

Scaling Up Affordable Ownership Housing in the GTA



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Executive Summary

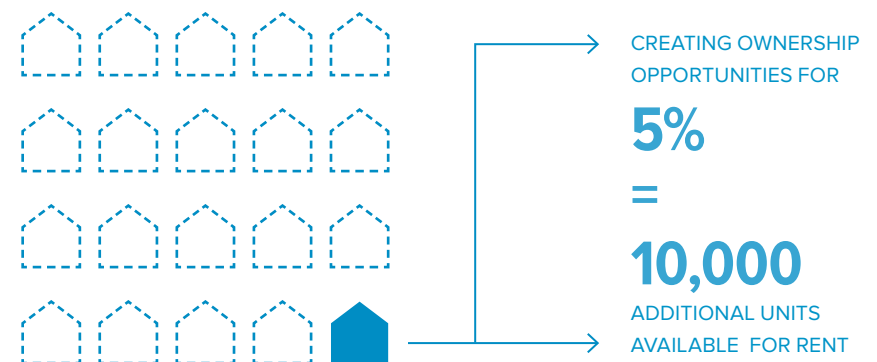
This paper demonstrates what needs to be done to produce ownership housing that is within reach of middle class households, millennials, New Canadians and those working to join the middle class. It argues that it is appropriate and possible for governments to support scaling up affordable ownership housing production – without the need for ongoing financial subsidies.

This would complement efforts to create affordable rental housing. If 5% of the more than 200,000 middle-income renters (with and without children) in the GTA who pay less than 30% of their income on rent could move to ownership housing, this would free up 10,000 units of affordable rental apartments in the stagnant GTA rental market.

The Opportunity

This paper identifies that there are more than 200,000 middle income rental households who may want to own a home but are unable to access the private ownership market in the GTA.

It recommends a target of creating ownership opportunities for 5% of them, or 10,000 units, over the next 5 years.



Top 4 Recommended Actions

To achieve this target, the paper recommends the following actions:

1. Create Access to Capital:

The creation of a \$250 million revolving loan fund that could provide project equity and be available to qualified non-profit producers for pre-construction expenses. It could be seeded by government, replenished by paybacks and require no ongoing financial commitment from government. Alternatively, the source of funds could be a pool of social impact funds, encouraged by tax credits and a federal guarantee.

The creation of a construction loan facility whereby Infrastructure Ontario would provide construction financing at a rate that is more beneficial than market – similar to how it currently provides funds to finance construction of affordable rental housing.

The creation of a provincial loan guarantee from which non-profit producers could draw an equity contribution or credit enhancement to lessen the amount of their own money required to backstop construction loans or secure construction financing.

Increase the City of Toronto's Home Ownership Assistance (HOAP) repayable loan fund to \$10,000,000 a year – an amount sufficient to fund the City's current target of 400 affordable ownership units a year.

Defer development charges on affordable ownership developments for a mandatory maximum term (such as 10 or 15 years) and move to mandatory repayment. The City of Toronto and the province should allow 50% of Home Ownership Assistance Program (HOAP) and Investment in Affordable Housing (IAH) funds to remain with the non-profit proponent to fund new projects and the other 50% plus capital appreciation to go back to administering the City's Affordable Housing Office.

2. Enable Access to Land:

The federal government should direct federal custodian departments to ensure that not-for-profit corporations that provide a public benefit are included in the circulation of federal surplus property.

The City of Toronto's Affordable Housing Office should establish and administer an Affordable Housing Land List and identify actionable public lands suitable for sale to registered non-profit housing organizations.

The City of Toronto should require the conveyance of land for affordable ownership housing where conversion of employment lands to residential is going to be permitted.

3. Exempt Non-Profits from Inclusionary Zoning:

Bill 204 should exempt affordable housing projects of accredited non-profit housing providers from the requirement to enter into agreements with municipalities on matters included in the municipality's inclusionary zoning bylaw.

Provincial legislation to permit municipalities to enact an inclusionary zoning bylaw could allow municipalities to set thresholds, determine unit set asides, accept cash-in-lieu of affordable ownership units and authorize the provision of offsite units.

4. Amend provincial policy statement (pps):

In markets where a household income of \$80,000 or more is required to purchase a small entry-level ownership unit, the Province should consider amending the definition of affordable in the PPS to the 70th percentile of income in the GTA (\$106,000). This would allow waivers, deferrals and planning policy support for affordable homeownership to be extended to more middle-income households.

How to Read This Report

This paper has 7 components:

- 1. The Case for Affordable Ownership Housing** – the benefits of affordable homeownership that have been identified in research literature.
- 2. Defining Affordable Ownership** – the planning policy and program definitions of affordable ownership housing used in the City of Toronto and the Province of Ontario.
- 3. Non-Profit Models for Building Affordable Ownership Housing** – the four non-profit models for building affordable ownership homes currently operating in the GTA: Artscape, Habitat for Humanity, Options for Homes & Home Ownership Alternatives and Trillium.
- 4. Target Population** – the number of middle-income renter households in Toronto Census Metropolitan Area (CMA) that could access affordable home ownership options if they were more readily available and a calculation of the impact this would have on freeing up affordable rental housing.
- 5. A Strategic Action Plan for Scaling Up Production** – an annual target of affordable ownership units in the GTA and measures to scale up production to meet that target.
- 6. Land for Affordable Housing Database** – a map of 98 sites in the City of Toronto deemed to be actionable for affordable housing. CUI, in collaboration with Ryerson University’s Centre for Urban Research and Land Development, created a prototype affordable housing land database. The database could be expanded to include tower renewal sites, church properties, and commercial sites such as under-utilized shopping plazas, strip malls and current and projected transit hubs.
- 7. Recommendations** – A summary of all recommendations and a table describing measures to assist first-time home buyers (Appendix C).

Scaling Up to Meet a Real Concern

The feeling that something more needs to be done about housing affordability is growing. In the 'hot' real estate markets of Vancouver and Toronto, news items regularly lament the prospects of younger people or new Canadians ever owning a home.

A consensus is building that it is appropriate and urgent that all orders of government support scaling up affordable ownership housing for middle-class Canadians and those working to join the middle class.

UN raises concern over Canada's persistent 'housing crisis'

Affordable Housing: A Crippling Crisis with an Obvious Solution

House prices to soar by 21%

Younger Canadians fear they're locked out of home ownership

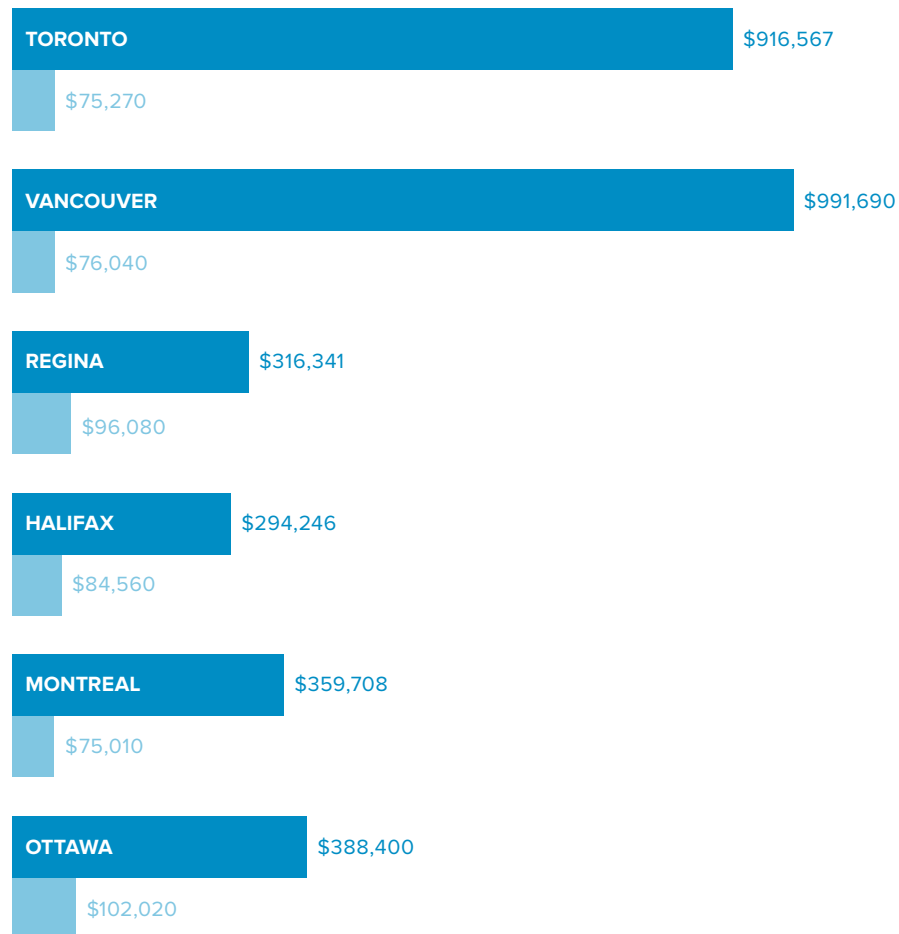
Growth plan will fill in 'missing middle' of housing choices: report

Canada's Housing Agency warning strong risk of problems on the horizon

As shown in Figure 1 and Figure 2, median incomes have risen slowly if at all while housing prices have rapidly outpaced wages.

