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Using community bonds to finance affordable housing projects

Start-up affordable housing provider shares experience using community bonds to finance projects

Brique par brique is a Montréal non-profit founded in 2016 by community organizers and racialized professionals. Its focus: increasing affordable housing in Parc-Extension, one of Canada's most underprivileged neighbourhoods.

Brique par brique seeks to respond innovatively to the need for affordable housing in Parc-Extension. In 2019, the organization decided to raise funds by issuing community bonds. It also conducted a research project tracking its attempt to establish itself in Parc-Extension. The results of the research provide a number of recommendations for other organizations with similar objectives.

Key Findings / Key Goals



Community bonds can be a viable way to raise funds for residential real estate projects



Organizations must be fully aware of the obstacles, including the limits of their own human resources and unfavourable market conditions



Building relationships and maintaining communication with the community are important for success

Project scope and expected outcomes

Financing affordable housing projects in Parc-Extension

Brique par brique's existence is a direct response to the gentrification of Parc-Extension. Gentrification has led to the displacement of the neighbourhood's poorest residents, who've been forced to make room for for-profit development in the area.

Brique par brique sets itself apart for 2 main reasons:

- it's one of the few residential real estate organizations in Canada whose funding is based on issuing community bonds
- its operations are focused on low-income residents and others who face challenges accessing rental housing

Community bonds: a way to finance affordable housing

Community bonds are debt securities that share characteristics with other types of bonds. For example, they have a face value, a fixed term and provide income through interest payments. Only non-profit organizations can issue them, and they do so without an intermediary. Community bonds are a way for individuals to invest in projects that they believe in.

In 2019, Brique par brique received funding from CMHC for a research project tracking its attempt to establish itself in Parc-Extension. The objectives were:

- understand the use of community bonds as a financial lever to help Brique par brique establish itself in a competitive real estate environment
- determine the conditions necessary for the social participation and collaboration of various players in Brique par brique's expansion

Among the main research questions were:

- What are the advantages and limits of financing by community bonds for a community housing project?
- What are the necessary conditions, barriers, and issues to consider in implementing such a project?

Part of the research involved examining similar projects, like, L'Assomption (Quebec)'s Résidence Auberge des aînés and Peterborough (Ontario)'s Mount Community Centre. Both of these projects raised funds by issuing community bonds. Looking at them, the project team concluded that the success of projects financed partially by community bonds depends on:

- having already identified a site for the building
- getting support from local governments (i.e., the borough and the municipality)

Private developers increased competition for real estate

Brique par brique encountered significant challenges in securing a presence on the real estate market. Trying to purchase property in Parc-Extension proved to be very difficult. One of the main reasons is the recent opening of the University of Montréal's MIL campus to the south of Parc-Extension. The campus has made the area attractive to private developers

The increasing presence of developers brought with it intense competition. Each offer made by Brique par brique had to compete against those made by developers. And developers were able to offer more favourable conditions to sellers, including:

- a purchase price that was almost always above the asking price
- greater liquidity
- speedier transactions
- more relaxed inspection conditions

Another factor that hampered Brique par brique's efforts was limited human resources. It was a challenge to organize community events, conduct research and search for a building. As well, engage with the City of Montréal through advocacy work.

Recommendations for other affordable housing providers

Still, Brique par brique's experience has allowed them to offer several recommendations to organizations that want to raise funds by selling community bonds:

- Assess the costs of human resources dedicated to the issuing of community bonds and to the management of a community of investors.
- Put together a strong core team paid to take care of project coordination, outreach and communications. Ideally, having a multidisciplinary team of experts in law, finance, accounting and community organizing supporting the core team.
- Hold discussion sessions so that each partner and investor understands the intended use of the funds raised by issuing community bonds.
- Adopt a communications strategy including a general newsletter, social media and a regularly updated website. Ideally, use an online platform to sell and manage the community bonds.
- Come up with a strategy for maintaining relationships with investors. Have a continued awareness of their needs and keep them informed of the progress of the project. An investor-specific newsletter with an annual report or report on the progress of their investment is a good idea.

- Document the project's progress. This can be done using internal resources or by partnering with a research organization.

It is possible to use community bonds as a lever to finance a residential project. What's necessary, though, is a full understanding of potential obstacles, like the limits of human resources and market conditions.

Project Team: Brique par brique

Location: Montréal

Project Collaborators / Partners:

- Tapestry Community Capital
- Afrique au Féminin
- McGill University
- Caisse d'économie solidaire Desjardins
- Arrondissement de Parc-Extension
- Le Carrefour de liaison et d'aide multiethnique
- Entremise
- Le Comité d'action de Parc-Extension
- La Table de quartier de Parc-Extension

Activity Stream: Research project

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Project teams are conducting work that address one or more NHS Priority Areas and NHS Priority Population Groups. The work is done in Canada. All teams must provide a minimum of 25% of the total project cost.

The Research and Planning Fund program supports not-for-profit organizations, charities and Indigenous governments and organizations for housing related research. It supports research capacity development. It promotes interest and involvements in housing research outside of government. There are four NHS Research and Planning Fund streams:

- planning activity
- research project
- program of research
- knowledge mobilization project

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