



**STAFF REPORT
ACTION REQUIRED**

**Affordable Home Ownership Assistance Program
Adjustments**

Date:	May 1, 2014
To:	Affordable Housing Committee Executive Committee
From:	Sean Gadon, Director, Affordable Housing Office
Wards:	All
Reference Number:	Affordable Housing Committee – AFS #19417 Executive Committee – AFS #19432

SUMMARY

The City of Toronto provides funding under the Home Ownership Assistance Program (HOAP) to eligible non-profit housing providers to reduce the upfront costs of building new affordable ownership homes for Toronto residents. The funds, delivered through a competitive request for proposals process, help offset City fees and charges and pre-construction costs. The savings are then passed onto the eligible home purchasers in the form of forgivable down payment assistance loans.

Under the City's new Development Charges By-law, on average development charge rates will increase by approximately \$10,000 per unit over two years. Planning and building permit fees are also gradually increasing. This report recommends HOAP funding be increased by \$10,000 per unit to off-set these rising costs.

HOAP funding is currently \$15,000 per unit and would rise to \$25,000. The increase would apply to previously-approved developments that have yet to pay their fees and charges, and to future Council-approved non-profit affordable ownership developments.

When the HOAP was established in 2010, Council approved up to \$2.0 million annually in funding from the Development Charge Reserve Fund (2009) for Subsidized Housing (XR2116). The increase of \$10,000 per unit will be drawn from this annual allocation. There are no additional funds required to support the recommendations in this report, but there will be fewer loans available due to the higher loan amount.

Since 2010, the HOAP has made over \$8.425 million available to reduce costs for 690 non-profit affordable home ownership homes for eligible Toronto families and individuals.

RECOMMENDATIONS

The Director, Affordable Housing Office recommends that:

1. The Affordable Housing Office increase the average loan amount from the Council approved funds for the Home Ownership Assistance Program from \$15,000 to \$25,000 to better reflect the cost to pay the City's planning and development fees and charges paid by non-profit partners;
2. Council approve \$2,130,000 in additional 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 initiatives selected through Request for Proposal No. 9155-13-7046 and approved by Council in 2013 up to the following amounts:

Proponent	Address	Number of Units	Previously Approved HOAP Funding	Additional HOAP Funding	Total HOAP Funding
Habitat for Humanity Toronto Inc.	Brimley Road between Lawrence Ave. E. & Britwell Ave.	15	\$225,000	\$150,000	\$375,000
Habitat for Humanity Toronto Inc.	358 Birchmount Rd.	9	\$135,000	\$90,000	\$225,000
Home Ownership Alternatives Non-Profit Corporation (Greater Toronto Area)	1340-1360 Danforth Rd.	171	\$2,565,000	\$1,710,000	\$4,275,000
Toronto Artscape Inc.	210 Simcoe Ave.	4	\$60,000	\$40,000	\$100,000
Toronto Artscape Inc.	155-163 Dundas St. E.	14	\$210,000	\$140,000	\$350,000
Totals:		213	\$3,195,000	\$2,130,000	\$5,325,000

3. The Director, Affordable Housing Office, to report to the Affordable Housing Committee on results of the next Request for Proposals under the Home Ownership Assistance Program in 2015.

Financial Impact

This report recommends increasing City support to non-profit housing proponents from \$15,000 to \$25,000 average funding per unit to create affordable home ownership opportunities through the Home Ownership Assistance Program.

The uncommitted balance in the Development Charge Reserve Fund (XR2116) is sufficient to support the recommendations included in the report. The sufficiency of the reserve is reviewed annually as part of the City's operating budget process.

No additional funds are required for this change as Council has previously approved \$2.0 million per year for the HOAP from the Development Charge Reserve Fund (2009) for Subsidized Housing (XR2116). Two years of funding have typically been bundled for each proposal call and currently both 2013 and 2014 allocations are available totaling \$4 million.

The adjustments to fund the forgivable loans will be made to the annual Operating Budget for Shelter Support and Housing Administration, once the cash flows for the housing providers have been determined.

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

EQUITY IMPACT

Lack of access to safe, secure, affordable housing is a barrier to lower-income Toronto residents. The recommendations in this report address this barrier by providing City funding in partnership with non-profit developers to create new affordable ownership homes for lower-income residents.

Results of the Home Ownership Assistance Program are measured by reports to the Affordable Housing Committee on the results of Request for Proposals under the Home Ownership Assistance Program, including the number of people assisted by affordable home ownership funding and those moving out of social housing and off the social housing waiting list.

DECISION HISTORY

At its meeting of October 8, 9, 10 and 11, 2013 Council adopted *Development Charges By-law Review* that recommended an increase in Development Charges paid by developers including residential development.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX34.1>

At its meeting of July 16, 2013 Council adopted *Assisting Homeowners: Affordable Homeownership Assistance Program Allocations* that recommended funding to assist 305 households with affordable home ownership to be delivered in partnership with three non-profit housing developers.

<http://www.toronto.ca/legdocs/mmis/2013/ah/bgrd/backgroundfile-59475.pdf>

At its meeting of May 28, 2012 the Affordable Housing Committee adopted *Affordable Homeownership Opportunities Available to Toronto Residents* which increased the average per unit funding under HOAP to better reflect the 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>

At its meeting of July 6, 2010, Council adopted *Creating Home Ownership Opportunities for Social Housing Residents* which recommended the City work with non-profit housing organizations to promote affordable home ownership opportunities to social housing tenants and those on the waiting list.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX45.47>

At its meeting of August 25, 26 and 27, 2010, Council adopted *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>

At its meeting of May 11 and 12, 2010, Council adopted *Standardizing City Support for New Assisted Ownership Housing Opportunities* that recommended creation of a home ownership assistance policy to be funded through the City's Development Charge Reserve Fund (2009) for Subsidized Housing (XR2116).

