

## Strengthening Accountability and Outcomes for Affordable Housing: Understanding the Impact of the Affordable Home Ownership Program

**Date:** October 8, 2020

**To:** Audit Committee

**From:** Auditor General

**Wards:** All

### SUMMARY

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This report presents the results of the Auditor General's review of the City's affordable home ownership program (the "Program"). The Program has been a long-standing initiative in the City's affordable housing strategy. Over the last decade, the Program's goals have included assisting low and moderate-income renters in Toronto to purchase affordable homes and realize the benefits of home ownership.

The audit focuses on assessing the extent to which City's Program is achieving the City's housing objectives to help low and moderate-income households achieve home ownership.

The City's affordable home ownership program is part of its response to addressing the housing needs in Toronto. Our audit makes 11 recommendations that will help position the Housing Secretariat to refresh how it manages the Program to achieve the results intended by City Council. It identifies ways they can strengthen accountability and deliver on their objectives and expected outcomes by:

1. Assessing the extent to which the Program is achieving housing objectives and outcomes
2. Supporting Program intent by strengthening Program design
3. Promoting consistent and impactful outcomes through enhanced City oversight

## RECOMMENDATIONS

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The Auditor General recommends that:

1. City Council request the Executive Director, Housing Secretariat, in collaboration with the General Manager, Shelter Support and Housing Administration Division to:

a. develop mechanisms to assess the outcomes of the affordable home ownership program, including the extent to which the program is effectively contributing towards the City's housing priorities.

In doing so, the Housing Secretariat should also review and implement the relevant outstanding recommendations from its 2012 study.

b. consider and recommend enhancements or adjustments to the affordable home ownership program and / or level of funding, if outcomes are not being effectively achieved through the program in its current form.

2. City Council request the Executive Director, Housing Secretariat to define the targeted level of housing affordability it aims to provide through its affordable home ownership program and give consideration to:

a. aligning the definition with other municipal / provincial definitions;

b. setting limits on gross debt service ratios for eligibility;

c. establishing maximum purchase price limits, that are at or below the average market values for that unit type / size and that will support the City's desired level of affordability.

3. City Council request the Executive Director, Housing Secretariat to analyze the extent to which the affordable home ownership program has helped households in purchasing homes that are affordable to them (i.e. whether or not loan recipients meet the targeted level of housing affordability). This analysis should, in turn, be considered when assessing the overall impact of funding on the achievement of housing objectives and outcomes.

4. City Council request the Executive Director, Housing Secretariat to confirm that the information households provide for loan eligibility purposes is consistent with what they submit to their third-party lenders, who assess whether the purchasers can carry the cost of ownership when approving them for a primary mortgage.

This will help better assess if they have included all income and asset sources, particularly where they appear to have exceeded the targeted level of housing affordability.

5. City Council request the Executive Director, Housing Secretariat to pursue measures related to ongoing affordability that the City should implement. This could include:

a. pursuing legislative changes for ongoing affordability, outside of the Planning Act (i.e. to allow the City to enter into housing agreements with ongoing affordability conditions like tenure of housing and resale price restrictions that can be registered on title).

b. considering other non-legislative options to offer ongoing affordability, including exercising option to purchase terms on resale.

6. City Council request the Executive Director, Housing Secretariat to:

a. require proponents to track and report the reasons why loan discharges and/or unit resales have occurred. This information should be used when assessing the overall impact of funding.

b. obtain and review calculations and supporting documents for loan and capital appreciation repayments to the City to ensure amounts calculated by proponents and repaid to the City are accurate and reasonable.

7. City Council request the Executive Director, Housing Secretariat to pursue changes to affordable home ownership program requirements that will support prioritization of affordable home ownership opportunities and funding based on local needs and City priorities. In setting priorities, the City should consider collecting data on the types of applicants who applied to / expressed interest in opportunities at affordable home ownership developments.

In doing so, the Housing Secretariat should consult with key stakeholders, including proponents, and consider best practices from other jurisdictions to ensure any changes support intended program outcomes.

8. City Council request the Executive Director, Housing Secretariat to implement enhanced program guidelines to ensure loan recipients meet the spirit of the affordable home ownership program. This may include:

a. limits on assets. This should consider purchasers' bank and investment balances and the amount of personal funds available to pay for deposits, down payments and / or upgrades.

b. a minimum number of years where applicants must demonstrate they meet income requirements. Income documentation should be as current as possible to reflect applicants' true financial pictures at the time of application.

Income requirements should also consider and address circumstances where there are changes to household composition or income after the time of application.

c. restrictions on residency, whereby applicants who are currently living in Toronto prior to applying are prioritized.

In enhancing guidelines, the Housing Secretariat should consult with key stakeholders, including proponents, and consider best practices from other jurisdictions to ensure any changes best support intended program outcomes.

9. City Council request the Executive Director, Housing Secretariat to:

a. ensure future affordable home ownership program delivery agreements are clear on the number of modest units at affordable prices proponents are expected to provide. Targets should reflect the level of affordability the City intends to create and the amount of loan funding allocated to the development should support this objective.

b. improve monitoring of proponent sales of affordable units and issuance of loans in order to more proactively address challenges in creating the expected number of affordable home ownership opportunities. Where proponents do not achieve targets, the City should assess the root causes and determine if program adjustments are required as part of its overall program evaluation.

c. improve the timeliness with which unused funding for affordable home ownership loans is returned to the City so that it can be made available to better support other housing opportunities and priorities.

10. City Council request the Executive Director, Housing Secretariat to implement a formally documented review process to ensure that:

a. all applicant, unit eligibility, ongoing occupancy and other delivery agreement requirements for the affordable home ownership program have been met. Loan files should be reviewed for any discrepancies between documents (i.e. to ensure information reported between documents is consistent) and appropriate follow-up action, in collaboration with proponents, should be taken to ensure eligibility requirements have been met.

b. information provided by proponents on semi-annual reports is accurate and consistent with loan files submitted. To allow for effective program evaluation, reports should capture all loan sources, including amounts provided directly by proponents.

11. City Council request the Executive Director, Housing Secretariat to:

a. provide enhanced guidance on how proponents should validate and document that income, legal status, residential tenancy and other delivery agreement requirements for the affordable home ownership program have been met (i.e. what documents to obtain and review).

b. provide guidance on what proponents should be looking for when reviewing eligibility documentation and how to properly document and follow-up on any discrepancies noted.

## **FINANCIAL IMPACT**

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The implementation of recommendations in this report will likely result in improved operating efficiency and more optimal use of limited funding for City affordable housing programs and initiatives. The precise extent of any resources required or potential cost savings resulting from implementing the recommendations in this report is not determinable at this time.

## **DECISION HISTORY**

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The Auditor General's Annual Work Plan includes an operational review of the Housing Secretariat. This review may be comprised of multiple phases or audits focused on different affordable housing programs and services that the Housing Secretariat oversees.

The Auditor General's Work Plan can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.AU4.9>

## **COMMENTS**

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A high-level summary of the key audit findings are provided in the one-page Audit at-a-Glance.

The attached audit report provides the Audit Committee and members of Council with the detailed audit results and recommendations together with management's response. Management has agreed to all 11 recommendations.

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENTS**

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Attachment 1: Strengthening Accountability and Outcomes for Affordable Housing:  
Understanding the Impact of the Affordable Home Ownership Program