

Pre-Budget 2017 Submission presented to the Standing Committee on Finance

-Executive Summary-

Habitat for Humanity Canada's approach to breaking the cycle of poverty is unique: its affiliates across the country build and rehabilitate decent, safe and affordable homes.

- Since 1985, Habitat has served nearly 3,000 Canadian families through its National Homeownership Program. Since 2007, its Indigenous Housing Program has partnered with more than 150 Indigenous families and built their homes.
- A recent report on the social return on investment of Habitat's work showed significant and quantifiable health, educational and economic benefits to society as a result of partner families having access to affordable ownership. In 2015 alone, Habitat generated close to \$40 million in social good and half a billion dollars since Habitat began operations in Canada.¹

Habitat agrees that Canada is at its best and most prosperous when all Canadians have a real and fair chance at success, and is encouraged to see the Government make immediate investments in the affordable housing sector through its Budget 2016 pledges.

Furthermore, Habitat strongly believes that a successful National Housing Strategy is built on sustained funding for a diversity of affordable housing options, which addresses the needs of the most vulnerable first, and includes clear supports for affordable housing ownership.

In Budget 2017, Habitat asks the Government to consider:

- 1. Investing in a sustainable and robust housing continuum**
- 2. Leveraging federal government lands to build affordable housing**
- 3. Innovating through new approaches to investments and financing**

As effective governments recognize the need for results-driven policy, Habitat is well positioned to scale up its model in order to maximize the number of vulnerable Canadian, including Indigenous families, it can lift out of poverty.

Most importantly, Habitat believes in a collaborative approach and has a strong relationship with other national organizations advocating for non-profit, public, co-op and Indigenous housing, as well as for homelessness eradication.

Only a coordinated, multi-faceted, sustainable approach to housing will yield the results needed to ensure that all Canadian have a safe, decent and affordable place to call home.

¹ *Transforming Lives, the Social Return on Habitat's Work in Canada, Boston Consulting Group, 2015.*

Introduction

In April 2016, the Government demonstrated its strong support for the affordable housing sector by delivering a federal budget that invests substantially in affordable housing for many groups of vulnerable Canadians.

Habitat for Humanity Canada commends the Government for acknowledging the housing issues facing Canadians, including Indigenous people. Homeownership and housing affordability are two of the key determinants of economic well-being.

Habitat is encouraged by the launch of National Housing Strategy consultations and eager to continue to contribute to this policy dialogue. As a longstanding national and global organization specializing in affordable homeownership, we are uniquely positioned to offer insight on the importance of investing in a spectrum of affordable housing options.

Moreover, Habitat has a model in place that capitalizes on innovative ways to lift families out of poverty, by working in partnership with the private sector, volunteers, communities, Indigenous leaders and governments.

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

Habitat for Humanity Canada Model

Since 1985, Habitat for Humanity Canada has served nearly 3,000 Canadian families through its National Homeownership Program. There are currently 56 affiliates and 96 ReStores across Canada.

Habitat affiliates across Canada build and rehabilitate decent, safe and affordable homes. In many cases, Habitat works with local skills and apprentice programs. 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 its "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.

Habitat builds homes with donated labour and materials. It offsets costs and overhead through families' mortgage payments and 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 one-time contributions.

Indigenous Housing Program

In 2007, 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 eight years ago, the Indigenous Housing Program has partnered with more than 150 Indigenous families and built their homes.

Importance of investing in affordable homeownership

By building homes at low cost and not collecting a down payment or interest on the mortgage, Habitat is able to provide a hand up for families that would not otherwise be able to access affordable homeownership.

Helping families achieve affordable homeownership frees up spaces for those on waiting lists for social housing or seeking affordable rental housing. In fact, 37 per cent of partner families were living in social housing prior to buying a Habitat home.

Federal Budget Recommendations

As the Government begins to look beyond the two year funding window described in Budget 2016, Habitat's ask is clear: introduce **investments that are dedicated to affordable homeownership** to allow for a more robust and inclusive affordable housing sector which can meet the needs of the full spectrum of Canada's most vulnerable, and contribute to elevating people out of poverty.

