



City of Toronto Audit Committee

October 23, 2020

## **AU6.3 Impact of the Affordable Home Ownership Program** **Habitat for Humanity GTA Deputation**

Good morning. My name is Ene Underwood and I am the Chief Executive Officer of Habitat for Humanity Greater Toronto Area.

We have been an affordable housing partner with the City of Toronto for over 30 years and a recipient of 147 of the loans that have been reviewed in this report. One of these loans went to the Kabir family who are one of 50 families in a recently completed Habitat community in Scarborough. I have included a profile of the Kabir family as an appendix.

We are appreciative of the Auditor General's review and generally supportive of all recommendations.

Before commenting on the report, let's start with the elephant in the room. With the average price of a home in the City of Toronto sitting at \$1 million and detached homes averaging \$1.5 million, does it still make sense for the City to be investing in enabling lower income households to become homeowners?

At Habitat for Humanity, we believe the answer must be an unequivocal "yes". The reality is that in this country and in this city, the most proven path to building household wealth and multi-generational advancement has been homeownership. Those of us who are homeowners can look forward to a relatively secure retirement, we are likely in a position to help our children become homeowners, we have an asset to leverage to start a business – and we can live day-to-day taking pride in our home and generally being the master of our destiny on what we change in our home and when we decide to move.

As noted in the Auditor's Report, the benefits of homeownership as part of an overall affordable housing program are to:

- Enable lower income households to permanently break the cycle of poverty and low income status – for themselves and the next generation. This, in turn, creates a beneficial ripple effect on taxes as these households and their next generation move past a reliance on social supports – and their improved economic status generates new tax revenues.
- Beyond this, the program:
  - Frees up rental stock for others.
  - Helps attract and retain a skilled workforce for our City.
  - And contributes to neighbourhood inclusion and vitality.

I would hazard that the most if not all members of City Council are homeowners. This is a safe bet as 65% of Torontonians are homeowners. In a year when we are paying more attention than ever to systemic racism, inequality and privilege, we also need to recognize that:

- 73% of residents in high income neighbourhoods – which are predominantly ownership – are white.
- 69% of residents in the City's low income neighbourhoods – which are predominantly rental – are racialized.
- Moreover – accessing the benefits of homeownership is harder than ever. When I bought my home in the mid-1990s, the income: house price multiplier in this city was just below five (5), i.e. 5 years of average income to afford an average family-sized home. Today, the multiplier is slightly more than 15.

So – why continue to invest in affordable homeownership as part of HousingTO 2020-2030?

- Because it is a proven path to prosperity for both households and for the City.
- And because if we are truly committed to an inclusive city, we cannot be saying to the racialized citizens and millennials in this City – sorry, it's too late and too expensive – now your only option is rental.

This is why it is critically important to embrace the opportunities for program improvement found in the Auditor's Report. In this regard, I want to flag three areas raised by the auditor.

#### **First – Ensure we are helping the right people**

Page 18 of the report provides a table demonstrating that 65% of program loans are discharged within five years – raising the question of whether these households needed the loans in the first place. We support the recommendation to ensure data capture on why loans are discharged and to review program eligibility.

We did a similar analysis for the 147 loans to Habitat homeowners and found that only 3% of loans were discharged within five years and 5% within 10. This is understandable as Habitat works exclusively with working, lower income families. They are looking for a secure place to put down roots and raise their children.

I might add that further to my earlier points about racial inequalities, 96% of Habitat homeowners are Black, Indigenous or people of colour.

#### **Second – Ensure the homes will be affordable – and homeowners not overleveraged**

The report recommends that proponents not rely exclusively on banks to ensure the homeowner can actually afford the cost of homeownership. We agree.

At Habitat for Humanity GTA, our Family Services team undertakes a rigorous assessment of applicants including assessing need, debt levels, other assets, and all sources of income. We then work directly with our credit union partners to ensure that the family mortgage payments + condo fees + property taxes do not exceed 32% of household income. We hold a silent second mortgage on the balance

between the first mortgage and the market value of the home. All Habitat homeowners go through our extensive homeownership preparation program and we maintain active relationships with them in the years following move-in.