Average Household Price & Median Household Income in Canadian Cities

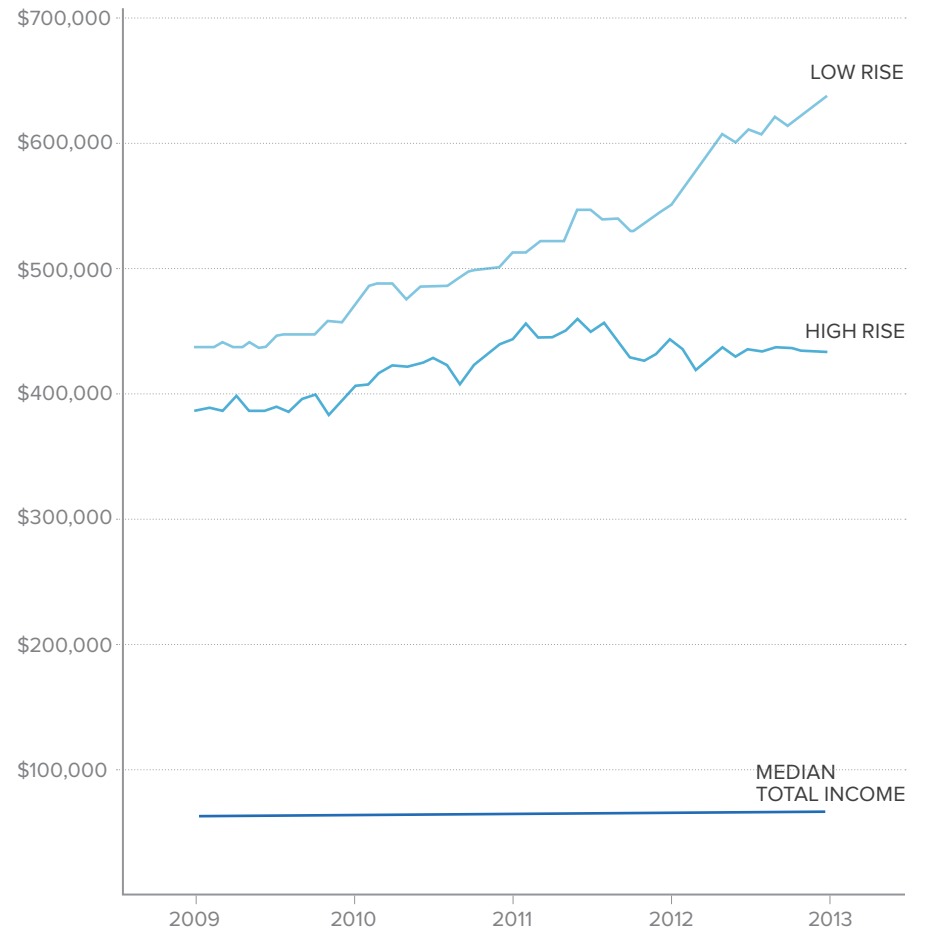
(Figure 1)



■ AVERAGE HOUSE PRICE, MARCH 2017 ■ MEDIAN TOTAL INCOME, 2014

RealNet New Home Price Index & Median Income, 2009-2013

(Figure 2)



Source: RealNet Price Index, 2015. Statistics Canada CANSIM, table 111-0009, Toronto CMA, 2015

The Case for Affordable Home Ownership Housing

Affordable home ownership has benefits for society as a whole. Literature shows that it supports competitive and prosperous cities, builds social capital and a stable middle class, helps people plan for their retirement, and frees up affordable rental housing in tight urban housing markets.

The reasons why many feel that it is appropriate for government to help create affordable ownership housing include:

A. Builds the Canadian Middle Class & Alleviates Poverty

i. Builds Multi-Generational Equity: Housing ownership creates financial security that benefits future generations and society as a whole. Non-profit producers keep home ownership within reach for more Canadians, creating multi-generational equity and a long-term, effective poverty alleviation measure.

ii. Supports Retirement and Economic Resilience: Home ownership creates an equity foundation that plays an important role in Canadian households' financial planning for retirement. It can buffer periods of unemployment and support periods of adjustment with less risk of dislocating families.

iii. Creates Financial Literacy and Good Decision Making: Compared to the norm, affordable home ownership programs have a very low default rate (less than 1%). Workshops are available to assist buyers in understanding all the risks and considerations in home ownership, and to assist them in planning for financial sustainability.

B. Self-Sufficient Model That Generates Equity to Fund Future Supply

iv. Self-Sufficient Model: Although some providers of affordable ownership housing access government loans for down payment assistance and may benefit from municipal fee deferrals, they do not explicitly rely on government financial support or free government land to deliver affordable ownership housing.

v. Addresses Land Value Accretion: Affordable home ownership is the only form of affordable housing that addresses land value accretion. By using a shared appreciation mortgage (SAM) and a revolving fund, producers can use a share of the increased value to build more affordable housing. Or, by using covenants to restrict land value accretions, some producers, like Whistler, can maintain affordability over time.

C. Improves the Economic Prosperity and Competitiveness of Cities

vi. Frees Up Affordable Rental Units: By directing eligible renter households into ownership housing, affordable rental units are freed up in tight rental markets for moderate-and low-income households. Some programs are also transitioning households from government supported affordable housing into ownership, which creates movement in social housing waiting lists.

vii. Helps to Retain Key Workers and improve Quality of Life: Being able to afford a home is an important consideration for workers who are essential to a city's economic prosperity. Key workers often face long commutes to own a home they can afford. This comes with an environmental cost in addition to the cost to their family life and leisure time. Multi-residential affordable ownership developments give families a choice to own a home that is often much closer to transit and the workplace.

viii. Supports Better Health and Well-Being: A recent study of Habitat for Humanity home buyers conducted by CMHC found that more than three-quarters (78%) of the Habitat home buyers surveyed rated their own health and the health of their families as 'better now' than in their previous housing.

Defining Affordable Home Ownership

- A. PROVINCIAL POLICY STATEMENT
- B. MUNICIPAL PROGRAMMATIC DEFINITION
- C. MUNICIPAL PLANNING DEFINITION
- D. AFFORDABLE IN THE CONTEXT OF
INCLUSIONARY ZONING

The City of Toronto has two (different) definitions of affordable ownership housing: the programmatic definition and the planning policy definition. The programmatic definition is used by the Affordable Housing Office primarily to determine eligibility for down payment assistance loans from federal provincial funds (IAH) and municipal funds (HOAP). The City's Planning Division uses the planning policy definition to negotiate with developers seeking planning approvals on private land and sites larger than 5 hectares. The legislative authority that permits the City Planning Division to negotiate agreements for affordable housing in return for additional density is Section 37 of the Planning Act.

A. Provincial Policy Statement

The basis for both the programmatic definition and the planning policy definition is the Provincial Policy Statement (2014)¹.

It defines 'affordable' for ownership housing as the least expensive of

a) housing for which the purchase price results in annual accommodation costs which do not exceed 30 percent of gross annual household income for low and moderate income households, or

b) housing for which the purchase price is at least 10 percent below the average purchase price of a resale unit in the regional market area

In the case of ownership housing, low-and moderate-income households are defined as households with incomes in the lowest 60% of the income distribution for the regional market area. In the City of Toronto this means annual household incomes of less than \$72,000² and in the GTA region it means incomes of less than \$86,000.

The average purchase price of a resale condo unit in the GTA is about \$481,194³ and the average purchase price for all resale units is about \$875,983⁴. A household would have to have an income of \$82,700⁵ to purchase and carry a \$370,000 unit in the City of Toronto. In the City of Toronto this would put the purchaser in the 70th percentile of income.

When a household income of \$80,000 or more is required to purchase a small entry-level ownership unit, the Province should give serious consideration to adjusting the definition in the PPS to create households in the 70th income percentile (income to \$106,153).

1 Provincial Policy Statement (2014) Section 6, pg.38

2 A greater number of lower income households in the City of Toronto lowers the median income.

3 Toronto Real Estate Board (TREB) Market Reports February 2017 accessed [here](#).

4 IBID.

5 To calculate the minimum income required to carry a mortgage, CMHC determines that the mortgage payment plus taxes and heating costs not exceed 32% of the borrower's annual income. As taxes and heating costs vary widely, this study has adopted the convention of using the mortgage payment cost alone not exceeding 25% of annual income.

B. Municipal Programmatic Definition

The IAH Program Guidelines (2014 Extension) describe the various components of the Investment in Affordable Housing (IAH) for Ontario and outline the program's requirements. The homeownership component "aims to assist low-to-moderate income renter households to purchase affordable homes by providing down payment assistance in the form of a forgivable loan"⁶.

Eligibility Criteria

To be eligible for down payment assistance, the Guidelines state that prospective purchasers must:

Be a renter household buying a sole and principal residence in a participating SM area.⁷

- Have household income at or below the 60th per- centile income level for the SM area or the province, whichever is lower.
- Meet any additional criteria as established and communicated by the SM.

The household income for an eligible purchaser in the GTA and the City of Toronto according to the programmatic definition is \$85,600⁸. The guidelines also state that the purchase price of a home must not exceed the average resale price in the SM's area. This figure varies in the City of Toronto depending on what kind of units are included in the sample and the source of the figure. The Toronto Real Estate Board (TREB) monthly resale housing figures for January 2017 was \$770,745⁹.

⁶ Ontario, Investment in Affordable Housing for Ontario, Program Guidelines (2014 Extension) pg. 18

⁷ SM is an acronym for Service Manager. The City of Toronto is an SM area and the SM is the Affordable Housing Office.

A unit of housing selling for under \$770,745 to a household earning less than \$85,600 is eligible for program support in the City of Toronto according to the programmatic definition of affordable ownership housing.

"I'm pleased to be able to [live] right in the city where the urban design allows for walking to many places I need go; shopping, library, parks, restaurants."

– John Smith, *home buyer*



⁸ Ontario, Investment in Affordable Housing for Ontario, Program Guidelines (2014 Extension), Appendix D

⁹ Toronto Real Estate Board (TREB) monthly resale housing figures for March 2016 accessed [here](#).

C. Municipal Planning Policy Definition

The City of Toronto Official Plan (OP) defines affordable ownership as housing that is priced at or below an amount where the total monthly shelter cost equals the average City of Toronto rent, by unit type¹⁰. Most stakeholders agree that this approach needs to be changed since the price of ownership housing continues to rise at a much faster rate than rental costs¹¹.

