

Creating Homeownership Opportunities for Social Housing Residents

Date:	May 18, 2010
To:	Affordable Housing Committee
From:	Sue Corke, Deputy City Manager
Wards:	All
Reference Number:	AFS - 12047

SUMMARY

In the last few years the City of Toronto has become more involved in supporting non-profit developers with their affordable home ownership initiatives, thus helping a small number of low-and-moderate income Torontonians buy affordable homes. A modest number of these homes have been successfully marketed to purchasers who were social housing tenants or on the Housing Connections social housing waiting list.

This report provides recommendations to expand and consistently apply these marketing efforts to these households.

Enhancing affordable ownership opportunities is consistent with Housing Opportunities Toronto: An Affordable Housing Action Plan 2010-2020, as adopted by Council in August 2009. This plan prioritizes improving affordability for low-and-moderate income home buyers through City-sponsored initiatives.

Based on this report, the Affordable Housing Office will work with local non-profit developers, Toronto Community Housing, Shelter, Support and Housing Administration and Housing Connections to make social housing tenants and those on the waiting list more aware of affordable ownership possibilities.

This marketing approach will be linked to new affordable ownership developments that receive funding from the City through the Affordable Housing Program – Homeownership Component or the City’s new assisted ownership policy and Home Ownership Assistance Fund.

RECOMMENDATIONS

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

1. Council authorize the Director, Affordable Housing Office, in consultation with Toronto Community Housing, Shelter, Support and Housing Administration, Toronto Housing Connections and affordable ownership development groups, to launch an enhanced marketing of ownership options aimed at social housing tenants and those on the waiting list;
2. Council request the Chair, Affordable Housing Committee, write to the federal and provincial governments to recommend they continue to make affordable ownership an eligible component of the Affordable Housing Program with sustained annual funding; and
3. The Director Affordable Housing Office report back to Budget Committee with the details of the grants to be awarded through the City's new assisted ownership policy, once the details of the proposals have been identified.

Financial Impact

The Affordable Housing Program – Homeownership Component and the Development Charges Reserve Account (2009) for Subsidized Housing (XR 2116) will be the two primary funding sources for purchaser loans made available through the assisted ownership marketing approach proposed in this report. The former is funded by the federal and provincial governments and provides home ownership assistance loans to eligible purchasers. The City's allocation for 2010 is \$4,658,000.

Funding for the City's new home ownership assistance policy and Home Ownership Assistance Fund from the reserve account will be provided by on-going Development Charges from the development charge by-law. Two million dollars annually will be allocated by Council to assist some 200 people to buy new homes built by City-approved non-profit developers. The uncommitted balance currently available from the reserve account is \$3,403,666.

The first recommended proponents and projects under the home ownership assistance policy are to be brought forward to the August, 2010 Executive Committee meeting after a formal procurement process, with the financial implications of the proposal(s) to be identified at that time.

This assisted home ownership marketing initiative requires the Affordable Housing Office and its partners to develop and maintain a comprehensive marketing approach for social-housing and waiting-list households. The funding requirements to develop and maintain the arrangements to market these units are minimal, and will be accommodated in the current year's operating budgets, with no additional pressure anticipated in future years.

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

Equity Statement

The initiatives recommended by this report would provide better and more equitable access to home ownership opportunities for a disadvantaged and lower-income segment of Toronto's population. Improving ownership opportunities for social housing tenants and social housing waiting list households, who are often seniors on fixed-incomes, single parent families, people with disabilities, recent immigrants and racial minorities, would improve their economic and social well-being, as well as that of the City as a whole. The City will monitor the impact of this initiative by tracking the number of social housing and waiting list households housed through this initiative.

DECISION HISTORY

At its meeting on October 20, 2009, the Affordable Housing Committee recommended item AH11.4, originating from a letter from Councillor Adrian Heaps, Ward 35 Scarborough Southwest. The item instructed the Director of the Affordable Housing Office, in consultation with the General Manager of the Shelter, Support and Housing Administration Division, to report back to the Committee in early 2010 on providing affordable ownership opportunities to social housing residents and those on the social housing waiting list.
<http://www.toronto.ca/legdocs/mmis/2009/ah/decisions/2009-10-20-ah11-dd.htm>

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>

Council at its most recent meeting of May 11 and 12, 2010, adopted Clause EX43.26, Standardizing City Support for New Assisted Ownership Housing Opportunities, which lays the foundations for a new assisted-ownership policy and funding program.
<http://www.toronto.ca/legdocs/mmis/2010/ex/reports/2010-04-19-ex43-cr.htm>

