

8

AFFORDABLE HOMEOWNERSHIP COMPONENT OF THE CANADA-ONTARIO AFFORDABLE HOUSING PROGRAM EXTENSION 2009

The Community and Health Services Committee recommends the adoption of the recommendations contained in the following report dated October 8, 2009, from the Commissioner of Community and Health Services.

1. RECOMMENDATIONS

It is recommended that:

1. The Region enter into an agreement with Habitat for Humanity York Region for the delivery of the Affordable Homeownership Component of the Canada-Ontario Affordable Housing Program Extension 2009.
2. The Region establish a Service Manager Homeownership Revolving Fund to facilitate the delivery of the Affordable Homeownership Component of the Canada-Ontario Affordable Housing Program Extension 2009.

2. PURPOSE

The purpose of this report is to outline the details of the Affordable Homeownership Component of the Canada-Ontario Affordable Housing Program (AHP) Extension 2009 and to recommend a partnership with Habitat for Humanity York Region for the delivery of the Affordable Homeownership Program and the establishment of a Homeownership Revolving Fund to participate in the program.

3. BACKGROUND

Federal and provincial budget commitment of \$540 million to extend the AHP

In March 2009, the federal and provincial governments committed \$1.2 billion for social and affordable housing in Ontario over the next two years. Of the \$1.2 billion, \$540 million has been allocated to the AHP 2009 Extension which includes a New Rental Housing Component, a Homeownership Component and a Northern Component.

The Homeownership Component has several overriding objectives

The intent of the program is to assist low-to-moderate income households to purchase affordable homes by providing down payment assistance in the form of a forgivable loan.

The objectives of the program are to:

- Ease the demand for rental housing by assisting renter households purchase affordable homes.
- Provide low and moderate income households with an opportunity to move up the socio-economic ladder through homeownership.
- Encourage developers to build affordable housing by fostering demand.

The Affordable Homeownership Program is an extension of the 2005 Affordable Housing Program

In 2005, the federal and provincial governments announced a Homeownership Component to the Canada-Ontario Affordable Housing Program. The Region was provided with a \$2.169 million notional allocation. Due to the following program constraints, the Region elected not to participate in the program:

- Based on the provincially established income limits and property price ceiling, participating in the program could place homebuyers in precarious ownership situations.
- A minimal amount of stock was available within the Region that met the provincial price ceiling.
- The administration and delivery of the program would have required the Region to absorb substantial fees and related costs.

High level details of the 2009 Affordable Homeownership Program

- A notional allocation was not provided to Service Managers. Funding is provided on receipt of a Purchase and Sale Agreement on a “first come, first served” basis until all funding is exhausted, or the deadline of March 31, 2011 is reached.
- Eligible units must be new construction.
- Household income must not exceed \$73,500 annually.
- Homebuyers must be renter households buying sole/principle residences.
- Home prices in York Region cannot exceed \$408,666.
- Homes must be modest in size relative to community norms, in terms of floor area and amenities.

Attachment 1 provides additional details on the Canada-Ontario Affordable Housing Program 2009 Extension—Affordable Homeownership Component.

4. ANALYSIS AND OPTIONS

Detailed analysis of the Affordable Homeownership Program indicates potential challenges for York Region:

- The Program is aimed at middle income households who only require down payment assistance. The Region's primary focus of serving those households with the greatest need would not be met through the delivery of this program.
- There is a limited selection of housing options available within the provincially established price ceiling. Many homebuyers looking in the south end of the Region would not be able to afford a family sized home (3 bedroom or more). Most likely, homebuyers looking for a larger family sized home would have to look in the north end of the Region.
- Based on the average sale price of a home in York Region and the income limit of \$73,500 as established by the Province, the cost of carrying the home could consume over 40% of the household's annual income. A debt equity ratio greater than 30% could place the household in a precarious homeownership situation.

Full participation in the program could result in substantial and ongoing administration costs incurred by the Region

As part of the \$1.2 billion allocated to social and affordable housing by the provincial and federal governments, each Service Manager was allocated \$200,000 for administration fees incurred while participating in the New Rental Component and/or the Social Housing Renovation and Retrofit Program. An administration fee was not specifically allocated to the homeownership component. Funds allocated to the New Rental Component and/or Social Housing Renovation and Retrofit Program have been committed.

Significant commitment of resources would be required to establish and maintain the program. Along with local policies and program design, the Region would require a part-time staff resource dedicated to promoting program awareness, application intake, client selection and education, on-going monitoring and reporting.

