



THE BOSTON CONSULTING GROUP

# Transforming Lives

*The Social Return on Habitat's Work in Canada*

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## AT A GLANCE

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For 30 years, Habitat for Humanity Canada (Habitat) has been tackling the issue of poverty by enabling families to access home ownership. The benefits of Habitat's program were witnessed by employees and volunteers, but the impact on society had not been analyzed. The Boston Consulting Group conducted a study to provide a quantitative assessment of the social return on investment (SROI) of Habitat.

### **A HIGH-IMPACT PROGRAM**

BCG's assessment of Habitat's home-ownership program found that for every \$1 spent about \$4 of benefits accrue to society. This represents \$175,000 of total benefits per partner family and about \$39 million for the 221 homes built by Habitat in 2014.

### **POSITIVE OUTCOMES FOR FAMILIES ACROSS MANY DIMENSIONS**

Beyond the SROI, families reported high levels of well-being and positive change in many aspects of their lives, such as improved civic engagement.

### **A UNIQUE, LOW-COST DELIVERY MODEL**

Habitat builds homes with donated labor and materials. It offsets costs and overhead through families' mortgage payments and ReStore operations' earnings.

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**A**FFORDABLE HOUSING IS A critical issue for many developed countries. With rising real-estate prices in Canada, this issue has become increasingly prominent. Home ownership and housing affordability are two of the key determinants of economic well-being.

Over the past 30 years, Habitat for Humanity Canada (which is referred to in this report as Habitat) has sought to help families achieve first-time home ownership by making the cost of owning a house affordable.

Habitat has received testimonials from many families indicating that the home-ownership program has had a positive impact on many areas of their lives. The organization wanted to get a deeper understanding of this impact and of the benefits for Canadian society.

## About Habitat for Humanity Canada

Habitat is part of a global Habitat for Humanity network, which builds affordable housing and promotes home ownership as a means for breaking the cycle of poverty. In Canada, Habitat's work benefits both families in Canada and abroad. This study focuses on Habitat's work with families in Canada.

The domestic home-ownership program works to enable families to break the cycle of poverty through access to affordable ownership of a safe and decent home. Homes are built with the help of volunteers and community partners.

Habitat was established in 1985 and has since helped 2,700 families access affordable new homes. Across Canada, 57 local Habitat for Humanity affiliate operations enable the regional delivery of Habitat programs in all provinces and territories.

The program has four major steps:

- Select qualified families from a pool of applicants.
- Build houses in communities for these families using donated materials, volunteer labor, and a minimum of 500 volunteer hours contributed by each partner family.
- Provide families with mortgages and set payments at a maximum of 30 percent of gross household income; this approach helps families afford a home and, at

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Habitat promotes home ownership as a means for breaking the cycle of poverty.



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The proceeds from mortgages are reinvested in a fund known as the Fund for Humanity for other local Habitat projects.

the same time, ensures that they have the ability to meet their other financial needs and obligations.

- Have mortgages repaid over a period of 15 to 30 years. The proceeds from mortgages are reinvested in a fund known as the Fund for Humanity for other local Habitat projects.

## The Impact Assessment Process

The Boston Consulting Group drew on its experience with similar studies in the nonprofit sector to quantify the impact generated by Habitat on the families and society. We developed an extensive questionnaire to capture various indicators of well-being. The questions assessed employment quality, income level, health situation, civic engagement, financial literacy, and educational attainment of parents and children.

The families that participated in the Habitat program (partner families) and the families that did not participate (control families) were asked a parallel set of questions in the same order and with the same answer choices. Respondents in both groups were not known to BCG, nor were they preselected.

The partner families were interviewed in their community by Habitat affiliates. Interviewers used an online tool to read the questions and capture the responses. Approximately 200 partner-family interviews were conducted. The control families were reached through a household panel provided by the market research company IPSOS and screened for income and no home ownership; about 330 responses were completed and used for the purpose of analysis.

The study assessed the effects of the Habitat program on the partner families in two ways:

- By evaluating the changes across all of the indicators of well-being described above after moving into a Habitat home
- By comparing the indicators for the Habitat participants with those of the control families

In order to compare Habitat families with control families, control families were asked to respond to the questions by comparing their situation in the past 12 months to their situation “ $x$  years ago.” The number of years,  $x$ , was generated on the basis of the Habitat data for the average time in a home for current partner families.

A weighting scheme was developed to eliminate the differences seen between partner and control families. The following four variables were selected to weight control group data: years in the house, household size, the number of parents in the household, and the type of living environment (for example, rural or urban).

