

PHILANTHROPIC SUPPORT FOR AFFORDABLE HOUSING

Introduction

The shortage of affordable housing is a pressing issue in Canada today. The need for affordable housing is growing, is not clearly understood, and has not received the same level of media and attention by the public at large as the related issue of homelessness. Canada Mortgage and Housing Corporation (CMHC) has already taken positive first steps to help sponsors of affordable housing through the establishment of the Canadian Centre for Public Private Partnerships in Housing (CCPPPH) which is helping non-profits learn how to broker partnerships with the private sector for affordable housing. Although the value of private sector partnerships is clear, CMHC recognizes that financial support for affordable housing is also available from a variety of other sources including Canada's philanthropic sector. In 1998, CMHC commissioned a research study to provide sponsors of affordable housing with an understanding of the philanthropic sector and with information on how to obtain philanthropic contributions for their projects.

The key study objectives were:

- To provide sponsors of affordable housing with a general understanding of the philanthropic sector, to share a selection of "best practices" from across Canada, and to provide background information, as well as practical advice, to help sponsors evaluate the potential for fundraising and understand the steps required for successful fundraising campaigns;
- To identify other initiatives which could be undertaken to encourage philanthropic support of affordable housing.

The Research Methodology and Report Structure

To achieve the study objectives, the research methodology involved three interrelated activities: a review and analysis of relevant literature and secondary data; the development of sixteen case studies that illustrate how affordable housing sponsors have been able to secure philanthropic types of funding required to develop successful projects; and discussions with three of Canada's leading fundraising professionals.

The first part of the report provides sponsors of affordable housing projects with a detailed situational analysis that includes an overview of the financial economics associated with producing affordable housing in Canada, an examination of the charitable sector and the donor community, and a look at the tax implications of donations to charities and non-profits. This section describes the nature, characteristics and regional variations in charitable giving in Canada; sources of charitable organization donations and funding levels as well as alternative fund raising methods used to solicit financial support. The section also provides an overview of the nature, size and characteristics of the donor community in Canada and presents practical insights on



size, nature, geographic distribution and related factors impacting donations from individual Canadians; the corporate community and foundations.

The second part of the report, entitled *A Sense of Direction*, is intended to help policy-makers and affordable housing sponsors by illustrating an alternative approach to the issue that weaves together broad societal initiatives and local programming.

Four detailed appendices contain the case studies (Appendix I), an overview of what is required to undertake a successful fundraising campaign (Appendix II), the chronological steps required for successful fundraising (Appendix III), and an examination of an emerging philanthropic trend by donors - planned giving (Appendix IV).

The Philanthropic Landscape

Many non-profit affordable housing agencies are new to the philanthropic marketplace. As a result, in order to secure philanthropic support for their projects, many first need to understand the complex and evolving world of philanthropic donors, the issues that are relevant to them, the organizations that they are most likely to support, and the ways in which they provide their support. The report outlines three significant findings that help sponsors of affordable housing to understand the context for obtaining philanthropic support for their projects.

Giving varies significantly across Canada—There are significant geographic variations in the way Canadians support charitable organizations. Both the markets and the fundraising techniques required to reach these markets vary according to location. These variations in giving across Canada have significant implications and affordable housing sponsors need to plan accordingly.

Canadians are not supporting affordable housing but are funding supportive housing—The research showed that affordable housing is not a priority for Canadians who have the means to make significant charitable donations. Canadian donors are more concerned about other social issues. They tend to support the

charitable organizations that they believe are doing something about issues such as supporting health care, education, and social services. Although affordable housing is inextricably linked to health care, education, and social services, donors are more motivated to support the services inside the buildings rather than the costs of the buildings themselves.

Charitable organizations play an important role in the development of affordable housing—There are many registered charities that build housing for specific populations such as seniors, at-risk-youth, psychiatric survivors, and women. These charities include religious organizations, social service providers, and hospitals, to name a few. They have cultivated long-term relationships with donors, they can issue tax receipts to donors, and they have the skill, organizational structure, and orientation required to broker partnerships and attract philanthropic contributions.

The Findings

The study's case studies show that philanthropic support does play an important, but not exclusive, part of the funding mix of new affordable housing projects and that there are three categories of projects that are successfully being developed in Canada.

1. *Communities of Interest*—Projects that address the housing needs of a specific community of interest such as a small rural community, or a religious congregation.
2. *Unique Circumstances*—Projects that are achievable because of one or more unique elements that make fundraising a viable way of securing revenue: small scale, long-term timing, availability of “sweat equity”, or availability of in-kind donations.
3. *Social Issue or Population Group*—Affordable housing projects that address the needs of a social issue or population group: seniors' residence, AIDS hospice, housing for individuals with mental health disabilities, to name a few.

