

Affordable Homeownership

Building
Solutions



to the
Housing
Crisis

Affordable Homeownership - Building Solutions to the Housing Crisis

Executive Summary

In the last quarter of 2008, the cost of owning a standard two-storey house in Vancouver would absorb 78.6 per cent of median pre-tax household income. The qualifying annual income to buy such a house is \$141,200.

Royal Bank of Canada
Housing Trends &
Affordability Apr. 2009

Vancouver's housing crisis is worsening. The *5th Demographia International Housing Affordability Survey*, released in 2009, ranks **Vancouver as the least affordable major market on the planet**. A dubious distinction. (Vancouver ranked fourth overall but the top three - Australia's Sunshine Coast, its Gold Coast, and Honolulu are not considered major urban markets.)

This adversely affects the overall economic situation in the region – slowing growth and reducing the quality of life. Those who rely on social housing to provide shelter for themselves and their families are now unable to do so. BC Housing has 13,000 people on its waiting list. Vancouver Native Housing Society (VNHS) has 1,365. Developers do not build rental housing because the return on investment is simply not there. The dearth of rental housing in Vancouver means that once someone secures a subsidized home they stay put. We have reached critical mass in the social housing sector.

Our concept is straight forward. VNHS will create a working model that **combines a Housing Trust and a non-profit development corporation** to finance and build multi-unit, multi-family housing where one half of the homes will be sold at full market and the other half will be sold under a covenanted deed for up to 50% off the market price. To sell outside of the covenant triggers a penalty greater than the benefit, thus ensuring an increasing stock of affordable homeownership and rental units in the region.

Our objective is to build our way out of the housing crisis by creating a financial and development model that can be used by other non-profit housing providers and housing trusts throughout British Columbia and Canada to solve the housing crisis.

The *BC Chamber of Commerce*, in its *policy statement on affordable housing* states: "In the absence of traditional housing programs, innovative, community-based solutions are required. The non-profit sector cannot step into the breach alone.

The sector lacks sufficient resources to address the growing need for affordable housing. **The housing trust model provides a framework to meet the growing need to finance the construction of new low and middle income housing.**"

Bad for business ...

"...Affordable housing is a major factor in creating attractive, liveable and competitive cities. ...it determines whether businesses locate or expand their operations and influences the willingness of employees and their families to move to or remain in a city. A lack of affordable housing can lead to a host of serious social and economic problems.

SOURCE: Canada Chamber of Commerce 2005

An analysis of the *GVRD 2006 Affordable Housing Supply Analysis* showed that at that time there was a \$9 billion shortage of affordable housing units in the region. The shortfall is projected at an additional \$1.2 billion per year until 2021. That is a \$25-30 billion opportunity.

Our goal to average 300-400 units per year over the next ten to fifteen years would equate to about 5% of the total demand for affordable housing in Metro Vancouver. We will share our business model with other non-profit developers. Housing Trusts have worked exceptionally well in other jurisdictions. An added bonus is the multiplier effect of three to four times the economic benefit to a region by building affordable housing. This means that the model, once widely adopted, not only contributes to solving the housing crisis, it also benefits the local economy, and we believe could result in a \$100-120 billion economic benefit for Metro Vancouver. **That is good business!**



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Background

IN THE NEWS:

United Nations expert on adequate housing calls for immediate attention to tackle national housing crisis in Canada.

"In its most recent periodic review of Canada's compliance with the International Covenant on Economic, Social and Cultural Rights, the United Nations Committee on Economic, Social and Cultural Rights characterized the state of homelessness and inadequate housing as a "national emergency."

UN Press Release

The GVRD 2007 Affordable Housing Supply Analysis reported that over the previous decade Metro Vancouver has been falling behind by an average of 2,436 rental units per year. That number has now increased to 3500 per year. The report states that, "[the] effect is continued pressure on vacancy rates and price which will continue to have a negative impact on affordability." The report predicts an additional rental housing shortage of 45,000 units by 2021 for a total housing shortage of 70,500 units.

The BC Chamber of Commerce, in its *policy statement on affordable housing*, quoted *Builders Magazine July 2003*: "The inability of rank and file workers – retail clerks, nurses, janitors, and factory workers – to afford housing not only threatens to curtail housing growth, it negatively affects the ability to hire and retain workers, who must live farther and farther away from main employment centres. City officials increasingly realize that they can't attract new businesses unless the people who will work for these companies have a place to live nearby."

The BC Chamber also cites the 2003 *TD Bank report* entitled *Affordable Housing in Canada: In Search of a New Paradigm*: "Affordable housing is frequently viewed as a social and health issue, but the fact of the matter is that it runs deeper than that. An inadequate housing supply can be a roadblock to business investment and growth." Companies are having difficulty attracting talent due to the shortage and high cost of housing.

In 1993 the federal government withdrew funding for new social housing in Canada. Skyrocketing real estate values and a low rental vacancy rate of 0.5% in Metro Vancouver have combined to make our city the least affordable in the world. This has resulted in a crisis in social housing. BC Housing has 13,000 people on its waiting list. VNHS has 1,365. Developers do not build rental housing because the return on investment is simply not there. The dearth of rental housing in Vancouver means that once someone secures a subsidized home they stay put. The housing continuum, where we expect those in social housing to move on and up once they get established, is at critical mass. To create movement through the housing continuum, Vancouver needs more affordable housing, for both rental and purchase.

Although it is the lower-income households that are most often cited as the victims of the housing crisis, it is also a real and serious threat to middle-income earners. Who can afford to pay 70-80% of pre-tax income for housing?

Lack of affordable housing adversely affects the overall economic situation in the region – slowing growth and reducing the quality of life. To quote the *BC Chamber policy statement* again: "In the absence of traditional housing programs, innovative, community-based solutions are required. The non-profit sector cannot step into the breach alone. The sector lacks sufficient resources to address the growing need for affordable housing. The housing trust model provides a framework to meet the growing need to finance the construction of new low and middle income housing."

One of the obstacles facing housing providers is the inability to use their equity as leverage to create more affordable housing. At VNHS for example, our operating agreements do not permit us to use our \$100 million portfolio for more capital for new development. Thus, the Society has decided to create a Housing Trust to build affordable housing solutions.