The impact assessment was conducted at an average national level.

## Partner Family Characteristics and Impact

Throughout the study, the impact of the Habitat program on partner families has been made clear across a wide variety of indicators.

The average partner family surveyed had the following characteristics:

- Moved into a Habitat home when the parents were 40 years old
- Moved into the home 6.4 years ago
- Had 2.1 children prior to moving into the Habitat home and 0.2 children were born after moving into the Habitat home
- Had an average household income of \$32,000

In addition, the survey found that the parents or a parent worked, on average, 39 hours per week and 25 percent of the respondents had two or more jobs; 41 percent of the households were single-parent families; and 37 percent of the families were previously in social or subsidized housing.

Control families had the following characteristics:

- The parents were 35 years old 6.2 years ago
- Forty-three percent were single-parent families
- The average household income was \$31,000
- Twenty-seven percent were in social or subsidized housing

In addition, the parents or a parent worked, on average, 35 hours per week, and 22 percent of respondents had two or more jobs.

A Habitat home provides stability for partner families and results in a higher level of well-being, compared with that of control families. (See Exhibit 1.) We found additional benefits across multiple dimensions:

- *Improved Access to Home Ownership.* All partner families became owners of their homes, compared with 20 percent of control families.
- *Increased Employment Quality.* Parents were able to work a stable number of hours across fewer jobs and earn more income.
- *Stronger Reduction in the Use of Food Banks.* Partner families reduced their use of food banks by 60 percent, compared with a 40 percent reduction by control families.
- *Improved Health Behaviors.* Partner families lowered the incidence of smoking. These families also displayed higher levels (in terms of frequency and time)

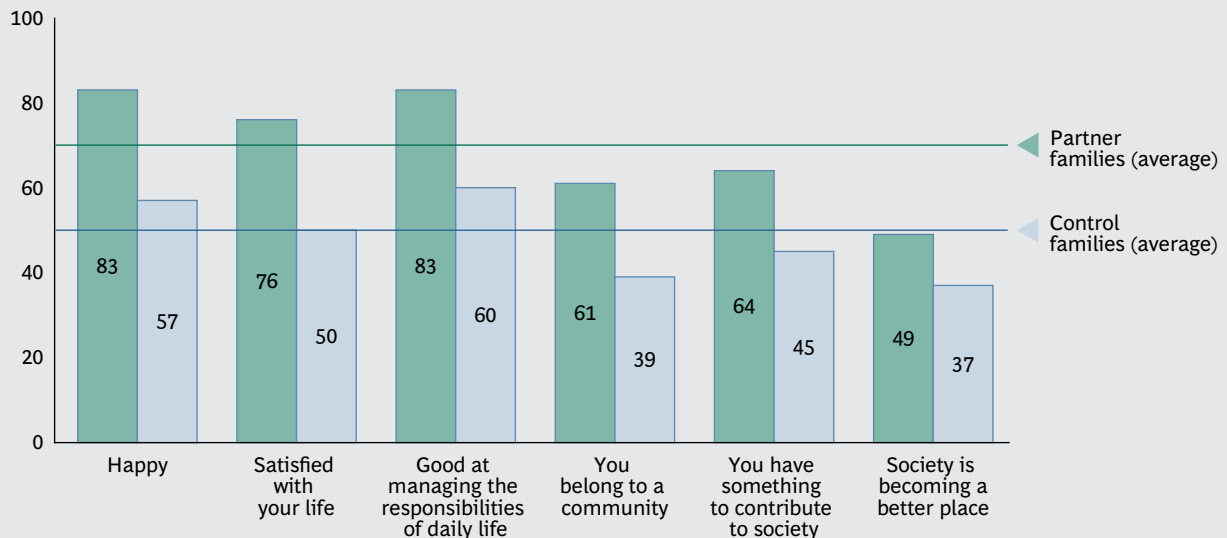
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A Habitat home provides stability for the partner family and results in a higher level of well-being.



## EXHIBIT 1 | General Well-Being Is Higher for Partner Families

Respondents who had the described feeling “every day” or “almost every day” (%)



**The percentage of partner families perceiving general well-being was higher than that of control families by about 20 percentage points**

Partner families Control families

Sources: Habitat for Humanity Canada homeowner survey; IPSOS survey; BCG analysis.

of physical activity, compared with the average Canadian family.