Although the many regional variations prevent a single prescription for success, the research indicated that there are a number of critical building blocks that sponsors of affordable housing require in order to secure funding for their projects. The following is a summary of the key findings from the situational analysis, case studies, and interviews with leading fundraising professionals.

- ✓ **Build Profile**—Raising the awareness and profile of the affordable housing issue and creating a “climate” in which people understand and support the issue is the first step to influencing potential donors. By achieving significant profile it is possible for sponsors of affordable housing to provide tangible marketing value to corporate and government partners, and, as a result, increase the number and amount of sponsorships, donations, and grants.
- ✓ **Build Social Capital**—The issue of affordable housing, in and of itself, is not a high priority for major donors. Major corporate, foundation, and individual donors are more interested in supporting projects that involve building “social capital” through long-term solutions to pressing issues (e.g. the needs of the elderly in society).
- ✓ **Build Relationships**—The participation of high profile, influential corporate and community volunteers is pivotal to the success of major fundraising campaigns and most successful affordable housing initiatives have a dedicated project leader with the vision, enthusiasm, and credibility needed to motivate volunteers and mobilize support.
- ✓ **Build Partnerships**—For corporations, significant support for affordable housing projects is directly proportional to the “strategic fit” with their business and social agendas and the relevance to their markets/customers. As a result, the most successful partnerships are “win-win” and serve the many needs of all the groups involved in the affordable housing project.
- ✓ **Build Community**—Affordable housing projects that address the housing and social needs of a remote

rural community, specific ethno-cultural group, or a religious congregation are more likely to receive philanthropic support from within their constituency.

- ✓ **Raise Funds and Fundraise**—Targeting a variety of funding sources, including provincial and municipal governments, is key to the success of most affordable housing projects. Government grants’ support for non-housing issues (i.e. skills training, community development, health care, etc.) and “matching funds” help leverage local philanthropic contributions from a community.
- ✓ **Be Realistic**—Perseverance is essential, especially for large projects—even established charitable organizations that have strong relationships with influential corporate and community leaders need to be realistic about how long it will take to raise significant funds.

Based on these key findings, the report includes a strategic model for how to secure additional resources for affordable housing from the philanthropic sector. The model is intended to address three interrelated objectives:

- **Knowledge**—Increase understanding of the affordable housing issue and its impact on other societal issues;
- **Profile**—Increase the national profile on the need for philanthropic support and its relationship to other priority philanthropic funding issues; and
- **Fundraising Capacity**—Increase the ability of local affordable housing sponsors to secure philanthropic support funding for affordable housing projects.

Build Knowledge

The model is based on using knowledge as the platform on which profile and fundraising capacity are built. It acknowledges that a significant amount of information regarding affordable housing, philanthropy, and social issues is already available from many credible government and non-profit sources. However, on a societal level, there

is a need to create an increased awareness and understanding of the relationship between affordable housing and other pressing social issues such as health, education, employment, and the environment. In addition, sponsors of affordable housing require more information, tools, training, and above all experience to help secure philanthropic support.

Building Profile

The model illustrates that, in order to encourage greater philanthropic support for the creation of affordable housing it will be necessary to create increased national and local general public awareness of the issue and its relationship to other pressing social issues.

Specific national profile-building initiatives could include:

- **National Advertising**—An advertising campaign undertaken by a national non-profit organization to raise the national profile and priority of the need for increased philanthropic support for affordable housing and to support local fundraising initiatives.
- **Report Card**—An annual “report card” that provides a picture of how well Canadian affordable housing needs are being met.

Specific local profile-building initiatives could include:

- **Local Community Foundations**—In context with a national initiative, local non-profit organizations can undertake initiatives such as advertising, local report cards, etc.
- **Sponsors of Affordable Housing**—Sponsors need to put a priority on building profile for their projects.

Finally, the report indicated that, although using a knowledge-based approach to building greater profile and capacity will certainly facilitate the creation of more projects, many sponsors of affordable housing projects will still face significant barriers in securing funding from philanthropic sources. To address these barriers, the

report recommends the establishment of a national charitable organization to solicit philanthropic support; provide education, training, and support services to local sponsors seeking philanthropic support; and to channel funds to affordable housing projects managed by an independent, arm’s-length board of trustees.

Tools for Sponsors of Affordable Housing

Requirements for a Successful Fundraising Campaign

While all affordable housing projects are unique, there are some key factors that unite all successful major fund-raising campaigns: institutional preparedness, effective planning, a persuasive and realistic case for support, key leadership and board commitment, and pace-setting gifts. While smaller fund-raising campaigns may not require the same degree of effort and complexity as detailed below, the factors, considerations, and processes outlined can be equally applicable for smaller campaigns as they are for major ones. The study provided detailed descriptions of the following essential requirements:

- **Institutional Readiness**—The organization must be ready to undertake a fundraising campaign.
- **Market assessment**—The organization must know to what extent the community is willing to support a major campaign.
- **A persuasive and realistic case for support**—A compelling case for support is needed to presenting the needs of the organization and articulate benefits for the potential donor.
- **Pace-setting gifts**—Whether large or small, capital campaigns are “driven” by leadership gifts; and without lead gifts, campaigns have little chance of reaching their goals.
- **Key leadership and board commitment**—Successful campaigns require leaders who will invest their personal time and resources in the campaign.