This also gets at the commentary in the report about the maximum purchase price of units. We have mixed views on whether units should be restricted to a maximum and we look forward to engaging in this discussion in the City's upcoming review of the program. There are downsides to placing hard limits on maximum market price of the homes. The most significant is that doing that can work against some of the aims of inclusionary zoning by precluding the intermingling of affordable housing with market housing in some neighbourhoods.

This leads to the final point ....

### **Third – Pursuing Ways to Keep Homes Affordable After Resale**

The report recommends that the City explore ways to preserve the ongoing affordability of homes supported by the program so that they remain affordable from one buyer to the next.

Habitat GTA has been a strong proponent of this approach and has spent considerable time reviewing options with the Housing Secretariat over the last year.

As part of this approach, we will continue to advocate for consideration of decoupling property taxes on these homes from the market value of the homes. Basing property taxes on market value is one of the key challenges to delivering affordable homeownership in today's real estate market. Moreover, keeping the homes affordable in the long run requires a degree of equity restriction. We contend that it is not fair to ask homeowners to pay the same property tax as their neighbours if the value of their home is restricted.

Similarly, keeping the homes affordable in perpetuity warrants a reconsideration of whether the City's ownership loans should be repaid. Providing full or partial forgiveness on these loans if the homeowner remains in the home for a given period of time would provide an equity off-set to the equity restriction put in place to enable the home to be repurchased. This creates a win for the city in providing sufficient equity to the homeowner so they can eventually move to market housing – and it similarly provides a win to the homeowner of supporting the goal of building equity for multi-generational change.

In closing, we are fully committed to working with the Housing Secretariat and other affordable ownership providers in the upcoming review of the program and to continuing to partner with the City to advance the goals of HousingTO 2020 to 2030.

Thank you for your time. I am happy to respond to any questions.

## Who Benefits from the Affordable Homeownership Program? The Kabir-Akter Family: A Case Study

Humayunn Kabir arrived in Canada in 2008, a professionally trained engineer from Bangladesh with an undergraduate and masters degree and five years of engineering work experience. His credentials and experience were not recognized by Canadian employers and so he settled into working two entry-level part-time jobs in unrelated fields.

In the years that followed, he started his family and by 2015 when he heard about Habitat for Humanity, he was the married father of an 11 year old daughter and 5 year old son.



Two years later, after finding time for 500 sweat equity volunteer hours, Humayuun and his family became homeowners of a three bedroom stacked townhome in a Habitat for Humanity build project in Scarborough.

When asked to compare life today in 2020 versus prior to his family’s move, Humayunn, explained that they were previously living in a small two bedroom apartment on the 27<sup>th</sup> floor in the east end of Toronto. The building was poorly maintained and his family often had to deal with cockroach and bedbug infestations. Most significant was the crowded living conditions. Humayuun was intent on requalifying as an engineer, but when he came home from work, it was difficult to find the space and quiet to concentrate on his part-time studies in computer engineering. Similarly, his son and daughter had limited options for personal privacy or homework in their small shared bedroom.

After gaining the stability and peace of mind of their own home, Biikis, Humayunn’s wife was able to secure full-time employment close by, allowing Humayunn to be at home for the children while also pursuing his three-year computer engineering degree full-time. He is now eight months from completion and has a number of job prospects.

Humayunn emphasizes the peace of mind he and his family have felt since owning their own home. He talks about how much happier his children. He speaks with pride of his daughter’s 92% grade average and her plans to pursue engineering and then law (she is now 16). He speaks with similar pride in getting back on his own career track and how impossible that would have been with the continued stressors and uncertainties that he experienced in his first decade of his life in Canada in rental accommodations.

When asked him whether he thinks his children will go on to become homeowners, his response is, *“Of course, that’s what everyone wants – that’s the way to create opportunity -- and that’s the example we have set for them”*.