MARKHAM
the MARK of EXCELLENCE

Clerk's Department
Corporate Services Commission

March 30, 2005

REGION OF YORK
CLERK'S OFFICE
FILE No. - P04
→ · S. Cartwright
· B. Tuckey

RECEIVED
APR 07 2005
R.M.Y.
CLERK

Mr. Denis Kelly
Regional Clerk
The Regional Municipality of York
17250 Yonge Street
Newmarket, ON L3Y 6Z1

RE: **FINANCIAL INCENTIVES FOR AFFORDABLE HOUSING REQUEST FOR DEFERRAL OF DEVELOPMENT CHARGES AND A REDUCED AND DEFERRED CASH-IN-LIEU PARKLAND CONTRIBUTION BY THE OLD KENNEDY COOPERATION DEVELOPMENT CORP. AT 90-108 OLD KENNEDY ROAD (7.11 & 10.7)**

Dear Mr. Kelly:

This will confirm that at the meeting of Council held on March 29, 2005, Clause 2 of Report No. 10, was approved as follows:

> "That the presentation by the Treasurer, the Senior Project Coordinator and Mr. Charles Sutherland of "Options for Homes" regarding financial incentives for affordable housing be received;
>
> And that the March 21, 2005 staff report entitled "Financial Incentives for Affordable Housing – Request for Deferral of Development Charges and a Reduced and Deferred Cash-in-lieu of Parkland Contribution by the Old Kennedy Co-operative Development Corp. at 90-108 Old Kennedy Road" be received;
>
> And that Council authorize a conditional deferred payment of the Town of Markham development charges (equivalent to town-wide hard and soft services or approximately $700,000) and a reduced and deferred cash-in-lieu of parkland contribution (equivalent to 5% of the land value or approximately $150,000), (collectively, the "deferred charges"), estimated to be a total of approximately $850,000 relating to the development of 135 dwelling units and 5 retail units at 90-108 Old Kennedy Road, as a pilot project financial incentive in support of affordable homeownership housing in Markham;

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And that the short-term borrowing for the deferred charges be provided from the Corporate Rate Stabilization Reserve, if required, until such time as the full deferred payment owed is paid from the Home Ownership Alternatives Non-Profit Corporation;

And that the deferred charges be conditional on confirmation by the Commissioner of Development Services that the proposed development at 90-108 Old Kennedy Road has received all necessary municipal approvals, and upon meeting the criteria outlined in this report, to the satisfaction of the Town Solicitor, the Commissioner of Development Services and the Commissioner of Corporate Services.

And that the deferred charges also be conditional on the execution of an agreement between the Old Kennedy Co-operative Development Corporation, the Home Ownership Alternatives Non-Profit Corporation and the Town of Markham, to secure the payment of deferred charges, to the satisfaction of the Town Solicitor, the Commissioner of Development Services and the Commissioner of Corporate Services including, but not limited to, the following provisions:

a) that the Town of Markham's contribution shall be combined with CMHC – Ontario Affordable Housing Program Homeownership Pilot Program funding and concentrated to provide funding assistance for a minimum of 25% or not less 34 of the dwelling units in the development (the "funded units");
b) that the purchasers of the funded units only be eligible if:
   i) their household income is less than or equal to the 40th percentile of household incomes for Markham; and
   ii) for not less than 30% of the funded units, the purchaser's household income is less than or equal to the 30th percentile of household incomes for Markham;
c) that the funded units include a mix of 1, 2 and 3 bedroom stacked garden apartments and 3 and 4 bedroom townhouses to ensure affordable homeownership opportunities are provided to both individuals and families;
e) that for the funded units at least 75% of the purchasers live or work in the Region of York, and at least 37.5% live or work in the Town of Markham, at the date the unit purchase agreement is executed;
f) that the Old Kennedy Cooperative Development Corporation be required to submit a letter of credit, to the satisfaction of the Town's Treasurer, to secure the delivery of the funded units in accordance with the above provisions and that the letter of credit be reduced accordingly once the Town is satisfied that each of the funded units and the purchasers have met the eligibility criteria;

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g) that payment of the deferred charges, plus applicable interest or appreciation, to the Town be secured as follows:
  - Proceeds of the resale of each funded unit will be remitted to the Town annually; and, in any event, the Home Ownership Alternatives Non-Profit Corporation will pay 90% of the deferred charges within 15 years of the condominium registration and 100% of the deferred charges within 20 years of the condominium registration;

h) that the Home Ownership Alternatives Non-Profit Corporation agree to apply the proceeds of the shared appreciation of their deferred deposit mortgages registered on all units of the development to fund further Home Ownership Alternatives non-profit housing developments, preferably in Markham and/or other municipalities in York Region, in accordance with their Declaration of Trust; and

i) that the Home Ownership Alternatives Non-Profit Corporation will act responsibly in administering any second mortgage related to the deferred charges, and failing to do so or in the event that the Home Ownership Alternatives Non-Profit Corporation ceases to exist, said second mortgage shall be forthwith transferred to the Town of Markham as it relates to the payment of the deferred charges.

And that the payment of deferred charges also be conditional on the Old Kennedy Co-operative Development Corporation providing written confirmation, that a CMHC - Ontario Affordable Housing Program Homeownership Pilot Project funding allocation of not less $810,000 is available to apply towards the funded units, to the satisfaction of the Commissioner of Development Services and Commissioner of Corporate Services;

And that in the event that the full CMHC – Ontario Affordable Housing Program Homeownership Pilot Project funding allocation is not made available by the Province that the Town of Markham's contribution be reduced in an equivalent manner;

And that the Province be requested to amend the provincial eligibility requirements relating to the cost price of the dwelling units and the selection of eligible purchasers in Markham, to permit the full funding allocation of $810,000 to be used and to demonstrate the Province's commitment to partnering with municipal governments in support of affordable home ownership development in Markham and York Region;

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And that the Region of York be requested to make a similar contribution respecting deferral of Regional development charges for this affordable home ownership pilot project to demonstrate the Region's commitment to partnering with senior and local municipal levels of government in support of affordable home ownership development in Markham and York Region;

And that the Clerk be directed to forward a copy of this report to the Minister of Public Infrastructure Renewal, York Region MPPs and the Region of York."

Yours sincerely,

S. Birrell

Sheila Birrell
Town Clerk

Encl.

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MARKHAM the MARK of EXCELLENCE

REPORT TO GENERAL COMMITTEE

TO:	Mayor and Members of Council
FROM:	Jim Baird, Commissioner of Development Services Andy Taylor, Commissioner of Corporate Services
PREPARED BY:	Murray Boyce, Senior Project Coordinator Barb Cribbett, Treasurer
DATE OF MEETING:	2005-Mar-21
SUBJECT:	Financial Incentives for Affordable Housing - Request for Deferral of Development Charges and a Reduced and Deferred Cash-In-Lieu of Parkland Contribution by the Old Kennedy Cooperative Development Corp. at 90-108 Old Kennedy Road

RECOMMENDATION:

THAT the March 21, 2005 staff report entitled "Financial Incentives for Affordable Housing – Request for Deferral of Development Charges and a Reduced and Deferred Cash-in-lieu of Parkland Contribution by the Old Kennedy Co-operative Development Corp. at 90-108 Old Kennedy Road" be received;

THAT Council authorize a conditional deferred payment of the Town of Markham development charges (equivalent to town-wide hard and soft services or approximately $700,000) and a reduced and deferred cash-in-lieu of parkland contribution (equivalent to 5% of the land value or approximately $150,000), (collectively, the "deferred charges"), estimated to be a total of approximately $850,000 relating to the development of 135 dwelling units and 5 retail units at 90-108 Old Kennedy Road, as a pilot project financial incentive in support of affordable homeownership housing in Markham;

THAT the short-term borrowing for the deferred charges be provided from the Corporate Rate Stabilization Reserve, if required, until such time as the full deferred payment owed is paid from the Home Ownership Alternatives Non-Profit Corporation;

THAT the deferred charges be conditional on confirmation by the Commissioner of Development Services that the proposed development at 90-108 Old Kennedy Road has received all necessary municipal approvals, and upon meeting the criteria outlined in this report, to the satisfaction of the Town Solicitor, the Commissioner of Development Services and the Commissioner of Corporate Services.

THAT the deferred charges also be conditional on the execution of an agreement between the Old Kennedy Co-operative Development Corporation, the Home Ownership Alternatives Non-Profit Corporation and the Town of Markham, to secure the payment of deferred charges, to the satisfaction of the Town Solicitor, the Commissioner of Development Services and the Commissioner of Corporate Services including, but not limited to, the following provisions:

a) that the Town of Markham's contribution shall be combined with CMHC – Ontario Affordable Housing Program Homeownership Pilot Program funding and concentrated to provide funding assistance for a minimum of 25% or not less 34 of the dwelling units in the development (the "funded units");
b) that the purchasers of the funded units only be eligible if:
   i) their household income is less than or equal to the 40^{th} percentile of household incomes for Markham; and
   ii) for not less than 30% of the funded units, the purchaser's household income is less than or equal to the 30^{th} percentile of household incomes for Markham;
c) that the funded units include a mix of 1, 2 and 3 bedroom stacked garden apartments and 3 and 4 bedroom townhouses to ensure affordable homeownership opportunities are provided to both individuals and families;
d) that for the funded units at least 75% of the purchasers live or work in the Region of York, and at least 37.5% live or work in the Town of Markham, at the date the unit purchase agreement is executed;
e) that the Old Kennedy Cooperative Development Corporation be required to submit a letter of credit, to the satisfaction of the Town's Treasurer, to secure the delivery of the funded units in accordance with the above provisions and that the letter of credit be reduced accordingly once the Town is satisfied that each of the funded units and the purchasers have met the eligibility criteria;
f) that payment of the deferred charges, plus applicable interest or appreciation, to the Town be secured as follows:
   - Proceeds of the resale of each funded unit will be remitted to the Town annually; and, in any event, the Home Ownership Alternatives Non-Profit Corporation will pay 90% of the deferred charges within 15 years of the condominium registration and 100% of the deferred charges within 20 years of the condominium registration;
g) that the Home Ownership Alternatives Non-Profit Corporation agree to apply the proceeds of the shared appreciation of their deferred deposit mortgages registered on all units of the development to fund further Home Ownership Alternatives non-profit housing developments, preferably in Markham and/or other municipalities in York Region, in accordance with their Declaration of Trust; and
h) that the Home Ownership Alternatives Non-Profit Corporation will act responsibly in administering any second mortgage related to the deferred charges, and failing to do so or in the event that the Home Ownership Alternatives Non-Profit Corporation ceases to exist, said second mortgage shall be forthwith transferred to the Town of Markham as it relates to the payment of the deferred charges.

THAT the payment of deferred charges also be conditional on the Old Kennedy Co-operative Development Corporation providing written confirmation, that a CMHC - Ontario Affordable Housing Program Homeownership Pilot Project funding allocation of not less $810,000 is available to apply towards the funded units, to the satisfaction of the Commissioner of Development Services and Commissioner of Corporate Services;

THAT in the event that the full CMHC – Ontario Affordable Housing Program Homeownership Pilot Project funding allocation is not made available by the Province that the Town of Markham's contribution be reduced in an equivalent manner;

THAT the Province be requested to amend the provincial eligibility requirements relating to the cost price of the dwelling units and the selection of eligible purchasers in Markham, to permit the full funding allocation of $810,000 to be used and to demonstrate the Province's commitment to partnering with municipal governments in support of affordable home ownership development in Markham and York Region;

THAT the Region of York be requested to make a similar contribution respecting deferral of Regional development charges for this affordable home ownership pilot project to demonstrate the Region's commitment to partnering with senior and local municipal levels of government in support of affordable home ownership development in Markham and York Region;

AND THAT the Clerk be directed to forward a copy of this report to the Minister of Public Infrastructure Renewal, York Region MPPs and the Region of York.

PURPOSE:

In support of the provision of affordable homeownership units in Markham, the purpose of this report is to obtain Council's approval to provide a conditional deferral of development charges and a reduced and deferred cash-in-lieu of parkland contribution (collectively the "deferred charges") for the affordable home ownership pilot project being developed by the Old Kennedy Cooperative Development Corporation at 90-108 Kennedy Road.

EXECUTIVE SUMMARY:

The Town of Markham has established a record of cooperation with the development industry, government and community groups in the development of housing for Markham residents. Markham has benefited from participation in a variety of housing initiatives, generally involving senior government funding support, for the delivery of housing intended for residents with specific incomes or housing needs.

The Town's Strategic Plan identifies areas of focus in the Community Vision and establishes priorities for the Town in decision-making and resource allocation, relating to the provision of "housing opportunities that meet the needs and expectations of different age, income and ethnic groups."

In February 2003, Council adopted a strategy for Affordable Housing that defined an advocacy/partnership, policy and financial role for the Town, in support of the provision of rental and affordable housing. In adopting the strategy, Council established a role for the Town regarding affordable housing relative to other government, private sector and community interests, and determined how the Town will respond to initiatives of other stakeholders.