In 2013 the City of Toronto Planning Division commissioned a review of the definition of affordable ownership housing with the intention of developing a new planning policy definition of affordable ownership and amending the Official Plan. In 2015 the consultant’s report¹² recommended a new definition of affordable ownership based on ability to pay (household incomes) and price thresholds by unit type in the ownership market.

The proposed definition suggested an increased price threshold by unit type over the current definition (see Table 1).

However, non-profit affordable ownership producers¹³ called for the City to defer approval of the proposed new OP definition citing concerns that the new price thresholds did not reflect what it cost to build and sell units in the Toronto market. Elected officials agreed to defer work on the Official Plan amendment to create a new definition of affordable ownership.

10 The full definition reads: “Affordable ownership housing is housing which is priced at or below an amount where the total monthly shelter cost (mortgage principal and interest—based on a 25-year amortization, 10% down payment and the chartered bank administered mortgage rate for a conventional 5-year mortgage as reported by the Bank of Canada at the time of application—plus property taxes calculated on a monthly basis) equals the average City of Toronto rent, by unit type, as reported annually by the Canada Mortgage and Housing Corporation. Affordable ownership price includes GST and any other mandatory costs associated with purchasing the unit”. City of Toronto Official Plan 3-25.

2015 Affordable Ownership Price Points – Proposed, Existing and Provincial Definition

(Table 1)

UNIT TYPE	UNIT PRICES IN THE CURRENT OP DEFINITION	UNIT PRICES IN THE PROPOSED OP DEFINITION	EST. PROVINCIAL DEFINITION (INCOME)*
Bachelor	\$ 155,378	\$166,000	\$336,000
1 Bedroom	\$185,106	\$214,000	
2 Bedrooms	\$218,463	\$270,000	
3 Bedrooms	\$254,067	\$303,000	
4+ Bedrooms	\$270,141	\$336,000	

*Estimated Provincial definition of unit price is based on what a household earning the 60th percentile of income for the City of Toronto could afford (i.e. paying no more than 30% of gross family income for housing costs).

11 Rental Market Report-Ontario Highlights-Date Released, Spring 2015

12 SHS Consulting, re/fact Consulting, Defining Affordable Ownership Housing: Housing Policy Review, City of Toronto’s Official Plan, January 2015

13 Artscape, Habitat for Humanity, Kehilla, Options for Homes, Trillium Housing in a letter to Councillor Ana Bailão, March 30,2016.

D. Defining 'Affordable' in the Context of Inclusionary Zoning

In March 2016, the Province of Ontario updated its Long-Term Affordable Housing Strategy (LTAHS) to include inclusionary zoning. It stated:

In high-growth municipalities where housing prices are becoming increasingly out of reach, more affordable housing units can be created through the development process. Proposed enabling legislation would, if passed, give all municipalities the ability to require private developers to include affordable housing units in their development proposals.¹⁴

In May 2016, the province introduced Schedule 4 of Bill 204, Promoting Affordable Housing Act (2016) which contained Planning Act amendments for inclusionary zoning and affordable housing. The proposed amendments would enable municipalities to use Inclusionary Zoning (IZ) to require ownership and/or rental units in new residential development to be set aside for affordable housing. It also provided the minister with the ability to make regulations related to IZ and affordable housing.

The City of Toronto asked its staff to report by the end of 2016 on a strategy for implementing inclusionary zoning. The Chief Planner and the Director of the Affordable Housing Office will report on a plan to achieve that objective.

The definition of affordable ownership and particularly the determination of price thresholds by unit type will be an important consideration for a municipality when crafting its inclusionary zoning bylaw.

To understand what the difference between market value and the affordable value and therefore the level of assistance that could need to be offset for IZ units, it is useful to try to get some idea of what it costs to build a unit in the Toronto market.

Midrise Prototype - Development & Construction Costs

(Table 2):

282 UNITS	SUMMARY	PER UNIT	%
Land & Associated Costs	\$19,517,800	\$69,212	19%
Municipal Charges	\$8,494,000	\$30,121	8%
Construction	\$57,770,700	\$204,86	55%
Soft Costs	\$11,944,832	\$42,358	11%
HST	\$6,772,668	\$24,017	7%
Total Development Costs	\$104,500,000		
Unit Cost	\$370,567		
NSA	234,429 sq. ft.		
\$/sq.ft. NSA	\$446		

¹⁴ Ontario's Long-Term Affordable Housing Strategy Update, March 2016, Page 16

Cost to Bring a Prototype Unit of Housing to Market

To help understand what it costs to bring a unit of housing to market in Toronto, the study team asked Altus Group to prepare a pro forma development budget and construction cost estimate for an 800 sq. ft. unit¹⁵ in a typical 15-storey building built by a private sector housing provider in the inner suburbs in the city of Toronto. An 800 sq. ft. unit represents the size of unit that could be affordable to moderate and middle income first time purchasers¹⁶.

A 282-unit building is almost certainly within the size of development at which inclusionary zoning requirements would be triggered¹⁷.

The prototype exercise¹⁸ showed that a representative unit (roughly 800 sq. ft.) in a newly built 15-storey building could be constructed and marketed for \$446 /sq. ft. or \$370,567¹⁹. This does not include residual profit for the developer so it is probably below the typical cost of a new build product in the Toronto CMA.

The costing is based on a pro forma development budget that comprises hard and soft costs including land, land carrying costs, municipal levies and fees, consultants, marketing, legal and administrative, financing, development contingency etc. Source of funds include developer's equity, purchaser deposits and construction loan. The revenue assumptions in the pro forma are based on a break-even scenarios, i.e. net revenues from the sale proceeds of residential units equaling total projected development costs, with no residual profit for the developer.

The pro forma includes all applicable allowances for development and construction management aspects of the project including development management fees and overheads typically associated in a private sector development. No Section 37 costs were included as Altus assumed that no additional density would be requested by the developer²⁰.

Measures and Incentives to Pay for IZ Housing

The pro forma exercise, when compared to the affordable values in Table 1 gives some indication of the difference between the market value and the affordable value of affordable housing units that would be required by the inclusionary zoning bylaw. The difference may run to many tens of thousands or even more than \$100,000 a unit as residual profit for the developer was not factored into the prototype. The building industry maintains that the difference will need to be offset by one or more financial tools which could include the following:

- Waiver of the provincial share of HST and Land Transfer Tax (LTT)
- Waiver or deferral of property taxes
- Waiver of building permit and other planning fees
- Waiver of development charges
- Waiver of parking requirements
- Waiver of parkland levies
- Allocation of funds from Development Charges Reserve Fund (HOAP in the case of ownership)
- Allocation of Section 37 funds generated by the project

Municipal charges and levies are about 8-9% of total project cost. The provincial portion of HST is about 8%. The building industry has given no indication that it will forego profits on IZ units.

¹⁵ A large unit by current standards in the City of Toronto – It could contain a 2nd bedroom and a small den.

¹⁶ The proposed legislation (Bill 204) allows municipalities to regulate the number of bedrooms, size and/or location of units in the building.

¹⁷ Provincial legislation (Bill 204) could set out a province-wide minimum and/or maximum threshold size that would be applied to inclusionary zoning or leave it to each municipality to determine

¹⁸ Altus Group, Affordable Housing Prototypes, September 2015.

¹⁹ The unit cost calculation is arrived at by dividing the number of units (282) into the total development costs (\$104.5 m).

²⁰ Non-profit affordable ownership housing providers routinely pay Sec. 37 benefit costs.

There is a concern in the non-profit sector that all of the available financial supports at the municipal level will be used to offset the difference between the market value and the affordable value of IZ units produced by the private sector for households who can almost, but not quite, afford to purchase a home or rent a unit at market prices.

In an active market like the GTA, this could result in most if not all government subsidy money being used to support ‘shallow affordability’ at the expense of units produced by the non-profit sector for households facing greater affordability challenges.

Affordable housing funding programs (HOAP, IAH) as distinct from planning tools (waivers and deferrals) should be used predominantly to support non-profit producers delivering units at a lower range of affordability.



Non-Profit Models for Building Affordable Ownership Housing

- A. ARTSCAPE
- B. HABITAT FOR HUMANITY
- C. OPTIONS FOR HOMES & HOME OWNERSHIP
ALTERNATIVES
- D. TRILLIUM HOUSING INC.

The four non-profit models for building affordable homes operating in the GTA are described below. If the need for affordable ownership housing is to be met, it will require that the private, public and non-profit sectors work together supported by governments. This is already happening. The challenge going forward will be to scale up production from hundreds to thousands.

Partnership with the Building Industry

All of these models rely on close working relations with the building industry. Artscape has worked with Urbancorp, Great Gulf, Diamond Corp., and Sorbara. Habitat for Humanity has a number of collaborations with The Daniels Corporation and Build Toronto to deliver affordable ownership units as well as an extensive group of supporters in the building industry. Options for Homes has had a long and productive working relationship with Deltera and the Tridel Group. Trillium Housing has invested in a private sector development.



ARTSCAPE

A. Artscape (67 affordable ownership units)

Artscape is a not-for-profit Toronto-based developer and operator of complex, multi-tenanted spaces – both residential and commercial. They have worked with the City of Toronto and private developers (Urbancorp, Great Gulf, Diamond Corp., and Sorbara) to secure space in a number of condominium developments.

Artscape has produced about 67 affordable ownership units and 77 affordable rental units for artists and arts administrators.

Opportunities: Artists and arts administrators and their families are seen by developers as desirable additions to developments and neighbourhoods.

Challenges to Scaling Up: Artscape serves a niche market of artists and arts professionals. There may be a shortage of developers willing to do a deal with Artscape in areas where artists and arts professionals want to live. The model is reliant on affordable housing (for artists) being identified as a community benefit secured under Section 37. Artscape competes with other community benefits (daycare, community service space, public realm) that are also secured as part of a finite number and value of benefits that can be secured under any one Sec. 37 agreement.