- *Greater Engagement in the Community and Society.* Partner families were more active voters and volunteers in their community, compared with control families.
- *Better Educational Outlook.* The dropout rate for children in partner families is lower than that of children in control families. Additionally, the proportion of children in partner families who graduate with a bachelor’s degree or better is greater than that of children who do so in control families.

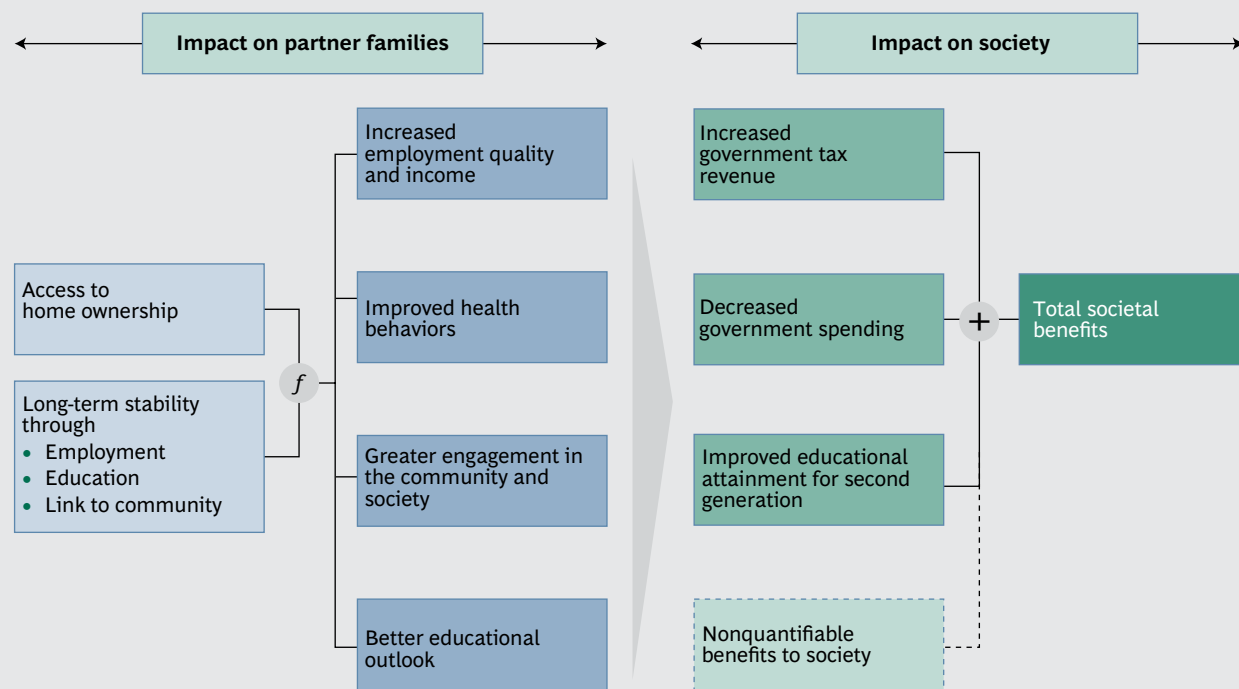
## The Value of Habitat’s Program to Society

In the context of this study, the benefit to society was quantified by estimating the increase in tax revenue from partner families and the decrease in social-assistance spending on participants in the Habitat program. The estimates were computed by assessing the difference between the trajectory of the partner families and that of the control families over two generations: habitat participants—the parents in the partner family—as well as the children growing up in a partner family. (See Exhibit 2.)

### FIRST-GENERATION BENEFITS

Partner families see their annual income grow at an average rate of 5.2 percent,

## EXHIBIT 2 | For Habitat’s Partner Families, Housing Stability Delivers Multiple Benefits



Source: BCG analysis.

compared with 3.3 percent for control families. Society benefits from three types of incremental tax revenue from partner families after they move into a Habitat home:

- Federal income tax
- Provincial income tax
- Sales tax

Note that a Canadian blended average takes into account the various rates for provincial income tax and sales tax.

Over a period of 25 years, the first generation creates a net present value (NPV) of \$52,000 to society. In order to determine the net present value of future societal benefits, a discount rate of 3.6 percent was employed, which was equivalent to the ten-year average return of a 30-year Bank of Canada bond.

In addition to incremental tax revenues, societal benefits from first-generation participants include the reduction in social housing. During the time of the survey, all partner families that were in social housing before Habitat have accessed home ownership. Control families witnessed an attrition rate of 3 percentage points, with 24 percent of families still in social housing today. The source of value is mainly de-

rived from the reduction in government spending for social housing. For families in the Toronto area, moving out of social housing also increases municipal tax revenues. Over 25 years, the NPV benefit to society is approximately \$32,000.