Establishing a Financial Incentives Policy Framework for Affordable Housing
As part of the Town's role, and in particular, its financial role, Council requested staff to report on a financial incentives policy framework to encourage and promote affordable housing opportunities in the Town of Markham. There is considerable evidence to suggest that fiscal policies and programs offer the single most effective contribution that government at all levels may be able to make toward influencing the production of affordable housing.

The Town and Region have already coordinated efforts to introduce a new tax rate for multi-unit residential at the same level as the residential rate. Recently, Council approved a new Development Charges By-law definition for plexes and stacked and garden apartments and requested the Region to follow suit to demonstrate its support for increasing the supply of rental and affordable housing in Markham and York Region overall.

In accordance with Council's direction, Finance staff are currently developing a financial incentives policy framework for affordable housing which will, among other things:
- establish criteria for selecting eligible affordable rental and homeownership projects for appropriate financial incentives;
- identify a preferred approach and source of a financial incentive towards eligible projects; and
- provide guidelines for securing the Town's financial incentives and interest in the provision of rental and affordable housing over time.

The policy framework will address financial incentives for both affordable rental and affordable home ownership models.

Interim Requests for Financial Incentives under Federal/Provincial Pilot Project Program
Pending approval of a financial incentives policy framework, Council has received two requests from community non-profit groups for financial incentives from the Town in support of affordable rental and affordable home ownership pilot projects in partnership with the Federal/Provincial government.

In September 2003, at the request of the Toronto Ling Liang Church and the Region of York, Council approved a conditional grant equal to development charges and cash-in-lieu of parkland contribution for a 55 unit affordable retirement complex in Milliken. The grant is conditional on the private non-profit group obtaining approval of a Federal/Provincial Community Rental Housing Program pilot project funding allocation in the future.

In March 2004, the private non-profit group Markham Community Homes Inc. (MCHI) provided a brief presentation to Development Services Committee of the Options for Homes (OFH) affordable home ownership financing concept and the Old Kennedy Cooperative Development Corporation's (OKC) affordable home ownership development proposal on Old Kennedy Road in Milliken. Staff were asked to address the affordability aspects of the proposal and specifically respond to the OKC's request to the Town for financial incentives, including deferring development charges, a cash-in-lieu of parkland contribution, building permit fees, and all other application fees in support of increasing the affordability of the development proposal. In November 2004, the proponents obtained approval of a Federal/Provincial Affordable Home Ownership Program pilot project funding allocation for the Old Kennedy development project.

Home ownership Proposal consistent with Emerging Financial Incentives Policy Framework
Staff are prepared to support a reduced cash-in-lieu of parkland contribution, equivalent to 5% of the land and deferral of payment (approximately $150,000). Furthermore, if the reduced cash-in-lieu of parkland contribution and all applicable town wide development charges for the project (approximately $700,000) were combined under a 15-20 year deferral arrangement (collectively known as the "deferred charges"), the Town could make available a significant financial incentive of $850,000 to increase the affordability for 25% of the total dwelling units for low and moderate income households.

Staff are recommending that the Town's pilot project financial incentive be concentrated to provide funding assistance for 25% or not less than 34 of the total 135 dwelling units (the "funded units"). These funded units will only be made available to eligible purchasers whose household income is less than or equal to the low and moderate household income levels based on 2001 Statistics Canada data for household incomes in Markham. These funded units will also comprise a mix of 1 and 2 bedroom stacked garden apartments and 3 and 4 bedroom townhouses to ensure affordable homeownership opportunities are provided to both individuals and families. In support of increasing live/work opportunities in Markham and York Region, for the funded units, at least 75% of the purchasers shall currently live or work in the Region of York, and at least 37.5% shall live or work in the Town of Markham, at the date the unit purchase agreement is executed.

The "deferral of fees" model for ownership developed by Options for Homes and requested by the OKC was considered a financial incentive option worthy of support in the financial incentives study completed by the Town's consultant, John Gladki of GHK International, last year. Although it is not anticipated that the final staff report on "Financial Incentives Policy Framework for Affordable Housing" will be presented to Council until April of 2005, the OKC proposal is considered to be a unique pilot project with approved funding from senior levels of government, consistent with the emerging recommendations in the Financial Incentives Policy Framework for Affordable Housing report to Council.

Approval of Deferred Charges Conditional on Execution of Deferral Agreement
Staff are recommending approval of the deferred charges as a pilot project financial incentive in support of affordable homeownership housing in Markham. The deferred charges are conditional on the execution of a deferral agreement between the Old Kennedy Co-operative Development Corporation, the Home Ownership Alternatives Non-Profit Corporation and the Town of Markham, to secure all required arrangements as outlined in this report, including, but not limited to:

- ensuring that the financial incentive provided as a result of the deferred charges is used to make housing available to low and moderate income households;
- secure payment of deferred fees and charges; and
- encourage reinvestment of funds generated through the secured second mortgage in similar affordable home ownership projects in, preferably, Markham and/or York Region.

Staff are also recommending that the approval of the deferred charges be conditional on a Federal/Provincial Homeownership Pilot Project funding allocation of not less $810,000 and that in the event that the full funding allocation is not made available by the Province, the Town of Markham's contribution be reduced in an equivalent manner.

BACKGROUND:

Planning Permissions for Development Proposal in Place

At its meeting of September 14, 2004, Council received the report entitled "Old Kennedy Co-operative Development Corporation" and approved in principle, a zoning by-law amendment and site plan to permit a 140 unit townhouse/stacked townhouse mixed use development at 90-108 Old Kennedy Road. The unit mix consists of 12 one-bedroom, 45 two-bedroom and 33 three-bedroom stacked townhouse apartments; and 23 three-bedroom and 22 four-bedroom townhouses; and 5 retail units fronting on Old Kennedy Road.

The zoning by-law amendment application and site plan application were approved on September 14, 2004. A Parking Study, to the Town's satisfaction, and a water and sewer allocation for the development are required. Staff are currently working with the applicant to finalize a site plan. A copy of a perspective and site plan for the development proposal is attached to this report as Appendix "A." Council approved a water and sewer allocation on February 15, 2005 which is pending confirmation by the Region. It is anticipated that the zoning by-law amendment for the project will be enacted in May 2005.

The development proposal is located on a 1.57 hectares (3.88 acres) parcel of land on the west side of Old Kennedy Road north of Steeles Avenue in the Milliken Mills Main Street study area. A draft Secondary Plan and implementing zoning by-law have been prepared for the Milliken Mills streetscape study area and will be brought forward for Council approval in the near future. The Secondary Plan area will also be designated as a Community Improvement Area in the Official Plan. The development proposal is consistent with the draft Secondary Plan.

A financial strategy is being prepared to identify actions that the Town could undertake to encourage the development of the Milliken Mills streetscape study area, ie. front ending necessary infrastructure improvements, land assembly and land remediation. Staff will bring forward a draft financial strategy at the time the Secondary Plan is considered for approval.

Development Proposal Represents A New Approach to Affordable Home Ownership

On March 2, 2004, Markham Community Homes Inc. (MCHI) provided a brief outline of their market affordable home ownership development proposal and financing concept to Development Services Committee. At that time, the Committee requested staff to report on the affordability and other aspects of the affordable housing proposal. Subsequently, MCHI submitted a complete profile of the non-profit corporation and its affordable housing proposal to Council at its meeting of March 9, 2004. Copies of the MCHI submission are attached to this report as Appendices "B" and "C". A separate letter from the proponents requesting Council consideration of possible incentives/ strategies, including deferring development charges cash-in-lieu of parkland, building permit fees, and all other application fees in support of increasing the affordability of the development proposal, is attached as Appendix "D".

At the March 9th meeting, Council accepted partial payment of the Development Services processing fees for the MCHI project in the amount of $5,000 and deferred the remainder of the processing fees in the amount of $47,000 until such time as a final staff recommendation on deferral of development charges, cash-in-lieu of parkland, and processing fees is presented to Council for consideration.

Community Sponsorship of Affordable Home Ownership
Markham Community Homes Inc. is a community based non profit corporation organized to promote and develop non-profit residential housing for members of the community with low or modest income. MCHI will sponsor the Old Kennedy Non-Profit Cooperative Development Corporation (OKC) who will act as the developer for the proposed market affordable home ownership development project at 90-108 Old Kennedy Rd. MCHI will maintain an active role with OKC until such time as the development has been completed and it is registered as a condominium. In particular, MCHI is responsible for identifying potential purchasers that would be eligible for assistance in purchasing units based on their affordability needs and household requirements.

The Old Kennedy Cooperative has retained Options for Homes (OFH) as their development consultant. OFH are non-profit development consultants who advise cooperatives on how to access residential land and pre-sell ownership homes to low and moderate income households. OFH have developed a unique affordable home ownership model which provides:

- a cost effective, low capital cost, approach to housing development;
- direct access to a deferred payment/interest loan to non-profit cooperatives; and
- assistance to non-profits in applying for financial incentives from all level of governments to increase the affordability of certain units.

An outline of the Options For Homes concept is attached as Appendix "E" of this report. OFH has a proven track record with assisting non-profit cooperatives in keeping development costs down by:

- purchasing a development site at a low cost;
- reducing marketing and soft costs;
- excluding certain upgrades and indoor recreational facilities;
- eliminating the profit margin requirement of private developers; and
- co-ordinating cost effective planning/architectural/contracted services.

This cost effective, low capital cost approach to development can account for as much as a 10% reduction in the cost of building a unit in Markham.

OFH has previously secured low cost land purchase arrangements for market affordable home ownership projects on redevelopment lands in Toronto, North York and Scarborough. For the Milliken Mills Main Street redevelopment, MCHI has a conditional offer to purchase the lands until March 31, 2005 at a low cost contingent on subsequent financing from TD Canada Trust or the Bank of Montreal for development and soft costs. PACE Credit Union will provide bridge financing in the event of an earlier closing on the land prior to construction financing.

OKC has selected Deltera, a member of the Tridel Group, as their general contractor. Deltera constructed a 430 unit townhouse and apartment condominium, an OFH affordable home ownership project, at 650 Lawrence Avenue West, for the Shermount Cooperative in 2002. They are currently developing a 250 unit townhouse and apartment condominium at Kingston Road and Eglinton

Avenue (the Village at Guildwood) for the Pentland Cooperative. Deltera has entered into a memorandum of understanding with OKC to provide a loan for 50% of the development and soft costs until financing is arranged – thus reducing borrowing costs to the cooperative.

MCHI has previously been awarded CMHC seed funding in the amount of $20,000 to cover initial soft costs. These soft costs include the OFH development consultants, and architectural and engineering services required to obtain necessary design and development approvals for the project.

The sales and marketing of the OKC affordable home ownership project will be similar to other OFH developments with no model suites or sales commissions proposed. A low cost marketing campaign of flyers and free information sessions is proposed to attract eligible homeowners. Ultimately, the individuals and families that will form the condominium corporation will be identified by MCHI and the OKC. Owners will be required to a have a proven track record of their ability to make monthly payments.

Investors will be discouraged from speculating on the units as:

- only one unit will be sold per household;
- a condominium membership fee is required to become a prospective purchaser;
- the purchase and sale agreement will require that 10% of income generated goes to the condominium corporation if the unit is rented out;
- and the limit for renting is two years before repayment of the alternative mortgage is required.

As proposed, OKC units will not contain luxury upgrades or expensive indoor recreation facilities. Also, OKC will be in a position to reduce capital costs significantly by limiting Deltera's profit and construction management and contingency fees to 5% in a fixed price contractual agreement for the OKC, and having Options For Homes coordinate planning and development soft costs using a tried and tested format.

Cooperative Deferral

OFH has direct access to a unique deferred payment/interest loan to non-profit cooperatives. Home Ownership Alternatives Non-Profit Corporation GTA (HOA) is a trust foundation established to provide deferred payment/ interest loans to qualifying non-profit cooperatives to develop affordable homeownership projects. Options for Homes will assist the OKC in accessing an HOA loan. The second mortgage provided by HOA is designed to increase the affordability of housing for first time purchasers while discouraging speculation flipping and renting of suites.

The HOA mortgage represents the difference between the market value of the suite and the cost to create it or the equivalent of approximately 10% of the purchase price as a contribution to the purchaser's down payment. No payments are required on the HOA mortgage for either principal or interest until the condominium owner sells or rents out the unit (for a period of >2 years), at which point the entire amount of the loan is due, plus interest. Interest is based on the appreciation in the value of the suite. The owner is required to enter into an agreement with HOA and ultimately the condominium corporation to secure this requirement. A detailed outline of how the Alternatives Mortgages work is outlined in Appendix "F" to this report. The key component of the concept is the HOA deferred deposit loan in the form of the second mortgage.