Council at its meeting of February 23, 24, and 25, 2009 adopted Clause EX29.17, Completing Affordable Homes with Investments from the Canada-Ontario-Toronto Affordable Housing Program, which authorized the Director of the Affordable Housing Office to work with Toronto Community Housing to reallocate previously approved Federal Housing Trust Funds – Delivering Opportunities for Ontario Renters Initiative (DOOR) funds to other TCHC initiatives. A portion of this funding was used for Toronto Community Housing's "Foundation" home-ownership program for Regent Park tenants.
<http://www.toronto.ca/legdocs/mmis/2009/cc/decisions/2009-02-23-cc31-dd.htm>

ISSUE BACKGROUND

Providing opportunities for affordable home ownership to residents of social housing and those on the subsidized housing waiting list benefits both the households and the broader community. Affordable ownership housing can provide a significant economic uplift through equity accumulation in the home as housing values rise, and has been shown to break familial cycles of poverty and enhance community engagement. Freeing up affordable rental housing units in Toronto's social housing stock by facilitating access to affordable home ownership also allows the vacated rental homes to be filled by other households, potentially from the waiting list if rental subsidies are available.

In the last few years the City of Toronto, in partnership with local non-profit groups, has supported various initiatives that have assisted an average of 150 low-and-moderate income Torontonians buy homes annually. The affordable ownership developers of these projects have typically made considerable financial contributions of their own to reduce costs for purchasers

In the next few years the City's support for affordable ownership development is expected to focus on two initiatives: the new City-funded assisted ownership policy and Home Ownership Assistance Fund recently approved by Council at its meeting of May 11 and 12, 2010; and continued participation in the Affordable Housing Program – Homeownership Component.

These initiatives will continue to facilitate affordable ownership opportunities for a modest number of social housing and Housing Connections households. For more information on the City's support of current affordable ownership initiatives see Appendix A.

COMMENTS

The October 2009 Affordable Housing Committee Decision that is the impetus of this report requested recommendations for expanding affordable ownership opportunities for social housing tenants and waiting list households, as well as information on a number of related subject areas. The recommendations are addressed below while the information requests are satisfied in the Appendix.

Options to Expand Affordable Ownership Opportunities for Social Housing and Housing Connections Households

The City's new policy and related Home Ownership Assistance Fund, and the ongoing delivery of AHP Homeownership loans, will provide an opportunity to put into practise a formalized affordable ownership marketing approach for social housing tenants and those on the waiting list.

Building on the limited but successful precedents for marketing affordable ownership homes to the waiting list and to TCHC and other social housing tenants, staff at the Affordable Housing Office, Toronto Community Housing, the Shelter, Support and Housing Administration Division, and Housing Connections will work together to

formalize these practises, expand them to facilitate ownership for tenants in all forms of social housing, and establish them as routine marketing practises linked to any affordable home ownership initiatives which receive City support.

The approach will include:

- targeted mailings to inform tenants and those on the waiting list of potential opportunities in City-supported affordable ownership developments and any related information sessions they could attend;
- similar mailings to social housing providers in the vicinity of City-supported affordable ownership developments so that they can generate interest among their tenants, and;
- regular features in the Shelter, Support and Housing Administration Division's newsletters and website, and through the City's Housing Portal web site (Toronto.ca/housing_portal) to housing providers about new developments in order to generate interest among tenants.

It should be noted that the ownership opportunities discussed in this report will not likely be an option available to the majority of social housing and waiting list households. In social housing there is typically a mix of tenants that pay rents that are roughly set at market rent levels, and those that pay rents that are fixed at 30% of their incomes. These are often referred to as market rent tenants and rent-geared-to-income or RGI tenants respectively.

By and large it is the market rent tenants in social housing that would have the higher incomes and would be the most likely to be able to afford and successfully maintain homeownership with some amount of assistance from the City and its non-profit partners. Of the over 87,000 social housing homes administered by the City of Toronto today, there are roughly 21,000 market rent tenant households. There are no income criteria for residents of market rent units in social housing, and vacancies in these units are not filled through the social housing waiting list. If market rent households in social housing move out due to participation in an affordable home ownership program, that unit would only be filled with a household from the waiting list if the provider had an additional subsidy available to apply to that unit. Most social housing residents who would be able to take advantage of the programs described in this report would likely be market rent households, which would free up that market rent unit for someone else.

For the majority of social housing residents who receive an RGI subsidy, their incomes are not high enough to qualify for affordable home ownership programs, even with mortgage assistance. Similarly, the Housing Connections waiting list has a broad range of incomes, with only a small upper income group (by household size) that could potentially afford to own a home with additional financial assistance.

In addition, the City should continue to advocate to the federal and provincial governments through the Affordable Housing Committee for sustained and adequate funding for the affordable home ownership program. The federal and provincial governments should also

be requested to provide greater flexibility to the City in delivering this program so that the City can better provide affordable home ownership opportunities to social housing tenants and waiting list households.

