



**STAFF REPORT
ACTION REQUIRED**

**Home Ownership Assistance Program Recommendations
for 395 New Homes from Request for Expressions of
Interest No. 9155-10-7150**

Date:	July 26, 2010
To:	Executive Committee
From:	Sue Corke, Deputy City Manager Lou Pagano, Director, Purchasing and Materials Management
Wards:	15, 29, 35, 36, 44
Reference Number:	AFS-12570

SUMMARY

This report recommends funding for five new housing developments through the City’s new Home Ownership Assistance Program (HOAP). The City’s funding will assist in making a total of 395 homes more affordable for eligible Toronto purchasers.

Funding and program eligibility for the Home Ownership Assistance Program was approved by Council at its recent meeting in May 2010, at which time Council requested the Deputy City Manager and the Director of Purchasing and Materials Management report directly to the August 16, 2010 Executive Committee with a list of recommended homes.

City officials have now completed a Request for Expressions of Interest (REOI) with HOAP funding (REOI No. 9155-10-7150). The five developments recommended for Council’s consideration represent 395 homes and are put forward by two established non-profit affordable ownership housing groups: Habitat for Humanity Toronto and Home Ownership Alternatives.

In the last several years the City of Toronto has become more involved in supporting non-profit developers with affordable home ownership initiatives. Enhancing affordable ownership opportunities is consistent with Housing Opportunities Toronto: An Affordable Housing Action Plan 2010-2020, as adopted by Council in August 2009. The program funding under this REOI call is an example of Council’s commitment to assisting our non-profit partners in providing affordable ownership opportunities to low- and moderate-income Toronto households.

RECOMMENDATIONS

The Deputy City Manager and the Director of Purchasing and Materials Management recommend:

1. Council approve \$3,950,000 in financial assistance under the City's Home Ownership Assistance Program, in the form of grants by way of forgivable loans from the Development Charges Reserve Fund (2009) for Subsidized Housing (XR2116) for the following not for profit affordable home ownership housing projects selected through Request for Expressions of Interest No. 9155-10-7150 up to the following amounts:

(a)	Habitat for Humanity Toronto Inc.	4572 Kingston Road	\$290,000
(b)	Habitat for Humanity Toronto Inc.	21 Macey Avenue and 32 & 36 St. Dunstan Drive	\$100,000
(c)	Habitat for Humanity Toronto Inc.	357 Birchmount Road	\$80,000
(d)	Home Ownership Alternatives Non-Profit Corporation (Greater Toronto Area)	280 Donlands Avenue at Cosburn Avenue	\$920,000
(e)	Home Ownership Alternatives Non-Profit Corporation (Greater Toronto Area)	3180 Bathurst Street at Sarnac Boulevard	\$2,560,000
2. Council grant authority for the City to enter into a delivery agreement with each of the above-mentioned not for profit corporations or such other associated parties as the City deems appropriate, for the delivery and administration of the home ownership assistance being provided from the City's Development Charges Reserve Fund (2009) for Subsidized Housing (XR2116), on terms and conditions determined by the Director Affordable Housing and in a form approved by the City Solicitor;
3. Council grant authority for the Director Affordable Housing to execute the delivery agreement and any other agreements or documents required to give effect to the foregoing and to administer the ongoing grants by way of forgivable loans;
4. Council grant authority for the Director Affordable Housing to determine when the above projects have reached an adequate and appropriate stage in terms of City Planning approvals and construction readiness to allow the funding to be securely advanced;
5. Council grant authority to the City Solicitor to execute any documents required to register security for the loans and to postpone, confirm the status of and discharge the loans;
6. Council increase the 2010 Approved Operating Budget for Shelter, Support and Housing Administration (SSHA) by \$3,950,000 gross \$0 net to provide additional funding for the five affordable housing projects recommended in this report; and
7. City Council direct that this report be forwarded to the Minister of Municipal Affairs and Housing, and the Minister be encouraged to provide additional funding for these housing

developments through the Federal-Provincial Affordable Housing Program – Homeownership Component.

Financial Impact

This report recommends that City Council approve five affordable housing developments selected through Request for Expressions of Interest No. 9155-10-7150 for a total of \$3,950,000.00 in funding through the Home Ownership Assistance Program. HOAP funding under this REOI call will provide purchaser assistance for a total of 395 homes at an average rate of \$10,000 per home. Details of these five developments are shown in the chart below.

