



**STAFF REPORT
ACTION REQUIRED**

Assisting New Home Owners: Affordable Home Ownership Assistance Program Allocations 2013

Date:	June 7, 2013
To:	Affordable Housing Committee Executive Committee
From:	Sean Gadon, Director, Affordable Housing Office Michael Pacholok, Director, Purchasing and Materials Management
Wards:	4, 11, 20, 27, 35, 36, 37, 38
Reference Number:	Ref. 17575

SUMMARY

This report recommends funding for eight new non-profit housing developments through the City’s Home Ownership Assistance Program (HOAP). The developments recommended for Council’s consideration would provide 305 new affordable ownership homes for qualifying families and individuals and are being developed by three established non-profit groups: Habitat for Humanity Toronto, Home Ownership Alternatives, and Toronto Artscape.

These funding recommendations follow a competitive Request for Proposals (RFP) process run by the Affordable Housing Office (RFP No. 9155-13-7046). City funding will compensate the non-profit groups for the City development fees and charges paid on their developments and assist in making the homes more affordable by providing an average \$15,000 down-payment assistance loan for eligible purchasers.

This is the second Home Ownership Assistance Program proposal call the City has undertaken, with the first in 2010 providing funding for 395 affordable homes in five developments. Improving affordable home ownership opportunities is supported by the City's 2010-2020 Affordable Housing Action Plan, Housing Opportunities Toronto, and funding and program eligibility for HOAP was approved by Council in 2010.

HOAP 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 Director, Affordable Housing Office and the Director, Purchasing and Materials Management Division, recommend:

1. Council approve \$4,575,000 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 initiatives selected through Request for Proposal No. 9155-13-7046 up to the following amounts:

a)	Habitat for Humanity Toronto Inc.	697 Danforth Rd.	\$60,000
b)	Habitat for Humanity Toronto Inc.	357 Birchmount Rd.	\$135,000
c)	Habitat for Humanity Toronto Inc.	30-52 Acme Cres.	\$180,000
d)	Habitat for Humanity Toronto Inc.	Brimley Road between Lawrence Ave. E. & Britwell Ave.	\$225,000
e)	Home Ownership Alternatives Non- Profit Corporation (Greater Toronto Area)	10 Wilby Cres.	\$1,140,000
f)	Home Ownership Alternatives Non- Profit Corporation (Greater Toronto Area)	1340-1360 Danforth Rd.	\$2,565,000
g)	Toronto Artscape Inc.	210 Simcoe Ave.	\$60,000
h)	Toronto Artscape Inc.	155-163 Dundas St. E.	\$210,000

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 Office and in a form approved by the City Solicitor.
3. Council grant authority for the Director, Affordable Housing Office 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 Office 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 2013 Approved Operating Budget for Shelter, Support and Housing Administration (SSHA) by \$4,575,000 gross \$0 net to provide additional funding for the eight affordable housing initiatives recommended in this report.

Financial Impact

This report recommends that City Council approve eight affordable housing developments selected through Request for Proposals No. 9155-13-7046 for a total of \$4,575,000.00 in funding through the Home Ownership Assistance Program. This funding will provide purchaser assistance for 305 homes at an average rate of \$15,000 per home. Details of these eight developments are shown in the chart below.

Respondent		Location	Affordable Units	HOAP Funding (\$15,000/unit)
1.	Habitat for Humanity Toronto	697 Danforth Rd.	4	\$60,000
2.		357 Birchmount Rd.	9	\$135,000
3.		30-52 Acme Cres.	12	\$180,000
4.		Brimley Road between Lawrence Ave. E. & Britwell Ave.	15	\$225,000
5.	Home Ownership Alternatives: The Riverstone	10 Wilby Cres.	76	\$1,140,000
6.	Home Ownership Alternatives: Heintzman Development Co-operative	1340-1360 Danforth Rd.	171	\$2,565,000
7.	Toronto Artscape	210 Simcoe Ave.	4	\$60,000
8.		155-163 Dundas St. E.	14	\$210,000
Totals:			305	\$4,575,000

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 \$29,208,819 as of the date of this report.

The 2013 Approved Operating Budget for Shelter, Support and Housing Administration would be increased by \$4,575,000 gross \$0 net to provide funding for the eight affordable housing initiatives 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.

Lack of access to safe, secure, affordable housing in complete communities is a barrier to lower-income Toronto residents. The recommendations contained in this report address this barrier by providing city funding in partnership with the non-profit sector to create 305 new affordable ownership homes.