...in the absence of affordable housing, the wages paid by businesses to attract and retain workers will need to rise to a level where housing is affordable. The resulting high wage structure will make BC an unfavourable jurisdiction in which to operate an existing business or locate a new business/ plant.

BC Chamber of Commerce
Policy Statement

Vancouver Native Housing Society (VNHS) is a non-profit housing provider that owns and manages a residential portfolio with a market value of approximately \$100 million. We currently own and/or operate sixteen buildings, with two more on the drawing board, all located on the east side of Vancouver.

VNHS was founded in 1984 to provide safe, secure, and affordable housing for the urban Aboriginal population in Vancouver. We presently house approximately 5% of Vancouver's Aboriginal population in family buildings and singles-only buildings.

This is a brief history of the Society:

- **1984-1994** constructed ten Aboriginal family buildings.
- **1987** constructed one Seniors' building.
- **2000-2001** constructed two singles-only buildings.
- **2007** received a \$5.1 million housing grant under the Aboriginal Housing Initiative (AHI) for a health, healing, and housing complex to be built in partnership with the Vancouver Native Health Society and the Dr. Peter AIDS Foundation (the TRIO Project).
- **2007** acquired the Franklin Women's Residence.
- **2007** awarded the Orwell Hotel, a 55-unit single room accommodation (SRA) hotel under the Provincial Homelessness Initiative (PHI).
- **2008** awarded one of the 12 City Sites (see glossary), another PHI. The site, at Fraser and Broadway, is one of the largest of the twelve sites. In partnership with the Pacific Community Resources Society we plan an innovative mixed-housing development that will deliver integrated housing plus youth-targeted social services.
- **2008** awarded the old Pender Hotel, another SRA hotel, where we are developing an Aboriginal artist live/work studio complex that will include a large production space and a Fair Trade Gallery at street level.
- **2009** awarded \$3.5 million from the Federal Infrastructure Stimulus Fund to add the Vancouver Healing Lodge to the Pender Hotel project. The funding for this project ends a seven-year journey to create a culturally appropriate medical stay facility for Aboriginal people traveling to Vancouver for medical treatment.

Triple Bottom Line...

"More and more companies, municipalities and crown corporations are using triple bottom line reporting to measure their commitment and participation in creating healthy, sustainable communities.....By measuring the social and environmental impacts instead of just the financial outcomes the annual report is no longer just a numbers game but a real yardstick for sustainability and human inclusion."

Joseph MacLean, Vancouver Aboriginal Social Enterprise

Our operating agreements with BC Housing will begin to expire in 2019 with the last one ending in 2035. Because governments have indicated that these agreements will not be renewed, we have been exploring entrepreneurial options to fund our operations. For example, we purchased a building to house our offices where we rent a portion of the building to another community organization. Another example is that the Society saw opportunities to increase its overall bottom line by managing other housing operations, which include non-Aboriginal entities. As a result, our portfolio has increased by 60%. The net profit from these business activities is turned back into our operations. The Healing Lodge is projected to earn in excess of \$100 thousand per annum.



Affordable Homeownership - Building Solutions to the Housing Crisis

Concept

..triple bottom line accounting means expanding the traditional reporting framework to take into account environmental and social performance in addition to financial performance.”

Term coined by John Elkington
1994

Our concept is straight forward. The Society will create a working model that **combines a Housing Trust and a non-profit development corporation** to finance and build multi-unit, multi-family housing where one half of the homes will be sold at full market and the other half will be sold under a covenanted deed for up to 50% off the market price. To sell outside of the covenant triggers a penalty greater than the benefit, thus ensuring an increasing stock of affordable homeownership and rental units in the region.

The plan is to create a large stock of these covenanted properties to meet the existing and growing demand for affordable housing. Some of the units will be maintained as subsidized rental units, managed by the Vancouver Native Housing Society in partnership with various government and local non-profit societies.

The business model is based on research that shows increased demand for market housing over the long haul and the dire need for affordable homeownership programs in the region. These factors will ensure the marketability of the developments. The profit from the full market units will help subsidize the discounted units.

Our strategy is based on creating an initial cash fund of \$30 million through the Housing Trust using an 80/20 model, where 80 % of the funds come in via interest bearing financial instruments and the remaining 20% from corporate and private donations.

Once we have located an appropriate site, put our development team together, and completed the development plan, we will launch our community-based marketing strategy to create media and brand awareness for our Affordable Homeownership program: “Building Solutions to the Housing Crisis”. Our motto will be: **Making Vancouver one of the most affordable cities in the world.**

Modeling Success

Other jurisdictions have used similar models to build affordable housing. In the **Silicon Valley**, the **Housing Trust of Santa Clara County** has been able to leverage their \$28.5 million fund into \$1.33 billion. They have created 7,009 housing opportunities, including shelters, first time homebuyer assistance, and new, multi-family rental housing.

The **Whistler Housing Authority** has created a “resident restricted” model for both ownership and rental units that is successfully addressing their housing shortages in a more hyper-inflated market than Vancouver’s.

In **Vernon**, the community formed a **Community Land Trust** and within one year successfully worked with the business, development, and banking community to effect strategic changes with the City to reach their newly developed *Attainable Housing Strategy*. They received their initial land grant in 2008 and began construction this year.

Since 2001, **Wood Buffalo Housing and Development Corporation**, a non-profit developer in **Fort McMurray**, Alberta has built over \$150 million in new affordable housing and has accomplished this with a small, seven-member team.

These examples demonstrate that the ability to build affordable housing in hyper-inflated markets is a capability unique to the “non-profit as developer” model. A for-profit entity simply cannot make the business case to attract investment for rental or social housing. Non-profit housing developers have a market advantage in this area because an element of their bottom line is measured in the fulfilment of their “social goal”.



Affordable Homeownership - Building Solutions to the Housing Crisis

Development Cost Reductions

IN THE NEWS:

[While] ... Canada's growth in gross domestic product is one of the highest in the world; ... [And in] ...Canada, the unemployment rate is among the lowest as are interest rates..... Canada has become the only developed country in the world that has neither a national housing plan nor a national mental health strategy.

Vancouver Sun
April 18, 2008

Our development model calls for building high quality wood frame, concrete, and concrete/steel high-rise structures comparable to the mid to high-end condominium development most common in this region.