Chronological Steps for Fundraising Success

This appendix provides a succinct “thumbnail” chronological sketch of the steps involved in fundraising success.

1. **Institutional Readiness**—Staff, budgets, plans, case for support, promotional materials.
2. **Infrastructure Readiness**—Volunteers, record keeping, information technology.
3. **Market Planning Study**—for major campaigns, the use of fund raising consultants, for smaller campaigns, the support of volunteers with fundraising experience.
4. **Campaign Readiness**—prospect research, campaign leadership, final campaign plans and timelines, solicitation strategies, communications support.
5. **Implementation and Solicitation**—solicitation and campaign management.

Directions for Future Research

This report is intended as a first step. As a follow-up to the report, the research team recommends the following interrelated initiatives:

- Identification of specific regional issues and challenges by conducting a series of meetings/workshops with sponsors of affordable housing and with philanthropic donors; and
- Development and distribution of tools and training as needed on a regional basis to generate philanthropic support for affordable housing.

CMHC and the Canadian Centre for Public Private Partnerships in Housing

CMHC's Canadian Centre for Public-Private Partnerships in Housing (CCPPPH) promotes and facilitates partnerships to increase the supply of affordable housing. The Centre gives advice on legal, financial and regulatory solutions, experiments with new financing and tenure agreements and disseminates information on successful practices. The Centre actively seeks out partnerships, especially at the grassroots level, with such organizations as existing non-profit agencies who were previously involved in the provision of social housing, faith groups, ethnic and cultural organizations, builders, developers and municipalities.

The Centre provides a number of tools to assist in developing affordable housing, including:

- “best practices” guides,
- partnership research,
- expert advice,
- new business leads,
- interest-free Proposal Development (PDF) loans, and
- facilitating access to mortgage insurance to assist groups access low-cost housing financing.

CMHC Research on Producing Affordable Housing in Canada Through PPPs

CMHC has completed a number of research reports and case studies, available through CMHC's Canadian Housing Information Centre, which examines a range of alternative measures which could be employed to support the creation of affordable housing in Canada through public-private partnerships. The following lists both published reports currently available and upcoming research to be published in the near future.

Published Research

- Guide to Affordable Housing Partnerships
- The Role of Public-Private Partnerships in Producing Affordable Housing: Assessment of the U.S. Experience and Lessons for Canada

- Municipal Regulatory Initiatives: Providing for Affordable Housing
- CMHC's Affordable Housing Web Page (www.cmhc-schl.gc.ca)
- Comprehensive Analysis of Self-Build Housing Experiences
- Public-Private Partnerships in Municipal Infrastructure
- Housing Trust Funds: Their Nature, Applicability and Potential in Canada
- Guide to Creating Housing Trust Funds in Canada
- Municipal Planning for Affordable Housing
- Affordable Housing Solutions: 15 Successful Projects

Upcoming Research

- Guide to Developing a Municipal Affordable Housing Strategy
- State and Provincial Affordable Housing Measures

Canadian Centre for Public Private Partnerships in Housing

For further information about the Centre's services, contact a representative in your region:

Atlantic Business Centre	(902) 426-8430
Quebec Business Centre	(514) 283-2203
Ontario Business Centre	(416) 218-3341
Prairies, Nunavut and NWT Business Centre	(403) 515-3011
B.C. and Yukon Business Centre	(604) 666-4660

CMHC Project Manager: David Metzak

Research Report: Philanthropic Support for Affordable Housing

Research Consultants: Manifest Communications in association with Focus Consulting and François Lagarde

A full report on this project is available from the Canadian Housing Information Centre at the address below.

Housing Research at CMHC

Under Part IX of the National Housing Act, the Government of Canada provides funds to CMHC to conduct research into the social, economic and technical aspects of housing and related fields, and to undertake the publishing and distribution of the results of this research.

This fact sheet is one of a series intended to inform you of the nature and scope of CMHC's research.

The **Research Highlights** fact sheet is one of a wide variety of housing related publications produced by CMHC.

For a complete list of **Research Highlights**, or for more information on CMHC housing research and information, please contact:

The Canadian Housing Information Centre
Canada Mortgage and Housing Corporation
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OUR WEB SITE ADDRESS: www.cmhc-schl.gc.ca/Research