<http://www.toronto.ca/legdocs/mmis/2010/ex/reports/2010-04-19-ex43-cr.htm#EX43.26>

At its meeting of August 5 and 6, 2009, Council adopted *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

The City is committed to creating affordable home ownership opportunities as part of Housing Opportunities Toronto, An Affordable Housing Action Plan, 2010-2020.

In 2010, the City created the Home Ownership Assistance program (HOAP) to assist in the creation of affordable home ownership opportunities for low-to moderate-income residents in partnership with non-profit housing proponents. The HOAP compliments established affordable ownership development and purchaser assistance activities in Toronto. Funding assists affordable ownership proponents to pay the up-front development costs of their housing projects while the funding flows through to eligible buyers in the form of forgivable down-payment assistance loans. Appendix 1 provides a more detailed outline of the program.

Funding for the HOAP is provided through the Development Charge Reserve Fund (2009) for Subsidized Housing (XR2116). Council has allocated \$2.0 million annually for the program. Since 2010, the City has provided funding for 690 affordable ownership homes to assist lower-income Torontonians to become home owners. The City currently provides \$15,000 per unit under HOAP.

COMMENTS

Impact of increased City fees and charges on affordable home ownership development

In October 2013, Council adopted Development Charges By-law No. 1347-2013 which increased Development Charges to be paid by developers. The first increase occurred on February 1, 2014 with the remaining increases to be phased-in every six months until February 1, 2016. The average increase for all residential unit types is approximately \$10,000, although increases differ by type of unit constructed.

For example, in 2013 Habitat for Humanity would have paid \$19,412 in Development Charges to build a single or semi-detached home. By February 2016, this amount will increase to \$34,482 or an additional \$15,070 per home.

Similarly, in 2013 a non-profit condominium apartment developer like Options for Homes would have paid \$12,412 in Development Charges to build a two-bedroom apartment. By February 2016, the cost will increase to \$21,203 or an additional \$8,791.

Increasing HOAP funding for non-profits

In order to offset cost increases for construction of new affordable ownership housing, this report recommends raising average loan funding from \$15,000 to \$25,000 per unit. This increase would apply to those currently approved HOAP developments that have yet to obtain building permits and pay City fees, and to future Council-approved developments.

No additional funds are required to fund the adjustment for current projects as Council has previously approved \$2 million per year for the HOAP from the Development Charge Reserve Fund (2009) for Subsidized Housing (XR2116). The increase for future Council-approved developments and the top-up for previously-approved developments will be made from this annual allocation.

Following a Request for Proposals in 2013, Council approved funding at the \$15,000/home level for the following developments which would be eligible for an increase in HOAP funding:

Proponent	Address	Number of Units	Previously Approved HOAP Funding	Additional HOAP Funding	Total HOAP Funding
Habitat for Humanity Toronto Inc.	Brimley Road between Lawrence Ave. E. & Britwell Ave.	15	\$225,000	\$150,000	\$375,000
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Increased funding for these projects to the \$25,000 level requires an additional \$2,130,000. After making the program funding adjustment there will be an unallocated balance of \$3 million available in HOAP funding, representing 120 loans at \$25,000 each. The \$3 million represents funds from the 2013 and 2014 allocations as well as funds that were previously allocated to a development that will not be proceeding. In late 2014, the Affordable Housing Office will issue a new RFP to solicit proposals for Council's consideration in 2015.

The increased loan amount does mean that fewer loans will be realized from the \$2 million annual HOAP allocation. At the current \$15,000 rate per loan \$2 million supports 133 homes, while at \$25,000 per loan 80 homes will be supported. However, two years of funding (or \$4 million), plus any funds returning to the program through repaid loans, are typically released in each proposal call, and it is anticipated that this will be sufficient to meet the sector's demands.

CONCLUSION

The 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.

The recommendations in this report support implementation of the City's Action Plan.

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SIGNATURE

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ATTACHMENTS

Summary of City of Toronto's 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 a competitive proposal call and City Council approval of the HOAP allocations, funding will be provided to the selected non-profit developers to assist in construction of their developments. 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 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 HOAP to the Housing Connections social housing waiting list, and to tenants 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 \$542,075. This amount is the average resale price of homes in the Toronto market.
- HOAP funding will be allocated at a rate of \$25,000 per loan. The non-profits can vary the loan amount to buyers based on need, to a minimum of \$5,000 while maintaining the average of \$25,000 per loan. This means larger loans can be provided as long as they are averaged out with lower loans to \$25,000. The non-profits groups are to endeavour to deliver all the loans and funding allocated.
- The loans to homebuyers will 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, 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 under the program.
 - Under this shared appreciation arrangement, the portion of the home’s capital appreciation that loan recipients selling their home must 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 \$25,000 loan is used to help purchase a \$355,000 home, the loan represents 7% of the price. On resale the owner must pay back the original loan amount plus 7% of any capital appreciation since the original purchase. If the home appreciates by \$20,000 to a resale price of \$375,000, the recipient will have to pay 7% of that \$20,000 (\$1,408) in addition to the original loan amount of \$25,000. In this case, the total returning to the City for re-use as future program funding would be \$26,408.
- If the home does not increase in value and is sold for 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 20-year term without selling their home, they can do so, but they must still pay an appreciation amount based on fair market value as determined by a property appraisal satisfactory to the City.
- 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 proposal call.
- 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.