Augmenting Affordability of Development Proposal through Partnership Funding
OFH has been assisting the Old Kennedy Cooperative in obtaining additional financial incentives from all levels of governments to increase the affordability of certain units in their project. The funding requests outlined in this report are not required for MCHI to move forward with the OKC market affordable homeownership development project. However, if additional grants or deferral of funding arrangements were achieved with the Federal/Provincial and/or Municipal governments, OKC would be in a position to ensure up to 25% of the project would have a direct income related ownership (ie. eligible purchasers must meet income criteria) and increase the affordability aspect to those individuals or families with low and moderate income funding needs. Additionally, this report proposes that a fixed proportion of these purchasers reside or work in Markham and/or York Region.

Federal/Provincial Affordable Housing Program Funding Approved
Home Ownership Alternatives has received approval of pilot project funding under the Affordable Home Ownership Program of the Canada Mortgage and Housing Corporation (CMHC) – Ontario Affordable Housing Program Agreement. The Affordable Housing Program is a five year Federal-Provincial cost-shared initiative. The Program has three components: Community Rental Housing, Remote Housing and Home Ownership.

The Province and HOA have developed a pilot project under the Home Ownership component of the program. The objective of the pilot project is to ease the demand for rental housing by assisting rental households to purchase newly built affordable homes. Through the pilot project, up to $2.3 million was made available to fund up to 90 units at $25,470 per unit to create increased affordability.

HOA has received approval for up to $810,000 to apply to the Old Kennedy Cooperative development proposal which, when concentrated, can be made available to assist low and moderate income households in purchasing not less than 25% or not less than 34 units in the OKC development proposal (the "funded units"). To secure the pilot project funding HOA entered into an agreement with the Province on November 15, 2004. The Community Organization Administration Agreement sets out the terms for administering the pilot project funding and specific criteria HOA is responsible for in identifying eligible units and selecting eligible purchasers under the Home Ownership Funding Pilot. A copy of the Provincial Backgrounder and the Pilot Project Program Description is attached as Appendix "F".

Among other things, HOA is responsible for ensuring that the new units are located in a designated Community Improvement Area (ie. Milliken Mills Main Street) and the purchase price of the new units must be at or below the average market selling price for the housing market area and not more than what is affordable to households in the 60th percentile of income.

For the Markham OKC development proposal to be eligible for pilot project funding the maximum cost price per unit based on Statistics Canada and Bank of Canada data must be no more than $204,000. HOA is responsible for submitting a list of eligible units for which the pilot project funding can be applied to the Minister of Public Infrastructure Renewal. Although for Markham, given the cost of land and construction, this maximum cost price would limit most eligible purchasers to smaller apartment unit construction.

HOA is also responsible for ensuring that each purchaser meets the provincial eligibility requirements, ie. has a low income (below the poverty line) to moderate income (can't afford average rent level for their area for the size unit appropriate for their household).

Under the new 2005 Provincial Policy Statement, low and moderate income households means in the case of ownership housing, households with incomes in the lowest 60 percent of the income distribution for the regional market area. The provincial definition does not distinguish between low and moderate income and should be more specific with household incomes in the lowest 30 percent of the regional market defined as low income. For Markham in 2001, approximately 60 percent of the total household incomes were less than $92,000 and approximately 30 percent of the total household incomes were less than $51,600. See Appendix "G".

Notwithstanding these Statistics Canada figures, for the Markham OKC development proposal, the Province has established a moderate income level requirement for eligible units based on a CMHC calculation of the Markham average household income of $45,160 and a low income requirement for eligible units based on a CMHC calculation of the Markham average household income of $31,952.

This CMHC calculation is based on an average household income required to afford the carrying costs for rental or ownership of a 3 bedroom unit in Markham. The CMHC uses the average annual rent as determined for the Toronto CMA and mortgage rates calculated on an annual basis. It does not appear to account for fluctuations in market conditions over time. Furthermore, in comparison to the Statistics Canada 2001 percentiles of Markham household incomes, the Provincial income eligibility requirements currently restrict eligible purchasers to those with the lowest income in the Town (< 25% of households with incomes less than $45,160) rather than those in the lower and moderate income range defined by the census or less than 60 percent as defined by the Provincial Policy Statement.

Municipal Government Funding Increases Affordability Aspect
If OKC were to obtain approval of deferred charges from the Town of Markham and/or the Region of York, OKC could increase the second mortgage available to low and moderate income earners as defined by the Provincial Policy Statement. This would also allow low income earners, currently not eligible, to access units and more federal/provincial funding. An Affordable Housing agreement under the Region's Municipal Capital Facilities By-law or an appropriate alternative legal arrangement is required to secure the use of municipal deferred charges and the subsequent payment of any monies that were deferred, within a specified time period.

Home Ownership Alternatives has obtained a legal opinion that the Municipal Act does not prohibit a loan in the form of deferred charges by virtue of HOA's non-profit status. HOA has a proven track record of legal agreements with the City of Toronto and other municipalities to secure the proper administration and recovery of financial incentives at the municipal level. Deferred charges are paid to the municipality with appreciation within a specified time period. The remaining proceeds of the shared-appreciation mortgage are to be used by HOA to fund further non-profit housing developments based on their Declaration of Trust. On this basis HOA and OFH are proposing that the legacy of the provision of affordable home ownership in Markham will live on beyond the resale of the initial affordable unit.

Markham's Financial Role in Support of Affordable Home Ownership
In February 2003, Council adopted a strategy for Affordable Housing that defined for the Town an advocacy/partnership, policy and financial role in support of the provision of rental and affordable housing. Among other things, Council has requested staff to report on a financial incentives policy framework to encourage and promote affordable housing opportunities in the Town of Markham.

At the June 28, 2004 Development Services Committee meeting, the Town's consultant, John Gladki of GKI International, outlined the financial tools available for supporting the provision of rental and affordable housing in Markham. At that time, the Committee received the presentation and referred the matter to staff for a report. Finance staff are currently developing a financial incentives policy framework for affordable housing based on the consultant's final report and recommendations.

The financial policy framework will, among other things:

- establish criteria for selecting eligible affordable rental and homeownership projects for appropriate financial incentives;
- identify a preferred approach and source of a financial incentive towards eligible projects; and
- provide guidelines for securing the Town's financial incentives and interest in the provision of rental and affordable housing over time.

The financial incentives policy framework will address affordable home ownership models such as the Options for Homes model proposed by the OKC. The financial incentives policy framework is not anticipated to be brought forward earlier than April of this year. In general, the study findings support the Town offering deferred fees and charges for eligible homeownership projects, provided the Town can:

- ensure that the loan is used to make housing available to low and moderate income households;
- secure payment of deferred fees and charges with appropriate appreciation or interest; and
- encourage reinvestment of funds generated through the secured second mortgage in similar affordable home ownership projects in preferably Markham and/or York Region.

DISCUSSION:

Request for Deferral of Fees and Charges
The Old Kennedy Cooperative Development Corporation (OKC) has requested that the Town consider financial incentive/strategies, including deferral of development charges, cash-in-lieu of parkland, building permit fees, and other application fees, in support of increasing the affordability of their market affordable home ownership development.

For the affordable homeownership pilot project at 90-108 Kennedy Road, the OKC is requesting deferral of:

- Town wide development charges for the 135 dwelling units and 5 retail units which are estimated to be $701,243;
- Cash- in-lieu of parkland contribution based on a 1 ha per 300 unit requirement which is estimated to be $736,811;
- Building Permit fees which are estimated to be $125,000; and

- Planning Application/Approval fees which are estimated to be $52,000.

Staff do not support deferral of building permit fees and planning fees beyond issuance of a building permit and execution of a site plan agreement, respectively, as these fees are based on a cost recovery principle for real costs incurred for staff review of the project plans.

However, staff are prepared to support a reduced cash-in-lieu of parkland contribution, equivalent to 5% of the land and deferral of payment. The reduced cash in lieu of parkland contribution, at approximately $150,000, would result in a potential reduction in development costs of $587,000 when compared to the higher 1 ha per 300 unit (Planning Act alternate requirement) that would be normally be applied.

Furthermore, if the reduced cash-in-lieu of parkland contribution and all applicable town wide development charges for the project (approximately $700,000) were combined under a 15-20 year deferral arrangement, the Town could also make available a significant financial incentive of $850,000 to increase the affordability for 25% of the total dwelling units for low and moderate income households.

Achieving Affordable Home Ownership In Markham
A financial incentive by the Town will assist rental households in Markham and York Region to purchase newly built affordable homes. In order to ensure that Markham's financial incentive is used to make housing available to low and moderate income households only, the Old Kennedy Cooperative and Home Ownership Alternatives will be required to enter into an agreement with the Town to secure a minimum number and mix of affordable units as well as eligible purchasers based on household income.

Low and Moderate Income Access to a Range of Housing Unit Types
Staff are recommending that the Town's deferral financial incentive be concentrated to provide funding assistance for 25% or not less than 34 of the total dwelling units (the "funded units"). These funded units will only be made available to eligible purchasers whose household income is less than or equal to the moderate income level or 40th percentile of household incomes for Markham, approximately $65,000 based on 2001 Statistics Canada data for household incomes in Markham. Also, for not less than 30% of the funded units the purchasers will only be eligible if their household income is less than or equal to the low income level or 30th percentile of household incomes for Markham, approximately $51,600, based on 2001 census data for Markham. These funded units will also comprise a mix of 1 and 2 bedroom stacked garden apartments and 3 and 4 bedroom townhouses to ensure affordable homeownership opportunities are provided to both individuals and families.

Accessing Full Federal/Provincial Contributions
The maximum cost price threshold of $204,000 in the Federal/Provincial contribution agreement is considerably less than the starting prices of the majority of the units in the development proposal. At present only fifty-six units have a cost price at or below this threshold but these units are all smaller 1 and 2 bedroom apartment units.

Also, the Federal/Provincial eligible purchaser income threshold of $45,160 is considerably less than the Provincial Policy Statement threshold of 60 percent income distribution for the market area or less than $92,000 based on the 2001 Statistics Canada household incomes for Markham. At present the majority of purchasers in Markham within the moderate household income (approximately $65,000), and within the low household income (approximately $51,600) levels are not considered eligible to purchase a unit with Federal/Provincial assistance.

A financial incentive from Markham, in the form of deferred charges, has the potential to enable more eligible low and moderate income earners to access more assistance for their down payment and afford a greater number and mix of unit types. However, these funded units will only be made available to eligible purchasers if the approved federal/provincial pilot project funding contribution of $810,000 is available for use and fully applied.

Therefore to increase the range and type of units eligible units for federal/provincial funding and allow more low and moderate income purchasers to be eligible for Federal/Provincial funding, the Province must relax or remove the current funding threshold.

The Province must amend its current agreement with Homeownership Alternatives for the homeownership funding pilot project to increase the range of identified units that are eligible for the pilot project funding and increase the selection of eligible purchasers for the Markham project to better reflect household income conditions in Markham. These amendments will allow full access to the approved federal/provincial allocation and demonstrate the Province's commitment to partnering with municipal governments in support of affordable home ownership development in Markham and York Region.

Markham's financial incentive should be conditional on written confirmation by the Province that the full $810,000 federal/provincial funding allocation can be applied to the funded units of the Old Kennedy Cooperative pilot project. In the event that the full funding allocation is not made available by the Province then the Town of Markham's contribution should be reduced in an equivalent manner.

Request for Similar Contribution from the Region of York

The Province has designated the Region of York as the Consolidated Municipal Service Manager (CMSM) responsible for the policy, planning and financial management and service delivery of housing in Markham and York Region. The Region's Housing Supply Strategy establishes the Region as lead and sponsor, but in partnership with the area municipalities and other stakeholders. Markham has the option to engage with the Region in pursuing /implementing affordable housing opportunities, as Council deems appropriate.

On February 4, 2003, Council confirmed its role in support of the provision of rental and affordable housing by, among other things, endorsing the Region's Housing Supply Strategy and working in partnership with the Region on the application of policy and financial incentives encouraging rental and affordable housing. In September 2003, at the request of the Region, Council made a conditional grant equal to development charges and cash-in-lieu of parkland for the Toronto Ling Liang Church, similar to the Region's conditional grant equal to Regional Development Charges.

If the Region were also to provide a financial incentive to the Old Kennedy Cooperative by way of deferring payment of Regional development charges for the project and allowing the contribution to be concentrated and applied to the funded units, then a substantial number of eligible low income earners would have greater access to affordable home ownership. A similar financial contribution from the Region would almost triple the number of eligible low income purchasers. Council should therefore, request the Region to make a similar contribution respecting deferral of Regional development charges for this affordable home ownership pilot project to demonstrate the Region's commitment to partnering with senior and local levels of government in support of affordable home ownership development in Markham and York Region.