The full-market pricing will be in line with other developments in Metro Vancouver. To have a competitive edge in the marketplace, we will set our prices at slightly below market.

Generally there is a 15-25% profit in a condominium development. A non-profit organization can work on a much slimmer margin (as low as 2-3%). On a \$20 million development that is a \$3.5 to \$4.5 million savings. Further savings can be attained:

- through the reduction of municipal fees, permits, tax relief, and other considerations
- in financing and insurance charges
- in marketing and sales costs
- through reduced professional and consultant fees
- on many hard construction costs through strategic partnerships with manufacturers and suppliers

We are investigating a model where the interest from mortgage and construction loans comes in the form of a donation to the Housing Trust. Additionally, we are exploring a means of using Canadian's self-directed RRSP funds in new and innovative ways. Other solutions that can achieve development cost reductions or provide capital include:

- co-development partnerships with landowners
- adopt-a-family donation plan
- co-ownership models where a

renter can 'own' a portion of a unit in partnership with the Trust

- community Land Trusts
- interest free loans from foundations, governments, and philanthropists for construction funds
- lotteries and other fund-raising initiatives to build the capital base of the Trust
- innovative building technologies and processes
- carbon credits
- labour/material donations from unions, suppliers, and members of the community

The charity industry and its tax treatment...

"....As in the case of individuals, the maximum amount of charitable donations for which a corporation can receive tax credit during a year may now not exceed 50% of its taxable income. However, the rules governing tax deductions allow corporations to deduct the entire charitable donation from taxable income, rather than receiving a tax credit. In fact, when it is possible to describe the gift as being a payment made for business reasons, there is no limit on the amount the corporation may deduct from business income.

SOURCE: Canada Revenue Agency - Bulletin BP-401E

Our vision is to include a number of innovative design and functional features that will make our end-product highly competitive in the marketplace. Our approach will be to utilize the latest design, materials and production technologies available from around the world to create healthy, cost-effective, environmentally friendly and sustainable urban housing.

Our developments will be green buildings – where possible they will aim for LEED certification.



Affordable Homeownership - Building Solutions to the Housing Crisis

Objective

IN THE NEWS:

In 2006, 4,393 social housing units were built nationwide, a fifth of what had been built a quarter of a century earlier when Canada had 10 million fewer people.

Vancouver Sun
April 18, 2008

Our objective is to build our way out of the housing crisis by creating a financial and development model that can be used by other non-profit housing providers and housing trusts throughout British Columbia and Canada to solve the housing crisis.

We will begin by working out the administrative and logistic best practices. We will expand on the model to reach our goal of building 300-400 units a year then pass the model onto others in the non-profit housing community.

Within three years we will have completed our first development and will see owners moving into their new affordable homes.

To accomplish these goals we have developed a comprehensive marketing and communication program to:

- create a high-powered Advisory Board
- secure celebrity endorsements to give affordable housing a strong voice
- sign on long-term corporate partners
- promote housing affordability in the media
- market our affordable housing investment products
- pre-sell our first three developments

To implement our plans we need to complete our three fold strategy.

1. Corporate Partnership Development
2. Media/Public Awareness
3. Marketing Program

Before we move forward on our threefold strategy we must:

1. form the Advisory Board to analyse, critique and improve our strategic plan
2. promote our program to potential partners and the media. Celebrity endorsements will be a great help in producing strong public service ads.
3. target our clientele

It can be done...

"...In Fort McMurray we have less than one half of one percent vacancy. Rents and housing prices are astronomical. Yet, we have been able to build over \$150 million in new, affordable housing and we have accomplished this with a small seven-member team.

SOURCE: Bryan Lutes, President
Wood Buffalo Housing & Development Corporation

Our plan requires the development of a team of professionals that will include tax and legal experts, financial and money management experts, marketing and communication specialists, developers and building trades professionals, as well as members of the community with strong political and cause-related experience. We aim to bring the best minds to bear to support our Housing Trust Advisory Board as we build our way out of the housing crisis.



Affordable Homeownership - Building Solutions to the Housing Crisis

VNHS Management

The key issue for both managers of social enterprises and those investing in them is whether the capital provided is generating meaningful, real returns--returns for the manager, the investor and society as a whole. SROI is one tool by which we can begin to assess the full, blended value of NGOs and For-Profit corporations as both seek to maximize the full value they have the potential to create.

Jed Emerson
Senior Fellow
Generation Foundation

VNHS is a strong body guided by a Board of Directors who are leaders in the Aboriginal Community. They have enabled the Society to move forward aggressively and in a businesslike manner.

Richard George, President, VNHS Board of Directors, a member of the Ahousaht First Nation has an impressive financial background. Richard has a Bachelor of Arts degree in Economics from Simon Fraser University and a Financial Management Diploma from the British Columbia Institute of Technology. He has been a Funding Services Officer with the Indian and Northern Affairs Canada (INAC) since 2002.

Prior to joining INAC, Richard spent nineteen years working in the financial industry: ten and a half with the Bank of Montreal and Toronto Dominion Bank, (now TD Canada Trust) as Aboriginal Banking Manager for both entities. He has also been employed in economic development with Native organizations. Richard is very active in the Aboriginal community volunteering a significant amount of his time serving on a number of boards.

David Eddy, Master of Arts in Leadership and Training from Royal Roads University, Executive Director of Vancouver Native Housing Society since 2001, has over twenty years experience in the non-profit housing sector. He has served on the Board of Directors of BC Non-Profit Housing Association and the Canadian Housing Renewal Association (CHRA). He is currently serving a second term as President of CHRA. David is committed to fulfilling the direction of the VNHS Board of Directors to build on and expand the Society's portfolio. To that end his efforts have seen a 60% increase of the portfolio in the last two years.

Paul Mah, B.A. Economics, CMA, has been Chief Financial Officer of VNHS since 1991. Paul received his degree from the University of British Columbia and is an ATT graduate. He has provided excellent financial stewardship to the Society for the past seventeen years. Paul has also been employed with She, Yeung and Chong, Certified General Accountants, as a Senior Accountant and Paul has also been employed with She, Yeung & Chong, Certified General Accountants, as a Senior Accountant and with the Canadian Imperial Bank of Commerce as a Personal Banking Officer. Paul is also a licensed Real Estate Salesman in British Columbia.