Overall, the NPV of societal benefits is \$84,000 per family living in a Habitat home.

### SECOND-GENERATION BENEFITS

Habitat has long believed that stability in a household could yield better outcomes for children's educational achievements. Although all children from partner families do not pursue post-secondary education, the children in partner families distinguish themselves from the children in control families in two ways:

- A lower high-school dropout rate
- A greater percentage earning a bachelor's degree or higher

The benefits to society from a better educated second generation were calculated using information from Statistics Canada for average income and transfer payment by educational attainment. Three sets of values were used to quantify the benefits to society:

- Incremental tax revenue, estimated by federal and provincial governments and calculated in the same manner as that for the first generation
- Reduced transfer revenue
- Incremental post-secondary costs, due to the longer time in school for children from partner families

Societal benefits from the second generation were calculated on the basis of the average number of 2.3 children per household over 45 years and discounted at the same rate (3.6 percent) as for the first generation. The total second-generation impact is \$69,000 per partner family.

Overall, the measured value of the first and second generation is about \$150,000 over a lifetime. In order to assess the other elements that were not quantified, we assumed that an additional 15 percent benefit to society can be generated if all the other value drivers were quantified. Hence, the total estimated value to society that Habitat generates per family is about \$175,000. (See Exhibit 3.)

### The Cost to Deliver a Habitat Home

The cost to deliver a home is determined by four main factors:

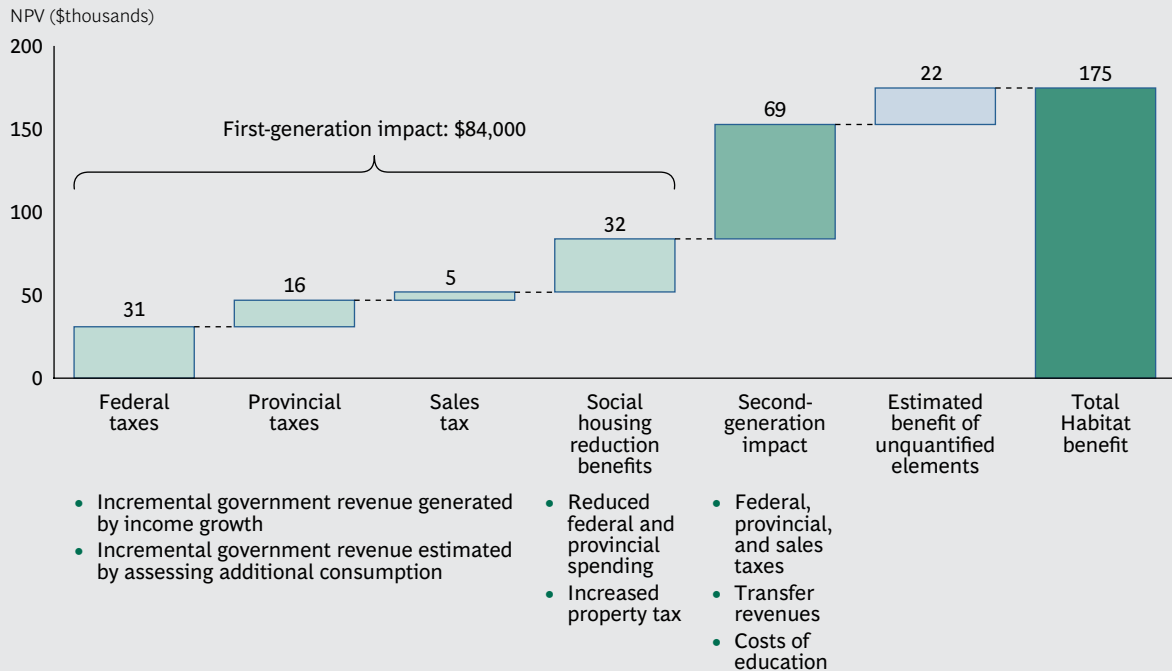
- Building costs, including the cost of acquiring the land, commissioning, building materials, and paid labor
- Habitat's overhead costs at the national level and for the 57 affiliates throughout the country

The net average cost to deliver a Habitat home has been \$45,000.





### EXHIBIT 3 | Habitat Generates \$175,000 in Societal Value for Every Partner Family That Completes the Program



Sources: Habitat for Humanity Canada homeowner survey; IPSOS survey; BCG analysis.