Providing Live/Work Opportunities in Markham/York Region

A higher live/work ratio for Markham will help address traffic congestion, support rapid transit and compact urban development, preserve the Town's diverse employment base, and improve the quality of life for Markham residents. Currently there is a mismatch between jobs and housing availability. There are not enough affordable housing opportunities in Markham to house a substantial portion of the workforce. Entry level prices for new housing in Markham and York Region are among the highest in the Greater Toronto Area and there is no sign of overall improvement in housing affordability. To encourage housing and employment opportunities in close proximity, the Town will need to, among other things, encourage diversity in the forms of available housing and tenure.

The Old Kennedy Cooperative provides an opportunity to secure not less than 34 new affordable homes in Markham, on a pilot project basis, with a potential for a corresponding increase in the rental housing vacancy rate in Markham and York Region. For example, if a family with a low or moderate income currently residing in a 2 bedroom rental apartment were eligible to purchase a 3 bedroom townhouse in the development proposal, there would be a rental housing vacancy made available for a new low or moderate income family to occupy.

In support of increasing live/work opportunities in Markham and York Region, for the OKC units receiving financial assistance from the Town of Markham, at least 75% of the purchasers shall currently live or work in the Region of York, and at least 37.5% shall live or work in the Town of Markham, at the date the unit purchase agreement is executed.

Establishing a Legacy of Affordable Home Ownership In Markham/York Region

Options for Homes is proposing that the deferred deposit money paid from the sale of a sponsored unit will be used to build four (4) more affordable home ownership units in the community and will therefore, expand the availability of affordable housing in Markham and York Region over time. Unlike rental housing agreements, the proposed approach does not guarantee that the sponsored unit will remain affordable over time, but it does provide a mechanism for reinvesting the proceeds of a second mortgage held by the HOA on all units into more affordable ownership housing in Markham and/or York Region.

In accordance with the Declaration of Trust for Home Ownership Alternatives, the proceeds of the shared-appreciation on the second mortgage are required to be used to fund further non-profit housing developments based on the OFH model. On this basis, Markham Community Homes Inc. and Options for Homes are confident that the legacy of the provision of affordable home ownership in Markham will live on beyond the resale of the initial affordable unit. OFH proposes that the money repaid will be used to build four (4) more affordable home ownership units in the community and will therefore, expand the availability of affordable housing in Markham or York Region.

As a condition of the Town's financial contribution to this project, the Home Ownership Alternatives Non-Profit Corporation shall agree to apply the proceeds of the shared appreciation of their Alternatives mortgages registered on all units of the 90-108 Old Kennedy Road development project to fund further Home Ownership Alternatives non-profit housing developments preferably in Markham and/or other municipalities in York Region, in accordance with their Declaration of Trust.

FINANCIAL CONSIDERATIONS:

Proposal Consistent with Emerging Town Financial Incentives Policy Framework
As noted earlier in the report, in February 2003 Council adopted a strategy for Affordable Housing that caused Council to direct staff to report on a financial incentives policy framework to encourage and promote affordable housing opportunities in the Town of Markham. As a result, in June of 2004, the Town's consultant, John Gladki of GHK International outlined the financial tools available for supporting the provision of affordable rental and ownership housing opportunities in Markham.

The "deferral of fees" model for ownership developed by Options for Homes and requested by the OKC was considered an option worthy of support in the work done by John Gladki. In addition, Gladki identified in his review of financial incentives the reduced parkland dedication standard of 5% of the land area to be less onerous for affordable housing in general when compared to the higher standard of 1 hectare per 300 units.

Although it is not anticipated that the final staff report on "Financial Incentives for Affordable Housing" will be presented to Council until April of 2005, the Options for Homes proposal is considered to be a unique pilot project with approved funding from senior levels of government, consistent with the future recommendations in the Financial Incentives Policy Framework for Affordable Housing report to Council.

Impact of Deferral
The deferral of development charges and cash in lieu fees are a cash flow issue rather than a shortfall of revenues or a budget issue. These deferred fees would be recognized as revenue on the Town's financial statements in the year in which they should be received (e.g. 2005), but an accounts receivable entry would track the future receipt of the cash payment. During the period in which the fees are deferred, it is possible that the development charges reserve fund or the cash in lieu reserve fund could be in a cash shortfall position as a result of the deferred fees. Under these circumstances, short term borrowing from the Corporate Rate Stabilization reserve may be necessary. The Corporate Rate Stabilization reserve would be repaid when the deferred charges are paid.

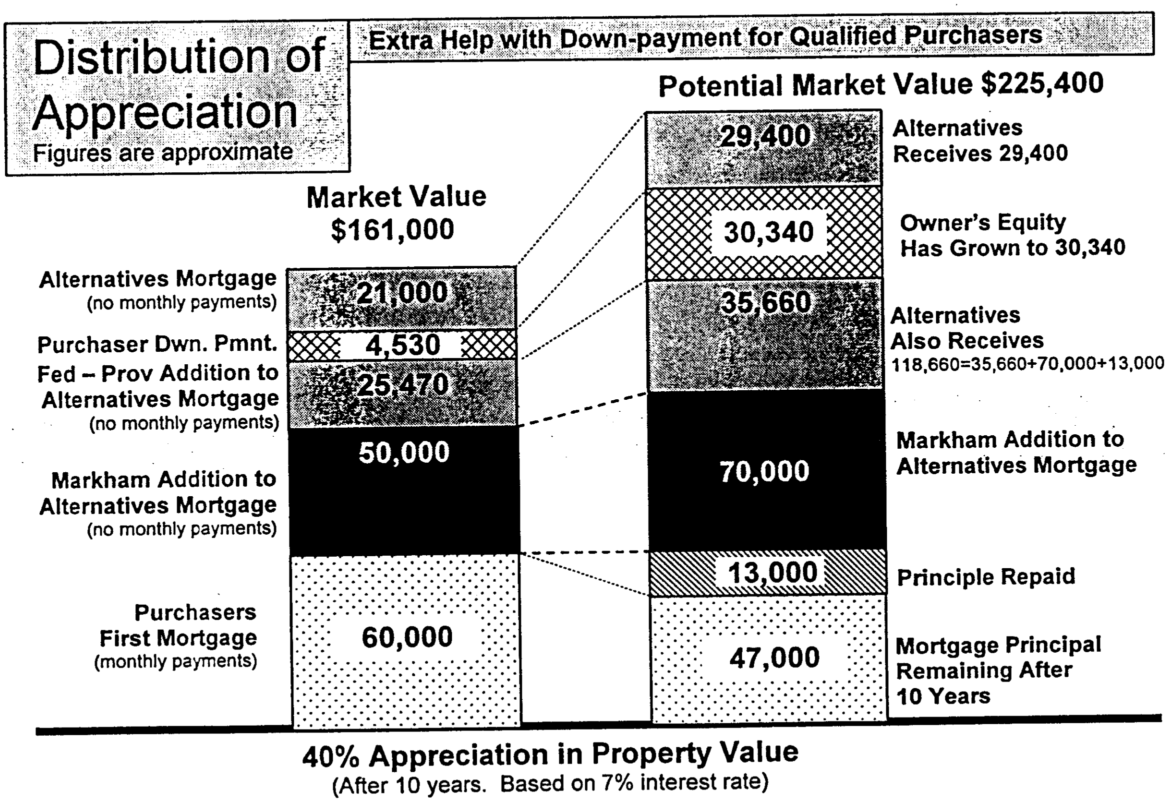
Impact of Lower Parkland Dedication
The Planning Act (Section 42) sets out two options for the conveyance of land for park purposes, those being:

1. 5% of the land in the case of residential development (Section 42(1)) or
2. one hectare for each 300 units (Section 42(3))

The cash in lieu of parkland that would be payable to the Town of Markham for the Old Kennedy Coop under the 5% option would be approximately $150,000, whereas the amount payable under the "one hectare per 300 units" option would be $736,811, a difference of almost $587,000. Although the $150,000 deferred cash in lieu will eventually be collected, the lower standard will result in a permanent loss of potential revenues ($587,000) in the Cash-in-lieu Reserve funds.

Compensation for Inflation (Interest)
The future value of the deferred charges will be tied to the market value appreciation of the unit in the agreement with the Town, Old Kennedy Co-operative Development Corporation and Home Ownership Alternatives Non-Profit Corporation. The agreement states that the interest payable on the deferred fees will be the lesser of 8% compounded annually or a proportionate share of the increased market value of the unit at the time it is sold.

Risk of Non-Payment
The value of the Town's deferred charges is included in a second mortgage on the property, together with the subsidy from Home Ownership Alternatives, the Federal/Provincial grant and any additional deferred fees from the Region of York. The new property owner does not make principal or interest payments towards this mortgage, as it is this second mortgage that bridges the gap between what the property owner can afford to pay, and the market value of the unit when it was built. The deferred charges and accrued interest are paid to the Town when the property is sold. If the property is not sold, 90% of the deferred amount will be paid to the Town not later than 15 years after the date when the Development is registered as a condominium, and any balance remaining will be paid at the 20 year mark.



Execution of a Deferral Agreement to Secure Markham Interests

The proponents have provided a draft agreement intended to secure the deferred charges which provides for the payment of the deferred charges on the earlier of the resale of the funded unit or within 15 years of the condominium registration (90% of the deferred charges) with the balance due and payable within 20 years of the condominium registration. The agreement, when finalized, will ensure that payments to the Town will be first in priority after the unit owner's purchase financing. The deferred charges will be secured against the funded unit by means of a second mortgage in favour of HOA.

The agreement with HOA will ensure that only units and purchasers satisfying the criteria described herein will be eligible for deferred charges funding. As development charges and cash-in-lieu of parkland are typically payable prior to the sale of individual units, HOA and OKC will be required to secure the payment by a letter of credit. As eligible purchases are closed and deferred charges are secured, instead, by mortgages registered against the units, the letter of credit will be reduced accordingly.

It is anticipated that the bulk of the deferred charges will be paid to the Town on the resales of funded units. However, the deferred charges attributable to funded units still owned by the eligible purchasers at the 15 and 20 year marks will be paid by HOA.

CONCLUSION:

As an affordable home ownership pilot project, the Old Kennedy Cooperative affordable homeownership development proposal provides an opportunity for the Town to demonstrate to the development industry, other senior levels of government and community groups its commitment to the development of affordable ownership housing for Markham residents.

Providing the OKC with a financial incentive of deferred charges will increase the affordability of a minimum of 25% or not less than 34 dwelling units in the development for low and moderate income Markham households.

It is recommended that the deferred charges be approved as a pilot project financial incentive in support of the provision of affordable homeownership housing in Markham subject to the proponents executing an agreement with the Town to:

- ensure the funded units are made available to low and moderate income households;
- secure payment of deferred fees and charges with appropriate appreciation or interest; and
- encourage reinvestment of funds in similar affordable home ownership projects in preferably Markham and/or York Region.

ATTACHMENTS

Appendix A - 90-108 Old Kennedy Road Development Project Site Perspective/Site Plan
Appendix B - Markham Community Homes Inc. Development Project Profile
Appendix C - Markham Community Homes and Options for Homes Presentation
Appendix D - Old Kennedy Co-operative Development Corporation Deferral Request
Appendix E - Options for Homes – Frequently Asked Questions
Appendix F - Provincial Backgrounder/Pilot Project Program Description
Appendix G - Statistics Canada Household Income Percentiles for Markham