In preparing this report, the Affordable Housing Office consulted with Shelter, Support and Housing Administration, Housing Connections, Toronto Community Housing and the various affordable ownership housing providers that the City supports.

CONTACT

Sean Gadon, Director
Affordable Housing Office
Phone: 416-338-1143
Fax: 416-392-4219
E-mail: sgadon@toronto.ca

SIGNATURE

Sue Corke, Deputy City Manager

ATTACHMENTS

Appendix A: Background Information on Affordable Ownership Housing and Marketing Homes to Social Housing Tenants and Housing Connections Households

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Recent City Support for Affordable Ownership Initiatives

Recent City affordable ownership activities include:

- Providing over 500 homeownership assistance loans through the federal-provincial Affordable Housing Program – Homeownership Component (AHP-HC or AHP Homeownership). These loans were delivered in partnership with five local agencies, including Toronto Community Housing (TCHC), targeting households with a variety of incomes. By the end of 2010 it is anticipated that more than 100 more loans will be made. In total, approximately 200 will be delivered at Regent Park (details below).
- Creating a new program to provide funding to non-profit developers of new affordable ownership housing and to help reduce purchase prices for eligible buyers was adopted by Council at its meeting on May 11 and 12, 2010 (details below).
- Allocating surplus federal/provincial housing funds to TCHC to set up the Foundation Program, an affordable ownership program for eligible Regent Park tenants to buy homes in the revitalized community's new buildings;
- Supporting Habitat for Humanity with multiple parcels of surplus City lands, and;
- Providing groups like Home Ownership Alternatives and Habitat for Humanity (who also participate in the delivery of AHP Homeownership loans) with grants to off-set City planning fees and development charges.

The City's Assisted Ownership Policy and Home Ownership Assistance Fund

Through the assisted ownership policy and funding program, the City will formalize its previously ad-hoc support of affordable ownership development. This program has been allocated \$2 million per year by Council to assist roughly 200 eligible home purchasers buy new homes built by City-approved non-profit developers. Loan amounts may vary annually but a 200-loan benchmark translates into loans of \$10,000 each. The first recommended proponents and projects will be brought forward to the August 2010 Executive Committee meetings after a formal procurement process.

Affordable Housing Program – Homeownership Component

In February 2010, new funding for the City of Toronto was confirmed by the Ministry of Municipal Affairs and Housing under the Affordable Housing Program – Homeownership Component. The program targets moderate income working people who can support a regular mortgage, but who might not be able to secure mortgage financing without the government assistance loan. The basic rules of the AHP Homeownership purchaser loan program are:

- A maximum household income for loan recipients (currently \$78,200);
- A maximum home purchase price (currently \$452,246);
- Loans provided to purchasers must average no more than 10% of the value of homes purchased;

- Loan recipients cannot own another home and must remain living in the home purchased with the loan;
- The loan and a share of the home’s appreciation is paid back to the program on resale, but if the purchaser stays in the home for 20 years the loan is forgiven, and;
- Funds returned to the program are redeployed as new loans.

It is anticipated that this program will be continued by the Provincial Government and that the City will continue to work with its non-profit partners to deliver this funding.

To increase the effectiveness of each of these initiatives, it is intended that, when possible, funding under the City’s new policy and from the AHP-HC be delivered together. When combined with assistance from the City’s non-profit partners, this will substantially reduce purchase prices and thereby improve ownership opportunities to lower income households.

The City’s Current Partnerships with Affordable Ownership Providers

There are five affordable ownership groups that the City has supported in some way in recent years. A profile of their activities in partnership with the City is provided by the following chart. The common denominator involved is the delivery of AHP Homeownership program loans (or in the case of the TCHC Foundation Program, loans funded by another form of federal-provincial funding). Each has approached the provision of affordable ownership housing somewhat differently but in all cases the government or non-profit assistance provided to purchasers is secured by a second mortgage on the home to protect against speculation and “windfall” capital gains, should the home be re-sold by the purchaser. These second mortgages typically function to reduce the price of the unit from full market value. In the chart below the value of these second mortgages is considered the assistance provided to purchasers.

