

## **Standardizing City Support for New Assisted Ownership Housing Opportunities**

<b>Date:</b>	March 24, 2010
<b>To:</b>	Affordable Housing Committee
<b>From:</b>	Sue Corke, Deputy City Manager and Cam Weldon, Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	AFS -10905

### **SUMMARY**

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This report proposes standardizing the City's approach to supporting assisted home ownership by establishing a policy governing grants funded from the City's Development Charges Reserve Account (2009) for Subsidized Housing (account number XR 2116).

The recommendations of this report are broadly consistent with an implementation action supporting affordable home ownership initiatives in the City's 10-year Housing Opportunities Toronto plan. City grants for non-profit home ownership developments targeting low-to-moderate income purchasers would reduce upfront development costs and complement down-payment assistance provided to eligible purchasers through the Canada-Ontario Affordable Housing Program, and other related city and federal/provincial incentives.

The recommendations also respond to requests from non-profit ownership proponents, such as Habitat for Humanity, Home Ownership Alternatives and Toronto Community Housing, to reduce the costs associated with development and standardize the City's assistance for new affordable/assisted ownership homes.

## **RECOMMENDATIONS**

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The Deputy City Manager responsible for the Affordable Housing Office recommends:

1. City Council adopt a policy of supporting assisted home ownership with grants funded by the Development Charges Reserve Account (2009) for Subsidized Housing (account number XR 2116), provided the housing is developed by not-for-profit corporations and eligible purchaser households have incomes meeting the definition of ownership affordability in the Provincial Policy Statement (under the Planning Act);
2. All assistance to non-profit development proponents under this policy be provided pursuant to a selection process as set out in this report and be subject to specific Council approval for each project; and
3. The Deputy City Manager responsible for the Affordable Housing Office establish an approach to oversee monitoring and implementation, and report annually to the Affordable Housing Committee on the performance and requirements of not-for-profit corporations receiving grants under the policy.

## **Financial Impact**

City grants for new assisted home ownership initiatives by non-profit proponents will be recommended to Council on a project-by-project basis. The non-profit proponents will translate the City grant into multiple individual loans to eligible purchaser households.

Based on an estimated average grant of \$10,000 per home it is anticipated that some 200 households would be assisted annually with a financial impact of \$2 million in grant funding from the Development Charges Reserve Account for (2009) Subsidized Housing.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

## **DECISION HISTORY**

Council at its meeting of August 5 and 6, 2009, adopted Clause EX33.47, Housing Opportunities Toronto: An Affordable Housing Action Plan 2010-2020, which included follow-up actions in regard to assistance to affordable ownership housing.

<http://www.toronto.ca/legdocs/mmis/2009/cc/decisions/2009-08-05-cc38-dd.htm>

City Council on June 27, 28 and 29, 2006 adopted clause 24 of Policy and Finance Committee Report 5, Toronto's Participation in the Homeownership Component of the Canada-Ontario Affordable Housing Program. To date, participation in this Program has provided loans to over 500 Toronto households, with approximately 100 more loans to be

allocated. Approximately 200 of these loans will be delivered in partnership with Toronto Community Housing at Regent Park.

<http://www.toronto.ca/legdocs/2006/agendas/committees/pof/pof060620/pofdd.pdf>

Council at its meeting of December 11, 12 and 13, 2007 adopted Clause EX15.29, Affordable Home Ownership Opportunity at 403 Keele Street, as amended. 403 Keele Street is a condominium development being constructed by Options for Homes with home ownership assistance for purchasers being provided by the Home Ownership Alternatives Non-Profit Corporation. This Council decision provided both a \$3.05 million loan from the City's Development Charges Reserve Account (2009) for Subsidized Housing, as well as \$1.3 million in Affordable Housing Program – Homeownership Component loan funding to the project.

<http://www.toronto.ca/legdocs/mmis/2007/cc/decisions/2007-12-11-cc15-dd.pdf>

Over the past decade, City Council has provided assistance to various Habitat for Humanity projects. Recent decisions providing assistance include a number from the February 23, 24 and 25, 2009 Council meeting:

- EX29.18, Facilitating Twenty New Habitat for Humanity Homes through City Fees and Charges Relief at 1500 Weston Road, providing a \$338,266.00 grant from the Capital Revolving Fund for Affordable Housing to pay for City fees and charges.
- EX29.19, Sale of a Portion of the Closed Magellan Drive to Habitat for Humanity Toronto Inc. providing a surplus parcel of City-owned land to Habitat for the development of two affordable homes.
- EX29.21, Sale of Land at the Northeast Corner of Birchmount Road and Highview Avenue to Habitat for Humanity Toronto Inc. providing a surplus parcel of City-owned land to Habitat for the development of ten affordable homes.