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

The Affordable Housing Committee at its meeting of May 28, 2012 adopted Clause AH4.3, Affordable Home Ownership Opportunities Available to the Residents of Toronto, which increased the average per unit funding under HOAP to better reflect the upfront planning and development fees and charges paid by non-profit affordable home ownership proponents. Average per unit funding was increased from \$10,000 to \$15,000.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.AH4.3>

Council at its meeting of August 25, 26 and 27, 2010, adopted Clause EX46.18, Home Ownership Assistance Program Recommendations for 395 New Homes from Request for Expressions of Interest No. 9155-10-7150, which provided the results of the first proposal call under the new assisted-ownership policy and HOAP program. Five non-profit developments were funded through the proposal call.

<http://www.toronto.ca/legdocs/mmis/2010/cc/decisions/2010-08-25-cc52-dd.htm>

Council at its 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>

ISSUE BACKGROUND

HOAP was initiated by Council in 2010 and there has been one previous proposal call for funding, also in 2010. The introduction of the program regularized the City's previous ad-hoc support for affordable home ownership development. Council allocated \$2 million annually to HOAP to off-set City development fees and charges for non-profit affordable ownership developers. The City's funds are then converted by the non-profit groups into down-payment assistance loans for eligible buyers. The first HOAP proposal call provided funding to assist 395 eligible households buy a home.

The maximum household income for families and individuals receiving HOAP 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 is \$82,600. The maximum price for a home to which a program loan can be applied is currently \$514,531. This is the average resale price of homes in the Toronto market. These amounts are updated regularly.

Funding for HOAP is provided from the Development Charge Reserve Fund (2009) for Subsidized Housing (XR2116). City officials have now completed a Request for Proposals (RFP) that made \$4,575,000 in funding available (RFP No. 9155-13-7046). Four million dollars or two years worth of new funding was made available, as well as \$575,000 in affordable ownership funds that have returned to the City.

The eight new non-profit housing developments that were successful under the RFP are to be developed by three established non-profit affordable ownership housing groups: Habitat for Humanity Toronto, Toronto Artscape, and Home Ownership Alternatives. The successful proponents have strong development, management, administrative, marketing, and financial capabilities, including a strong track record in delivering affordable ownership housing. The property ownership documents in the RFP submissions were reviewed by legal staff, and local Planning staff were consulted on the proposed developments. HOAP funding is contingent upon planning approvals being secured by the proponents. The eight developments are in eight different wards and all homes will contribute to the City's tax base when complete.

Recommended Proponents and Developments

Habitat for Humanity Toronto

Habitat for Humanity Toronto (Habitat) is a registered charity that has been active in the City since 1988 and will build its 250th 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 larger, family-sized homes and has recently been building homes for families that have a member with a physical disability.

The four Habitat developments range in size from four to 15 homes for a total of 40 homes. A number of the homes are accessible, all are low rise in form and each offers three to five bedrooms. Two of the developments utilize surplus parcels of City of Toronto real estate provided by Council under the Housing First Policy. Council approved the sale of 357 Birchmount Rd. to Habitat in February 2009 as item EX29.21 and 697 Danforth Rd. in July 2010 as item EX45.45.

Proponent	Location	Ward	HOAP Loans	HOAP Funding
Habitat for Humanity Toronto	697 Danforth Rd.	Ward 35 Scarborough Southwest	4	\$60,000
	357 Birchmount Rd.	Ward 36 Scarborough Southwest	9	\$135,000
	30-52 Acme Cres.	Ward 4 Etobicoke Centre	12	\$180,000
	Brimley Road between. Lawrence Ave. E. & Britwell Ave.	Ward 37 Scarborough Centre	15	\$225,000
Totals:			40	\$600,000

Home Ownership Alternatives

Home Ownership Alternatives (HOA) was started in 1998 and to date has supported over 2,500 affordable ownership homes. HOA works with non-profit development consultants, providing up-front financial support to new affordable home ownership projects. HOA then administers second mortgages for lower-income buyers of the new homes, reducing the amount of down payment and income they need to become homeowners.

The first recommended Home Ownership Alternatives development is the Danforth Village Estates condominium on Danforth Road, north of Eglinton Avenue East. Danforth Village Estates is being developed in partnership with Options for Homes and the Heintzman Development Co-operative. Options for Homes is an experienced affordable home ownership developer that has built and sold over 2,500 homes in 10 condominiums since 1997.