B. Habitat For Humanity 360 homes built and approximately 200 under development /investigation)

Habitat for Humanity Greater Toronto Area (Habitat GTA) is a not-for-profit developer building in Toronto, Brampton, Caledon and York Region. Its focus is exclusively on home ownership for families. The Habitat GTA model mobilizes volunteers and community partners to help working low-income families realize home ownership. Families pre-qualify for ownership based on need and income level. Families commit to provide 500 hours of “sweat equity” helping to build homes in lieu of a cash down payment.

To date, Habitat GTA has built approximately 360 homes, predominantly multi-unit townhouse and other ground-related products.

Opportunities: Habitat GTA’s build projects in Toronto are all multi-unit builds. Traditionally, Habitat builds have been ground-related townhouses or semi-detached units. Habitat GTA is now moving to stacked townhouse and to new developer partnerships involving multi-story builds.

Challenges to Scaling Up: The key barriers to scaling up the Habitat Model are access to land, growing the donor base, securing financing, and developing volunteer capacity.





C. Options for Homes (2,500 units built and about 2,000 units in its development pipeline)

Options for Home (OFH) together with its funding Home Ownership Alternatives (HOA) is a non-profit organization dedicated to providing affordable ownership housing to low-and moderate-income households throughout the GTA. It has created stacked townhouses in the past but currently focuses on delivering mid-to high-rise condominiums.

The model is based on offering purchasers a loan that is recognized by banks as equity, in addition to the client's 5% down payment. This loan is the difference between the cost to build and the market price (usually 10% - 15%) of a unit. No payments of interest or principle are required on this "Options Contribution" until the client decides to sell (though it can be repaid at any time).

OFH and HOA have built 2,500 units in the GTA and continues to build between 300 and 500 units a year with about 2,000 units in its development pipeline.

Efforts should be made to integrate affordable ownership housing into community hub models. The OFH model could contribute revenue to the community hub through land purchases and through its social purpose fund.

Opportunities: As OFH and HOA already have a longstanding working relationship with Deltera, the model could be scaled up. Over the long term, money generated from increased sales could be used by HOA.

In employment lands proximate to higher order transit, there are opportunities to convey parcels of land where conversions to residential are going to be permitted. OFH has the capacity to develop significant numbers of affordable ownership housing on dedicated parcels as part of mixed income communities.

Challenges to Scaling Up: The main barrier to scaling up production in the Options model is the availability of land. The Options model pays market value for land but usually seeks to buy land from a vendor who would be willing to defer payment until construction financing is secured or the building is occupied.

A second and equally significant barrier is access to low-cost construction loan funding and equity – in order for OFH to scale up quickly, it would need greater amounts of capital to finance land acquisition and to provide guarantees for bridge financing or construction financing than its fund (HOA) is able to provide.



D. Trillium Housing Inc. (no units built; about 100 in its pipeline)

Trillium Housing is a real estate investor that invests in affordable housing projects. Trillium offers to assist developers to meet affordability targets set by the city in order to receive positive consideration on planning approvals, development charge deferrals and relief from other requirements (levies, fees, taxes etc.) in order to reduce costs and improve affordability.

Opportunities: Trillium has recently partnered with a private sector builder to secure City-owned land from BUILD Toronto.

Challenges to Scaling Up: Access to capital to fund the community bonds has been a barrier to scaling up production.

Although each of these groups can access loans for down payment assistance (IAH) and the City of Toronto's Home Ownership Assistance Program (HOAP), they do not explicitly rely on government financial support or free government land to deliver affordable ownership housing.

Action Plan to Scale Up the Production of Affordable Ownership Housing in the GTA

- A. SETTING A TARGET
- B. ACCESS TO NEW CAPITAL
- C. ACCESS TO LAND
- D. REGULATORY FRAMEWORK
- E. INCLUSIONARY ZONING
- F. SECTION 37 AND PARK LEVIES
- G. REDUCTION OR EXEMPTION FROM PARKING REQUIREMENTS
- H. STREAMLINING THE APPROVAL PROCESS

A. Setting a Target – 2,000 affordable ownership units a year

Setting targets is always an aspirational exercise. To give some idea of capacity, the building industry supplies roughly 36,000 units of housing a year in the GTA.

In the Toronto CMA there are about 200,000²¹ households that pay less than 30% of their income on rent. This is a sizeable market for affordable ownership housing and it could be delivered with little or no ongoing financial subsidies from government.

Table 3 shows how these 200,000 middle-income renter households break down by income.

Affordable Ownership Housing Target (Table 3)

INCOME PERCENTILES	UP TO 40 TH	50 TH	60 TH	70 TH	TOTAL
Income range	\$43,450 to \$56,121	\$56,122 to \$70,366	\$70,367 to \$86,636	\$86,637 to \$106,153	
Households paying less than 30% on shelter costs	58,590	57,720	49,170	38,350	203,830
Percent of all renters in that income percentile paying less than 30%	73%	88.6%	95.8%	97.7%	
5%	2,929	2,886	2,458	1,917	10,190
Annual Target for 5 Years					2,000/yr

Measures to scale up annual production to 2,000 units a year for the next five years could move 5% of these households into home ownership and potentially free up 10,000 affordable rental units.

²¹ Renter household income and spending 30% or less of household income on shelter costs at 40th to 70th income percentiles, custom table based on 2011 Census

B. Access to Capital (Loans)

A significant barrier to scaling up production of affordable ownership involves access to funds for land acquisition and pre-construction costs, including consulting fees, marketing, municipal permits and surety to guarantee construction financing. In higher cost markets, an ever-increasing need for larger amounts of financing can limit production. Organizations like Home Ownership Alternatives and Habitat for Humanity have funds that support their projects, but as production is scaled up, these funds can be stretched to the limit. In the case of these groups, federal investment would leverage existing funds, support growth of existing funds and the creation of more units. If production is to scale up to 2,000 units / year, there has to be enough money available for pre-construction costs and construction of potentially thousands of units in the pipeline. Equity requirements are approximately \$15,000 per unit, so a \$250M fund could result in 16,500 units every time the fund turns over.

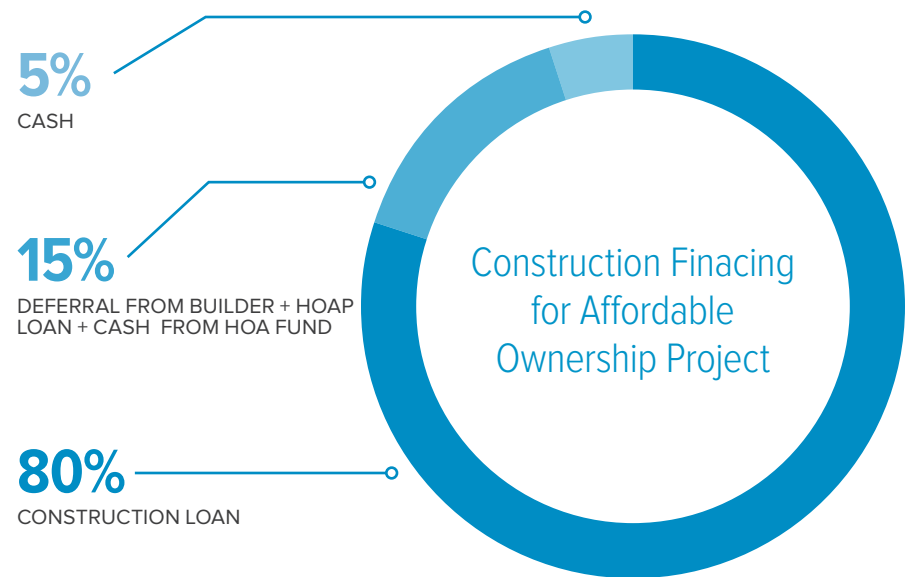
Government should investigate creating a number of measures to make capital and construction financing available to the non-profit affordable ownership sector:

B.1. \$250M Revolving Loan Fund

This would be a revolving loan that could provide both short-and long-term project equity. It would be seeded by government, replenished by paybacks and require no ongoing financial commitment from government. These funds would be available for pre-construction expenses, and depending on the nature of the project, may be required for a short period of time (6 months) or up to 4 years before they are paid back. The fund would be available to accredited non-profit providers and perhaps targeted to markets with higher costs of land and construction and higher barriers to entry for middle-income

purchasers – Toronto, Vancouver, Edmonton, Hamilton, Calgary, and Ottawa. Ideally, if the level of \$250M was reached it would be increased with incremental increases in the credit enhancement. The source of this fund should be federal, and could flow through CMHC. The fund could be administered by an advisor, and ideally operate in a manner similar to a market-based investment group in its approach to risk.

Alternatively, the source of funds could be a pool of social impact funds, encouraged by tax credits and a government guarantee.



B.2. Construction Loan Facility

This could be available at the provincial level, whereby Infrastructure Ontario (IO) would provide construction financing at a rate that is more beneficial than market. Much like IO finances affordable rental housing, there could be a lending pool created to provide construction lending for affordable home ownership, with an equity requirement similar to the market. The initial need in Ontario might be \$250M, ideally with room for growth in the fund. Affordable ownership producers indicate that the savings from this facility could be upwards of \$8K per unit at current market interest rates.

B.3. Loan Guarantee

To reduce the equity requirement of non-profit affordable housing providers in conventional bank/credit union construction financing, the sector needs to be able to draw on an equity contribution in either cash or credit enhancement. The source of these funds could be federal, provincial or through the proposed federal housing bank. The amount could be set at 10% of the loan facility (\$25 million). This would lessen the amount of money non-profit providers would have to hold in reserve from their own funds to backstop construction loans and to secure construction financing. If freed up, these funds could help the sector to scale up by providing equity for new projects.

