Fixer-uppers the first rung on the property ladder

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Brandon Pollari, Lorretta Nolan and two of their three children, Silas, left, and Blake, right, in front of their new home in Sault St. Marie, Ont.

Brandon Pollari has been living in social housing since he was 19. But, next month, with help from a unique program in Sault Ste. Marie, Ont., the 25-year-old is set to move into a three-bedroom detached home that he is purchasing with his partner, Lorretta Nolan, 31. "It's almost too good to be true," Mr. Pollari, who works in maintenance at a mine, said.

The upcoming move has been a welcome surprise for the two northeastern Ontarians, who have three kids and, until last summer, assumed they'd be renting for quite some time.

"I would've never expected to be moving into a house this soon; it really helps move things along," Mr. Pollari said of the Affordable Home Ownership Program that he and Ms. Nolan applied to in August, 2021 after learning about it in a letter from social services.

They'll be the second family to move from social housing to home ownership through the experimental initiative, which the District of Sault Ste. Marie Social Services Administration Board (DSSMSSAB) launched in late 2019. Under the direction of the board, the Sault Ste. Marie Housing Corp., is purchasing run-down houses, renovating them and then selling the homes, at a discount, to people living in social housing.

"We look for families that have made a significant investment in themselves and that are paying market rent [so] that we know they can afford it," said Mike Nadeau, CEO of the DSSMSSAB.

The main barrier for many families like Mr. Pollari and Ms. Nolan's – whose rent is $1,200 a month, plus utilities – is often saving for a down payment (although credit history can also be a challenge), says local councillor Luke Dufour, who began hammering out details for the program toward the end of 2018.

“What would a program look like … that closed that gap between paying high-market rent and home ownership?” he recalled wondering.

By running an Ontario Works program that gives students real-life construction experience to complete the home improvements, the Sault’s housing arm has been able to cut labour costs on the first two projects, saving between $40,000 and $50,000 on each reno.

After materials, training, and hard trades – such as major plumbing and electrical work – the corporation has the margin to sell the properties for at least 20-per-cent below assessed values.

“The home equity acts as the down payment,” Mr. Nadeau noted.

The arrangement, plus the fact that the housing corporation is on title as co-signer for the mortgage for the first five years, has helped the city secure financing from Your Neighbourhood Credit Union (YNCU) for buyers.

“This gives us the ability to provide a mortgage to someone who otherwise probably wouldn’t qualify on their own,” explained Marc Rivard, YNCU’s chief lending officer. “That allows us to do an 80-per-cent loan-to-value mortgage.”

Overall, Mr. Nadeau suggested, the program doesn’t just open the door to ownership. For one, it helps people on social assistance in the city find employment.

“On the training front, one of the difficulties they’re having right now is keeping students because they’re getting jobs faster than we can train them – but that’s a great outcome, and we’ll deal with it,” he explained.

Michael Corbett, 19, can attest to the free program’s benefits. In his two months at the current building site, he learned skills including how to cut and put up drywall, operate levers and build a porch. He also earned a variety of certifications including working at heights and first aid. Late last month, he landed a construction job before he had a chance to complete the program.

“When I joined the program, it started opening me up to new things in my life,” he said. “It gave me confidence.”

The program also frees up existing social-housing units for those in greater need and helps revitalize neighbourhoods that have suffered from absentee landlords over the years.

“It just hits so many layers,” said Mr. Nadeau.

To date, the city has purchased three properties, all around early 2020, using seed money from the Ontario government.

“The province provided $900,000 for Sault Ste. Marie’s Affordable Home Ownership Program in 2020,” according to a statement from the Ministry of Municipal Affairs and Housing. “This supported the creation of a sustainable low-income housing ownership program that would also assist people on social assistance to become employed.”

Starting out, the board only canvassed social-housing residents. It set an earnings minimum of $16.50 an hour, with projected housing costs to be no more than 30 per cent of a household’s annual income. The DSSMSSAB has similar plans for the third property, where work is scheduled to begin as early as November. However, it may need to serve higher income brackets – possibly outside of social housing altogether – afterwards.

Ballooning interest rates and construction costs, together with land values that soared over the pandemic, mean the original arithmetic likely won’t add up on future properties.

“It’s going to depend on market prices,” says Mr. Dufour, a project manager at a construction company by trade. “If you want to do something new and responsive, then you’ve got to be willing to respond when those challenges pop up.”

This September, the composite benchmark price of a single-family home in Sault Ste. Marie was $291,500, up 16.3 per cent compared to a year earlier, according to the Canadian Real Estate Association. Back in January, 2020, about the time Mr. Nadeau’s housing team began closing on the first homes, the benchmark price was $168,900. In theory, proceeds from the sales of the Affordable Home Ownership Program properties cover future purchases – unless prices surge over a short period.

“That is a primary challenge,” Mr. Nadeau acknowledges.

To Edgard Navarrete, Ontario regional economist for Central 1 Credit Union, the exuberant property-value gains in recent years raise questions about the program’s feasibility: “While these programs have nice intentions – they mean well – they just can’t keep up, I think, with the market dynamics.”

The second home isn’t yet complete and therefore hasn’t been appraised by YNCU, but Mr. Pollari expects rent to be “quite a bit less” than what he and Ms. Nolan, courier for an automotive-parts company, are on the hook for today.

That’s certainly been the experience for Dawn and Jason Lebrun, who, together with their 15-year-old son, are the first family to participate in the program. The Lebrun’s mortgage payments on the three-bedroom house they took possession of in August, 2021 are just over $600 a month, whereas they could be shelling out $1,200 or more in market-rate social housing or to a private landlord.

“It’s a huge upgrade compared to before,” says Dawn, 41, of the home she now owns.

As moving day approaches for Mr. Pollari and Ms. Nolan, the couple have lots to look forward to. Ms. Nolan is happy the family money will start going toward their own property rather than rent, and she can't wait to sit around a fire in their new – more private – backyard.

In one word, Mr. Pollari sums up what he's most excited about as a first-time home buyer: "Freedom."