The second HOA development is The Riverstone condominium on the bank of the Humber River near Weston Road and Lawrence Avenue West. The Riverstone is being developed in partnership with Neighbourhood Concepts Non-Profit Corporation.

Proponent	Development	Development Partner	Location	Ward	HOAP Loans	HOAP Funding
Home Ownership Alternatives	The Riverstone	Neighbourhood Concepts	10 Wilby Cres.	Ward 11 York South-Weston	76	\$1,140,000
	Danforth Village Estates	Options for Homes, Heintzman Development Co-operative	1340-1360 Danforth Rd.	Ward 38 Scarborough Centre	171	\$2,565,000
Totals:					247	\$3,705,000

Toronto Artscape

Toronto Artscape (Artscape) was started in 1998 and now oversees 125 affordable rental and home ownership units for lower-income artists and arts professionals. Artscape's portfolio also includes galleries, performance spaces and 193 non-residential units including artists' work studios. The 18 Artscape homes were approved by Council as contributions under Section 37 of the Planning Act by the developers of two downtown condominiums. Section 37 allows for the granting of additional development density in exchange for community benefits. The four affordable ownership units at 210 Simcoe Avenue were approved by Council in July 2011 under item TE8.1 and the 14 units at 155-163 Dundas Street E were approved in November 2011 under item TE11.8. HOAP funding will further improve the affordability of these units.

Proponent	Location	Ward	HOAP Loans	HOAP Funding
Toronto Artscape	210 Simcoe Ave.	Ward 20 Trinity-Spadina	4	\$60,000
	155-163 Dundas Street E.	Ward 27 Toronto Centre-Rosedale	14	\$210,000
Totals:			18	\$270,000

COMMENTS

The Request for Proposals Process

Request for Proposals No. 9155-13-7046 was issued by Purchasing and Materials Management Division (PMMD) on April 3, 2013 and was available for download in PDF form on the City's Internet website. This resulted in a total of seven submissions being received on May 13, 2013 from the following organizations:

1. Habitat for Humanity Toronto Inc.
2. Home Ownership Alternatives: The Riverstone
3. Home Ownership Alternatives: Heintzman Development Co-operative
4. Home Ownership Alternatives: The Riverdale Abbey

5. Home Ownership Alternatives: Birchmount Development Co-operative
6. Trillium Housing Non-Profit Corporation
7. Toronto Artscape Inc.

\$4,575,000 was made available through the RFP. The RFP 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 RFP's three main sections before a response would be recommended for funding to City Council. The following developments and proposals did not meet the threshold in one or more of the RFP's sections and could not be recommended for funding:

1. Habitat for Humanity Toronto Inc.: Old Weston Road
2. Home Ownership Alternatives: The Riverdale Abbey
3. Home Ownership Alternatives: Birchmount Development Co-operative
4. Trillium Housing Non-Profit Corporation

Proponent's scores and staff analysis of the evaluation results can be provided to Councillors in an in-camera presentation if requested by the Affordable Housing Committee or members of Council.

The City's Home Ownership Assistance Program

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 the new homes; and the on-going administration of those loans.

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

Home Ownership Assistance Program funding is recommended to be allocated at a rate of \$15,000 per affordable home. The funding will be provided to eligible purchasers as a \$15,000 (average) home buyer assistance loan. Appendix 1 provides a more detailed outline of the program.

Conclusion

The City's Home Ownership Assistance Program provides an important 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.

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SIGNATURES

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ATTACHMENTS

Appendix 1: Summary of the City of Toronto Home Ownership Assistance Program

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The Home Ownership Assistance Program (HOAP) involves three major areas of activity: the development of new housing; the marketing and delivery of loans to eligible 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, funding will be provided to the selected non-profit developers to assist in financing construction of their development projects. Prior to payment the non-profit must provide a mortgage to the City for the value of the HOAP funding on title of the development property.
- 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 HOAP allocation. In essence the up-front City capital assistance is “converted” into homebuyer assistance.
- 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 \$82,600.
- 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.
- Although the homes developed by the non-profit groups are sold at much more affordable prices, the maximum price for a home to which a Program loan can be applied is \$514,531. This amount is the average resale price of homes in the Toronto market.
- HOAP funding will be allocated at a rate of \$15,000 per loan. The non-profits can vary the loan amount provided to buyers based on need, to a minimum of \$5,000 and maintaining the average of \$15,000 per loan. The groups are to endeavour to 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 20 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 for new loans 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 the 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. On resale the homebuyer must therefore 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.
- 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 RFP.
- 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.