is a path for Canadians into the middle class. For example, 37 per cent of Habitat families that buy their own home come directly from social housing. Affordable homeownership therefore helps to free up much needed units in social or rental housing.

Not investing in affordable homeownership therefore puts pressure on other parts of the housing continuum.

The true value of affordable housing is the social benefits and opportunities it provides

A recent Boston Consulting Group study shows that there are significant and quantifiable benefits to society as a result of Habitat families having access to affordable homeownership. On average, Habitat generates \$175,000 of benefits to society per home. These benefits come in the form of reduced reliance on social housing and food banks, better educational and employment outcomes and improved health. Habitat's affordable homeownership program has created a social return on investment of \$500 million over the last 30 years.

Recommendations

While our submission on Canada's national housing strategy recommends investing in all parts of the housing continuum, our focus is in the area of affordable homeownership.

1. Reduce the level of core housing need for vulnerable groups through investments in Indigenous housing, homelessness, affordable rental housing and maintaining and expanding the stock of social housing.

a) Recognizing the interconnectedness of the housing continuum, Habitat worked with other national housing stakeholders under the umbrella of the National Housing Collaborative to develop the following specific recommendations:

- Adopt a national goal and launch a pan-Canadian initiative to end homelessness
- Develop a national housing benefit that provides direct financial assistance to renters
- Increase and maintain supply of market and non-market rental housing through innovative capital tools
- Provide leadership and resources for social housing sector transformation

Details of these recommendations and the related research papers can be found at the National Housing Collaborative website: <http://nhc-cpl.ca/>

b) Habitat recommends that the government work with Indigenous communities to create and implement an Indigenous Housing Strategy. The strategy would build the capacity of all Indigenous communities to become more proficient and self-sufficient at managing housing and would include initiatives that create new and more housing options for Indigenous families.

2. Bridge the gap in the housing continuum between social/rental housing and market housing

a) We recommend a \$200 million investment in Habitat for Humanity's Affordable Homeownership Program over 8 years through the Social Infrastructure Fund.

b) These investments can be further supported by providing Habitat with access to low-cost capital and supporting the development of affordable housing by making government land or property available at a low or no cost.

This will result in the creation of 1,600 new affordable homes for Canadian families, including Indigenous families living on and off reserve and the renovation of 800 homes in northern communities. Some 600 units of social housing would be freed up, as 37 per

cent of families were living in social housing prior to buying a Habitat home. The mortgage payments from families are reinvested in Habitat's "Fund for Humanity" and used to build more homes. By year 8 of the original investment, an additional 160 homes will be created. This multiplier effect continues over the years.

These actions and government investments will help grow Canada's economy. Government funding will also leverage over \$200 million in non-government contributions and provide a social return on investment of some \$280 million over the 8 years.

Most importantly, it will break the cycle of poverty for children and families, and their families for generations to come.

About Habitat for Humanity: a Tested and Innovative Affordable Housing Model

Habitat for Humanity Canada Model

Since 1985, Habitat for Humanity Canada has helped nearly 3,000 Canadian families, including Indigenous families on and off reserve, access affordable homeownership through our National Homeownership Program. 228 families across Canada became homeowners through Habitat in 2015.

There are currently 56 affiliates and 96 ReStores across Canada. Habitat for Humanity operates throughout Canada with 56 Affiliates that provide low-income Canadians, including Indigenous families on and off reserve with affordable homeownership.

Habitat affiliates across Canada build and rehabilitate decent, safe and affordable homes. In many cases, Habitat works with local skills and apprentice programs. We build homes in different forms, ranging from single-detached to multi-unit to mixed-use. The size of our developments can exceed 60 units.

Habitat houses are sold to partner families at no profit and are financed with affordable, no-interest mortgages that are geared to the family's income level. Habitat mortgage payments are never more than 30 per cent of a partner family's household income. In comparison, the average Canadian spends 43 per cent of their income on housing costs.