Impact of Affordable Housing Development...

".. Each newly constructed housing unit gives rise to between three and six person-years of employment in total over a five year period."

SOURCE: CMHC, *Macroeconomic Impacts of the Housing Sector*

"....The \$24 million in savings represents a 25.5% annual return the state's aggregate investment of \$94 million.... By almost any measure, affordable housing development offers a very good return on dollars invested. The pure economic impact of developing housing that is affordable to low-income Oregonians is substantial for the 1,833 full-time jobs it supports each year. It is immediate

SOURCE: *Economic Impact of Affordable Housing Development (April 2003)*

By: *The Association of Oregon Community Development Organizations*



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VNHS Management Advisors

It is a common belief that affordable housing ... will lower neighboring property values. However, numerous studies conducted over a period of many years and in various locations find that this widely held preconception is incorrect. Why? Because property values are primarily determined by the condition of the particular property for sale and other broader, more complex forces such as overall area development and prosperity. The location of affordable housing has no significant impact on these other conditions which determine property values.

Habitat for Humanity

VNHS Management has a team of advisors who provide tremendous support for strategic planning, management, decisions, and creativity.

Joseph MacLean, Project Consultant, is a social entrepreneur, and a strong proponent of “Triple Bottom Line” economics. Joseph has worked closely with the Society in building its transition from dependence on government funding to a more independent, entrepreneurial mode. He is the lead consultant, proposal writer, and financial modeller for most of the Society’s recent growth initiatives.

Margaret H. Mason, a partner with Bull, Housser & Tupper LLP in Vancouver, is our corporate counsel and advisor. Ms. Mason has practised in the areas of trust and taxation law for 23 years and is a nationally recognized expert (by Lexpert and others) in advising registered charities. Until its disbandment due to a change in government, she was a member of the Canada Revenue Agency's Charities Directorate's Advisory Committee and recently served as the chair to the BC Law Institute's Society Act Reform Project. She has particular expertise with respect to structuring transactions involving charities and has advised on many significant transactions in British Columbia and elsewhere in Canada. Ms. Mason also provides advice to all levels of government with respect to her areas of expertise. She currently acts for more than 200 charities and not-for-profit organizations from across Canada. Ms. Mason will be involved in assisting us with structuring in order to maximize the returns and tax reduction opportunities for our corporate and private partners.

Jim O’Dea, Principal, Terra Housing Consultants, is the VNHS authority on social and affordable housing. He is the pre-eminent expert on this subject in the province. Jim began his career in housing working for community organizations in urban renewal in St. John’s NL, advocating for affordable housing. He later joined the St John’s CMHC office to continue this work from inside the system. In 1978, he was promoted to the position of BC Regional Manager of Social Housing at CMHC. Jim played an integral role in the creation of social housing programs in the 1970s and 1980s. He is past chair of BC Housing, past president of the Provincial Rental Housing Corporation, and he held the position of Deputy Minister of the Department of Community Development, Cooperatives and Volunteers, responsible for the Vancouver Agreement. Jim has been a board member and chaired many non-profit housing societies. Currently, in his position at Terra Housing Consultants, he works with local and national organizations, as well as with international groups in such far flung places as South Africa and Dubai.

Robert L. Enns, CGA, Principal, Enns and Company CGA since 1991 has 30 years experience as a chartered general accountant in BC. Bob has worked with Aboriginal organizations, in social and market housing, and not for profit organizations and charities. He has experience in audits of social housing entities with assets to \$100 million, audits of First Nations Bands, and accountant’s reports as mandated by the Real Estate Council of BC. As well as social housing and non-profit audits his client profile includes trust audits pursuant to the Legal Professions Act, accountant reports as mandated by the Real Estate Council of BC, and with federal and provincial electoral audits. His non-audit engagements include manufacturing, retail, wholesale, trucking, and a host of other private sector entities. Bob has had a professional association with Vancouver Native Housing Society for over 20 years.



Affordable Homeownership - Building Solutions to the Housing Crisis

Marketing

Social Return on Investment

..use of SROI is becoming "a way of thinking" for a wide and growing variety of enterprise, investment-oriented and socially-driven organizations. For example, it is being used and adapted within nef's (the new economic foundation) UK and European portfolio of work on social enterprise. Thinking through SROI is a core element of the Global Social Venture Competition. The concept of "blended value", i.e. the idea of creating value through social, environmental and financial means is being increasingly discussed and debated.

New Economics Foundation

An analysis of the GVRD 2006 **Affordable Housing Supply Analysis** showed that there was a \$9 billion shortage of affordable housing units in the region. The shortfall is projected at an additional \$1.2 billion per year until 2021. That is a \$25-30 billion opportunity.

Our goal is to average 300-400 units per year over the next ten to fifteen years which would equate to about 5% of the total demand for affordable housing in Metro Vancouver. We will share our business model with other non-profit developers.

The **fundamental thrust** of our marketing strategy is to make housing affordability a top media issue in the region. We will market our Housing Trust concept and create brand awareness of our unique approach to Building Solutions to the Housing Crisis to make Vancouver **one of the most affordable cities in the world**.

We will reach thousands of consumers and hundreds of companies through a series of well-publicized media events that will be augmented by ongoing sales and marketing initiatives. Vancouverites will hear about our Affordable Homeownership program as we keep the issue front and center.

In addition to our communications portal, affordablehomeownership.net, we will publicize our project by hosting seminars at community venues and holding special events at the Vancouver Board of Trade and other business and consumer trade shows.

A main focus of our marketing strategy will be that 'Building Solutions' will help resolve the difficulty that corporations, large and small, are having in attracting talent due to the shortage of affordable housing.

Cause-Related Marketing (CRM)

We will work with our corporate partners to deliver a strategic marketing and communications campaign to maximize the benefits of their commitment to solving the housing crisis.

Economic benefit ...

"...the physical quality of housing has demonstrable effects on the health of households, the capacity of children to learn, and the ability to make harmonious family life..... Affordable, more stable housing prices and rents will benefit the economy in the long term, raising productivity and competitiveness for communities and the nation."