<http://www.toronto.ca/legdocs/mmis/2009/cc/decisions/2009-02-23-cc31-dd.htm>

## **ISSUE BACKGROUND**

The creation of affordable housing is one of the five key priorities of the City's 10-year Housing Opportunities Toronto plan.

The plan affirms the value of supporting assisted home ownership for a variety of reasons, including:

- Contributing to the social and income mix of City neighbourhoods
- Assisting low-income tenants to break the cycle of poverty
- Providing much-needed vacancies in social and private rental housing for others.

In the recent past, Council has supported, on an *ad hoc* basis, a range of affordable home ownership initiatives, including:

- 650 Lawrence Avenue West – the development by Options for Homes/Home Ownership Alternatives where in 2001 the City deferred \$1.7 million in fees and charges for three years. The amount was divided among the units in the development and applied as second mortgages on which there are no payments until the initial purchaser sells his home. As a condition of planning approval, Home Ownership Alternatives provided 14 homes at no cost to Toronto Community Housing and repaid the deferred \$1.7 million after three years.
- 403 Keele Street – the development by Options for Homes/Home Ownership Alternatives where in 2009 the City provided a \$3.05 million loan from the Development Charges Reserve Account for Subsidized Housing designated for Affordable Housing to offset development charges. Home Ownership Alternatives is to use this funding in conjunction with federal/provincial loans to reduce purchase prices, and will repay the funds after ten years.
- 110 Habitat for Humanity Homes – between 1992 and 2007 the City has exempted 110 affordable homes developed by Habitat for Humanity Toronto from development charges, planning and building permit fees for a total of close to \$1 million in assistance.
- WRP Neighbourhood Housing – the City contributed \$2.4 million to WRP Neighbourhood Housing (Sisters of St. Joseph) to support the creation of 45 affordable homes by providing land at below market cost, an exemption from payment of development charges and a forgivable loan from the Capital Revolving Fund.

In addition, the City administers affordable ownership assistance as one component of the Canada-Ontario Affordable Housing Program. Since 2007, the City has directed the delivery of down payment assistance to enable over 500 families and individuals to purchase homes with federal/provincial loans. This initiative provides loans to households earning no more than \$77,000, while the maximum eligible house value has averaged \$415,000. Down-payment assistance is provided at roughly 10% of the value of the home and is by way of a loan which is forgiven after 20 years.

Low-and-moderate income earners who purchase homes also benefit from the Ontario Land Transfer Tax refund up to \$2,000 and the Toronto Land Transfer Tax rebate (up to \$3,725 on a \$400,000 sale price).

To further support assisted home ownership, Housing Opportunities Toronto includes Action 52 (b), that the City “continue measures to improve the affordability of new homes for low-and-moderate income home buyers by extending City incentives to affordable home ownership initiatives through a revised Housing Incentives Bylaw.”

This report follows through on that action by recommending replacing the current *ad hoc* approach to home ownership incentives with a standard policy of grants to approved non-profit development proponents from the City’s Development Charges Reserve Account

(2009) for Subsidized Housing. Following construction of a non-profit development, forgivable loans would be made to eligible purchasers and registered as second mortgages on title of the individual purchasers' homes. If the initial purchasers remain in the home for twenty years the loan would be forgiven. If the purchasers sell the home prior to the twenty year horizon, or choose to repay the loan, the loan funding would return to the City.

The Affordable Housing Office, in consultation with other city divisions, identified a preference for this approach as an alternative to amending the City's Municipal Housing Facilities By-law.

The proposed approach is also more consistent with and complementary to the federal/provincial Affordable Housing Program, more easily administered, does not affect the operating budgets of other City divisions and the funds are available within the Development Charges Reserve Account.

The funds to support this policy are available in the City's Development Charges Reserve Account (2009) for Subsidized Housing and are collected by the City to support initiatives to provide new affordable housing to low and moderate income Toronto households.

Assistance to home owners and non-profit proponents can be provided as a matter of general municipal powers under the City of Toronto Act. Support for assisted ownership can and should be different from that for affordable rental housing. The latter requires additional assistance to achieve affordability, including exemptions from development charges, planning and building permit fees, and property taxes. For ownership, the assistance should be repayable, administration should be simple and there should be no impact on operating revenues of other City divisions.