Barb Cribbett for

Jim Baird, M.C.I.P., R.P.P
Commissioner of Development Services

Andy Taylor
Commissioner of Community Services

Valerie Shuttleworth, M.C.I.P.,R.P.P

Barb Cribbett, Treasurer

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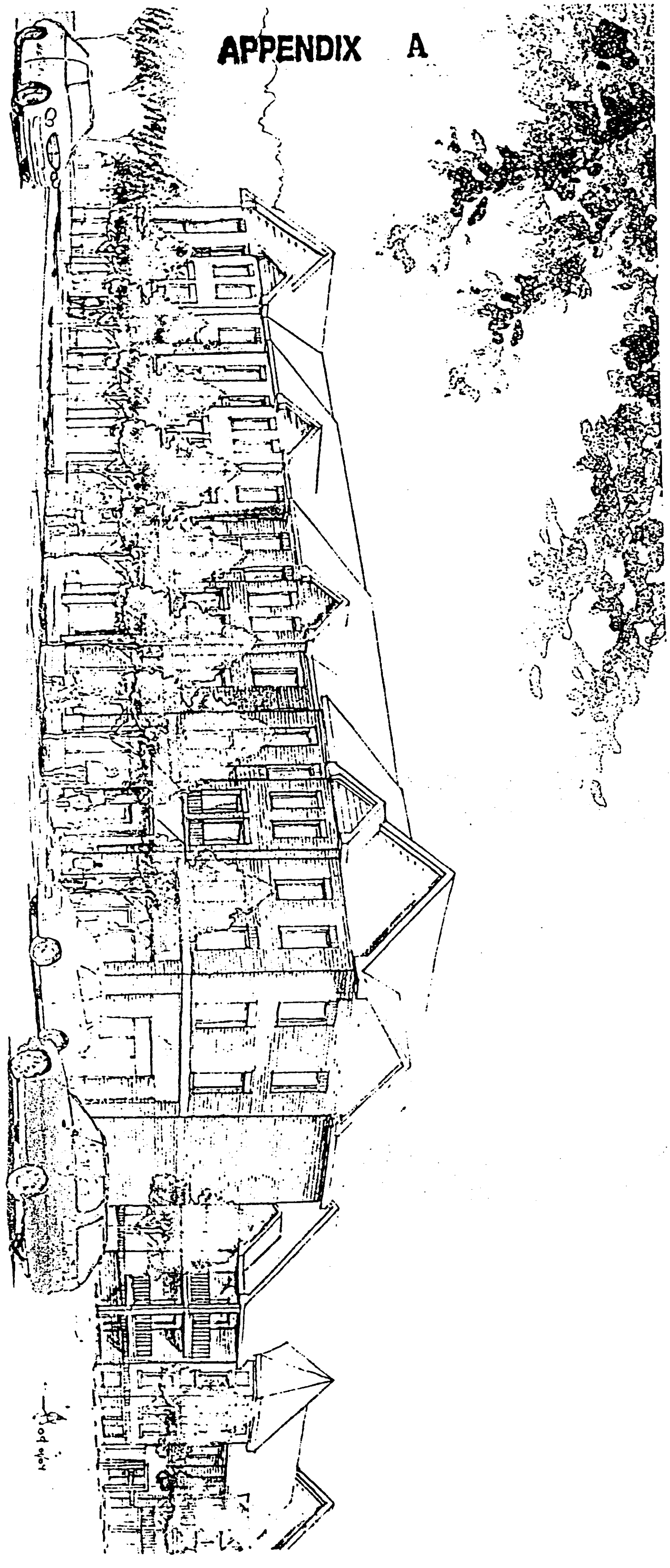
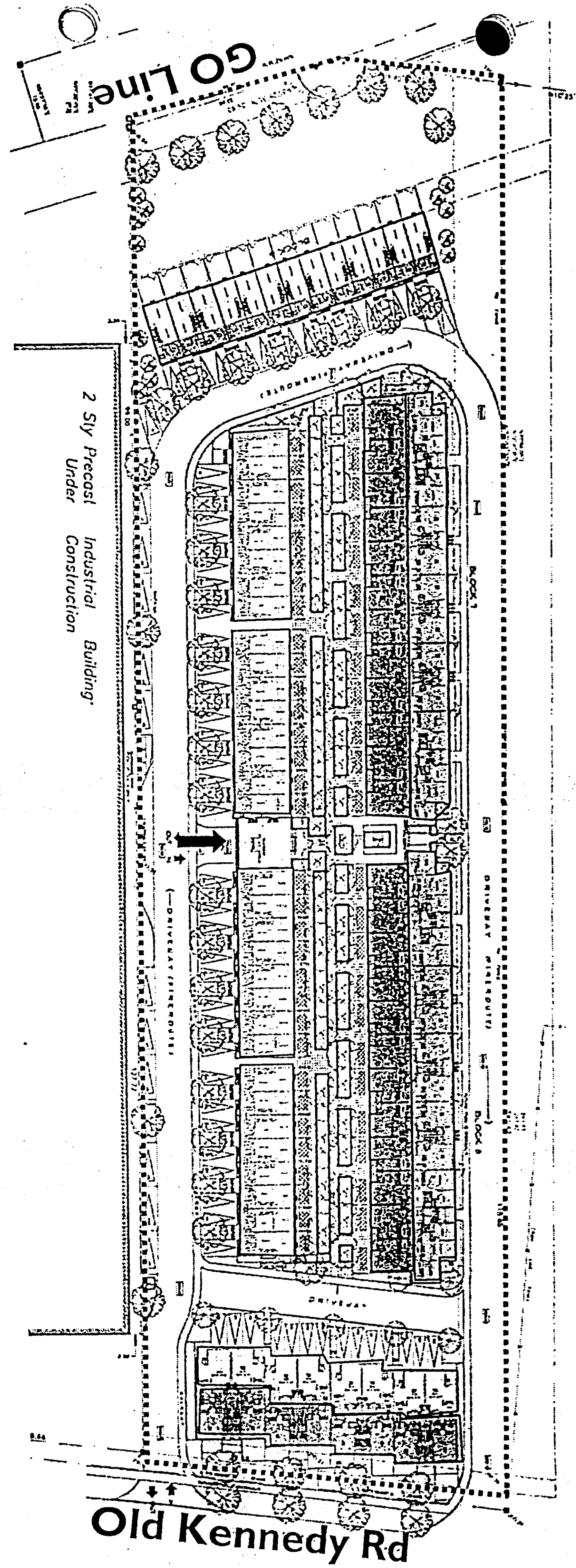
APPENDIX A



03-31 Old Kennedy
Burka Varacalli Architects

Site Plan


GO Line
2 Sty Precast Industrial Building
Under Construction
Old Kennedy Rd

Markham Community Homes Inc. Home-Ownership Development Projects

Mission and Mandate

Markham Community Homes Inc is organized to provide Community Sponsorship for the Development of Home Ownership Housing to Moderate Income Households. We will focus initially in the South Markham, Milliken Mills Area since some opportunities exist in site areas being designated for neighborhood improvement or where Landowners will be willing to accept conditional offers for Properties contingent on the approval of Zoning Amendments and Development and Construction Financing.

Rationale

Recent Toronto Real Estate Board Surveys indicates that the median Selling Price for homes in the Milliken Area is well over $260,000 and even at the existing low mortgage rates, households would have to have Annual Incomes of $60,000 to pay 30% of their Income on shelter under the terms of 75% of the Market Value Mortgage. **This is representative of a significantly large income level and down payment requirement, which is not consistent with the type of employment opportunities available in Milliken.** Therefore, since there is insufficient Affordable Housing, Households with Seniors, Young Adults and Young Families who want to live and work in the Community must share accommodation or live in sub-standard accessory apartments.

Type of Housing and Location

The Development will consist of Low-rise 3- Storey Stacked Townhouse Built Forms. It is anticipated that the Development will be mixed-use with live work units that could be converted in the future to a retail component fronting the street with the residential component behind. The location will be in the South Area of Markham called Milliken Mills along Old Kennedy Road just north of Steeles Ave on the Westside. Access to Transit is within 5 minutes walking distance for both TTC and Go Transit.

Development Approach

A conditional offer for the Purchase of the Land will be made to the Landowner contingent on achieving sales for 70% of the Units and subsequent Financing for the Soft Costs and Construction Financing. We will select a General Contractor who will loan the Cooperative Development Corporation 50% of the Development and Soft Costs until the Financing is arranged. The remainder will come from a CMHC PDF Loan and a Non Profit Housing Trust. We have retained Architectural and Engineering firms to provide Professional Services. As well, we are consulting with an experienced AHCERT (Affordable Housing and Community Equity Reinvestment Technique) Development Consultant, Mike Labbe' who received a CMHC Innovation Award last year for the successful application of this concept with over 1000 Residential Units in the GTA.

Markham Community Homes Inc. Home-Ownership Development Projects (cont'd)

Home Owner Project Affordability

Firstly, The units will be priced at 15% lower that the Market Price for units of similar type, size and number of Bedrooms within a 5 mile radius.
Secondly, Potential homeowners will be assisted with almost triple their own down payment up to a maximum of $25,000 to reduce their monthly carrying costs. There will be no interest or penalties for this amount registered as a second mortgage to their title and repaid only when they sell their units.
Thirdly, Limiting the General Contractor's Profit to 5% and construction management and contingency fee to 5 % in a fixed price contractual agreement and saving approximately $30,000 per unit will significantly reduce the capital costs. Further, there would be no model suites and sales commissions. The sales and Marketing will be similar to the Options for Homes successful unique concept with significant savings.

Home Owner Project Innovation

It is Innovative because of the unique concept of a Potential Homeowner's Second Mortgage being held by a Non-Profit Trust, equal to the difference between a Unit's Non-profit Selling Price and its Actual Market Value and the Mortgagee having to repay it only when and if they sell their unit.

It ingeniously separates the social benefit from the bricks and mortar, converting it into an automatically transferable Financial Instrument. When Beneficiaries can afford to pay off their mortgages or when they sell at a profit, the Trust shares in their good fortune, investing the proceeds in the Development of more affordable housing for people who need assistance.

Home Owner Project Community Based

This Housing is community based because it is being sponsored by concerned community leaders who have the skills required to be organized as a Non-Profit Corporation without the purpose of gain for its members but to promote and develop Non-Profit residential housing for other members in the community with low or modest income.

Markham Community Homes Inc has the support of the Community, Mayor, Regional and Local Councilors for this Housing Project.

Markham Community Homes Inc. Affordable Housing Development Proposal

Executive Summary:

Markham Community Homes Inc. (MCHI) received a CMHC $20,000 seed-funding grant to assist in the implementation of a feasibility study for an Affordable, Innovative and Community-based Ownership Development in the Markham Community.

MCHI has chosen the Options for Homes Concept to develop a 4-Acre under-developed site on Old Kennedy Road in the south district of Markham. Options have received national recognition by being given a CMHC Award for Affordable Housing. It was listed as a best practice in the current Provincial Government Policy Manual.

Further, It was mentioned as a desirable Model during Mayor David Miller's successful campaign in the City of Toronto.

The Marketing name for the development is "***Old Kennedy Village***". The development will consist of 200 Residential Garden Apartments and 4 retail units fronting Old Kennedy Road creating a Streetscape, which will be a catalyst for other developments in the Milliken Mills Main Street Area.

The Concept developed by Options for Homes Non-Profit Corporation (Greater Toronto Area) (Options) is a community-based, non-profit initiative aimed at providing cost-effective housing that can be owned by households with moderate incomes.

This is done through Options' Clients: Non-Profit Co-operative Housing Corporations. These Co-operatives are composed of members who qualify to purchase the condominium units developed by the co-operative.

Members are invited to join a co-operative through a low-cost, mass marketing program that keeps the marketing cost of a development well below industry norms for condominiums.

MCHI has sponsored Old Kennedy Non-Profit Co-operative Development Corporation By being the founding members who will all be replaced by other members who become purchasers prior to 50% sales of the Garden Apartments. Once the Development has been completed, it would be registered as a Condominium.

Old Kennedy Non-Profit Co-operative Development Corporation will act as the developer and have retained the Joint Venture of Options for Homes (GTA) and Options for Homes (York Region) as their Development Consultant.

For this example, the cost of building a suite will be $100,000. The market value for it will be $110,000. The co-operative deferral available is $10,000.

To purchase, a member would require a down payment of $5,500 or 5% of the market price and a mortgage of $94,500 on which the member would pay principal and interest. This covers the funds required to cover the $100,000 cost price for building the suite.

There would be a Second Mortgage of $10,000 covering the co-operative deferral which would be payment and interest-free until the suite is sold.
Let's assume the suite is sold 10 years later for $220,000, which is twice the original market price. The member would get twice the cost price of the suite or $200,000.

The balance of the sale of $20,000 would have to be paid to the Second Mortgage holder, Home Ownership Alternatives Non-Profit Corporation. This represents a proportionate sharing of the market value increase. The funds must be used to build another similar project.

In this manner, the profit received by the Owner from the sale is related directly to the size of his or her investment.

Financial Viability:

Home Ownership Alternatives Non-Profit Corporation (GTA) (Alternatives) has been established to receive and apply monies from the Housing Development and other similar Developments for the purpose of assisting in the financing and development of other, similar non-profit and affordable housing developments.

Alternatives currently have $2.4 Million in cash and $15 million in mortgages generated on the last 6 Developments.

Alternatives have entered into an agreement with Old Kennedy Co-operative Development Co-operation to loan 50% percent of the Pre-Development Expenses. Also, Old Kennedy Co-operative has entered into a Memorandum of Understanding with the Contractor, Deltera Inc for the remaining 50%.

CMHC has provided Seed Funding in the Amount of $20,000. We are eligible to apply for an additional $100,000 Pre-Development Funding Loan. This application will be submitted shortly.

PACE Credit Union is providing bridge financing in the event of earlier Closing on the Land prior to Construction Financing.

