

Development Charges Deferral Update to the City's Home Ownership Assistance Program

Date: June 13, 2018
To: Affordable Housing Committee, Executive Committee
From: Director, Affordable Housing Office
Wards: All

SUMMARY

This report responds to City Council's direction of April 2018, in EX33.3, Development Charges Bylaw Review - Results of Additional Consultation, to the Director, Affordable Housing Office, to work with Corporate Finance and Legal Services to update the City's Home Ownership Assistance Program (HOAP). The direction was to report on the conversion of the HOAP from a loan program funded directly from the Development Charges Reserve Fund for Subsidized Housing (XR2116) to a development charges deferral program.

The recommended program update will assist the City in meeting its affordable home ownership targets of 400 homes annually.

HOAP was launched in 2010 and has provided funding to off-set development charges, building permit and planning fees, at an average rate of \$25,000 per home and up to a total of \$2 million annually. This funding is then converted by housing providers/ developers into down payment assistance loans to make the homes more affordable for eligible purchasers. City Council has approved HOAP assistance for more than 1,000 loans at 40 non-profit and seven private developments. HOAP was modelled on the terms and conditions of the federal/ provincial affordable home ownership program, including purchaser eligibility and price limits, so that funds could be combined for deeper affordability.

Staff from Corporate Finance, the Affordable Housing Office and Legal Services consulted with the non-profit affordable ownership sector on the redesign of HOAP. The proposed development charges deferral is endorsed by the sector and enables HOAP to continue to support the sector as development charges increase over time.

The updated HOAP will continue to assist non-profit groups such as Habitat for Humanity and Options for Homes in developing new affordable homes. The deferred development charges will be collected by the City with interest and capital appreciation when the homes are sold or refinanced.

RECOMMENDATIONS

The Director, Affordable Housing Office, recommends that:

1. City Council authorize the Director, Affordable Housing, in consultation with the Chief Financial Officer and City Solicitor, to administer a Home Ownership Assistance Program Development Charges Deferral, in accordance with the following general terms and conditions:

a) Delegate authority to the Director, Affordable Housing, in consultation with the Chief Financial Officer, to enter into appropriate agreements and administer the City Home Ownership Assistance Program Development Charges Deferral Program

b) Home Ownership Assistance Program Development Charges Deferral Eligibility Requirements shall include:

i) Eligible purchasers and/or housing providers/developers must provide a minimum five percent contribution;

ii) The development charges deferral is secured by a second mortgage loan;

iii) The City's equity is ahead of the developer/housing provider and homeowners equity on an aggregate basis to ensure that the value of the development charges are appropriately secured;

iv) The development charges deferral is calculated based on the development charges rate in effect at the time building permit issuance and paid upon sale or refinancing of the unit, with interest;

v) The development charges deferral is based on the development charges payable for a project, in aggregate, and allocated to eligible purchasers by the developer/housing provider based on eligibility and need with a minimum of \$5,000 and maximum of \$60,000 development charges deferred per home;

vi) The City will continue to participate in capital appreciation on the units, beyond the value of the development charges deferred, with these funds being deposited into the Development Charges Reserve Fund for Subsidized Housing (XR2116) account. The security of the development charges repayment will take precedence over the City's participation in capital appreciation.

c) The Director, Affordable Housing, in consultation with the Chief Financial Officer and City Solicitor, be authorized to make such administrative amendments to the Home Ownership Assistance Program Development Charges Deferral, as necessary.

2. City Council authorize the Director, Affordable Housing Office to convert the three projects listed below and previously approved under the existing grant-based Home Ownership Assistance Program to the development charges deferral program:

- a) Property currently known as 10 Wilby Crescent;
- b) Property currently known as 383-425 Old Weston Road; and
- c) Property currently known as 51 Panorama Court.

3. City Council authorize the Director, Affordable Housing Office, to negotiate, enter into and execute, on behalf of the City, all development charges deferral agreements, and any security, financing or other documents required with Options for Homes Non-Profit Corporation (Greater Toronto Area), or a related corporation, Home Ownership Alternatives Non-Profit Corporation (Great Toronto Area), or a related corporation, Humber Co-operative Development Corporation, or a related corporation, for the 10 Wilby Crescent affordable ownership project, Habitat for Humanity Greater Toronto Area, or a related corporation, for the project at 383-425 Old Weston Road, the developers chosen for the development of the affordable/assisted housing at 51 Panorama Court and any other parties deemed necessary to facilitate the development charges deferral outlined in this Report, on terms and conditions satisfactory to the Director, Affordable Housing Office, in consultation with the Interim Chief Financial Officer, and in a form satisfactory to the City Solicitor.