Note: NPV = net present value. First-generation impact was calculated for a period of 25 years; second-generation impact was calculated for a period of 45 years. A discount rate of 3.6 percent was employed, which was equivalent to the ten-year average return on a 30-year Canadian bond.

- ReStore operations’ profit contribution
- Mortgage payment streams into the Fund for Humanity

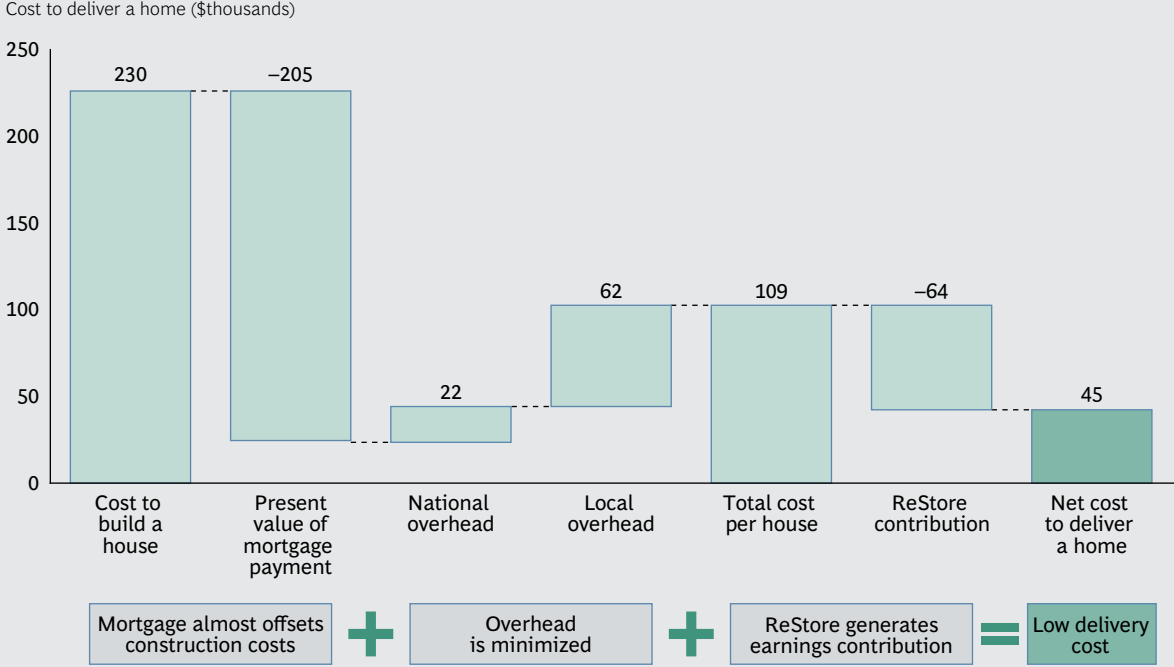
As part of this study, we determined that from 2011 through 2014, the average cost to build a home was \$230,000. This was calculated by assessing approximately 300 building sites across Canada.

Overhead costs reached an average of \$84,000 per house, attributable mainly to the cost of local Habitat affiliate operations. Those costs represented all nonconstruction expenses incurred by Habitat or affiliates for the execution of the domestic home-ownership program. However, costs were significantly reduced owing to the earning contribution generated by ReStore operations of \$64,000 per house.

After houses are built, partner families pay back mortgages through the Fund for Humanity, which reinvests the proceeds into future building activities.

The net average cost to deliver a home, therefore, has been \$45,000. This figure represents the average building costs and could be reduced through several levers on a case-by-case basis. Such levers include using donated land and building multifamily dwellings. (See Exhibit 4.)

**EXHIBIT 4 | Three Key Components of the Habitat Business Model Keep the Cost of Delivering Homes Low**



Sources: Habitat for Humanity Canada’s financial statements; BCG analysis.

**The Areas for Refinement**

Although this study outlines the largest value drivers of the Habitat program, additional benefits exist and could be quantified at a future point. Several unquantifiable benefits also exist and need to be kept in mind when assessing the total societal impact of the program.

Additional quantifiable benefits include the following:

- The amount of revenue and major expenses that move from a shadow economy to the official economy
- The value of home equity at retirement
- The increases in municipal taxes through the development of rezoned land

Unquantifiable benefits include the following:

- A more developed and durable connection to their neighborhood and society for parents and children
- A sense of responsibility to meet mortgage and maintenance payments

- Reduced psychological distress through a more stable living environment
- Increased proximity among family members

## Conclusion

Habitat's domestic home-ownership program improves participants' lives:

- Stable housing provides a foundation for parents' employment stability and income, children's educational attainment, and a family's health and civic engagement.
- Access to home ownership helps families build equity over time.