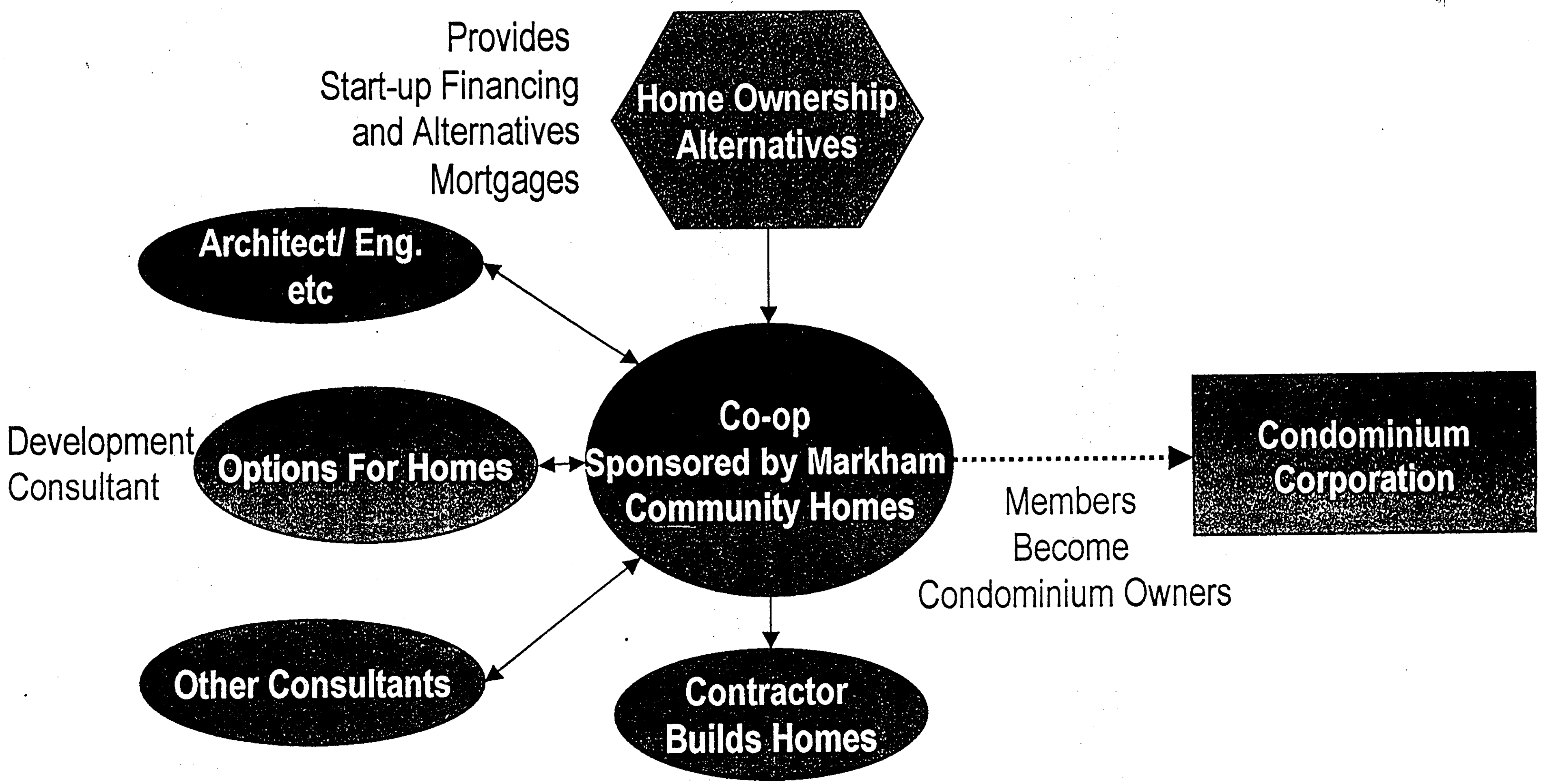
It is anticipated that either TD Canada Trust or Bank of Montreal will provide the Construction Financing once 70% of Sales is achieved.

Markham Community Homes and Options for Homes

Development Services Commission Part A

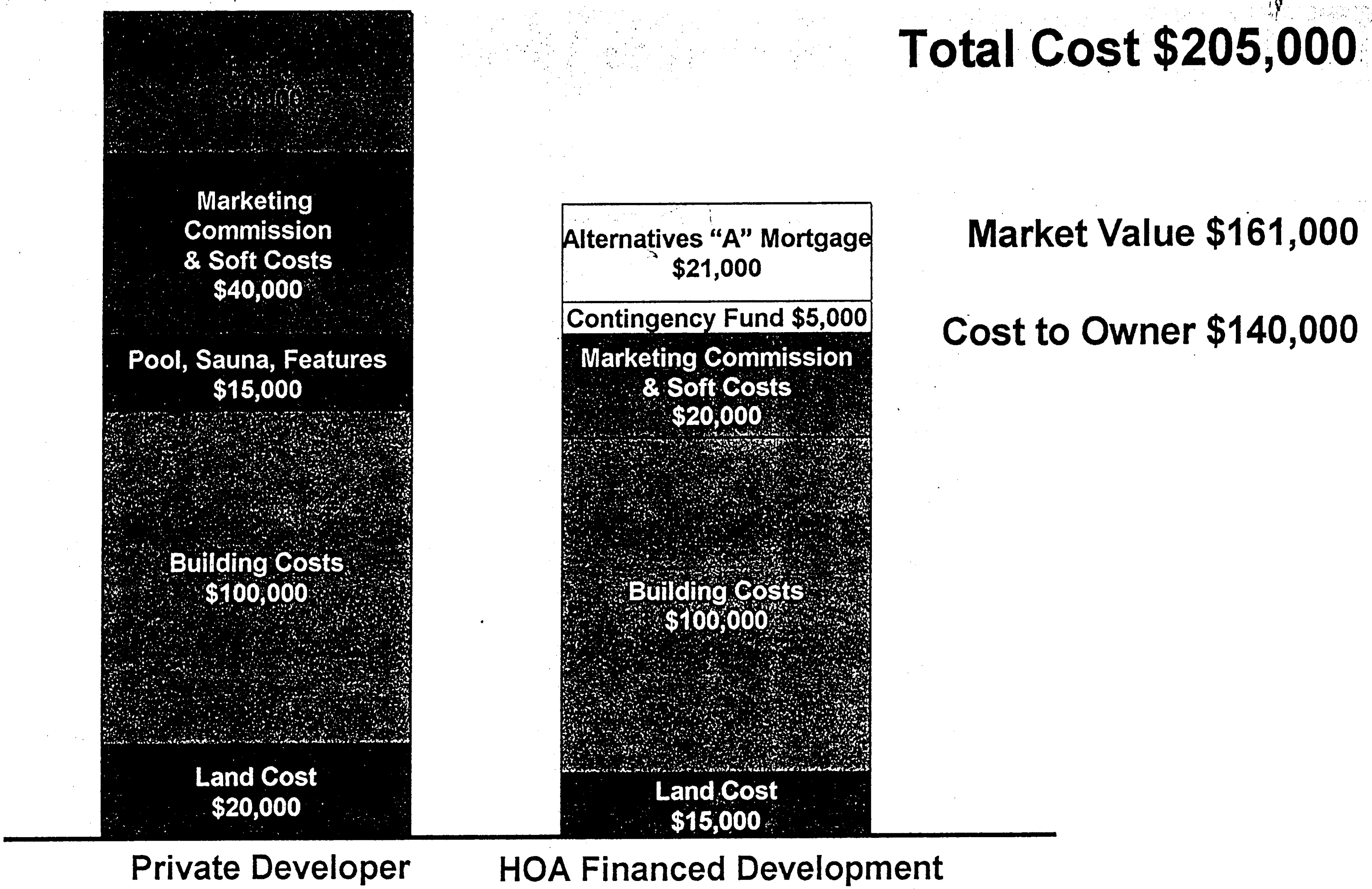
March 2, 2004

MCH forms Partnerships...



...and builds successful communities

Cost Effective - Low Capital Costs



Project Status

- Rezoning and SPA applications have been filed – partial fees of $5,000 of the total of $52,000 have been paid
- Will abide by the financial policies and strategies of the Milliken Main Street Study and/or recommendations of the AHFIW
- We understand that possible incentives/strategies may include deferring development charges, cash in lieu of parkland, BP fees, and all other application fees

Council can Facilitate the Development

- We request that Council approve staff processing of applications at fee filed ($5,000)
- We commit to paying the full fee owing (upon approval) if financial strategies are not in place
- We request that Council approve a water allocation for this affordable housing project

APPENDIX D

MB

Old Kennedy Co-operative
Development Corporation
75 Stirling Cres
Markham, Ontario
L3R 7J8
Phone:(905) 475-9809
Fax: (905) 470-4205
Email: chsprojects@Yahoo.ca

Old Kennedy
VILLAGE

March 04, 2004

Mayor and Members of Council
Town of Markham
101 Town Centre Boulevard
Markham, Ontario
L3R 9W3

Re: Zoning Amendment & Site Plan Control Application for 90 & 108 Old Kennedy Rd.

Dear Valerie,

Further to our presentation to The Development Services Commission Part A meeting on March 02,2004 we are pleased to provide further information regarding our development concept (see attachment). We would also like to confirm the following:

1) That the subject application was filed on February 27,2004 with partial fees of $5,000.00 paid of the total $52,000.00.

2) We will abide by the financial policies and strategies of the Milliken Main Street Study and/or recommendations of the Affordable Housing Financial Incentives Work.

3) We understand that possible incentives/strategies may include deferring development charges, cash in lieu of parkland, Building permit fees, and all other application fees.

4) We request that Council approve staff processing of applications at fee filed ($5,000).

5) We commit to paying the full fee owing (Upon Council Decision) if financial strategies are not in place.

We would appreciate if we could be placed on the Council's Meeting Agenda as a deputation on March 09,2004.

Thank you in anticipation for your cooperation.

Yours truly,

Charles Sutherland
President
Options for Homes (York Region

cc.Sheila Birrell, Town Clerk
Valerie Shuttleworth, Director of Planning & Urban Design
Attachment

Options for Homes

The Key to Home Ownership for Everyone

Frequently Asked Questions

What is Options For Homes Non-Profit Corporation (Options)?

Options For Homes is a private, not for profit, corporation led by development professionals who obtain access to residential land and pre-sells ownership homes to low- and moderate-income households. It co-ordinates the design and development of buildings on these lands with the goal of keeping all costs to a minimum on behalf of these households.

For whom does Options work?

The initial purchasers of the condominium homes form a Co-operative Housing Corporation for whom Options co-ordinates the development. This Corporation acts as the developer of the buildings and retains Options as their Development Consultant.

How is Options paid?

Options receives a fee for its services which is included in the purchase price of the homes.

Does the Options' concept require government subsidies?

NO. The Options' concept has been designed to reach low- and moderate-income households without any form of government subsidy. It has also been designed to focus traditional real estate market mechanisms directly at the issue of affordable housing in such a way as to be more and more effective over time.

What has Options achieved so far?

To date Options has five condominiums completed and three others under construction.

1. The **Weston Village Co-operative** (1988) has successfully developed and sold a $6 million, 42-unit, townhouse condominium at Lawrence Avenue and Weston Road in Toronto. Prices for the three-bedroom townhouses ranged from $128,900 to $152,000. The homes were affordable to households with incomes as low as $32,000 per year.

468 Queen Street East, Suite 310, P.O. Box 28, Toronto, Ontario M5A 1T7
tel: (416) 867-1501 • fax: (416) 867-1743 • website: options.icomm.ca • e-mail: options@icomm.ca

For whom can Options provide homes?

Options' concept can provide homes for all income groups and household situations except the hard-to-house, or individuals who currently do not have the skills to care properly for their housing. More specifically, Options enables individuals or households with limited resources to own homes by increasing the amount of their Alternatives Mortgage, thereby adding to their down payments. The third wave of Options projects should be offering 20-30% of the homes to households below Toronto's poverty line.

Why can Options do what no one else has been able to do?

By focusing exclusively on affordability, Options brings a unique perspective to the housing market (see the attached cost comparison chart). This allows us to eliminate costly amenities, vastly reduce marketing costs and eliminate overall development profits. An average reduction of $40,000 per suite has been achieved to date in the City of Toronto and $20,000 in smaller municipalities.

Why is Options talking to government agencies?

Left on its own, the Options' concept will take 20 to 30 years to become a successful national source for affordable housing. Given proper policy support and infra-structure development support, low- and moderate-income Canadians can benefit from this concept in a significant way (10-20,000 units per year) within 5 years.

Is Options willing to share its knowledge?

YES. Options is not interested in becoming a national company with offices in each major urban area. Instead we would prefer to train and monitor several non-profit organizations in the delivery of the Options' concept in their respective regions. If the opportunities were sufficient in any given region, Options would train several organizations. To date, Options is working with other organizations in Ottawa, in the Kitchener-Waterloo region of Ontario, and in the Vancouver area of British Columbia.

Illustration 1

CO-OPERATIVE DEFERRAL

Required By

- The Province of Ontario to maintain the non-profit status of the Co-operative Corporation.
- Municipal governments in order to provide special consideration

Intent

The Co-operative Corporation must set up a system that restricts profits generated by the project to the investment made by its members.

Example

The difference between the cost of building a suite and what the market value will be when the condominium is registered is the potential deferral available.

For this example, the cost of a suite will be $100,000. The market value for it will be $110,000. The deferral available is $10,000.