4. City Council authorize the City Solicitor to execute, postpone, confirm the status of, and discharge any City security documents registered as required by normal business practices.

FINANCIAL IMPACT

At its meeting on April 24, 25, and 26, 2018, City Council directed staff to report to the June 25, 2018 meeting of the Affordable Housing Committee with program details to enable the conversion of the City's Home Ownership Assistance Program (HOAP) from a loan program to a development charges deferral program. The amount of funds deferred at 2018 rates assuming full take up of 400 homes is estimated to be \$8.6 million. After full phase-in of rates on November 1, 2020, the estimate of annual value of funds deferred would rise to approximately \$15.5 million.

The monetary commitment associated with the proposed deferral program is a significant increase over the City's current annual support of \$2 million in loans. Under a deferral program, similar to a loan program, the development charges revenues are not foregone, but collected at a later date, with interest. The average term of deferral is expected to be between five and seven years, coinciding with the expected ownership tenure before sale or refinancing. The delayed collection of development charges is expected to marginally increase debt financing requirements during the deferral period and/or delay construction of growth-related projects until the funds are collected and

available for capital investment. These impacts will be considered through City's annual capital budgeting process.

Support for assisted ownership housing should be different than affordable rental housing. The latter requires additional assistance to achieve affordability, including exemptions from fees and charges. For ownership housing, financial assistance should be repayable, as proposed, and there should be no negative impact on the revenues of City divisions.

Following a competitive proposal call or through a planning approvals report, City staff will recommend new developments to City Council for approval. Prior to the deferral of development charges, the developer will be required to provide the City with security to ensure repayment of the deferred development charges.

This report also recommends that City Council convert the three projects listed in the chart below and previously approved under the Home Ownership Assistance Program to the development charges deferral program.

10 Wilby Crescent, 383-425 Old Weston Road, 51 Panorama Court		
Assisted Ownership Homes - Development Charges Deferral	Total Estimated Support - Current DC Rate (Value of Contribution Per Unit - \$21,505)	Total Estimated Support - Nov. 2020 DC Rate (Value of Contribution Per Unit - \$38,810)
10 Wilby Crescent - 30 Units	\$645,150	\$1,164,285
383-425 Old Weston Road - 20 Units	\$430,100	\$776,190
51 Panorama Court - 80 Units	\$1,720,400	\$3,104,760
Total - 130 Units	\$2,795,650	\$5,045,235

The estimated development charges deferral amount for the three properties at 2018 rates is \$2,795,650, and \$5,045,235 when the bylaw is fully phased in at November 1, 2020.

Upon future sale or refinancing of the individual units, the deferred development charges will be repaid, with interest, and a capital appreciation formula. The development charges will be deposited into the City's development charges reserve funds, with interest, and any remaining capital appreciation will be deposited into the Development Charges Reserve Fund for Subsidized Housing (XR2116). The Affordable Housing Office will monitor the loans until repayment.

With the advent of the updated program, all repayments under the current program funded by the Development Charges Reserve Fund (DCRF) for Subsidized Housing (XR2116) will return to this DCRF and support future affordable housing developments. The City will no longer invest an annual \$2 million for the HOAP program from the DCRF.

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

EQUITY IMPACT STATEMENT

Access to safe, secure and affordable housing in all parts of Toronto is a fundamental goal of the City's 10-year Housing Opportunities Toronto Action Plan 2010-2020. The provision of new affordable homes is also a goal of TO Prosperity, the City's Poverty Reduction Strategy.

The new assisted ownership homes created through HOAP will provide a mix of housing opportunities for low-and moderate-income households, including singles, couples and families.

HOAP will contribute to housing stability for equity-seeking groups such as lower-income individual's couples and families, indigenous households, and people with disabilities.