Habitat home ownership generates a societal return of \$175,000 per partner family. Over the past 30 years, Habitat has enabled more than 2,700 families to access home ownership in Canada, for a total combined benefit to society of \$470 million. This value is driven by:

- Increased tax revenue from partner families
- Reduced usage of social housing
- Improved educational outcomes for children growing up in Habitat home

Habitat has two key assets that allow it to scale its model and build a strong case for support. First, mortgage payments from families enable Habitat to expand through the reinvestment of those proceeds. Second, overhead costs are minimized, as ReStore operations provide revenue to affiliates to offset local operating costs. Both of these elements allow Habitat to contain the cost to deliver a home to a family.

## SUMMARY OF KEY FINDINGS

In 2014, Habitat for Humanity Canada (Habitat) approached The Boston Consulting Group (BCG) in Canada to quantify the impact of its domestic home-ownership program on society. BCG has helped leading Canadian nonprofit organizations assess the impact of their programs on society.

BCG's assessment of Habitat's home-ownership program found that for every \$1 spent about \$4 of benefits accrue to society. This represents \$175,000 of total benefits per partner family and about \$39 million for the 221 homes built by Habitat in 2014. (See the exhibit below.)

BCG has developed a view into the societal benefits of Habitat's home-ownership program. The study assessed the effects of the Habitat

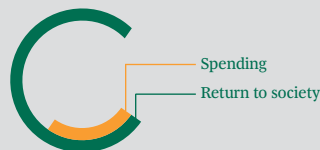
program on partner families in two ways: by evaluating the changes in well-being after moving into a Habitat home and by comparing the well-being indicators of the Habitat families with those of the control families. This study is the first step in quantifying the impact of Habitat's programs.

The outcome of this study validates the hypothesis that the stability provided by moving into a Habitat home creates benefits in multiple aspects of the families' lives. Partner families report high levels of well-being after moving into their Habitat homes and show improvements in the following areas:

- *Improved Access to Home Ownership.* All families accessed home

### HABITAT FOR HUMANITY CANADA'S HOME-OWNERSHIP PROGRAM DELIVERS A \$4 RETURN FOR EVERY \$1 SPENT

For **EVERY** dollar spent toward a building, **\$4** are returned to society

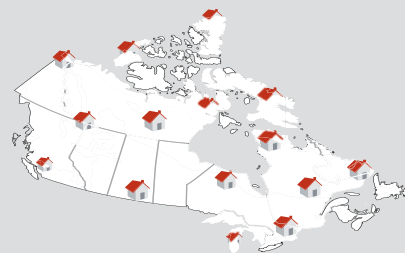


On average, Habitat generates **\$175,000** of benefits to society per partner family

This represents a cumulative benefit to society of **\$39 million**

Source: BCG analysis.

Habitat built **221 homes** in Canada in 2014



ownership, compared with only 20 percent of the control families.

- *Increased Employment Stability.* Families reported more stable employment with a stronger increase in income, compared with control families.
- *Stronger Reduction in the Use of Food Banks.* Partner families reduced their use of food banks by 60 percent, compared with only a 40 percent reduction by control families over a six-year period.
- *Improved Health Behaviors.* Partner families lowered their incidence of smoking.
- *Greater Engagement in the Community and Society.* Partner families showed higher participation in election and volunteer work, as well as a higher level of donation to charity, than the control families.
- *Better Educational Outlook.* Partner families had fewer dropouts and more children who earn a bachelor's degree or higher.

The benefits to society are assessed on the basis of the differences between the partner families and control families. Two main drivers create value to society: the benefits

created by the first generation of Habitat families (that is, the parents in the household) and the benefits created by the second generation (that is, children growing up in the household). The benefits to society of building a Habitat home are significant:

- The net present value of the benefits generated by a family accessing home ownership through Habitat is \$175,000.
- Every \$1 invested in the program yields approximately \$4 in return to society.
- Throughout 2014, the cumulative benefit of the 221 homes delivered was \$39 million of economic value to society.

This positive impact can be contrasted with a relatively low cost of \$45,000 for Habitat to construct a home. In addition to those quantifiable benefits, there is a series of nonquantifiable benefits—for example, general well-being, mental health, and dignity—that arise from home ownership.



## About the Author

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## For Further Contact

If you would like to discuss this report, please contact the author.

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