B.4. Improvements to Existing Government Funds and Loans

HOAP (funds that offset some of the development charges payable by developers) is an important component of cost reduction and steps should be taken to ensure that it will be available to support scaling up housing production. The \$2M annual allocation from the fund is administered through a competitive proposal call process. Providers of affordable homeownership face some uncertainty about how many units in their projects will be allocated HOAP funds and to what extent this will offset the fees and development charges that they have paid.

When the funds are made available before construction financing is arranged, they can be used as equity in the project. This lowers the equity that must be acquired from the housing providers' fund or other sources.

B.5. The amount of money made available to the Home Ownership Assistance Program from the Development Charges Reserve Fund should be sufficient to support the number of units in the City of Toronto's affordable home ownership target. However, the HOAP program is limited to \$2 million/year or about 80 units /year. In December 2015, Toronto City Council doubled the annual target for affordable ownership units from 200 to 400 but did not increase resources allocated to HOAP from the Development Charges Reserve Fund. For the current target of 400 units a year, this would amount to \$10M a year.

Non-profit housing organizations should no longer have to apply to HOAP through a cumbersome proposal call process. If the non-profit housing organization meets the criteria established by the Affordable Housing Office, it should be eligible for HOAP funds. At its discretion, it could choose to pay development charges to the City and have the City reimburse them prior to the first construction draw. This would create an equity contribution to the building project that helps facilitate the construction loan. When the project closes there would be an audit process to ensure that charges and fees have been deferred for only those units that have been sold at the affordable threshold price and to purchasers with an eligible annual income.

B.6. The 20-year exemption feature should be eliminated. Very few undischarged second mortgages are likely to remain at the end of twenty years. The housing organization that holds the second mortgage should have a mandatory obligation to repay the HOAP funds at 10 or 15 years. This should ensure that the revolving pool of HOAP funds from the Development Charges pool is consistently replenished.

In addition to the mandatory maximum term, the City and Province should consider allowing 50% of HOAP to remain with the non-profit proponent after they are paid back. The other 50% plus capital appreciation would go back to administering the City's Affordable Housing Office. The City & Province would get their initial principal back plus some appreciation that helps grow their funds for further cost deferral and down payment assistance. However, the money going back to the non-profit provider can then be leveraged as extra equity. For example, a \$2 to 3 million equity in the Options/HOA model can produce a 250-300-unit condo building with 100% affordable units. Options for Homes (OFH), Habitat for Humanity (HFH) and Trillium Housing (TH) support deferral of development charges and a mandatory maximum term.

IAH (down payment assistance loans) are allocated by the Affordable Housing Office (AHO) at the City of Toronto. They provide renter households with down-payment assistance loans. The loans are available to eligible buyers for units made available by profit and non-profit developers.

If the purchaser is 18 years or older, has an annual income of less than \$85,800 and is a first-time home buyer, the provincial IAH component provides interest-free forgivable loans to 10% of the purchase price of the unit, bringing the down payment up to 15% of the total market

value of the unit. The purchaser would then register a mortgage against 85% of the unit's market value. The AHO determines the amount of down payment assistance available to each eligible purchaser to a limit of \$50,000. Total funding cannot exceed 10% of the total purchase price of the unit – except for Habitat for Humanity which is exempt from this calculation. For the loan to be forgiven, the eligible purchaser must live in the unit, must not sell or lease the unit and must not default under the loan or any other permitted mortgage (including HST) for 20 years from the date of possession of the unit.

IAH down payment assistance loans flow after occupancy transfers to the first time buyer and unlike HOAP loans do not reduce the cost of development. The loans are paid back to the City or its non-profit partners on resale of the home, with a share of the appreciation.

The City and Province should consider allowing 50% of IAH funds to remain with the non-profit proponent after they are paid back. The IAH funds would be available to provide additional down payment assistance.

C. Access to Land

C.1. Build Toronto

Build Toronto was established in 2010 as the City's dedicated real estate and development organization. The provision of affordable housing was to have been Build Toronto's key social dividend. This was to include using sites to deliver 1,250 affordable ownership and rental units by 2015. It was proposed that up to half of these units could be dedicated to affordable ownership housing. That target was not met.²²

The strategic objective of providing affordable housing is difficult to reconcile with the direction to "maximize the value and economic development potential of lands owned or managed by Build Toronto".²³ New management at Build Toronto seems to have a greater receptivity to discussions about affordable housing.

C.2. City-Wide Real Estate Review

However, the issue of access to City-owned land would now appear to have moved beyond Build Toronto to be part of a broader City-wide discussion about creating a new real estate entity. The City Manager has acknowledged that "is a major transformational initiative requiring significant business policy, practice and process re-engineering, organizational change and information technology investment to successfully implement".

It is also a major opportunity for affordable housing advocates to ensure that the key city building objective of the provision of affordable ownership housing is not lost in the drive to maximize the value of the City's land and property assets and achieve improve productivity and efficiencies.

In a report²⁴ to Executive Committee in June 2016, City staff noted that there are 15 entities involved in the management of the City's real estate portfolio.

They identified that "the current structure limits the strategic and overarching decision-making, as the range of interests are not aligned with an overall City-building framework. Specific examples of some key city building objectives that may be impeded by the current model include community hubs, co-location opportunities, the provision of affordable housing units and 'freeing up' surplus sites for mixed use developments."²⁵

In its recommendations to Executive Committee²⁶ for moving forward, the City Manager sought authorization to:

develop a transition strategy and implementation plan, in collaboration with affected City agencies²⁷ including a recommended governance model incorporating a core city building mandate that considers public policy objectives such as affordable housing, public realm, public transit and economic development and report further to Executive Committee in Q2, 2017.

22 Build Toronto Fails to Meet Affordable Housing Targets, March 16, 2015 accessed [here](#).

23 City of Toronto, Shareholder Direction Build Toronto Inc., July 2009 Page 5 accessed [here](#).

24 City-wide Real Estate Review, Report to Executive Committee, June 13, 2016 Page 7 accessed [here](#).

25 IBID

26 IBID, pg. 3

27 Agencies involved in the transition strategy are: Exhibition Place, Build Toronto, Affordable Housing Office, Toronto Parking Authority, Toronto Community Housing Corporation, Long-Term Care, Homes and Services, Toronto Police Services, Toronto Hydro, Parks, Forestry and Recreation, Toronto Public Library, Toronto Port Lands Company, Real Estate Services, Toronto Transit Commission, Shelter, Support and Housing Administration, Toronto Zoo.

“My daughter now has a room of her own.”

– Jim, home buyer



C.3. Affordable Housing Land List

The Canadian Urban Institute and Ryerson University have developed a model for an Affordable Housing Land List that identifies public (including City-owned) land that could be used for affordable housing. Extensive conversations with staff in a number of City of Toronto divisions indicated that there is no formal overarching process for identifying surplus or underutilized lands that would be suitable for affordable housing. Nor does it appear that there is any readily accessible coordinated or consolidated list of surplus/vacant or underutilized City-owned land.

In the City of Toronto, the Affordable Housing Office ought to have responsibility for ensuring that non-profit housing providers have access to land on the Affordable Housing List. A list of measures to put this into effect are included in Appendix C.

Using the inventory of public land in the GTA being developed by the Centre for Urban & Regional Land (CURL) at Ryerson University, the study team created a prototype affordable housing land database of 90+ sites deemed to be actionable for affordable housing.

The criteria for including sites on the list are:

- 800m from current or projected transit
- Less than 2km from schools
- Vacant or underutilized by owner

The database could be expanded to include tower renewal sites, church properties, other commercial sites like under-utilized shopping plazas or strip malls, and current and projected transit hubs.

C.4. Conveyance of a Parcel of Land

On larger sites, where multiple buildings are planned, some non-profit ownership providers would welcome the conveyance of a parcel of land on which they could market, design and build a building/s that would meet affordable ownership price points. This would contribute to the city building objective of creating complete communities.

A number of issues that would need to be resolved. Would the conveyance of land satisfy the City’s requirement for affordable ownership and qualify as a Section 37 contribution? Would private sector developers agree to conveyance to a non-profit third party or would they prefer to make a cash-in-lieu contribution or an allocation of units within buildings that they have built?

As part of its mandate to deliver social benefits, Built Toronto appears to be exploring agreements to convey land (as a part of a section 37 agreement with a private developer) to Habitat for Humanity and other non-profit providers to build and administer the ongoing affordability

of those units. This may well be a way for HFH and other non-profit providers to scale up production of affordable ownership units. The details are always important – is the land leased or sold? What are the resale provisions? How are occupants chosen? These will need to be addressed.

Inclusionary zoning provisions should also consider the conveyance of land as a means of introducing a wider variety of unit types and a blend of incomes to housing projects. Bill 204 as it was introduced in May 2016 prohibits IZ units to be built on off-site lands but non-profit producers have requested that this prohibition be removed.

→
Affordable Home Ownership - Actionable Sites (Map 1)

98 actionable sites in the City of Toronto included in the database are identified. The database contains the following attributes for each site on the map: address, city, latitude, longitude, owner, lot size, land use, zoning, current use, proposed use and development status.



C5. Require Affordable Ownership Housing in Employment Lands Conversion

OPA 231 contains new economic policies and designations for Employment Areas. The key directions of the new policies are to:

- Promote office space on rapid transit
- Preserve the City’s Employment Areas for business and economic activities
- Accommodate the growth of the retail and institutional sectors to serve the growing population of the City and the Region

The GTA Housing Lab should consider sponsoring a pilot project to demonstrate how the City could require the conveyance of land for affordable ownership housing in employment lands conversions.

The City of Toronto should require the conveyance of land for affordable ownership housing where conversion of employment lands to residential is going to be permitted.