To purchase, a member would require a down payment of $5,500 or 5% of the market price and a mortgage of $94,500 on which the member would pay principal and interest. This covers the funds required to cover the $100,000 cost price.

There would be a Second Mortgage of $10,000 covering the deferral which would be payment- and interest-free until the suite is sold.

Let's assume the suite is sold 10 years later for $220,000, which is twice the original market price. The member would get twice the cost price of the suite or $200,000.

The balance of the sale of $20,000 would have to be paid to the Second Mortgage holder, Home Ownership Alternatives Non-Profit Corporation. This represents a proportionate Sharing of the market value increase. The funds must be used to build another similar project.

In this manner, the profit received by the Owner from the sale is related directly to the size of his or her investment.

Illustration 3

MUNICIPAL POLICY SUPPORT

Critical

1. Priority access to surplus land at market value for affordable ownership housing. Annual goal is 2,000 units worth of land.

Important

1. Confirmation of City support for specific affordable ownership housing that meets the following criteria:

   a) Non-profit development format;
   b) Windfall profit protection;
   c) Continuing affordability; and
   d) Housing for all income levels.

2. Deferral of development charges and park levies until first resale, provided they are used to provide housing for low-income households.

3. Exemption from Arts contribution, affordable housing charges and other special charges.

4. Reduction in parking and amenity space requirements.

Useful

1. Access to fast tracking through municipal approvals' process.

2. Access to City mailings, primarily to tenants.

3. Use of municipal buildings and recreation centres for presentations.

4. Information distribution to housing waiting lists.

Bonus

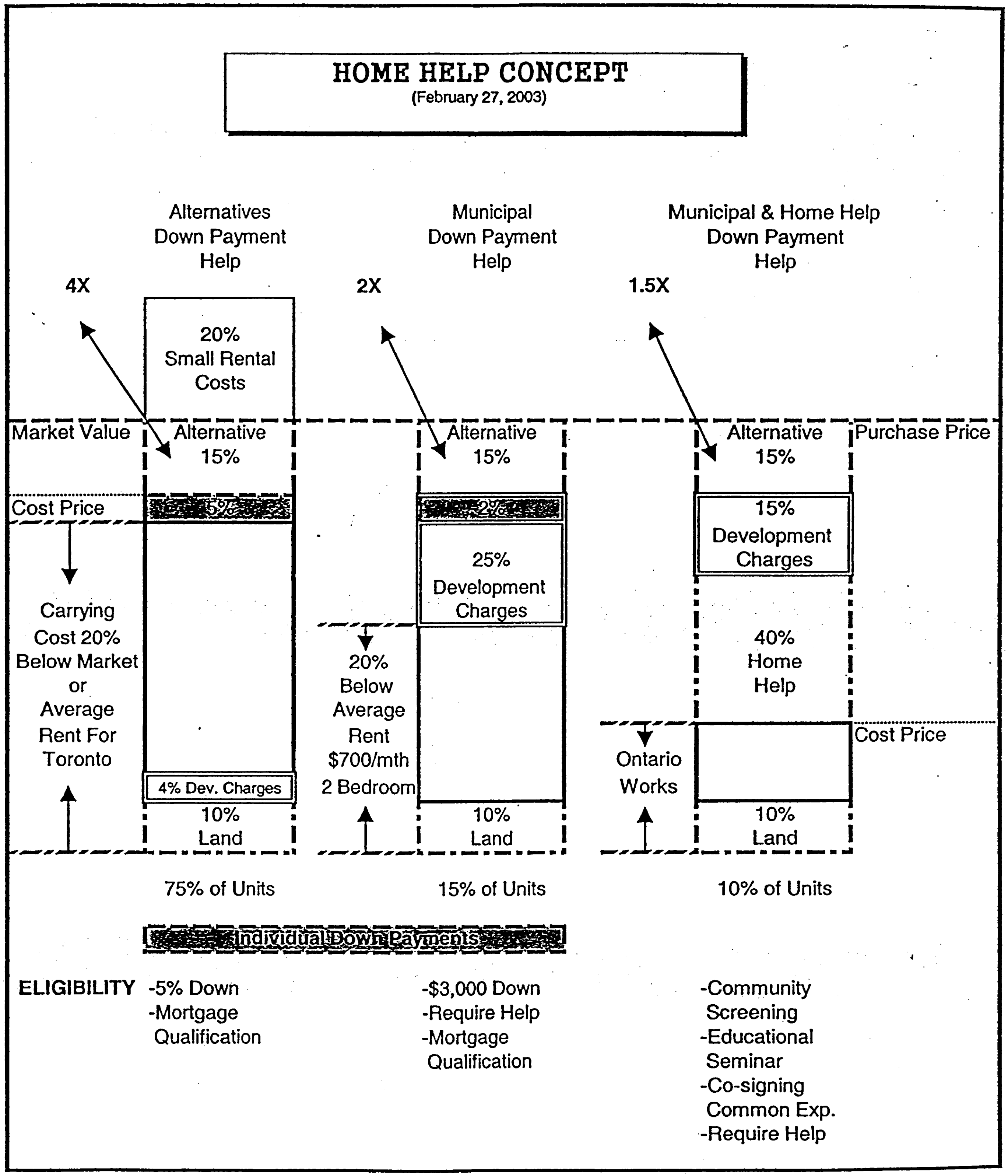
1. City guarantees for interim financing.

2. City loan to Home Ownership Alternative equity fund.

3. Deferral of land value until first resale to help reach deep core income groups.

4. City Debentures for long-term mortgage funds.

Illustration 5



HOME OWNERSHIP ALTERNATIVES NON-PROFIT CORPORATION
468 Queen Street East, East Suite 310, P.O. Box 28, Toronto, Ontario M5A 1T7 Tel: (416) 867-1501 Fax: (416) 867-1743

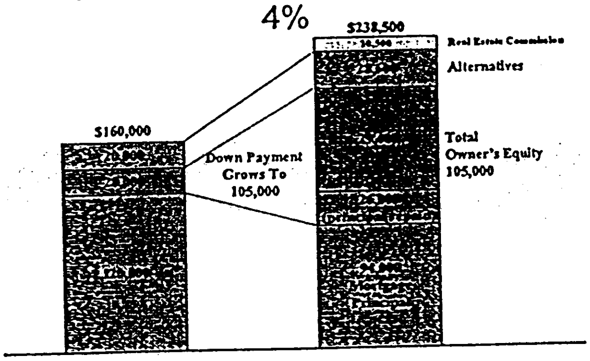
FREQUENTLY ASKED QUESTIONS

Alternatives Mortgages

How does the Alternatives Mortgage work?

The mortgage provided by Home Ownership Alternatives Non-Profit Corporation (HOA) is designed to make homes affordable while discouraging speculation flipping and renting of suites. It works by reducing the cost of acquiring a home by providing approximately 15% of the purchase price as contribution to a purchaser's down payment. These mortgages represent the difference between the market value of the suite and the cost to create the suite. No payments are required on these mortgages for either principal or interest until the person sells their unit or rents it out, at which point the entire amount is due plus any interest. Interest is based on the appreciation in value of the suite.

Appreciation Over Ten Years at 4%



For example, if after ten years the property value would have increased by 10% then the Alternatives Mortgage would be repaid at the principal plus 10% of the principal. The suite owner is left with the appreciation on their down payment plus the principal of their 1st mortgage plus any principal they paid towards their first mortgage. Since this mortgage has no debt service costs, it can be considered as equity and the CMHC counts it as a contribution towards the owner's down payment for the purposes of avoiding mortgage insurance premiums. The mortgage is designed to prevent a person from purchasing a low cost unit at below market value and flipping it for an immediate profit.

Where does the cash for Alternatives Mortgages come from?

The mortgage represents the difference between the cost to create the suite and the market value of the suite and therefore there is no cash requirement when the Alternatives Mortgage is first registered. Eventually when a person sells their suite, they get the money from the new buyer to repay the mortgage.

What does HOA do with the money it collects?

By its charter, HOA is required to reinvest any money it collects in similar low-cost affordable units. A small portion of the money goes towards operating expenses. Since HOA is a non profit corporation run by a volunteer board, its expenses are quite low.

Corporate Structure

Who owns HOA?

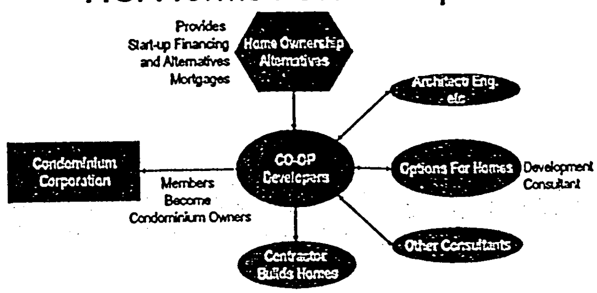
HOA is a non-profit corporation with no share capital and is run by a volunteer board of directors. HOA does not earn a profit. All of HOA's assets must be reinvested in new low-income developments. If it were ever to dissolve, all its assets would be donated to charity.

Who sits on the HOA board?

The volunteer board of directors is composed of four members from communities assisted by HOA, four members from the larger co-operative sector, and seven members with related skills drawn from the community at large. These people contribute a considerable amount of time to ensure that Home Ownership Alternatives runs smoothly. Please refer to the board member biographies for more detail on directors.

What is HOA's Relationship to Options For Homes?

HOA forms Partnerships...



...and builds successful communities

Both Options For Homes (Options) and Home Ownership Alternatives were founded by Options' president Michel Labbé but are two distinct corporate entities. Options For Homes is a development consultant that advises co-operatives helping them to obtain access to residential land and pre-sell ownership homes to low- and moderate-income households. These co-operatives apply to HOA for pre-construction financing. Options provides administrative assistance to HOA's board but has no representation on it. As the volume of work justifies it, HOA will hire its own staff directly.

How does HOA make money?

As a non-profit organization, HOA's main objective is to house low- and moderate-income people and does not earn a profit. It does charge below market rates on the pre-construction loans that it issues, which are enough to cover its operating expenses.

What has HOA accomplished thus far?

HOA's surprising growth has enabled it to finance the creation of approximately 1000 affordable housing units and is financing another 500 currently being marketed. While this is impressive, HOA hopes to be able finance 2,000 new units per year within the next few years.

Does HOA receive any government support?

HOA does not receive any subsidies from any level of government. It does however receive policy support from all levels of government in addition to Crown corporations such as the CMHC and Canada Lands. HOA continues to lobby for more policy support to facilitate its growth in the future.

Canada

Ontario

BACKGROUNDER

For Immediate Release
November 8, 2004

CANADA AND ONTARIO PROVIDE $2 MILLION TO BUILD AFFORDABLE CONDOMINIUMS

TORONTO— The Government of Canada and the Government of Ontario announced an agreement today with Home Ownership Alternatives, a trust and non-profit corporation, to provide up to $2.3 million in funding to build 382 affordable condominium units in three developments located in Scarborough, Pickering, and Markham for sale to modest-income families in need of affordable housing.

To buy a Options for Homes condominiums, individuals:

- form a co-operative;
- retain Options for Homes to coordinate the development;
- obtain part of the financing as a bank mortgage; and,
- access the remainder of the financing from Home Ownership Alternatives (HOA), an independent, non-profit corporation completely separate from Options for Homes.

The Affordable Housing Program Home Ownership Component

The program's objective is to ease demand for rental housing by assisting rental households to purchase newly-built affordable homes. Project requirements include:

- a selling price below the average-market selling price for a given area, and not higher than what is affordable to households with low to moderate incomes;
- if the home is sold within 10-year period, the full government funding must be repaid; and,
- eligible projects will be located in neighbourhood revitalization areas.

The project completion dates are:

- Pickering - fall 2005;
- Scarborough - winter 2006; and,
- Markham - spring 2006.

...2

Revision Date: September 9, 2004

COMMUNITY ORGANIZATION ADMINISTRATION AGREEMENT

Affordable Housing Program:

Homeownership Funding

Pilot Project

This Agreement made the 15 day of November 2004.

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO
AS REPRESENTED BY
THE MINISTER OF PUBLIC INFRASTRUCTURE RENEWAL

(hereinafter called the **"Minister"**)

\- and -

HOME OWNERSHIP ALTERNATIVES
NON-PROFIT CORPORATION (GREATER TORONTO AREA)

(hereinafter called the **"Organization"**)

WHEREAS:

A. In order to create a supply of **Affordable Housing**, Canada Mortgage and Housing Corporation (**"CMHC"**) and Her Majesty the Queen in Right of Ontario, as represented by the Minister of Municipal Affairs and Housing (**"MMAH"**) entered into a bi-lateral agreement dated May 30, 2002 (the **"CMHC - Ontario Affordable Housing Program Agreement"**).