Respondent	Location	Affordable Units	HOAP Funding (\$10,000/unit)
Habitat for Humanity Toronto	4572 Kingston Road	29	\$290,000
	357 Birchmount Road	10	\$100,000
	21 Macey Avenue and 32 & 36 St. Dunstan Drive	8	\$ 80,000
Home Ownership Alternatives: The East Yorker	280 Donlands Avenue at Cosburn Avenue	92	\$920,000
Home Ownership Alternatives: Dell Park	3180 Bathurst Street at Sarnac Boulevard	256	\$2,560,000
Totals:		395	\$3,950,000

Funding for HOAP comes from the Development Charges Reserve Fund (2009) for Subsidized Housing (XR 2116) and is provided by the collection of Development Charges under the development charge by-law. The uncommitted balance in this reserve is \$4,693,548.

The 2010 Approved Operating Budget for Shelter, Support and Housing Administration will be increased by \$3,950,000 gross \$0 net to provide the funding for the five affordable housing projects recommended in this report.

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

Equity Statement

The home ownership assistance recommended by this report is designed to provide better and more equitable access to home ownership opportunities for Toronto’s lower- and moderate-income families and individuals. Each of the developments recommended for funding provide unique opportunities to assist disadvantaged groups, including single parent families, households with a family member who has a disability, and larger families.

The City is also committed to improving access to affordable ownership opportunities for social housing tenants and social housing waiting list households, some of whom are from priority groups, such as seniors on fixed-incomes, recent immigrants, Aboriginal people, and racial

minorities. Access to affordable ownership housing would improve the economic and social well-being of diverse and lower- and moderate-income households, as well as that of the City as a whole.

The City will monitor the impact of its affordable ownership initiatives by tracking the number and incomes of households assisted - including social housing and waiting list households.

DECISION HISTORY

Council at its recent meeting of May 11 and 12, 2010, adopted Clause EX43.26, Standardizing City Support for New Assisted Ownership Housing Opportunities, which laid the foundations for a new assisted-ownership policy and funding program and instructed staff to hold a proposal call for funding and report back on the results to the August 16th Executive Committee meeting.
<http://www.toronto.ca/legdocs/mmis/2010/ex/reports/2010-04-19-ex43-cr.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. The Plan committed the City to expanding its support for affordable ownership housing development and set a target of assisting in the creation of 2,000 affordable ownership homes over the Plan's ten year term.
<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 are being delivered in partnership with Toronto Community Housing at Regent Park.
<http://www.toronto.ca/legdocs/2006/agendas/committees/pof/pof060620/pofdd.pdf>

City Council on July 6, 7 and 8, 2010 adopted EX45.47, Creating Homeownership Opportunities for Social Housing Residents, which authorized 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.
<http://www.toronto.ca/legdocs/mmis/2010/cc/decisions/2010-07-06-cc51-dd.htm>

ISSUE BACKGROUND

The City regularized its previous ad-hoc support for affordable home ownership development through a new policy and program approved by Council at its recent meeting in May 2010. At that meeting Council allocated \$2 million annually to off-set City development fees and charges for non-profit affordable ownership developers. In exchange, during marketing and sales, the City's funds are converted by the non-profits into purchaser assistance loans for buyers eligible under the program's rules.

The maximum household income for families and individuals receiving Home Ownership Assistance Program loans is the sixtieth (60th) percentile of income for the City of Toronto or the Province of Ontario, whichever is lower. The current maximum household income to qualify is \$78,200. The maximum price for a home to which a program loan can be applied is currently \$465,830. This amount is the average resale price of homes in the Toronto market. These amounts will be updated regularly.

Funding for Home Ownership Assistance Program is provided from the Development Charge Reserve Fund (2009) for Subsidized Housing (XR2116). City officials have now completed a Request for Expressions of Interest (REOI) using HOAP funding (REOI No. 9155-10-7150). Four million dollars was made available, representing affordable ownership funding for 2009 and 2010.

The five developments recommended for Council's consideration represent 395 units and \$3.95 million in funding, and are to be developed by two established non-profit affordable ownership housing groups: Habitat for Humanity Toronto and Home Ownership Alternatives. Both these respondents have strong development, management, administrative, marketing, and financial capabilities, including a strong track record in delivering affordable ownership housing. The five developments being recommended to Council are in five different wards. Appendix 1 provides a summary of the recommended funding.