DECISION HISTORY

On August 5 and 6, 2009, City Council adopted EX33.47 Housing Opportunities Toronto: An Affordable Housing Action Plan 2010-2020 to address Toronto's affordable housing challenges over 10 years. The City Council decision is available here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX33.47>

City Council on May 11 and 12, 2010, adopted EX 43.26, Standardizing City Support for New Assisted Ownership Housing Opportunities, which provided details for the Home Ownership Assistance Program, providing \$2,000,0000 annually for down payment assistance loans to eligible homeowners. The City Council decision is available here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX43.26>

City Council on December 9 and 10, 2015, adopted EX10.18 Affordable Housing Open Door Program with amendments which detailed land, planning and financial actions aimed at enhancing the City's ability to deliver affordable housing and achieve its approved housing targets. City Council increased the affordable ownership target from 200 to 400 units annually. The City Council decision is available here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.18>

Executive Committee on January 24, 2018, adopted EX30.3 Development Charges By-law Review, which tabled the 2018 Development Charges Background Study and proposed Development Charges Bylaw for consideration and a statutory public meeting in accordance with the Development Charges Act, 1997 as part of the Development Charges Bylaw review consultation process. The Executive Committee decision is available here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX30.3>

City Council on April 24, 25, 26 and 27, 2018, adopted EX33.3 Development Charges Bylaw Review - Results of Additional Consultation, which provided the results of additional consultation and recommends the adoption of a revised development charges By-law and Background Study. The City Council decision is available here: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX33.3>

COMMENTS

Financial assistance for the construction of new non-profit ownership homes has been part of the City's strategy to address housing affordability and poverty for many years, and supports the City's goal of creating 400 new affordable ownership homes annually. Over the past 10 years, City Council has approved support for almost 1,000 families, couples and individuals through HOAP.

In 2010, City Council approved the HOAP, providing \$2,000,000 annually from the Development Charges Reserve Fund for Subsidized Housing (XR2116). Currently this funding supports 80 down payment assistance loans for eligible low and moderate income households annually, at an average value of \$25,000 each in aggregate. The value of the loans can range based on the recipient's degree of financial need, as determined by the housing providers. Funding has been provided to non-profit home builders and private developers building homes on surplus public lands. The loan funding is repaid to the City with a share of capital appreciation when a home is sold.

City Council directed the update of HOAP at its meeting of April 24, 25, 26 and 27, 2018 as a part of the new Development Charges Bylaw. The City's current Development Charges Bylaw was adopted by Council on October 8, 2013 and expires on October 31, 2018. Before a new Development Charges Bylaw can be passed, the Development Charges Act requires the completion of a comprehensive background study that, among other things, sets out a growth forecast and growth-related shares of capital infrastructure requirements that provide the basis for new development charge rates.

A statutory public meeting was held at Executive Committee on January 24, 2018 to review the development charges background study. Executive Committee directed staff to conduct additional stakeholder consultations and report to the Committee's April 17, 2018 meeting. Staff from Corporate Finance, the Affordable Housing Office and Legal Services then consulted with representatives of the non-profit affordable ownership sector. It was agreed that a development charges deferral approach was preferable to the loan funding currently provided from the Development Charges Reserve Fund for Subsidized Housing (XR2116), primarily due to the limited funding available through the loan program. A development charges deferral will enable HOAP to keep pace with development charge increases over time and is generally supported by the sector.

The deferral of development charges for non-profit ownership homes, or those built by non-profit groups in partnership with private developers, through the update to the City's HOAP detailed in this report will assist eligible low to moderate income households in becoming home owners.

The deferral will offset an estimated average of \$22,000 per new apartment at current development charges rates, and an estimated average of \$39,000 per home when the City's new Development Charge Bylaw is fully phased in at November 1, 2020. As under the current HOAP, program delivery groups can vary the loan amount based on household financial need. A new maximum HOAP loan is proposed to be \$60,000 and a minimum loan to be \$5,000. The program will prioritize assistance to non-profit organizations.

Projects will be recommended to City Council for approval following regular competitive proposal calls, or through a planning approvals report, if a proposal call is not timely. The Director, Affordable Housing Office, anticipates issuing a request for proposals for the Program later this year, in consultation with the Chief Financial Officer and City Solicitor.

The update to the HOAP recommended by this report provides a significant opportunity for the City to work with non-profit organizations to increase the number of new affordable/ assisted ownership homes delivered in Toronto. The new development charges deferral approach will better assist the City in achieving its goal of supporting 400 new homes annually.

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