1- Investing in a sustainable and robust housing continuum

The National Housing Strategy consultations will likely result in a number of recommendations related to sustaining a strong housing continuum across Canada

The Government should invest in areas of the housing continuum facing the greatest challenges:

- Investments and financing solutions to support the long-term viability of Canada's social housing and co-operative housing stock.
- Investments and financing solutions that stimulate the creation of new affordable rental housing or mixed affordable housing models.
- Targeted support for vulnerable Canadians: persons with disabilities, seniors, the homeless.
- Closing the gap in living conditions between the average Canadian and Indigenous people.

As part of the National Housing Strategy consultations, the Government should also consider solutions and investments for areas of the housing continuum that are not well supported, including affordable homeownership.

2 - Leveraging federal government lands to build affordable housing

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 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, with a net cost of \$45,000 per home once partner contributions are factored in. 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 limited. Habitat would like to see more opportunities in place as many surplus federal lands continue to be unoccupied.

3-Innovating through new approaches to investments and financing

Introducing new approaches to supporting social infrastructure would encourage the construction of new affordable housing or the rehabilitation of existing affordable housing by making low-cost capital available to housing organizations, either financed or through direct one-time investments.

Currently, low-cost capital financing is available only through CMHC's direct lending program for projects in direct receipt of government subsidies or for new affordable rental housing.

Access to low-cost financing or one-time investments in social infrastructure models or projects would support the self-reliance of housing organizations and improve the affordability of the units being produced. In addition, the idea of expanding CMHC's securitization program to support affordable housing should be explored.

Habitat's alignment with Government priorities

Habitat is uniquely positioned to provide a model that is aligned with all of the principles of a National Housing Strategy. Only with a strong link between the strategy and future federal budgets can progress be actually made.

√ Innovation

Habitat works with various build types, such as multi-unit 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.

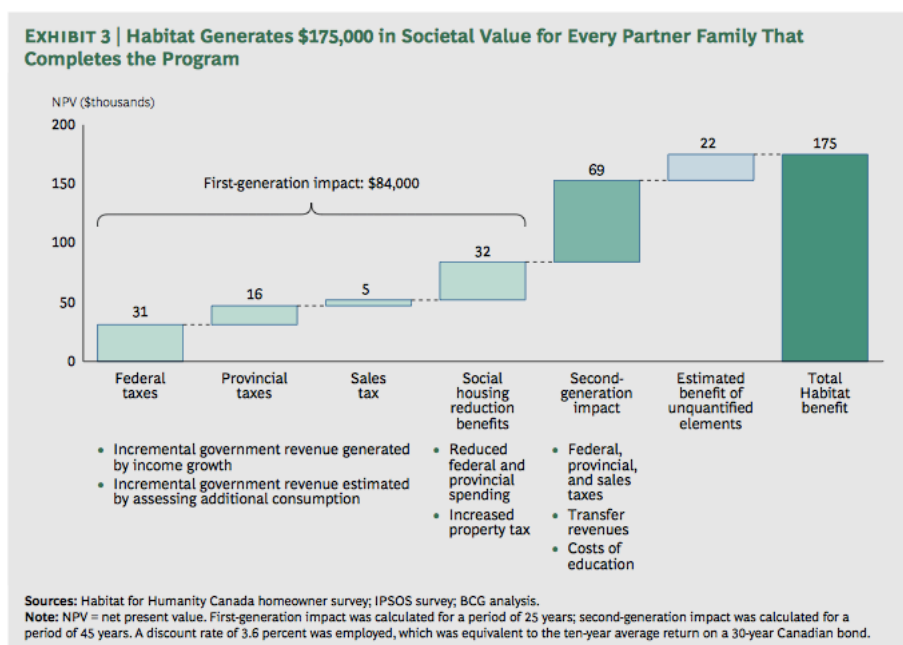
√ Collaboration and Flexibility

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 study¹ 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.



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

√ 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, they slowly build personal wealth that gives future flexibility and breaks the cycle of poverty for the family and future generations.

¹ *Transforming Lives, the Social Return on Habitat's Work in Canada*, Boston Consulting Group, 2015.



√ **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.

Habitat looks forward to continue working alongside its many housing sector partners, corporate partners, Indigenous communities, and all levels of government to give more hard working Canadians access to homeownership, and a chance at a better life.

Mark Rodgers, PhD, RODP, CEC
President and CEO
Habitat for Humanity Canada
mrodgers@habitat.ca
(416) 644-0988 ext. 400