Proponent Development Proposals

Habitat for Humanity Toronto (Habitat) is a registered charity that has been active in the City since 1988 and will start its 225th home this year. Using a unique system of volunteer labour and donated goods and services, Habitat is able to build homes at prices far below what the market can offer. Habitat focuses on family housing and has recently begun building homes for families that have a member with a physical disability.

The three Habitat developments recommended by this report are in the planning approval process and range in size from 8 units to 29 homes. Between the different developments the homes are low rise in form and between two to four bedrooms. Two of the developments utilize surplus parcels of City of Toronto real estate, provided under the Housing First Policy (as approved by Council in February 2009 as item EX29.21 and July 2010 as item EX45.45).

Home Ownership Alternatives (HOA) began in 1998 and to date has supported 11 affordable ownership developments in the Greater Toronto and Kitchener-Waterloo areas with over 2,350 homes either occupied or under development. HOA provides up-front financial support to new affordable home ownership housing developments and then provides second mortgages to the buyers of the new homes, reducing the amount of down payment and income they need to become homeowners.

The two Home Ownership Alternative developments recommended in this report are condominium apartment buildings presently in the planning approvals process

The first is “the East Yorker” at the south-west corner of Donlands/Cosburn Avenues, which is being developed in partnership with Neighbourhood Concepts Non-Profit Corporation. The local non-profit housing and community services agency Woodgreen Settlement Corporation will have program space in the new building.

The second Home Ownership Alternatives development is the condominium “Dell Park”, which is proposed to share the site of the historic Asbury and West United Church on the south-west corner of Bathurst Street/Sarnac Boulevard. Dell Park is being developed in partnership with Options for Homes, an experienced affordable home ownership developer that has built and sold over 2,100 homes in the GTA since 1997.

Home Ownership Assistance Program funding as outlined in this initiative is recommended to be allocated at a rate of \$10,000 per affordable home. The funding will be provided to eligible purchasers as a \$10,000 (average) home buyer assistance loan. This report recommends \$470,000 in funding for Habitat for Humanity’s 47 homes, and \$3,480,000 in funding for Home Ownership Alternatives’ 348 homes. Total funding assistance for the five developments of the 395 homes is \$3,950,000. The funding for these developments is contingent upon planning approvals being secured by the proponents.

COMMENTS

The Request for Expressions of Interest Process

REOI Number 9155-10-7150 was issued by Purchasing and Materials Management Division (PMMD) on June 22, 2010 and was available for download in PDF on the City’s Internet website. This resulted in a total of three submissions being received on July 13, 2010 from the following organizations:

1. Habitat for Humanity Toronto Inc.
2. Home Ownership Alternatives Non-profit Corp.
3. Toronto Community Housing

Four million dollars was made available through the REOI, representing two years of affordable ownership funding for 2009 and 2010.

The REOI detailed the information requested from respondents and provided the selection criteria to be used for evaluation. A selection committee comprised of Affordable Housing Office staff evaluated the responses based on the pre-set criteria.

A response evaluation score threshold of 70% had to be met in each of the REOI’s three main sections before a response would be recommended for funding to City Council. The responses provided by Habitat for Humanity Toronto Inc. and Home Ownership Alternatives Non-profit Corporation all scored above 80%. Proponent's scores and staff analysis of the evaluation results can be provided to Councillors in an in-camera presentation, if requested by members of Council.

The City's Home Ownership Assistance Program

The City's Home Ownership Assistance Program is designed to compliment established non-profit affordable ownership development and purchaser assistance activities in Toronto to create affordable ownership housing at affordable prices. The program funding assists local non-profit affordable ownership proponents pay for the up-front development costs of their housing projects while the funding flows through to buyers in the form of forgivable down-payment assistance loans.

Toronto's Home Ownership Assistance Program involves three major areas of activity: the development of new housing; the marketing and delivery of loans to buyers during the marketing and sales of new homes; and the on-going administration of those loans. Appendix 2 provides a more detailed outline of the program.

Conclusion

The City's new Home Ownership Assistance Program provides a significant opportunity to increase affordable housing options in Toronto and assist the City in achieving its goal of creating 2,000 new affordable ownership homes over the course of the Housing Opportunities Toronto: Affordable Housing Action Plan, 2010-2020.

In May 2010 City Council approved an annual allocation of \$2 million from the Development Charges Reserved Fund (2009) for Subsidized Housing. Staff will update Council in 2011 on the progress of the proposals being recommended in this report, any recommended changes to the program, and make additional recommendations for allocations in 2011.