D. Regulatory Framework

The GTA Housing Lab should undertake an examination of what the legislative framework in Ontario (Planning Act and other statutes) permits a municipality to manage or control through various planning tools (Official Plan, Secondary Plans, and the zoning bylaw) and municipal finance tools to support the creation of affordable ownership housing in numbers corresponding to need. The Housing Lab should conduct interviews with municipal and development lawyers, and municipal and regional planning staff working in the GTA to understand how the legal framework operates in practice and to identify how planning and municipal finance tools could be enhanced to support affordable ownership housing.

E. Inclusionary Zoning

Inclusionary zoning is a planning tool that has the potential to significantly scale up private sector production of affordable housing units in the GTA. It has potential to increase partnerships between the private and non-profit sectors to produce more affordable housing. Implementation issues such as the size of development projects that trigger IZ requirements; unit set asides (the number or percentage of units or floor space that developers must 'set aside' as affordable in their projects); what measures and/or incentives municipalities will offer to support the provision of affordable units by private developers; whether cash can be accepted by municipalities in lieu of units or built on off-site land have yet to be resolved.

As the focus for IZ appears to be the private building industry, non-profit housing producers are concerned that the requirement to enter into IZ agreements with municipalities may impose upon them conditions and costs that actually reduce the number of affordable units that they can bring to market.

Bill 204 or its regulations should exempt affordable housing projects of credible non-profit housing providers from the requirement to enter into agreements with municipalities on matters included in the municipality's inclusionary zoning bylaw.

F. Section 37 and Park Levies

Municipal charges and levies represent about 8% of the cost of a representative unit of housing. Non-profit providers are subject to the same array of fees and levies charged to the for-profit building sector. Defraying the cost of municipal charges provides a direct benefit to the first-time home buyer in terms of cost reduction. This increases

affordability and reduces the carry costs to the household purchasing the affordable unit. Providers of affordable rental housing receive a blanket exemption from the payment of municipal fees and levies. Providers of affordable home ownership units do not receive the same exemption. Exempting non-profit affordable housing units from these fees would have marginal impact on overall funds available to the municipality for parks and community benefits but while producing a significant impact on the non-profit sectors capacity to deliver affordable housing.

The Province of Ontario should additional legislative changes to Bill 204 exempting non-profit housing producers from Section 37 fees and parks levies.

G. Reduction or Exemption From Parking Requirements (Planning Act, s. 40)

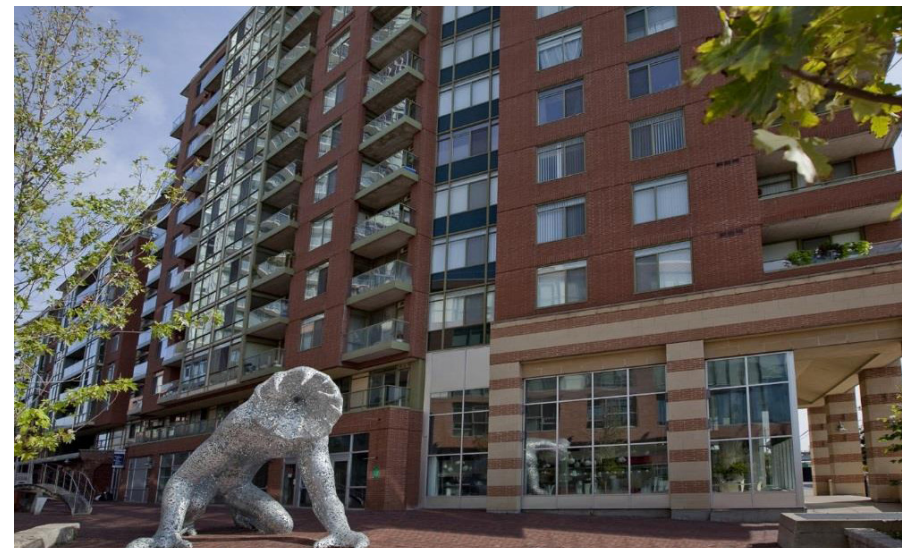
The cost of providing parking, particularly in areas of higher land costs and/or where underground parking is needed, can add significantly to development costs. Reduced parking requirements help lower construction costs and the cost of housing.

Municipalities can reduce capital and maintenance costs for themselves and developers through agreements that reduce requirements or exempt owners or occupants of a building from providing and maintaining parking facilities, particularly where public transit is available. This helps to facilitate pedestrian-friendly and transit-supportive areas. The City of Toronto currently assesses parking requirement reductions on a site-by-site basis. The Open Door Program seeks to ‘encourage best practices for the reduction of parking requirements for new affordable housing’.

H. Streamlining the Approval Process (Planning Act, s. 40)

The Planning Act gives greater responsibility and flexibility to municipalities for the local planning approval process. Municipalities can utilize this flexibility to adopt planning practices that help streamline the approval process, thereby reducing the cost of residential development.

In December 2015 City Council requested the Chief Planner and Executive Director, City Planning report to the Affordable Housing Committee the second quarter of 2016 on the extension of the City’s “Gold Star” planning approval process for non-profit and private-sector developers of affordable rental and ownership housing, including details on inter-divisional pre-application co-ordination, a timely inter-divisional application review, and dedicated staff contacts and resources to facilitate approvals. City Council should also ensure that staff in Legal Services and Public Works are part of the dedicated staff team that works with City Planning to provide expedited response, agreements and approvals for affordable housing projects.



Target Population

- A. MIDDLE-INCOME RENTERS
- B. LOW- AND MODARATE-INCOME FAMILIES
WITH CHILDREN

Who will benefit most from scaling up affordable ownership?

There are two groups that can particularly benefit from policies to support affordable home ownership.

A. Middle-Income Renters

Middle-income renters who currently live in accommodation they can afford; who want to move to an ownership product but who are just at the margin of being able to afford a home in the private market. Often these people are important elements of the workforce²⁸, one or two person households looking to purchase a first home. This is a market in the GTA of some quarter million households who are not now served by the private market. This includes a spectrum of household composition (singles, seniors, couples, families); family situations (new Canadians, downsizing empty-nesters); and income groups (\$43,000 - \$100,000) that face barriers to home ownership.

B. Low-and Moderate-Income Families with Children

Low- and moderate-income families with children currently living in housing inadequate for their needs and who have sufficient income to cover mortgage payments, taxes, utilities, insurance and maintenance costs that, as a bundle, do not exceed 35% of their annual income. These families are looking for multiple bedroom housing that is not available at costs they can afford in the private market or through social housing programs.

In 2013, Social Planning Toronto (SPT) recommended that affordable home ownership programs target people with moderate incomes that are not being served by either the social housing system or the private market²⁹.

This recommendation distinguished affordable ownership housing from social housing and recognized that there is a growing 'affordability gap' among middle-income earners who may want to own a home but are unable to access the private ownership market.

Figure 3 shows that there are about 200,000 households³⁰ in the GTA that are in this Affordable Ownership Gap ('affordability gap').

The study defines these households as:

28 Administrative workers, creative and cultural workers, first responders, emergency workers, health workers - people essential to our prosperity but to whom wages are paid that are insufficient to access the private ownership housing market

29 Social Planning Toronto, Affordable Home Ownership in Toronto: Considerations for Discussion, October 2013.

30 It has not been possible within the scope of this study to establish a breakout of household type (1,2 or 3 bedroom; multi-res, townhouse etc.). Nor have we been able to match household types to family type (single, couples, households with dependents).

- having household incomes that range from \$43,450 to 106,15311
- occupying rental units in the GTA
- paying less than 30% of household income on shelter costs

A number of assumptions are made about the households in the 'missing middle'. They are:

- that there is a pent up demand for ownership among this group
- that a proportion of the rental units occupied by this group are affordable
- that with the right inducements (lower-priced product, down payment assistance) a proportion would move from rental to ownership, freeing up affordable rental units in the GTA to a

“I am so happy to be able to provide a home for my children, put down roots and start new memories.”

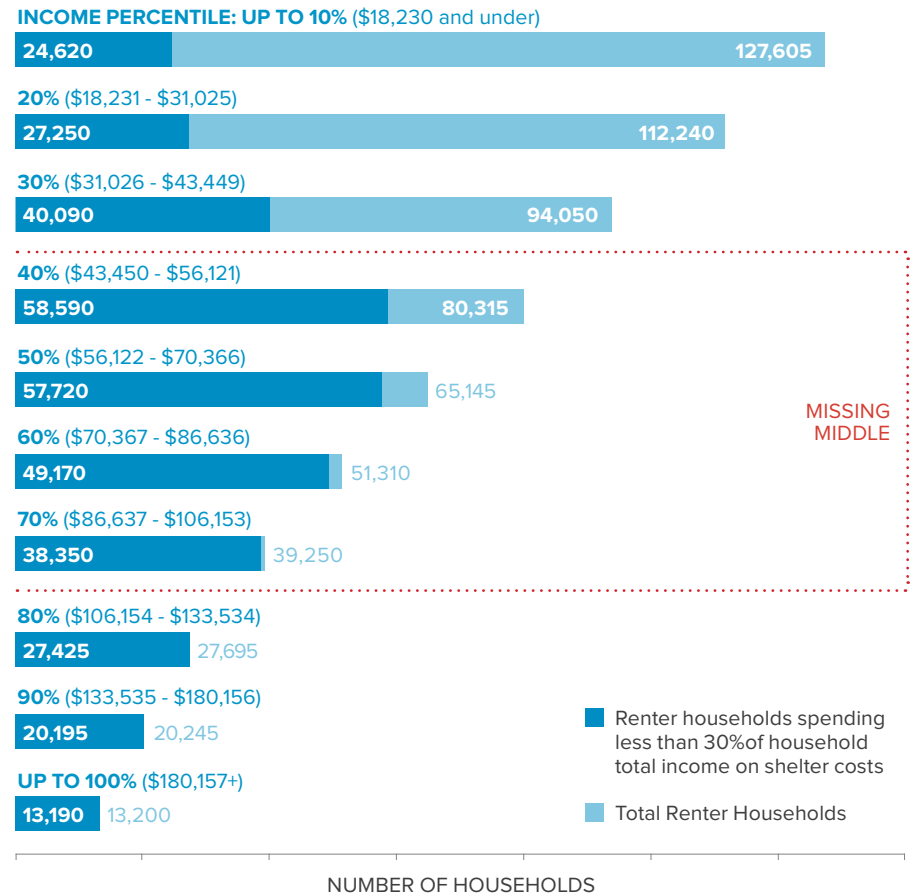
– Cheryl Preminger, *home buyer*



market opportunity not served by the private market with a production model that:

- serves a broad spectrum of housing needs across a range of household incomes, thereby creating mixed-income communities,
- can be provided with little or no government financial subsidy, and;
- can be scaled up.