As a partner family pays off its mortgage, the funds are invested in Habitat's "Fund for Humanity" and used by Habitat affiliates to build more homes for low-income families in their

community. That means an investment in one family helps even more families improve their living conditions. For every 10 homes built, the stream of mortgage payments back to Habitat builds one new home every year.

Habitat builds homes with donated labour and materials. It offsets costs and overhead through ReStore operations earnings. Homes are built with the help of volunteers, community, and private sector partners. In some cases, federal, provincial and municipal governments provide modest one-time contributions.

Serving Indigenous Families

In 2007, with the support of Canada Mortgage and Housing Corporation, Habitat launched the Indigenous Housing Program to better address the specific housing challenges facing the Indigenous community both on and off traditional lands. Working closely with leaders in the Indigenous community and with the help of our donors and volunteers, a homeownership program was created.

Since its launch nine years ago, the Indigenous Housing Program has helped more than 150 Indigenous families access affordable homeownership. Habitat recently completed its first on-reserve project in Saskatchewan, has started a new project in New Brunswick and is in discussion with a number of other First Nations interested in the Habitat's affordable homeownership model as a means of increasing the housing options available on reserve.

The gap in the housing continuum: Affordable Homeownership

All parts of the housing continuum are interrelated. Stress points in one part of the continuum are felt in other areas.

For families who wish to move from social or rental housing into some form of homeownership, there is a large gap between where they are now and market housing. This is particularly true in some of the high cost markets in Canada, such as Toronto or Vancouver.

Affordable homeownership helps to bridge the gap between social housing and rental housing with market housing. Because the gap is too big for families to manage on their own, Habitat is the bridge that makes it possible.

37 per cent of Habitat families that buy their own home come directly from social housing. Affordable homeownership therefore helps to free up much needed units in social or rental housing.

Not investing in affordable homeownership therefore puts pressure on other parts of the housing continuum – rental and social housing – necessitating further government investment to keep up with the growing need.

While the Investment in Affordable Housing (IAH) program and its predecessor, the Affordable Housing Initiative (AHI), included affordable homeownership as eligible for funding, few Provinces and Territories have funded this part of the continuum. Given the urgent housing needs in their jurisdictions, Provinces and Territories have focused on creating new social housing, slightly below-market affordable rental housing and providing low-income individuals with rent supplements or housing allowances.

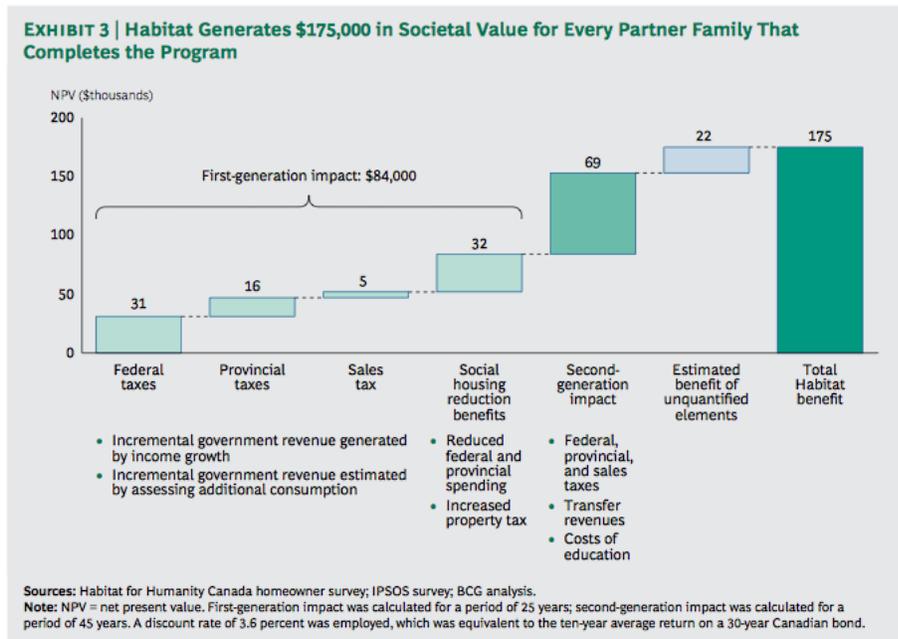
Some Provinces and Territories have created down payment assistance programs, which typically target families in a higher income bracket. Habitat for Humanity targets those in the 30 to 60 per cent income percentile. There are examples of Provinces, such as Saskatchewan, providing one-time funding through the IAH. Saskatchewan recently committed \$1 million over 2 years to contribute to the construction of 18 Habitat homes. Again, the level of investment is relatively small.