SOURCE: Canadian Housing Renewal Association

Solving the housing crisis will not happen overnight but every step, every success along the way is an opportunity to show Vancouver and the world how our business leaders took up the challenge and continue to do so year after year.

Our advisory board will be instrumental in refining and packaging our story and in delivering it to those who can most quickly assist us in achieving our goals.

Our unique value proposition is to offer a solution to the housing crisis by building a product that is of equal or higher quality for the same or lower price than can be found on the market today, and to do it now!



FCM urges the federal government to develop a long-term National Housing and Homelessness Strategy to ensure that all Canadians have access to adequate and affordable housing.

Federation of Canadian
Municipalities

According to TD Economics, Canadians owned shares with a fair market value of \$1.4 trillion at the end of 2006, of which approximately \$700 billion represents unrealized capital gains. If even a small portion of these outstanding shares are donated to charity to reduce the owners' tax liabilities, the impact on Canadian charities will be tremendous.



The Housing Trust will raise an initial capital pool using an 80/20 model where 80% will be in the form of collateralized construction loans and 20% will be charitable donations and investments from strategic corporate partners, as part of their social responsibility/sustainability portfolio. In this self-sustaining model, the capital pool will be replenished upon completion of sales to finance the next project, and so on.

Cost Reductions

Our financial model shows that the hard cost (before cost reductions) will be approximately 20% more than the project revenues. For the Housing Trust to achieve the deep discounts on the 'Affordable Homeownership' units, the development corporation will have to make up the shortfall. This will be achieved through numerous cost reductions: relaxation of municipal DCCs (development cost charges), reduced finance and carrying fees, reduced sales and marketing costs, reduced professional and consultant fees, as well as cash and in-kind donations of materials and labour.

Sources of Capital

Corporate Partners: For corporations, 100% of charitable donations used for business purposes (marketing, advertising etc.) can be deducted from taxable income. Research shows that affordable housing is a good business investment. Cause-related marketing has proven public relations value and generates tremendous community goodwill. Our marketing and promotional strategies are designed to enhance our partners' reputations as innovators and leaders in community investment and social responsibility.

RRSP and Pension Funds: In 2005, Statistics Canada reported that there was \$1.6 trillion in RRSP and employer-sponsored pension funds. This is an enormous capital pool that can, potentially, be accessed to solve the housing crisis. We are investigating the creation of a specific line of 'social investment' products that will offer variable-term, variable-rate syndicated mortgages where some or all of the interest is repayable through refundable tax credits.

Affordable Homeownership Examples

We have built three 'Affordable Homeownership' models (see Appendix 'A') based on different modes of construction. Here are the numbers for a two-bedroom, 800 sq ft home:

Two Bedroom	Concrete High-Rise	Wood Frame	Container City Model
Full Market	\$423,289	\$332,654	\$282,301
Covenanted Deed (-50%)	211,644	166,327	141,150
Monthly Mortgage (AHO)	1,169	918	779
Strata Fees/Taxes/Utilities	421	421	421
Total Monthly Housing Costs	1,590	1,339	1,200
Income Threshold** (AHO)	\$ 63,588	\$ 53,579	\$ 48,017

** Based on mortgage, taxes, strata fees plus utilities equalling 30% of pretax income.

The most expensive mode of construction (concrete high-rise) would cost \$161,511.15 for a one-bedroom unit and require an income of \$50,074.82. The least expensive Container City style, three-bedroom home would require an income of \$59,295.86. The median family income in Vancouver is \$58,800.00 (CMHC; 2006 Census of Canada). These are indeed affordable prices and are deliverable in this, the most unaffordable urban market in the world.

Affordable Homeownership - Building Solutions to the Housing Crisis

Conclusion

Every day between 1.7 million and 2.7 million Canadians go to work and worry that if they were to miss their next pay cheque, they and their families would be on the street.

B.C. spends the least on [social] housing: a measly \$41 per person compared to the national average of \$109.

Vancouver Sun
April 18, 2008

Vancouver Native Housing Society has an established track record of excellence in the non-profit housing sector. Despite our accomplishments over the past 25 years, we see the devastating results of the housing crisis on a daily basis. We have watched while the housing shortage has grown to encompass workers at all levels, not just the marginalized in our community. When even well paid employees cannot afford housing, the companies and organizations that they work for are negatively affected. **The housing crisis is bad for business and bad for our communities.**

We are motivated to make change - to act, to build, to lead. It is clear to us that the solution to the housing crisis is to build affordable housing. We believe our innovative investment and development plan for Building Solutions to the Housing Crisis will accomplish what the market cannot.

Research shows that there is a multi-billion dollar market opportunity for affordable housing over the next few decades. In the next 13 years this would mean \$25-30 billion in new construction, half of which would be **within the reach of the average working family.**

Housing Trusts have worked exceptionally well in other jurisdictions. Research points to a multiplier effect of three to four times the economic benefit to a region by building affordable housing. This means our model, once widely adopted, could result in a \$100-120 billion economic benefit for Metro Vancouver. **That is good business!**

Building Solutions will work. We can build our way out of this crisis.

Imagine Vancouver being voted not just the most beautiful, the most livable city, but also **one of the most affordable cities in North America!**

Please join us in Building Solutions to the Housing Crisis by investing your business experience in the future of this great city.



Container City, London

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Glossary & Acronyms

Vancouver and British Columbia in their media pronouncements and marketing efforts have been using superlatives as anchor points in touting the city and the province. We are variously described as the being or wishing to be the 'best place on earth', 'the most sustainable, livable, vibrant.', the 'best educated, most literate' and so on.

All of these superlatives will be more easily attained if we can become one of the most affordable cities in North America because, we believe, housing is the true anchor point for sustainable, livable and vibrant communities.

David Eddy
VNHS

Glossary

AHO – Affordable homeownership

CRM – Cause-related marketing

PHI – Provincial Homelessness Initiative

SRA – Single Room Accommodation (formerly Single Room Occupancy)

VNHS – Vancouver Native Housing Society

14 City Sites (Originally 12 City Sites) – The City of Vancouver and the Province of British Columbia entered into a Memorandum of Understanding to develop these sites specifically for the homeless and homeless at risk populations. The City has donated the land (\$50,000,000.00) and waived other costs including property taxes. The Province (through BC Housing) will fund the construction of these developments. (\$360,000,000.00 proposed for 2009).