As well, costs would be incurred for legal fees for setting up appropriate legal agreements, framework, and documentation for the revolving fund and on-going transactions involving the fund. In addition to the legal fees applicable to each specific homeownership loan, there would be disbursement costs including title searches, sub-searches, execution searches, registration fees, appraisals, and potentially, in the event of a default, enforcement costs.

Analysis of delivery options

Based on the complexity of the Program, the guidelines have been evaluated. The following options have been outlined in *Attachment 2*:

- Partner with Habitat for Humanity York Region to deliver the homeownership program.
- Direct regional administration and delivery of the homeownership program.
- Procurement of a third party delivery agent.

The Region identified the option of partnering with Habitat for Humanity York Region as the most viable opportunity to provide a homeownership program to the residents of York Region.

A partnership with Habitat for Humanity York Region is a cost effective, lower risk method of delivering the homeownership program

The mission of Habitat for Humanity is to mobilize volunteers and community partners in building affordable housing and promoting homeownership as a means to breaking the cycle of poverty. The national organization has extensive experience in constructing modest, affordable housing with mortgage options customized around the needs of the homeowners. Along with providing a stable home, they also provide ongoing counselling, budget supports and annual income reviews to ensure the homeowners do not fall into a precarious situation. They work closely with the selected families to ensure their debt equity ratio never exceeds 32% of their annual income.

Habitat for Humanity York Region (HFHYR) is planning to increase building capacity with the construction of up to six homes by 2011. HFHYR is assessing construction opportunities in the Towns of Georgina, East Gwillimbury, Newmarket and Aurora. As well, they solicit applications from applicants in all communities throughout the Region. In order for a homebuyer to be eligible for a home with HFHYR, they must be current residents of York Region.

A partnership with HFHYR would significantly reduce the administration burden the program would impose on the Region. HFHYR would be responsible for promotion of the program, application intake, eligibility screening, client education and ongoing support and monitoring of the homeowners. Should a default result, HFHYR has first right of refusal in purchasing the home at fair market value.

The Region would maintain responsibility for the revolving loan, legal agreements, allocation of funds and reporting to the Province on an annual basis.

The risk of administering this program will also significantly decrease as the Region can be relatively confident that the screening process would vet purchasers that are serious about responsibilities of homeownership and have the means to afford the financial obligations. As well, HFHYR would work with the purchaser to ensure they do not default on their obligations. The Region would also have a higher success rate in collecting outstanding monies through the organization rather than individual homeowners.

HFHYR has a keen interest in partnering with the Region to participate in the homeownership program (*see Attachment 3*).

5. FINANCIAL IMPLICATIONS

A unique opportunity exists to provide up to six families in York Region with \$50,000 in assistance for a down payment towards the purchase of their first home.

It is anticipated that the HFHYR will recommend eligible applicants to the Region for submission to the Ministry for approval. Funding for approved applications will be provided to HFHYR to be administered according to program requirements. There is no tax levy impact to York Region for this program.

6. LOCAL MUNICIPAL IMPACT

The Program would provide alternative housing options to those households whose circumstances may warrant a homeownership opportunity and encourage the growth of a much needed, not-for-profit community agency.

Residents of local municipalities will be offered the ability to apply for homes through Habitat for Humanity. An open and fair process of selecting applicants exists to ensure those most in need are offered an opportunity of homeownership.

7. CONCLUSION

An affordable homeownership program is an important and needed resource in York Region. Unfortunately, the Guidelines set by the Province, the temporary nature and unpredictable funding make it a difficult program for the Region to run successfully. A viable option to providing the program to those most in need exists with the partnership of the Region and HFHYR. Pending success in this round of funding with HFHYR and a commitment of stable on-going funding from the Province, the Region may wish to expand the program going forward.

For more information on this report, please contact Sylvia Patterson, General Manager, Housing and Long Term Care at Ext. 2091.

The Senior Management Group has reviewed this report.

(The three attachments referred to in this clause are attached to this report).

**DETAILS OF THE CANADA-ONTARIO AFFORDABLE HOUSING PROGRAM 2009
EXTENSION – AFFORDABLE HOMEOWNERSHIP**

A forgivable loan will be provided to eligible households to assist with the down payment for a newly constructed home

Homeownership Eligibility:

- To be eligible for a forgivable loan, purchasers must be renter households buying sole/principle residences.
- The household income must not exceed \$73,500 annually.
- Households must be selected through an open and fair process and information about the Program must be made available to the public.

Unit Eligibility:

- New construction not previously occupied, this may include conversions from non-residential to residential use that include a new home warranty.
- Home prices in York Region cannot exceed \$408,666.
- Must be modest in size relative to the community norms, in terms of floor area and amenities.