The true value of affordable homeownership is the social benefits and opportunities it provides

Affordable homeownership helps break the cycle of poverty and is a path for Canadians into the middle class.

A recent Boston Consulting Group study (Transforming Lives, the Social Return on Habitat's Work in Canada, Boston Consulting Group, 2015) shows that there are significant and quantifiable benefits to society as a result of Habitat families having access to affordable homeownership.

On average, Habitat generates \$175,000 of benefits to society per home. These benefits come in the form of reduced reliance on social housing and food banks, better educational and employment outcomes and improved health. Habitat's affordable homeownership program has created a social return on investment of \$500 million over the last 30 years.



Excerpt exhibit from *Transforming Lives, the Social Return on Habitat's Work in Canada*, prepared by the Boston Consulting Group, 2015.

A CMHC study (Building Families' Futures and Opportunities Through Habitat Homeownership, 2013) reported a range of positive changes for the vast majority of Habitat homebuyers since moving into their home, including major improvements in housing conditions, child well-being and school performance, health, and personal and family life. Although housing costs were reported to have increased for two-thirds of those surveyed, more than half felt that they were still better off financially. Over 80% identified the major benefits as having a home that they could call their own, a sense of stability and overall better living conditions.

National Housing Strategy Vision Statement and Core Principles

We agree with the vision statement:

All Canadians have access to housing that meets their needs and that they can afford. Housing is the cornerstone of building healthy communities and a strong Canadian economy where we can prosper and thrive

We are in agreement with the proposed 10 core principles:

Results-based

1. Environmentally sustainable

2. Performance tied to results
3. Self-reliance
4. Fiscally responsible
5. Flexibility
6. Community-centred
7. Economic stability

Process-based

8. Innovation
9. People-centred
10. Collaboration

At the same time, the success of a national housing strategy is dependent upon:

- ❖ Long term and sustainable funding
 - The strategy and its related activities must take a long-term view of housing with stable, responsible and predictable funding
- ❖ A whole of government approach
 - The strategy needs to link to other government strategies and approaches
 - Health, mental health, support services for the homeless, job training, skills and education, infrastructure, environment
 - There is a strong and important link to poverty reduction strategies at the federal and provincial levels. Affordable housing problems are as much of an income problem as a supply issue.
- ❖ Engagement of all orders of government: federal, provincial, municipal, First Nations, Metis and Inuit leaders
 - A strong level of engagement and commitment towards the same outcomes will lead to a better coordination of efforts and resources. This is particularly true considering that each order of government has a different role to play and tools at its disposal, such as:
 - Taxation
 - Levies, fees and development charges
 - Zoning – density, mixed use, inclusionary, secondary suites
 - Financing
 - Research, data
- ❖ Innovation
 - Innovation will stimulate new solutions
 - In order to stimulate innovation, the government must be willing to take risks and expect that some innovations will not work. It should also be willing to break from

the current mold of funding only large legacy programs that do not seek or encourage innovative solutions. When designing new programs or updating existing ones, the government should consider criteria that allow for different and innovative approaches, including small-scale ideas that address all parts of the continuum.

Recommendations

While our submission on Canada's national housing strategy recommends investing in all parts of the housing continuum, our focus is in the area of affordable homeownership.