Covenanted Deed – A restrictive clause on title that specifies a penalty for selling outside the covenant. In our model the penalty is 25% greater than the accrued benefit.

Housing Trust - A non-profit entity whose purpose is to raise funds to develop, manage and maintain an affordable housing portfolio in perpetuity.

LEED - (Leadership in Energy and Environmental Design)

Green Building Rating System, developed by the U.S. Green Building Council (USGBC), provides a suite of standards for environmentally sustainable construction. Since its inception in 1998, LEED has grown to encompass more than 14,000 projects in the United States and 30 countries covering 1.062 billion square feet (99 km) of development area. The hallmark of LEED is that it is an open and transparent process where the technical criteria proposed by the LEED committees are publicly reviewed for approval by the more than 10,000 membership organizations that currently constitute the USGBC.

Syndicated Mortgage - A security that provides an investment arrangement in which a person participates, together with others, as a mortgagee through the acquisition of a portion of a debt obligation that is secured by a mortgage (Source: British

Columbia Securities Commission B.C. Reg. 189/2000 Deposited June 8, 2000 effective September 1, 2000 Securities Act RULE 45-501 (BC): MORTGAGES

Key Workers at risk ...

Although it is the lower-income households that are most often cited as the victims of the housing crisis, it is also a real and serious threat to middle-income earners. Who can afford to pay 70-80% of pre-tax income for housing?



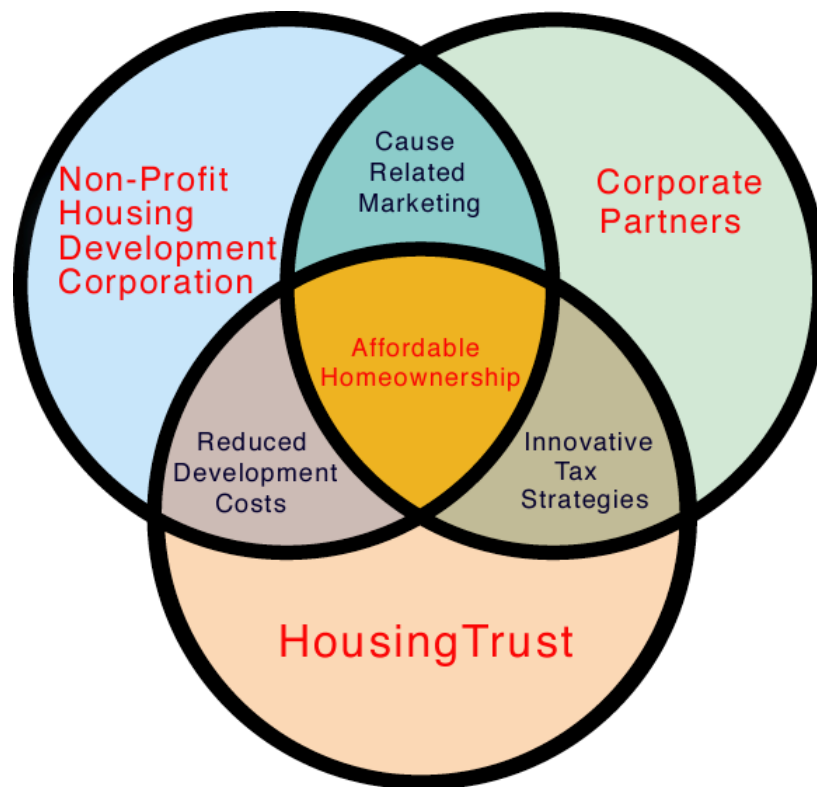
Construction Models

Construction Models for Affordable Homeownership - November 2009			
<i>**Threshold Income is based on mortgage, taxes, strata plus utilities equalling 30% of pretax income</i>			
Three Construction Models	Concrete Highrise	Woodframe	Container City Model
Cost per Buildable Foot (Land)	\$ 100	\$ 60	\$ 60
Construction Cost/SqFt	\$ 225	\$ 175	\$ 125
Cost per Saleable SqFT	\$ 494	\$ 389	\$ 330
Total Cost	\$ 25,555,569	\$ 20,083,569	\$ 17,043,569
Discount Rate	\$ 1	\$ 1	\$ 1
Mortgage Rate	\$ 0	\$ 0	\$ 0
Mortgage Term	\$ 30	\$ 30	\$ 30
One Bedroom Home (600 SqFt.)	Concrete Highrise	Woodframe	Container City Model
Full Market (1BDR/600SqFt.)	\$ 317,467	\$ 249,490	\$ 211,725
50% Discount plus mortgage insurance	\$ 161,511	\$ 126,928	\$ 107,715
Monthly Mortgage (AHO)	\$ 892	\$ 701	\$ 595
Strata Fees/Taxes/Utilities	\$ 360	\$ 360	\$ 360
Total Monthly Housing Costs	\$ 1,252	\$ 1,061	\$ 955
Household Income Threshold** (AHO)	\$ 50,075	\$ 42,436	\$ 38,192
Two Bedroom Home (800 Sqft.)	Concrete Highrise	Woodframe	Container City Model
Full Market (2 BDR/800SqFt.)	\$ 423,289	\$ 332,654	\$ 282,301
50% Discount plus mortgage insurance	\$ 211,644	\$ 166,327	\$ 141,150
Monthly Mortgage (AHO)	\$ 1,169	\$ 918	\$ 779
Strata Fees/Taxes/Utilities	\$ 421	\$ 421	\$ 421
Total Monthly Housing Costs	\$ 1,590	\$ 1,339	\$ 1,200
Income Threshold** (AHO)	\$ 63,588	\$ 53,579	\$ 48,017
Three Bedroom Home (1000 Sqft.)	Concrete Highrise	Woodframe	Container City Model
Full Market (3BDR/1000SqFt.)	\$ 529,111	\$ 415,817	\$ 352,876
50% Discount plus mortgage insurance	\$ 264,556	\$ 207,908	\$ 176,438
Monthly Mortgage (AHO)	\$ 1,461	\$ 1,148	\$ 974
Strata Fees/Taxes/Utilities	\$ 508	\$ 508	\$ 508
Total Monthly Housing Costs	\$ 1,969	\$ 1,656	\$ 1,482
Income Threshold** (AHO)	\$ 78,759	\$ 66,247	\$ 59,296

Story in Pictures

Building Solutions Housing Trust

The Story in Pictures



There is a perfect storm of opportunity to create a well-branded social marketing program that promotes corporate social responsibility initiatives by helping to solve Vancouver's Housing Crisis.