Contributions are forgivable to households remaining in their homes for a minimum of 20 years. If the home is sold within the 20 year period, the homeowner must repay the contribution amount plus a percentage share of the realized capital gains proportionate to the down payment assistance. For example, if the purchaser was provided with a loan in the amount of 10% of the purchase price, this amount plus 10% of any capital gains/appreciation would have to be repaid.

Participation in the program requires the Region to establish a Service Manager Homeownership Revolving Fund

In order to flow funding, the Region is required to establish a Service Manager Homeownership Revolving Fund and participate in the program for a minimum of 15 years. Upon the end of the 15 year term, the Region is required to submit an exit strategy to the Province to discontinue the fund. It is expected that the funds remaining would be returned to the Province or reinvested in affordable housing within the Service Manager's area.

Although an exit strategy is required, it is unclear how the Region could withdraw from the revolving fund at the end of the 15 year term. For example, if money from the fund is reallocated in the 15th year to a new homebuyer, the fund would need to exist for a further period of 20 years in order to properly administer and potentially collect the funding back. As it appears, the commitment of the fund could be perpetual.

Funding for up to a 10% down payment based on the average purchase price of all units sold is available

As the maximum house price in York Region was established at \$408,666, up to a \$40,866 forgivable loan is available to eligible purchases, pending all homes purchased were sold at an average of \$408,666 per unit.

Regardless of a Service Manager's price ceiling they may provide Habitat for Humanity with a \$50,000 loan.

DELIVERY OPTIONS OF THE AFFORDABLE HOMEOWNERSHIP PROGRAM

Partnership with Habitat for Humanity York Region to deliver the Homeownership Program (Recommended Option)

A partnership with Habitat for Humanity York Region (HFHYR) provides a cost effective, lower risk method of providing a homeownership program to the residents of York Region. Through the Affordable Homeownership Program, the Region would be able to provide HFHYR homebuyers with a \$50,000 forgivable loan to purchase their first home.

Habitat for Humanity has extensive experience in constructing modest, affordable housing with mortgage options customized around the needs of the homeowners. They follow an equitable and fair process of selecting homeowners and provide ongoing support services to the homeowners for the duration of the tenure.

The administrative burden to the Region would be reduced as HFHYR would be responsible for promotion of the program, application intake, eligibility screening, client education and ongoing support and monitoring of the homeowners.

The Region would maintain responsibility of the revolving loan, legal agreements, allocation of funds and reporting to the Province on an annual basis.

Direct regional administration and delivery

The Region could directly administer the program and solicit applications from the residents of York Region.

The ramp-up period required to develop the program would be significant in light of the short-term, temporary nature of the program, particularly knowing the funds may be utilized very quickly by other Service Managers who successfully participated in the last round of the program and are in a position to expand their programs immediately.

The Region would also have a difficult time meeting the needs of those residents who require assistance the most. The program is not designed to alleviate the demand of the Centralized Wait List and it is unlikely those residing in subsidized housing have the financial capability to move forward into a secure homeownership opportunity.

Procurement of a third party delivery agent

The Guidelines allow for the Region to partner with a private or non-profit home ownership developer to assist in the program development and administration. However, the Service Manager must remain as the sole trustee to the Affordable Housing Program funds.

Although partnering with a third party would alleviate the administrative burden of the program, it would be difficult to determine the terms of an agreement with a third party as the funds are allocated on a “first come first served” basis. The temporary nature of the funding and on-going commitment to the program makes it difficult to determine the benefits and needs and could make it challenging to secure a delivery agent.



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September 11, 2009

Jody DeGagne
Senior Housing Analyst
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Community and Health Services Department
Regional Municipality of York
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Dear Ms. DeGagne,

On behalf of the Board of Directors of Habitat for Humanity York Region (HFHYR), I am writing to confirm our keen interest and willingness to partner with York Region in the delivery of the Canada-Ontario Affordable Housing Program (AHP) Extension 2009.

AHP is a program that has benefitted HFHYR families in the past, and one that is certainly still required as the need for affordable housing in York Region continues to grow. In order facilitate the administration of this program, HFHYR will offer to manage the revolving fund so that the Service Manager will not be required to do so. Regular reports on the status of the mortgage and repayments will be provided on a schedule agreed to with York Region.

On behalf of the working poor in York Region that we serve, I encourage you to approve adoption of this worthwhile program, at limited cost to the Region. HFHYR is pleased to have partnered with York Region at the McCleary Court Community Environmental Centre, and would appreciate the opportunity to extend this partnership through AHP.

Thank you for your consideration.

A handwritten signature in black ink, appearing to read "Tom Taylor", written over a horizontal line.

Tom Taylor
President, Board of Directors