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ATTACHMENTS

Appendix 1: Summary of Recommended Projects

Appendix 2: Summary of the City of Toronto Home Ownership Assistance Program

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Respondent	Location	Ward	Affordable Units	HOAP Funding (\$10,000/unit)
Habitat for Humanity Toronto	4572 Kingston Road	Ward 44 Scarborough East	29	\$290,000
	357 Birchmount Road	Ward 36 Scarborough Southwest	10	\$100,000
	21 Macey Avenue and 32 & 36 St. Dunstan Drive	Ward 35 Scarborough Southwest	8	\$80,000
Home Ownership Alternatives: The East Yorker	280 Donlands Avenue at Cosburn Avenue	Ward 29 Toronto-Danforth	92	\$920,000
Home Ownership Alternatives: Dell Park	3180 Bathurst Street at Sarnac Boulevard	Ward 15 Eglinton-Lawrence	256	\$2,560,000
Totals:			395	\$3,950,000

Appendix 2: Summary of the City of Toronto Home Ownership Assistance Program

Toronto's Home Ownership Assistance Program (HOAP) involves three major areas of activity: the development of new housing; the marketing and delivery of loans to buyers during the marketing and sales of the new homes; and the on-going administration of those loans. The basic program parameters, rules, and procedures are as follows:

- Following City Council approval of the HOAP allocations and confirmation from City Planning that the project has the approvals necessary to proceed, funding will be provided to the non-profit developers to assist in financing the construction of the new housing.
- During the marketing and sales period eligible buyers will be provided with forgivable, no-payment, down-payment assistance loans by the non-profits. The total value of the loans will add up to the value of the initial HOAP allocation. In essence the up-front City capital assistance is "converted" into homebuyer assistance.
- HOAP funding will be allocated at a rate of \$10,000 per loan. The non-profits can vary the loan amount to buyers but must deliver all the loans and funding allocated.
- The loans to homebuyers must be secured on the home's title by a second mortgage at closing.
- Program loans to purchasers will require no monthly payments and are interest free. They will be forgivable after twenty (20) years of ownership and occupancy of the home by the original purchaser. (The homes cannot be rented out.)
- If the unit is sold within 25 years (before the end of the twenty year term of the loan), the full loan amount must be paid back. In addition, a proportionate share of the home's capital appreciation since the initial purchase must also be paid to the City for future use as funding under the program.
 - Under this shared appreciation arrangement, the portion of the home's capital appreciation that loan recipients selling their home will have to pay to the City is same as the percentage that the loan amount represents of the original purchase price of the home.
 - For example, if a \$10,000 program loan is used to help purchase a \$250,000 home, the loan represents 4% of the price and the homebuyer must pay back 4% of any capital appreciation generated since the original purchase. If the home appreciates by \$50,000 to a resale price of \$300,000, the recipient will have to pay 4% of that \$50,000 (\$2,000) in addition to the original loan amount of \$10,000. In this case the total sum returning to the City for re-use as future program funding would be \$12,000.
 - If the home does not increase in value i.e. there is no capital appreciation and the home is sold at/or less than the original purchase price in a fair, arms-length sale, then the loan itself is forgiven and there are no re-payment requirements whatsoever.

- If a loan recipient would like to pay off their loan within the twenty-year term without selling their home, they can do so, but they must still pay an appreciation amount. In the absence of a sale, the appreciation amount must be determined using a fair market value determined by a property appraisal.
- Where loans are repaid, the returning loan and the Program's share of any appreciation will "revolve" through the HOAP Program to assist further developments and the next wave of eligible purchasers by being re-allocated through the next annual REOI.
- The maximum household income for purchasers receiving Program loans is the sixtieth (60th) percentile of income for the City of Toronto or the Province of Ontario, whichever is lower. This is currently \$78,200.
- Loan recipients must also:
 - be vacating a rental unit;
 - live in the home as their sole and principal residence for the duration of the loan (20 years, unless pre-paid), and;
 - cannot have an ownership interest in another home (nor be in a spousal relationship with a person who owns a home or who has an ownership interest in a home).
- The maximum price for a home to which a Program loan can be applied is \$465,830. This amount is the average resale price of homes in the Toronto market.
- The City will work with the non-profits to market loan funding under the Home Ownership Assistance Program to the Housing Connections social housing waiting list, and to tenant households living in social housing.