Habitat for Humanity® Greater Toronto Area
Brampton, Caledon, Durham Region, Toronto & York Region

City of Toronto Executive Committee
June 12, 2022

EX 34.1 Growth Funding Tools – Development Charges

Good morning. My name is Joshua Benard. I am the Vice President of Real Estate Development at Habitat for Humanity Greater Toronto Area.

As much as we recognize that the City is grappling with extraordinary budget pressures, I am appealing to you to take care to ensure that the decisions you make today regarding Growth Funding Tools, particularly, Development Charge increases do not undermine the realization of your affordable housing priorities – a need that has never been more urgent and never more challenging to deliver.

The City's Open Door program exempts affordable rental projects from Development Charges as well as other development-related fees like application/permits fees and taxes. This is not the case for our affordable homeownership projects at Habitat for Humanity GTA.

Rather, the City's Home Ownership Assistance Program (HOAP) provides for DCs to be deferred until such time as an affordable ownership unit is sold by the first owner. This program is, however, currently limited to a maximum of $60,000 on the amount of deferral eligible. The new DC bylaw will result in charges of up to $113,271 per unit for the multi-family townhomes and apartment format units we deliver. **Without an update to the HOAP program to adjust for the increase in DCs, Habitat would have to absorb the cost of these increases – thus, reducing the number of homes we can contribute to the City's affordable housing goals.**

It is important to note that, in 2020, Habitat for Humanity changed our homeownership model such that **Habitat homes remain affordable from one homeowner to the next**. As has always been the case, we provide working, lower and modest income families with a zero down payment, affordable mortgage that enables them to turn what would otherwise have been rent payments into household equity. What is different than in the past is that appreciation on these homes is based on a formula reflective of inflation. Thus, when families are in a position to move on to market housing, Habitat will repurchase their home from them based on this formula and make the home available to another qualified purchaser.

Thus, as is the case with the City's investments in affordable rental units, occupants of Habitat units are approved based on the City's income eligibility requirements <u>and</u> Habitat for Humanity units will remain affordable in perpetuity. The model is a win for families and for the city as families who do well have an economic incentive to take the equity in their Habitat home and move to market homeownership in the future. This, in turn, create a ripple impact all down the line of the affordable housing continuum creating opportunities for other households to move up into vacated units.

City Council recently approved a significant investment including Section 37, OPHI and HOAP in Habitat homes at the TCHC/Tridel Revitalization at Alexandra Park based on exactly this model. As illustrated in Exhibit 1, the economics of this investment parallel those of rental.

	Year 0 (Initial Purchase)	Year 10	Year 20
1st Mortgage	$200k	$148k	$66k
Income	$65k	$77k	$94k
Mortgage Payment (principle and interest)	-$833	-$995	-$1,214
Property Tax/Condo fees	-$900	-$1,075	-$1,311
Total Monthly Housing Payment	-$1,733	-$2,070	-$2,525
Homeowner Equity	**$0**	**$90k**	**$225k**
Total paid for homeownership housing costs	$0	$227k	$505k
Total rent paid if remained in rental (30% of income) Monthly payment	$0 (-$1,625)	$213k (-$1,925)	$473k (-$2,367)

Figure 1 - comparison of financial perspective of household in a Habitat homeownership unit and rental unit at Alexandra Park. Over a 20 year period a household would pay a similar amount towards housing but in the ownership scenario they would have over $200k in equity.

The HousingTO 2020 to 2030 plan aims for 400 new ownership units every year – a target that has yet to be met. Habitat GTA has worked tirelessly to innovate new ways to be an even bigger part of the solution. And we have been succeeding. Currently, our build pipeline for Toronto has over 300 units lined up through a combination of traditional Habitat volunteer builds and partnerships with over 10 for-profit developers. Multiple other projects are under discussion. All are at risk if we have to bear the added costs of DC increases together with the ever-escalating increases in labour and supply costs. Thus, I am respectfully requesting that in approving today's DC increases, you ensure two adjustments are made for affordable homeownership programs that meet the City's income eligibility requirement and that are delivering affordability in perpetuity. Specifically:

- Confirm that the value of HOAP loans will be equivalent to the increased DCs
- Change the current HOAP provision that requires repayment of the loan at the time the home is sold by the first homeowner, to requiring no repayment requirement as long as the home continues to be sold at affordable prices to income eligible homeowners.

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