B. The **Minister** is responsible for the **CMHC - Ontario Affordable Housing Program Agreement.**

The **Minister** established a pilot project under the **Affordable Housing Program - 'omeownership Funding** (the **"Pilot Project"** or the **"Program"**) and is entering this Agreement in order to administer the **Pilot Project.**

Friday except when any such day occurs on a statutory holiday observed in Ontario;

- **"Contribution Agreement"** means an agreement entered into by the **Minister**, the **Organization** and a **Purchaser** respecting contributions under the **Pilot Project**;

- **"Developer"** means an individual, partnership or corporation that undertakes to develop a **Project**;

- **"Parties"** means the **Minister** and the **Organization** and **"Party"** means either of them, as the context may require;

- **"Pilot Project"** means **Affordable Housing** proposed or approved for the **Program**, as the context may require;

- **"Pilot Project Description"** means the Guide issued by the **Minister** and attached to this Agreement as Schedule "A";

- **"Program"** means the **Affordable Housing Program - Homeownership Funding Pilot Project**;

- **"Project"** or **"Projects"** means **Affordable Housing** proposed or approved for the **Program**, as the context may require;

- **"Purchaser"** means an individual who enters into an agreement of purchase and sale for a **Unit** in a **Project** and has been approved to participate in the **Program**;

- **"Security Documents"** means the security documents attached to and forming part of the **Contribution Agreement**;

- **"Unit"** means a self-contained residential dwelling in a **Project** that is subject to the **Program**;

construction of the **Project** and, in such case, the **Minister** shall disburse the amount so withheld following its receipt of satisfactory evidence that such construction is complete within the meaning of the *Construction Lien Act* and provided that there is compliance with the *Construction Lien Act*.

3. ADMINISTRATION

3.1 In conjunction with the execution of each respective **Contribution Agreement**, the **Organization** shall prepare, have executed by the **Purchaser** and register the required **Security Documents**, on behalf of the **Minister** and the **Organization**.

3.2 The **Organization** shall be responsible for the administration of the **Security Documents**, on behalf of the **Minister** and the **Organization**. Notwithstanding the foregoing, it is understood and agreed that the **Minister** and the **Organization** shall act collectively at all times when pursing their remedies under the **Security Documents**. The **Minister** and the **Organization** shall act reasonably and in good faith in jointly considering the course of action to be taken with respect to the pursuit of their remedies. In the event the **Minister** and the **Organization** cannot agree as to a course of action, the party who contributed the larger amount towards the **Project** shall make the decision as to the course of action to be taken.

3.3 The **Organization** shall, at the request of the **Minister**, provide the **Minister** with proof that occupancy of all **Units** in the **Project** is permitted.

3.4 The **Organization** shall immediately inform the **Minister** in writing of the following matters, forthwith upon the occurrence of any of them:

(a) any failure by the **Organization** or the **Developer** to carry out the development of the **Project** in accordance with the **Pilot Project Description**;

(b) any breach by the **Purchaser** of its **Contribution Agreement** with the last day of March subsequent to each reporting calendar year, a report on all of the **Projects** funded pursuant to this Agreement, in the form attached to this Agreement as Schedule "C".

4.4 During the period between the date of execution of this Agreement and the closing date for each agreement of purchase and sale with a **Purchaser**, the **Minister** and the **Organization** shall collaboratively review annually during the month of April the progress of utilization of the **CMHC** and the **Minister's** funding by the **Organization** at their respective **Projects** on the basis of the reports submitted pursuant to Schedules "B" and "C" and any other relevant basis.

4.5 The **Organization** acknowledges that the **Minister** is required to report to **CMHC** under the **CMHC - Ontario Affordable Housing Program Agreement** and that, in order to fulfill the said reporting requirements, it will be relying on the materials provided to it pursuant to sections 4.2 and 4.3, and on the collaborative review of these materials pursuant to section 4.4.

4.6 The **Organization** shall, on forty-eight (48) hours prior written notice, give the **Minister** free access to such staff, documents, books, records and accounts as may be determined by the **Minister**, for the purpose of verifying compliance with this Agreement.

4.7 The **Minister** may conduct an audit, investigation or inquiry in relation to a **Project** or any larger development or project of which any **Project** is a part and the **Organization** shall co-operate with the **Minister** and shall provide free access to such staff, documents, books, records and accounts as may be determined by the **Minister**.

4.8 The provisions of sections 4.6 and 4.7 shall continue to apply for a period of seven (7) years following the end of the **Affordability Period** for each of the **Units** or following the date of any early termination of this Agreement.

Organization as partners of each other. In particular, the **Minister** is in no way accountable for any related environmental or pollution matters. Furthermore, the **Organization** acknowledges that **CMHC** is not a party to this Agreement or other agreement relating to any **Project** and is in no way accountable for any related environmental or pollution matters. The **Organization** agrees to indemnify the **Minister** and save him harmless from all losses, costs, damages, expenses, injury and liability whatsoever which the **Minister** may suffer as a result of claims of any sort whenever made arising out of the implementation of this Agreement, including any environmental or pollution claims, except as caused or contributed to by the **Minister** other than by entering into or fulfilling this Agreement.

5.5 All of the remedies in this Agreement are cumulative and are not alternative and the **Minister** shall not be precluded from availing himself simultaneously of some or all of the said remedies and any other remedies otherwise available in equity or at law.

5.6 Notwithstanding any of the terms of this Agreement, the **Minister** shall have the option of waiving any or all of his remedies under this Agreement, but no waiver of a provision shall be deemed to constitute a waiver of any other provision (whether or not similar) nor shall any waiver constitute a continuing waiver unless otherwise provided.

6. COMMUNICATIONS PROTOCOL

6.1 The **Organization** acknowledges that **MMAH** entered into a Communications Protocol with **CMHC** under the **CMHC - Ontario Affordable Housing Program Agreement** as set out in Schedule "D" hereto. The **Organization** agrees that it shall co-ordinate its communications activities with the **Minister** so as not to cause the **Minister** to be in default of his obligations to **CMHC** under the said Communications Protocol.

6.2 The **Organization** shall ensure that all public information material related to the **Project** clearly and prominently indicates that the **Project** is funded pursuant to the **CMHC - Ontario Affordable Housing Program Agreement.**

communication shall be deemed to have been given and received on the day of its transmission, provided that such day is a **Business Day** and such transmission is completed before 4:30 p.m. on such day, failing which such notice or other communication shall be deemed to have been given and received on the first (1^{st}) **Business Day** after its transmission. If there has been a mail stoppage and if a party sends a notice or other communication by facsimile communication, such party shall be relieved from the obligation to mail the original document in accordance with this paragraph.

8. GENERAL

8.1 Any power, right or function of the **Minister**, contemplated by this Agreement, may be exercised by any employee or agent of the Ministry of Municipal Affairs and Housing or the Ministry of Public Infrastructure Renewal.

8.2 The disbursement of funds by the **Minister** to the **Organization** under section 2, which funds are comprised of **CMHC** and the **Minister's** funds, is subject to the necessary appropriations from the Federal Parliament and the Provincial Legislature, respectively. Neither the **Minister** nor **CMHC** shall have any liability in case there are no or insufficient appropriations for their respective portions of such funds or the total appropriations available for **CMHC** undertakings or Provincial undertakings are insufficient, respectively, for all of **CMHC**'s undertakings and Provincial undertakings.

8.3 No member of:

(a) the House of Commons or Senate of Canada; or

(b) the Legislative Assembly of Ontario; or

(c) any Municipal Council or the governing body of any Municipal Agency, Board or Commission of any municipality;

shall be admitted to any share or part of any contract, agreement or commission made pursuant to this Agreement or to any benefit arising therefrom, including, without limitation, any contract, agreement or commission arising from or related to the **Program**.

8.4 Time shall in all respects be of the essence in this Agreement, provided that the time for doing or completing any matter provided for under this Agreement may be extended or abridged by agreement in writing signed by the **Minister** and the **Organization** or their respective solicitors on their behalf, who are hereby expressly appointed in this regard.

8.5 This Agreement is made pursuant to and shall be governed by and construed in accordance with the laws of the Province of Ontario. Any reference to a statute in this Agreement includes a reference to all regulations made pursuant to such statute, all amendments made to such statute and regulations in force from time to time and to any statute or regulation which may be passed and which has the effect of supplementing or superseding such statute or regulations.

IN WITNESS THEREOF this Agreement has been executed by the **Parties**.

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO AS REPRESENTED BY THE MINISTER OF PUBLIC INFRASTRUCTURE RENEWAL

David Caplan

The Honourable David Caplan
Minister of Public Infrastructure Renewal

HOME OWNERSHIP ALTERNATIVES NON-PROFIT CORPORATION (GREATER TORONTO AREA)

Per: Loren Simerl
Name: Loren Simerl
Title: Treasurer

c/s

Per:
Name: Sugith Varughese
Title: Signing Officer

TABLE OF CONTENTS

APPENDICES

Revision Date: October 1, 2004

THE OVERALL PROCESS

1. Administration Agreement

The Province and Home Ownership Alternatives will sign an Administration Agreement outlining each party's responsibilities under the Pilot Project component of the Homeownership funding.

The Administration Agreement must be signed by January 7, 2005.

2. Identification of Eligible Units

Home Ownership Alternatives is responsible for the identification of eligible units under the Homeownership Funding Pilot.

Home Ownership Alternatives is responsible for ensuring that each unit meets the following eligibility requirements:

- The unit must be a "newly constructed unit" which has never been occupied and has been sold to the purchaser by a vendor as defined in the *Ontario New Home Warranties Plan Act* or a newly converted unit.
- The newly constructed/converted unit must be situated in a designated neighbourhood revitalization area.
- The newly constructed/converted unit must be located in an urban area.
- The purchase price of the newly constructed/converted homeownership units must be at or below the average market selling price for the housing market area and not more than what is affordable to households at the 60th percentile of income.

For the identified projects the cost prices must be at or below the following:

Project Location	Maximum Cost Price*
Markham	$204,000
Pickering	$213,000
Scarborough	$152,000

* **Source**: Statistics Canada (CPI; incomes at 60th percentile for total households from 2001 Census i.e., 2000 incomes); Bank of Canada (mortgage rates).
Note: For Scarborough, due to unavailability, City of Toronto income figures have been used as a proxy.

Home Ownership Alternatives will submit a list of eligible units to the Ministry of Public Infrastructure Renewal in the form set out in Appendix #1.

Revision Date: October 1, 2004

Eligible purchasers who also qualify for the Provincial Land Transfer Tax Rebate will be eligible to receive $6,000 in federal and provincial funding toward the purchase of their unit.

Eligible purchasers who do not qualify for the Provincial Land Transfer Tax Rebate Program will be eligible to receive $4,000 in federal and provincial funding toward the purchase of their unit.

Once Homeownership Alternatives has identified eligible purchasers, Home Ownership Alternatives will submit to the Province a completed Purchaser Information Package (Please see Appendix #2).

5. Flow of Funds

Federal and Provincial Funding Flowed Through Home Ownership Alternatives to Units Purchased by Individual Purchasers

Once eligible purchasers are identified, Homeownership Alternatives will flow funding as a deposit on the purchase of the unit.

Due to the targeting arrangement of the Pilot Project, Homeownership Alternatives will need to sell an appropriate number of eligible units prior to the sale of each targeted unit in order to pool the federal and provincial funding (eg. Home Ownership Alternatives will be required to sell 4 units that are eligible for $6,000 in federal and provincial funding prior to selling a targeted unit that requires pooled funding of $25,470).

At closing, the individual mortgages for the eligible purchasers of the targeted units will be registered on title. Home Ownership Alternatives will be responsible for registering and administering the mortgage on the province's behalf.

6. Contribution Agreement

Once the Province has confirmed Purchaser eligibility, the Purchaser, Homeownership Alternatives and the Province will sign a tripartite Contribution Agreement.

The Contribution Agreement will state the affordability period of ten years and will require the repayment of the total federal and provincial funding upon resale or other disposition the of the unit within ten years of the purchase. After the ten year affordability period, the federal and provincial funding will be forgiven.

The Contribution Agreement will outline the Eligible Purchaser's requirements under the Program, including securing mortgage financing and house insurance.

APPENDIX G

2001 Census
Income for all Private Households
Markham

		Percent	Cumulative
Under $10,000	1980	3.26%	3.26%
$10,000- $19,999	2875	4.74%	8.00%
$20,000-$29,999	3755	6.19%	14.19%
$30,000-$39,999	4410	7.27%	21.46%
$40,000-$49,999	4515	7.44%	28.90%
$50,000-$59,999	4550	7.50%	36.40%
$60,000-$69,999	4870	8.03%	44.43%
$70,000-$79,999	4555	7.51%	51.94%
$80,000-$89,999	4185	6.90%	58.84%
$90,000- $99,999	3620	5.97%	64.80%
Over $100,000	21350	35.19%	100.00%
Total Households	60665		

30 percentile = about $51,600

60 percentile = about $92,000

Average Income	$94,656
Median Income	$77,163