5th Annual Demographia International Housing Affordability Survey

Rank	Nation	Metropolitan Market	Median Multiple
1	Australia	Sunshine Coast, QLD	9.6
2	United States	Honolulu, HI	9.1
3	Australia	Gold Coast, QLD-NSW	8.7
4	Canada	Vancouver, BC	8.4
5	Australia	Sydney, NSW	8.3
6	United States	San Francisco-Oakland, CA	8.0
7	United States	San Jose, CA	7.4
7	Canada	Victoria, BC	7.4
9	United States	San Luis Obispo, CA	7.3
10	Australia	Bundaberg, QLD	7.2
10	United States	Los Angeles, CA	7.2

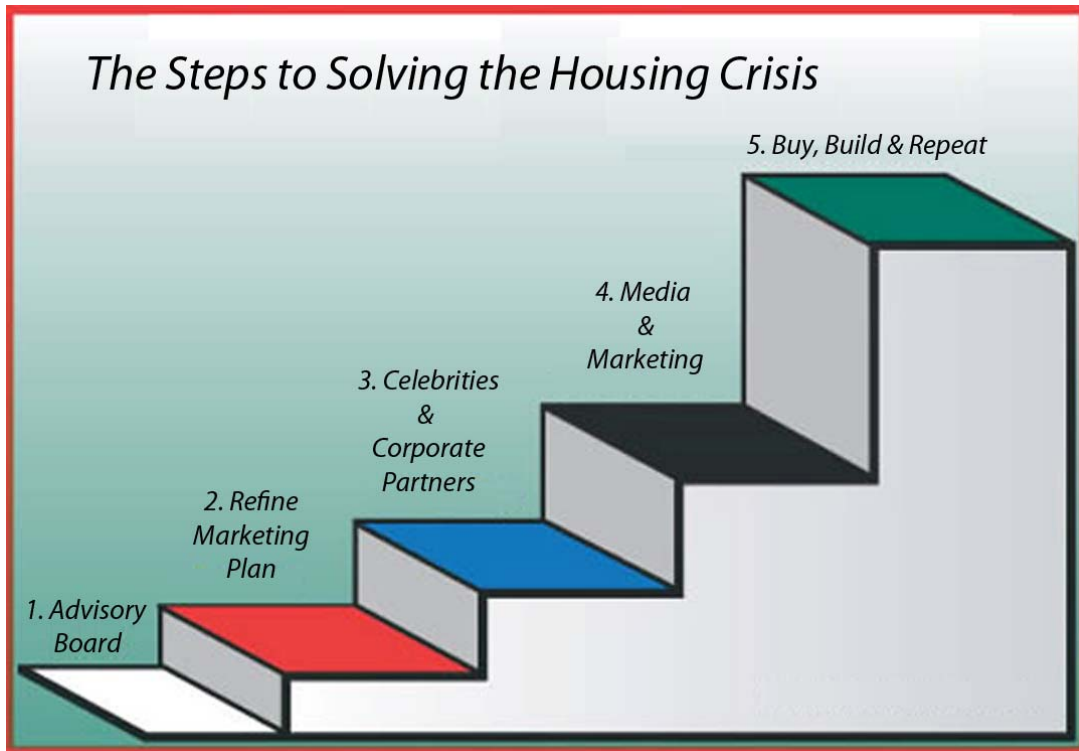
A dubious distinction – the least affordable major urban market on the planet.

Modeling Success

The Housing Trust of Santa Clara County

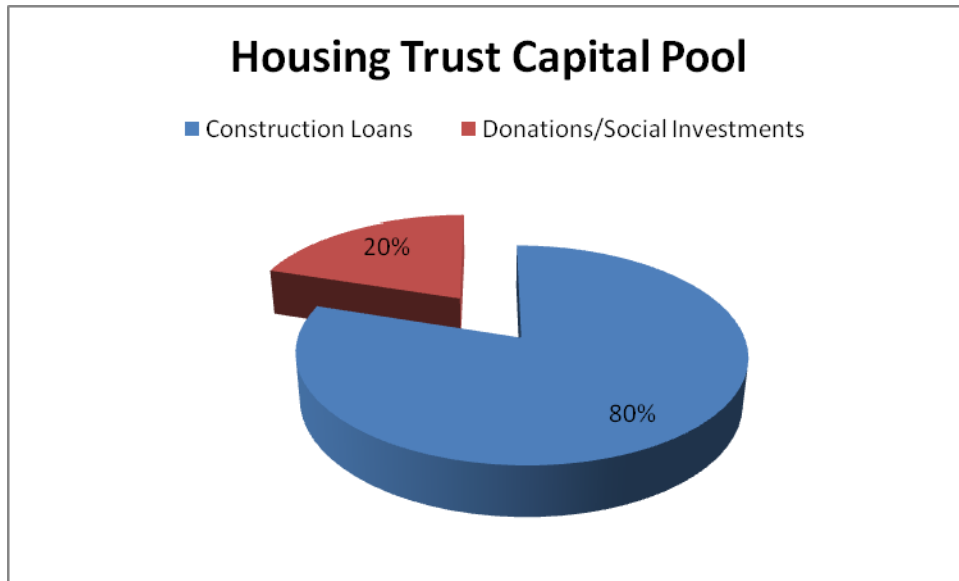
OUR PROGRESS TO DATE		
TOTAL HTSCC INVESTMENT	TOTAL LEVERAGE	TOTAL HOUSING OPPORTUNITIES
\$28.5 MILLION	\$1.33 BILLION	7,009 CREATED

In 1998, when the cost of a home in the Silicone surpassed the million dollar mark, the community developed public/private partnerships to raise funds to create the Housing Trust of Santa Clara County. To date they have leveraged an initial \$28.5 million forty-five times to create \$1.33 billion in housing opportunities.