1. Reduce the level of core housing need for vulnerable groups through investments in Indigenous housing, homelessness, affordable rental housing and maintaining and expanding the stock of social housing.

a) Recognizing the interconnectedness of the housing continuum, Habitat worked with other national housing stakeholders under the umbrella of the National Housing Collaborative to develop the following specific recommendations:

i) Adopt a national goal and launch a pan-Canadian initiative to end homelessness

The federal government should commit to ending homelessness and collaborate with provinces, territories, and Indigenous and local governments to develop a strategy to achieve this goal. The strategy should include measurable targets, an accountability framework, and a rigorous, transparent process for tracking progress at all levels.

ii) Develop a national housing benefit that provides direct financial assistance to renters

The federal government should adopt a national housing benefit that provides assistance directly to Canadian renter households in core housing need. To ensure that the benefit quickly and efficiently transfers dollars to those who need it most, existing tax information should be used to determine eligibility and payment amounts. The government should also ensure that benefit delivery is

flexible enough to respond quickly to individuals experiencing sudden changes in need, including those who are homeless or at risk of homelessness.

iii) Increase and maintain the supply of market and non-market rental housing through innovative capital tools

The federal government should support the creation of low-cost financing and equity mechanisms to attract capital to the repair and construction of market and non-market rental units at rents that are affordable. These instruments will leverage a broad private and institutional capital base to provide low-cost, long-term financing and critical de-risking to rental projects that meet the affordability and eligibility criteria defined by the federal government. Over time, both financing and equity mechanisms should be structured to ensure capital returns be redeployed to new affordable housing projects.

iv) Provide leadership and resources for social housing sector transformation

The federal government should support the long-term viability of social housing providers by providing leadership and resources to build a more efficient, self-sustaining, and innovative system of social housing in Canada. To this end, two strategies should be pursued:

- Ensure the continued availability of affordable housing by stabilizing the social housing sector through renewed commitments to support rent-geared-to-income (RGI) housing as operating agreements expire and by providing capital assistance to address capital repair deficits for social housing providers.
- Introduce an Innovation and Transformation Fund to test new business models and approaches to the delivery of social housing and build capacity within the sector.

Details of these recommendations and the related research papers can be found at the National Housing Collaborative website: <http://nhc-cpl.ca/>

In addition to these National Housing Collaborative recommendations,

- b) *Habitat recommends that the government work with Indigenous communities to create and implement an Indigenous Housing Strategy. The strategy would build the capacity of all Indigenous communities to become more proficient and self-sufficient at managing housing and would include initiatives that create new and more housing options for Indigenous families.*

2. Bridge the gap in the housing continuum between social/rental housing and market housing

- a) We recommend a \$200 million investment in Habitat for Humanity's Affordable Homeownership Program over 8 years through the Social Infrastructure Fund.
- b) These investments can be further supported by providing Habitat with access to low-cost capital and supporting the development of affordable housing by making government land or property available at a low or no cost.

This will result in the creation of 1,600 new affordable homes for Canadian families, including Indigenous families living on and off reserve and the renovation of 800 homes in northern communities. The mortgage payments from families are reinvested in Habitat's "Fund for Humanity" and used to build more homes. By year 8 of the original investment, an additional 160 homes will be created. This multiplier effect continues over the years.

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\$200 Million Investment in the Habitat for Humanity Canada's Affordable Homeownership Program

- ❖ Expand the housing options available to Indigenous families on and off reserve

Investment

- \$80 million over 8 years through the Social Infrastructure Fund (SIF) to Habitat for Humanity to create 800 new affordable homes
- \$40 million over 8 years through SIF to renovate 800 existing homes in the North
- \$104 million in funds leveraged by non-government contributions
- The mortgage payments from families are reinvested in Habitat's "Fund for Humanity" and used to build more homes. For every 10 homes built, the stream of mortgage payments back to Habitat builds one new home every year. By year 8 of the original investment, an additional 80 homes will be created. This multiplier effect continues over the years.