## **COMMENTS**

Over the past decade the City has successfully worked with a variety of non-profit proponents to support affordable home ownership for low-and-moderate income families and individuals, including:

- Habitat for Humanity Toronto
- Home Ownership Alternatives and Options for Homes
- WRP Neighbourhood Housing
- Artscape
- Toronto Community Housing Corporation
- Miziwe Biik Aboriginal Development Corporation.

Under the City of Toronto Act, 2006, the City has discretion to provide assistance to home owners and non-profit groups where this is deemed to be in the general municipal interest. It is proposed that City assistance be directed to initiatives defined as "assisted

home ownership” where household incomes and house prices are consistent with ceilings in federal/provincial programs for affordable housing.

The City also defines affordable ownership prices in the Official Plan adopted by City Council in 2002. In this case, prices are linked to the level of affordable rents within Toronto rather than reflecting price and income ceilings under federal/provincial housing programs. For this reason, the report recommends approving a category of “assisted ownership” with a separate price ceiling distinct from the Official Plan definition. For example, in 2009, affordable ownership prices based on the Official Plan calculation ranged from \$120,000 to \$222,000, depending on unit types. In comparison, since 2008, the federal/provincial Affordable Housing Program has had an average price ceiling of \$415,000 regardless of unit type.

Through the City’s Development Charges By-law, 6.92% of residential revenues are allocated to support new growth-related affordable/subsidized housing. This report is recommending that non-profit home ownership proponents be eligible for an average grant of \$10,000 per home to assist in reducing up-front development costs. The \$10,000 average estimate is based on the development charges, building permit and planning fees typically associated with an affordable housing unit. Based on this estimate of assisting in the creation of some 200 homes annually, the financial impact is estimated to be \$2 million per year. Projected revenue from development charges allocated for affordable/subsidized housing is anticipated to be sufficient to generate funds for the expected requirements for the grants. Regardless, city officials will closely monitor reserve funds and manage the funds to meet ongoing grant requests.

Grants to non-profit development proponents at an average of \$10,000 per home will reduce development costs, and will translate into reduced purchase prices and improved affordability for eligible families and individuals. This approach will enable non-profit proponents to serve lower income households.

When a grant is provided under this policy the City would enter into contribution agreements with non-profit proponents and upon receipt of the grant funding, proponents would be required to register the grant on title of the development property, thereby securing the City’s investment.

Making the resulting home ownership assistance to purchasers repayable by recipient households within 20 years is appropriate to protect the City’s expenditure against windfall capital gains by the purchaser on resale. In the event of resale or voluntary repayment within 20 years the individual loan funds would be repayable to the City.

Making the funding forgivable after 20 years of occupancy is appropriate as the funding will have significantly devalued. This also coincides with the guidelines of the current federal/provincial Affordable Housing Program.

In the development of this report City officials have reviewed the issue of whether measures are required to ensure grant-assisted homes remain permanently affordable and

to prevent speculation. There are a number of legal issues that restrict the ability to guarantee the ongoing affordability of the home beyond the first purchase. Given that non-profit proponents carefully screen potential purchasers and that the City funds must be secured in the form of second mortgages on title, the public investment is protected and speculation is guarded against.

## **Process for Qualification**

It is proposed that proponents qualify for grant assistance through one of the following processes:

### **a) Qualification of Non-Profit Housing Proponents**

Non-profit proponents would be required to pre-qualify under a Request for Prequalification process prior to submitting a project for consideration. Alternatively the City may issue a Request for Proposals.

The city pre-qualification process would be used to determine eligibility of such organizations for funding in a given time period. The pre-qualified organizations would then be required to apply for project-specific assistance, subject to Council approval.

### **b) City Organizations with an Affordable Housing Interest**

City organizations with real estate assets which are involved in affordable housing initiatives on a non-profit basis would be considered pre-qualified for assistance, subject to Council approval of specific initiatives.

## **Implementation and Next Steps**

Upon adoption of this report, it is proposed that the Deputy City Manager responsible for the Affordable Housing Office establish an approach to oversee monitoring and implementation of the policy, and report annually to the Affordable Housing Committee.

## **SUMMARY**

This report recommends a standardized policy of grants to support non-profit proponents reducing the up-front cost of constructing new assisted-ownership homes for the benefit of low-and-moderate income families and individuals. The policy would replace the existing ad hoc approach to supporting new affordable home ownership initiatives. Grant assistance would be approved on a project by project basis and require a separate Council decision for each development.

The Deputy City Manager responsible for the Affordable Housing Office has developed this report and its recommendations in consultation with Corporate Finance, City Legal, City Planning and Toronto Building.

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## SIGNATURE

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