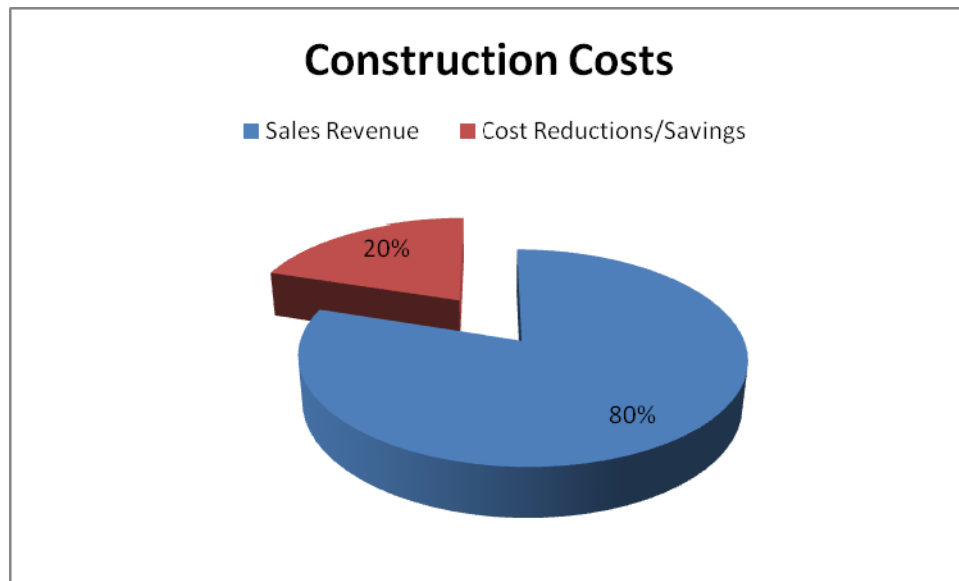


Our vision of making Vancouver ‘one of the most affordable cities in the world’ can only be attained by bringing the best and brightest minds together from the outset. The creation of a blue ribbon advisory board is essential.

The Money - Two 80/20 Models

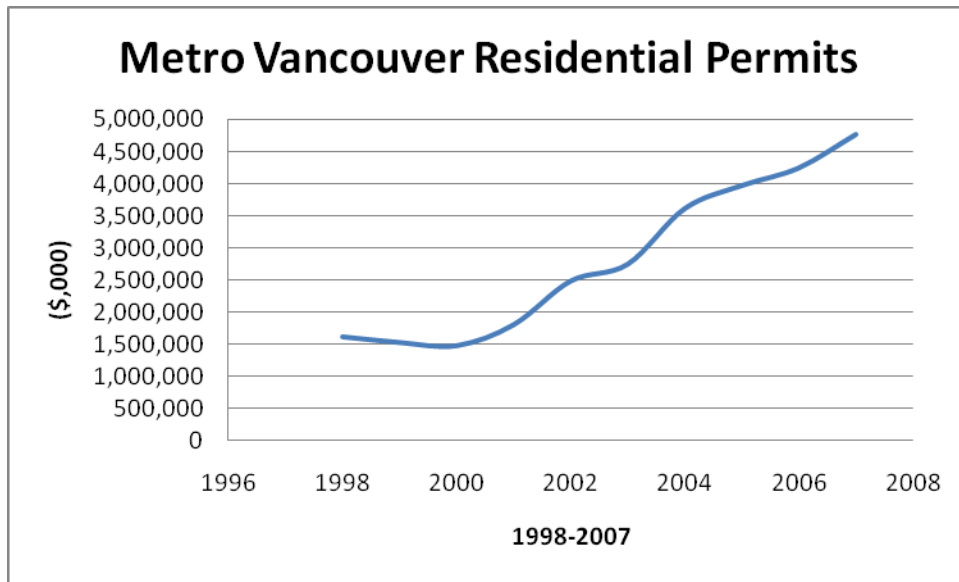


The Building Solutions Housing Trust will raise an initial \$30 million in an ongoing social investment program: 80% as construction loans and 20% in the form of donations or marketing and/or advertising investments.

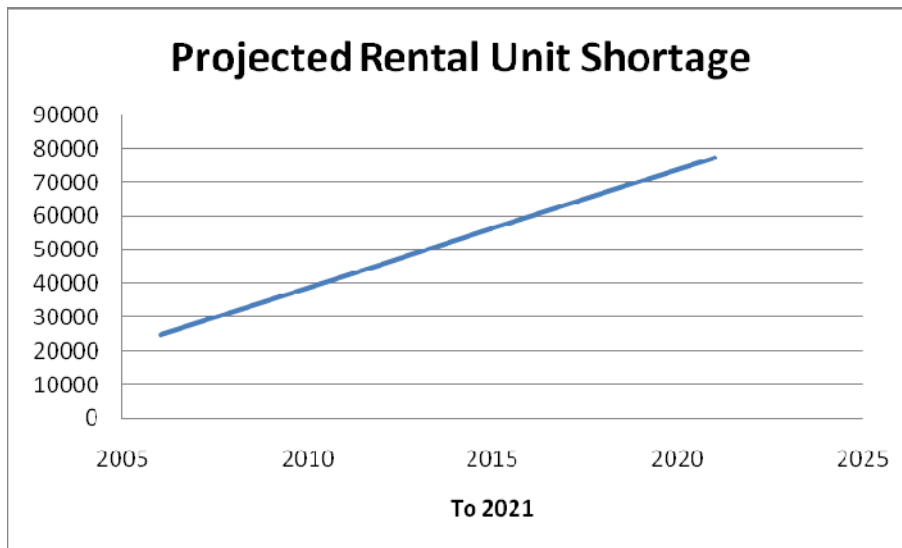


Our pro forma shows that the profits from the full-market housing will not cover the deep discounts (50%) required for the affordable homeownership units. These cost reductions will be achieved by a combination of reduced costs in design, production, materials, finance, sales, and marketing.

A Snapshot of Residential Building



For over a decade Metro Vancouver has been averaging \$3 billion in residential housing permits. The average for the past five years is just under \$4 billion.



Metro Vancouver's rental unit shortage is increasing by 3,500 units per year. This represents a multi-billion dollar opportunity to increase economic activity in the region and to show the world that Vancouver has the vision and capability to turn a crisis into an opportunity.

Building Solutions to the Housing Crisis is good business.