Renter Household Income and Spending 30% or Less of Household Income on Shelter Costs Toronto CMA, 2011 (Figure 3)



Low- and Moderate-Income Families with Children

Non-profit affordable home ownership providers³¹ that serve this target group see themselves as meeting the need of households in core housing need³². In the case of Habitat for Humanity, their work is exclusively focused on home ownership for families with children who have inadequate housing for their needs and who have sufficient income to cover mortgage payments, taxes, utilities, insurance and maintenance costs that as a bundle will not exceed 35% of their annual income.

The target market for Habitat for Humanity is families with children requiring multiple bedroom units among the 85,250 households with annual incomes between \$31,026 and \$86,636³³ in the GTA that pay more than 30% of their income on rent – one test of core housing need. Many of these households' housing needs could be served by social housing if social housing units were available.

Options for Homes also provides extra support for low-income households to reduce the purchase price through its funding partner Home Ownership Alternatives (HOA) which administers a dedicated fund called the June Callwood Fund. HOA established the June Callwood Home Ownership Fund in 2007 to provide more second mortgage support to low- and moderate-income families with children who may require larger (and therefore more expensive) units.

31 Habitat for Humanity sees this group as its core target as does, increasingly, Options for Homes

32 A household is said to be in core housing need if its housing falls below at least one of the adequacy, affordability or suitability standards and it would have to spend 30% or more of its total before-tax income to pay the median rent of alternative local housing that is acceptable (meets all three housing standards).

33 30th to 60th income percentile in Toronto, CMA, 2011 Census



Recommendations Summary

- A. TARGET
- B. DEFINITIONS & ELIGIBILITY
- C. ACCESS TO CAPITAL
- D. ACCESS TO LAND
- E. REGULATORY FRAMEWORK
- F. INCLUSIONARY ZONING
- G. PLANNING APPROVAL PROCESS

A. Target

1. The Province should establish an affordable ownership target of 10,000 units for the GTA over the next five years. This could move 5% of the 200,000 middle income households that pay less than 30% of their income on shelter costs into home ownership and free up 10,000 potentially affordable rental units in the GTA.

B. Definitions and Eligibility

2. Given the cost of housing in the GTA, the Province should consider amending the provincial policy statement to expand policy and regulatory support for affordable homeownership to households in the 70th percentile of income (\$106,000) in the GTA.
3. The City should establish a set of criteria for accrediting non-profit housing providers as eligible for municipal land, benefits, waivers, deferrals, etc.

C. Access to Capital

4. The federal government should create a revolving project equity fund with an initial allocation of \$250 million on a demonstration basis to be assessed in 2 years.
5. The provincial government, through Infrastructure Ontario should provide a dedicated construction loan pool, initially valued at \$250M, with equity requirements matching typical market needs. This should be assessed after 3 years from initial project funding.
6. The federal or provincial Government should create a \$25 million loan guarantee fund to assist accredited non-profits to secure

construction financing on a demonstration basis to be assessed in 2 years.

7. The City of Toronto should ensure that the amount of money made available to the Home Ownership Assistance Program from the Development Charges Reserve Fund should be sufficient to fund the number of units in the City of Toronto's affordable home ownership target at \$25,000 a unit. For the current target of 400 units a year, this would amount to \$10,000,000 a year.
8. If a non-profit housing organization meets the criteria established by the Affordable Housing Office, the City of Toronto should:
 - a) Defer development charges for a mandatory maximum term of 10 or 15 years and move to mandatory repayment
 - b) Eliminate the 20-year forgiveness feature on HOAP and IAH loans
 - c) Eliminate the competitive process for eligible non-profit housing organizations
 - d) Institute an audit process to ensure that charges and fees have been deferred for only those units that have been sold at the affordable threshold price and to purchasers with an eligible annual income.
 - e) Allow 50% of HOAP & IAH funds to remain with the non-profit proponent to fund new projects and the other 50% plus capital appreciation to go back to administering the City's Affordable Housing Office.
 - f) The development entity could, at its discretion, choose to pay the development charges to the City and have the City reimburse them at a point prior to the first construction draw. This could potentially create an equity contribution to the building project.

- g) Ensure that affordable housing funding programs (HOAP, IAH) as distinct from planning tools (waivers and deferrals) are used predominantly to support non-profit producers delivering units at a lower range of affordability.

D. Access to Land

- 9. The City's Affordable Housing Office should establish and administer an Affordable Housing Land List and identify actionable public lands suitable for sale to registered non-profit housing organizations. This list should be inclusive of property information now residing in a variety of City agencies, partners, boards and commissions including Real Estate Services, Build Toronto, Toronto Port Lands Company, Toronto Community Housing Corporation, Toronto Parking Authority, Toronto Hydro, Exhibition Place, Toronto Transit Commission, Toronto Public Library.
- 10. The City of Toronto should require the conveyance of land for affordable ownership housing where conversion of employment lands to residential is going to be permitted.

E. Regulatory Framework

- 11. The GTA Housing Lab should undertake an examination of what the legislative framework in Ontario (Planning Act and other statutes) permits a municipality to manage or control through various planning tools (Official Plan, Secondary Plans, and the zoning bylaw) to support the creation of affordable ownership housing in numbers corresponding to need.

- 12. The Province of Ontario should include additional legislative changes to Bill 204 or its regulations exempting non-profit housing producers from Section 37 fees and parks levies.

F. Inclusionary Zoning

- 13. Bill 204 should exempt affordable housing projects of credible non-profit housing providers from the requirement to enter into agreements with municipalities on matters included in the municipality's inclusionary zoning bylaw.
- 14. Provincial legislation to permit municipalities to enact an inclusionary zoning bylaw could allow municipalities to set thresholds, determine unit set asides, accept cash-in-lieu of affordable ownership units and authorize the provision of off-site units.

G. Planning Approval Process

- 15. The City should extend its "Gold Star" planning approval process for non-profit and private-sector developers of affordable rental and ownership housing and provide the sector with details on inter-divisional pre-application co-ordination, a timely inter-divisional application review, and dedicated staff contacts and resources to facilitate approvals.

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Acknowledgements

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Appendices

- A. MEASURES TO ENSURE ACCESS TO LAND FOR QUALIFIED NON-PROFIT ORGANIZATIONS
- B. NON-PROFIT MODELS – DETAILED DESCRIPTIONS
- C. MEASURES TO ASSIST FIRST-TIME BUYERS/ IMPACT AFFORDABILITY

APPENDIX – A: Measures to Ensure Access to Land for Qualified Non-Profit Organizations

To ensure access to land for qualified non-profit organizations, the City should undertake the following measures:

1. The Affordable Housing Office establish and administer an Affordable Housing Land List and identify actionable sites suitable for sale to registered non-profit housing organizations according to an established set of criteria.
2. The Affordable Housing Office review property information now residing in a variety of City agencies, partners, boards and commissions including Real Estate Services (RES), Build Toronto (BT), Toronto Port Lands Company (TPLC), Toronto Community Housing Corporation (TCHC), Toronto Parking Authority (TPA), Toronto Hydro, Exhibition Place, Toronto Transit Commission (TTC), Toronto Public Library (TPL) to identify land to be included in the land list and suitable for sale to registered non-profit housing organizations.
3. The Affordable Housing Office make an arrangement with the Ontario Non-profit Network to use its registry to qualify organizations to gain access to the City's Affordable Housing Land List.
4. To be registered by the Ontario Non-Profit Network a non-profit housing organization must fulfill the following criteria:
 - a. Be a registered charity in good standing with the Canada Revenue Agency; or
 - b. Be incorporated as a not-for-profit organization without share capital under federal or provincial not-for-profit, corporate or cooperative legislation;

AND all of the following:

- c. Be a registered ONN Member of the Ontario Non-profit Network; and
- d. Have a mandate/mission that is dedicated to providing a public benefit good or service to individuals and/or communities in the Province of Ontario; and
- e. Provide the public benefit to a faction of the public/community beyond a narrowly defined or closed membership group, such as private clubs or industry associations; and
- f. Be accepted by its community as a community asset and/or resource (evidence of government funding, financial donations or investment from local community and/or provision of community programming for a nominal fee); and
- g. Have a constraint in its bylaws that prohibits distribution of assets to members on dissolution (provides for gifting residual assets to public benefit organization).

Eligible not-for-profit corporations will also need to be able to demonstrate financial and organizational capacity to submit an offer to purchase real estate at market value.

5. Expressions of interest in a site on the Affordable Housing Land List by a non-profit housing organization would be made to the Affordable Housing Office.
6. The Affordable Housing Office obtain an appraised market value for each of the sites on the Affordable Housing Land List in which an interest has been expressed by a non-profit housing organization.

7. Where more than one organization expresses an interest in a site, the Affordable Housing Office would enter into a proposal call process (to choose which organizations could provide more affordable units not who would pay more for the land). Payment for the land will be deferred for 12 to 18 months to be negotiated between the Affordable Housing Office and the non-profit housing organization. 46 In terms of City lands it might even be preferred to arrange for payment after closing of the project. A vender-take-back loan structure would allow the affordable housing provides much better access to capital since that land value would be viewed as equity in the project. A huge benefit for a mere time-delay of payments. Even if the City charged a conventional prime-based interest rate, this would be a huge benefit to the provider. Needless to say, a large portion of sales proceeds should be contributed to the City's affordable housing budget / revolving fund, rather than operations budgets.