	Toronto Community Housing		Habitat for Humanity	WRP Neighbourhood Housing	Home Ownership Alternatives/ Options for Homes	Miziwe Biik Aboriginal Development Corporation
	Foundation Program	Boost Program				
Households served	Low to moderate income singles and families from Regent Park	Low to moderate income singles and families	Lower income families	Lower income families	Low to moderate income singles and families	Low to moderate income Aboriginal singles and families

	Toronto Community Housing		Habitat for Humanity	WRP Neighbourhood Housing	Home Ownership Alternatives/Options for Homes	Miziwe Biik Aboriginal Development Corporation
	Foundation Program	Boost Program				
Relationship to City	City allocation of surplus federal/provincial funding (9 loans)	AHP-HC loan delivery (200 loans with the Daniels Corporation)	AHP-HC loan delivery (68 loans) supported by surplus City lands and grants to pay for fees and charges	AHP-HC loan delivery (38 loans) supported by surplus City land and waiver of fees and charges	AHP-HC loan delivery (300 loans) supported by grant to pay for fees and charges	AHP-HC loan delivery (12 loans)
Provided ownership housing to social housing tenants	Yes. Exclusively for Regent Park tenants	No	Yes	Yes	Yes	No
Marketed through Housing Connections	No. For Regent Park tenants only	No	Yes	Yes	Yes	No
Additional assistance provided by group	No	No	Yes	Yes	Yes	No
Total size of assistance (City and other assistance)	Large (approx. \$120,000 average)	Small (<\$25,000 average)	Large (>\$120,000 average)	Large (>\$120,000 average)	Moderate (approx. \$40,000 average)	Small (<\$20,000 average)

Successful Precedents

Of the groups and initiatives in the above chart, TCHC's Foundation Program, Habitat for Humanity, WRP Neighbourhood Housing, and Homeownership Alternatives/Options for Homes have had success providing home ownership housing to social housing tenants and households on the waiting list.

Toronto Community Housing's Foundation Program

The Foundation Program is part of TCHC's revitalization of Regent Park, and is available exclusively to Regent Park tenants. Funded by a one-time grant of federal/provincial funding provided by the City, the Foundation Program is similar to the AHP Homeownership program described above, except that it provides much larger loans to bridge the gap between what tenants can afford, and the price of a home. To date, Foundation has provided nine Regent Park households with ownership homes in Regent Park's new buildings. All program participants were market rent tenants.

Marketing of homes in the second phase of the revitalization has begun, with many tenants seeking the program's support. The remaining funding will not likely satisfy demand and there is no indication that additional funding is forthcoming from the Federal or Provincial governments.

WRP Neighbourhood Housing

Thirty-eight affordable ownership homes were completed by WRP Neighbourhood Housing this year on a parcel of surplus City land in Scarborough. In addition to small amounts of AHP funding, the lower-income families that purchased these homes benefited from a large financial contribution by the WRP group as well as the City's reduction of land costs and waivers of fees and charges. Combined these contributions reduced the initial price of the homes for purchasers to roughly half their market value. All purchasers were either TCHC tenants (26 of 38, 68%) or were on the waiting list (11 of 38, 32%). Marketing was done by one of the project's partners, Habitat for Humanity, which has extensive experience working with Housing Connections to market to households on the list. In this case, Habitat also worked with TCHC to market the homes to tenants.

Habitat for Humanity

Established in 1988, Habitat for Humanity, Toronto is a registered charity with a mandate to provide affordable ownership opportunities to low income families. With Habitat's low-cost volunteer construction practices, no-interest first mortgages and large no-payment/interest second mortgages, and charitable fundraising capacity, Habitat purchasers are provided with a very low cost home on very manageable terms. As with WRP, the combination of AHP Homeownership funding, City inputs in the form of reduced-price land and fees and charges relief, and Habitat's contribution, reduces the price of Habitat homes to roughly half the market value price.

Habitat has been working with Housing Connections for a number of years doing direct mailings and frequent information sessions. However, Habitat has only recently begun tracking whether purchasers are social housing tenants or are on the waiting list. Of their 26 families moving into homes in 2009, 10, or 38% came from non-profit housing with the majority of these being TCHC tenants (8). Of the families approved so far in 2010, 8 of 17 come from TCHC housing (47%).

Homeownership Alternatives/Options for Homes

The City's most recent engagement with the groups Homeownership Alternatives and Options for Homes is with the 645-unit condominium development at 403 Keele Street in the West Toronto junction area. Options for Homes acts as the development consultant, and Homeownership Alternatives provides start-up capital and administers the funding and benefits secured by purchasers' second mortgages.

Similar to Habitat for Humanity, these groups operate on a model where construction costs are kept at a minimum and homes are sold to purchasers at cost. The difference between the cost price and the market value is captured by a second mortgage through which market appreciation is shared. For 403 Keele Street, the City made available AHP Homeownership funding and provided a City loan to off-set development charges. The sum of the City loan was converted into additional loan assistance for eligible purchasers.

A condition of the City's supports to the project was that it be marketed to Housing Connections households. A number of well-attended information sessions followed direct mailings facilitated by Housing Connections, and resulted in a modest number of purchasers (16) coming off the waiting list, with many more remaining on information distribution lists for future projects.

Other Information

There is little data available on why social housing tenants move. TCHC does attempt to capture this information, but most moving tenants do not disclose why they are leaving. Of those that do, the highest number of respondents reply that they are moving to a home for the aged.