Outcomes

- Breaking the cycle of poverty for over 800 Indigenous families
 - \$140 million social return on investment (based on BCG report)
 - 300 units of social housing freed up (37 per cent of Habitat families come from social housing)
 - Affordable housing units would remain in the housing stock for a minimum of 15 years
 - Skills development training
- ❖ Help bridge the gap between social/rental housing and marketing housing for low-income families Canadians

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Outcomes

- Breaking the cycle of poverty for over 800 families
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- Affordable housing units would remain in the housing stock for a minimum of 15 years
- Skills development training

❖ These investments can be further supported by providing Habitat with:

- Access to low-cost capital: The availability of low-cost capital would help to increase the capacity of Habitat to serve more families. Innovative mechanisms could be explored that would provide Habitat with access to low-cost funding or a government guarantee.
- Supporting the development of affordable housing by making government land or property available at a low or no cost: In its federal mandate letter to the Minister of Families, Children and Social Development, the Government stated it would be conducting an inventory of all available federal land and buildings that could be repurposed. It also stated a willingness to make these lands available at low cost, or no cost at all, if used for the development of affordable housing.

Land or property acquisition costs are often the single largest expense in any housing project, be it market-based or for affordable housing. The average Habitat home costs \$230,000 to build. If land was provided, this per unit cost would be reduced substantially.

The Surplus Federal Real Property for Homelessness Initiative (SFRPHI) is such an example where surplus federal land is made available for various types of affordable housing. However, the offering through this program is quite limited.

Habitat's Affordable Homeownership Program Alignment with Government priorities

√ **Innovation**

Habitat works with various build types, such as multi-unit and mixed-use housing, in order to increase its offering of affordable homeownership throughout Canada.

Because it is seasoned at working with many stakeholders to meet poverty-reduction goals, finding innovative partnership models is always at the forefront of the Habitat approach.

√ **People-Centered and Community-Centred**

Habitat believes that improving the quality of life of families, and surrounding communities, are at the heart of its existence. People are also its key resource as partner families, volunteers, and local construction-sector businesses all contribute to make each project possible.

√ **Collaboration and Flexibility**

Habitat strongly believes in sustaining a strong affordable housing sector across Canada, in order to truly meet Canadians' housing needs. With that in mind, Habitat works closely with its sector partners representing public, non-profit and co-op housing, as well as homelessness eradication organizations and shelters. Within any community, Habitat also understands that one size does not fit all. As a result, it works closely with local stakeholders to enable a project that is in line with the community's needs and values.

√ **Performance tied to Results**

A recent comprehensive study by the Boston Consulting Group showed that on average, **Habitat generates \$175,000 of benefits to society per partner home**. These benefits come in the form of reduced reliance on social housing and food banks, better educational and employment outcomes, improved health and more physical activity for Habitat partner families. This means that Habitat generated close to **\$40 million in social good in Canada in 2015** and half a billion dollars since Habitat began operations in Canada.

√ **Self-reliance**

Partner families provide sweat equity to make each build possible. By requiring those that will live in the homes to contribute to their construction, they have a material stake in their home and community before they even move in. As these families own their home and make mortgage payments, they slowly build savings that create potential opportunities for the future and serve as a means of breaking the cycle of poverty for the family and future generations.

√ **Environmentally Sustainable**

36,000 tons of waste were diverted from landfills by Habitat for Humanity ReStores in 2015. Additionally, Habitat is expanding its traditional model to include repurposing existing buildings for multi-residential use. Doing so not only helps to control costs, but is also a greener option than demolishing existing structures and building new, keeping materials out of landfills and eliminating the need for additional construction materials.

√ **Fiscally Responsible and Economic Stability**

The Habitat model is built on self-sufficiency. At a program level, it is funded by a rolling mortgage for properties: payments from current partner families fund the construction of new homes for future partner families. Funds donated to Habitat stay in the system and have a lasting effect forever. Furthermore, overhead costs are minimized as ReStore operations provide revenue to affiliates to offset local operating costs. The Habitat model provides ongoing benefits to the economic wellbeing of the country, and the community in which one of its homes is built.