APPENDIX – B: Non-Profit Models – Detailed Descriptions

Artscape

The model described below was developed for Artscape Triangle Lofts, which opened in 2010.

Artscape used a shared equity 2nd mortgage to reduce the purchase price of the units to below market value.

As a part of a density bonus negotiated between the City of Toronto and a developer, Artscape attains an affordable housing community benefit secured with a Section 37 agreement. Artscape is able to purchase from the developer a portion of a larger condominium development at the cost of construction. The difference between the cost of construction and the market value of a unit is utilized to reduce the purchase price to below market value. A no interest and no payment shared appreciation 2nd mortgage for 25% of the market value is offered to purchasers who are full-time artists or employees at an arts-based not-for-profit organization. Forty-eight units were sold and 20 units rented as raw or unfinished spaces. Artscape holds the 25% mortgage on all ownership units.

Purchasers must provide at least a 5% down payment and secure normal mortgage financing for the balance of the purchase price of the unit.

Restrictions on resale require owners to sell through Artscape to qualified purchasers (e.g. artists). Artscape charges 3% brokerage fee for managing this process. The selling price is determined by the home owner; and Artscape is able to provide the second mortgage to the next purchaser as well.

The 2nd mortgage ensures that the purchaser shares market appreciation on the first mortgage with Artscape up to 5% per annum for the number of years they have owned the unit. If the market value appreciated more than 5%, the additional appreciation on the owner's portion of the resale price (market value less 25%) is shared with Artscape 50/50. This provision allows Artscape to pass on relative affordability to future generations of purchasers even if the unit values rise dramatically.

No government financial subsidies are required. Development charges were not waived as cost reduction was entirely underwritten by density bonusing.

The key challenges were securing financing with traditional financial institutions, high administration costs to Artscape and high legal fees.

Habitat for Humanity

Habitat GTA is the mortgage holder on all of its builds. The Habitat GTA mortgage model is a zero down payment, zero interest, 20-year fixed term mortgage. Mortgage payments are recalculated annually based on 30% of household income. Property taxes, home insurance and condo fees (if applicable) are subtracted from 30% of household income and the residual becomes the annual payment for that year.

Habitat GTA has several revenue sources: donations (from businesses, individuals, and community groups); mortgage income; proceeds from operation of 10 retail “ReStores” and funding available through municipal grants for home ownership. In 2015, Habitat GTA began to leverage its mortgages and other funding sources to secure project financing for two of its builds. The organization intends to continue

to evolve approaches to augment traditional revenue sources with financing.

Habitat GTA seeks land from a range of sources: market based purchases; surplus government land made available through creative purchase arrangements; and land that is donated by individuals, faith groups or other sources. Donated land, while desirable, is very rare. As much as possible, when build opportunities arise through surplus government land, Habitat GTA looks to structure the purchase so that the majority of the cost can be deferred to after home completion or set up as a second mortgage.

Options for Homes

Options for Homes is a Toronto-based non-profit development resource group that provides fee-for-service assistance to a co-op – comparable to the numbered company a traditional developer would incorporate for a project. The co-op model gives the purchasers a voice at the table during the construction process and then dissolves on the completion of the project so units are transferred as traditional condos.

Home Ownership Alternatives (HOA): is a non-profit corporation operating under a Declaration of Trust. It holds a revolving fund of equity solely for the purpose of providing affordable housing in perpetuity in partnership with Options for Homes. It provides the loans to fund pre-development costs, acquire land or meet other project cash-flow requirements, until construction financing commences.

Construction financing is secured by the development entity from a financial institution on similar terms as would apply to a private developer. HOA provides credit enhancements in the form of construction loan and other guarantees.

The Options Model reduces construction and development costs and provides a shared appreciation 2nd mortgage (SAM) as the principal means of increasing the affordability of units.

The model reduces construction and development costs by:

- a. Acquiring land that is not as desirable to a conventional developer, or in a transitional area that is up and coming,
- b. Reducing common amenity space (i.e. not having pools or extensive fitness rooms)
- c. Maintaining a long-term business relationship with Deltera Ltd. and its contracted consultants to ensure design and construction efficiencies, a quality product and cost control
- d. Using an in house marketing team and community based marketing to minimize marketing and administration costs. Options has also negotiated construction financing at very low rates, with the savings being passed onto the owners.

Purchasers are required to provide at least a 5% down payment and secure normal mortgage financing for the balance of the purchase price of the unit.

The Options model uses a shared appreciation 2nd mortgage (SAM) as a principal means of increasing the affordability of units. The value of the 2nd mortgage is the difference (usually 10-15%) between the at-cost purchase price of the condominium unit and its market value. Unlike conventional bank mortgages there is no ongoing debt service requirement, i.e. interest & principal payments during the term of the 2nd mortgage.

Extra support, when required, can be provided by HOA through another social purpose fund (June Callwood Fund). HOA established the June Callwood Home Ownership Fund in 2007 to provide even greater 2nd mortgage support to low- and moderate-income families with children. HOA capitalized the fund with an initial \$2.5 million. For every housing development that HOA supports, June Callwood Home Ownership Fund dollars are allocated to families that require additional help in purchasing their first home. Callwood funding is for specific families whose income is not high enough to purchase a home even with the normal financial advantages associated with an HOA-supported development. The amount of the additional assistance is geared to each household's capacity to carry a mortgage and to provide a down payment. June Callwood funding is payable together with the general 2nd mortgage. HOA's June Callwood Home Ownership Fund has now committed \$3.2 million to helping families purchase homes.

When the owner decides to sell the unit, they must pay back the 2nd mortgage as part of the sale of the unit. The value of the 2nd mortgage is deemed to be the same percentage of the market value as the original 2nd mortgage. The value of second mortgage increases as the market value of unit increases. Owners are allowed to pay off the second mortgage at any time. The second mortgage is not available to subsequent purchasers and the units are sold at market value.

As mortgages are repaid and HOA converts mortgages receivable to cash, it has created a growing, self-sustaining, permanent revolving fund. The 2nd Mortgage captures the value initially created through development, and a proportionate share of the increase in value over time. The money is placed in a revolving fund and used to provide pre-development funds for new affordable housing projects. This pool of assets represents "social equity" that would otherwise accrue

to developers. Instead, through their 2nd mortgages, the equity is preserved and grows as a revolving fund which is used to provide pre-development funds for new affordable housing projects.

Not all of this fund is available for construction of new projects. Much of it is in the form of project loans (seed funding) and 2nd mortgages held against units in HOA financed projects. Some of it acts as guarantees against bank financing. There is a small amount that is liquid and available at any one time. This is the challenge for the self-funding model.

Trillium

The key component of the Trillium model is the community bond and the second mortgage.

The Trillium model uses a community bond, with a 5.5% p.a. interest to invest in new affordable ownership housing. The bond repays the loan principal and accumulated interest at the end of 5 years. It is designed to provide investors with a competitive bond rate as well as meaningful community impact. The bonds are secured through the mortgage on the land under development.

Trillium owns 20-50% of a project, meaning they are investing money that is proportionate to their ownership stake. They also work with outside brokerage firm that holds the 2nd mortgage.

The Trillium 2nd mortgage is structured as a shared appreciation (no set interest rate) mortgage (SAM) which is payment free for 25 years (corresponding to the 1st mortgage) or until resale of the home. Trillium shares in the appreciation of home value upon resale in proportion to the value of the 2nd mortgage when the home was first purchased. (If the initial 2nd mortgage was 15% of the market value, Trillium would receive 15% of the market value when the home was resold).

Purchasers provide at least a 5% down payment and are required to secure a normal mortgage for the purchase price of the home.

Although the model contemplates the deferral of municipal fees to further reduce unit costs, it does not explicitly rely on government financial support.

No units have been completed. Trillium has about 100 units in its development pipeline.

APPENDIX – C: Measures to Assist First Time Buyers and/or Impact Affordability

Based on information presented in Focus Consulting & Greg Lampert, Assessment of Alternative Measures to Promote Access to Home-

ownership, Canadian Home Builders' Association, December 2015 and information from no-profit affordable homeownership providers.

Measures to assist first time buyers and/or impact affordability³⁴

Initiatives	Used In	Scalable	Description	Impact/Limitations
Download Payment Assistance				
Gradual Deposit Payment Plan	Yes	Yes	A small down payment on signing an agreement of purchase and sale is accompanied by monthly payments until 5% of the purchase price has been paid.	<ul style="list-style-type: none"> Increases access to moderate purchasers Scalable Does not depend on government funds
Zero down payment mortgages	No	N/A	-	-
Equity loans	Yes	No	<p>City of Toronto AHO uses IAH fund for down payment assistance to first time buyers:</p> <ul style="list-style-type: none"> OFH/HOA HFH <p>The Province provides down payment assistance as forgivable loans directly to the private sector:</p> <ul style="list-style-type: none"> BOOST (Daniels) MyHome (Dream Unlimited) 	<ul style="list-style-type: none"> Increases access to low and moderate purchasers Reduces down payment and/or size of mortgage Can be bundled with HOAP funds Limited by availability of IAH program funds Potential large cost to government if scaled up Financial institutions need to recognise this as equity to achieve full impact
RRSP Home Buyers' Plan, which allows first time home buyers to access RRSP funds for the purchase of a home	Yes	Yes	Allows first time home buyers to withdraw up to \$25k (or \$50k for a couple) from RRSP for down payment	<ul style="list-style-type: none"> Potential to allow 3rd party (parent) withdrawals to assist home buyer

³⁴ Based on information presented in Focus Consulting & Greg Lampert, Assessment of Alternative Measures to Promote Access to Homeownership, Canadian Home Builders' Association, December 2015 and information from non-profit affordable homeownership providers.