

CITY OF HAMILTON

COMMUNITY SERVICES DEPARTMENT
Housing Services Division

TO: Chair and Members Emergency & Community Services Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: April 10, 2012	
SUBJECT/REPORT NO: Neighbourhood Down Payment Assistance Program (CS12001) (City Wide)	
SUBMITTED BY: Joe-Anne Priel General Manager Community Services Department	PREPARED BY: Jennie Vengris 905-546-2424 ext. 7801 Bob McKnight 905-546-2424 ext. 3728 Gillian Hendry 905-546-2424 ext. 4818
SIGNATURE:	

RECOMMENDATION

- (a) That the Neighbourhood Down Payment Assistance Program as outlined in Appendix A attached to Report CS12001 be approved;
- (b) That the Hamilton HomeStart Program Reserve (Account # 112009) be renamed the Neighbourhood Down Payment Assistance Program Reserve and that the balance of \$224,276 be used for the Neighbourhood Down Payment Assistance Program;
- (c) That the Hamilton Home Emergency Repair Program Reserve (Account # 102045) be closed and that balance of \$311,566 be transferred into the new Neighbourhood Down Payment Assistance Program Reserve; and,
- (d) That the General Manager of the Community Services Department, or designate, be authorized to execute any further documentation as may be required, from time to time, to give effect to the intent of the Neighbourhood Down Payment Assistance Program, in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

Affordable homeownership is a critical part of Hamilton's local housing continuum. Many low to moderate income residents can afford to carry the costs of owning a home but are not in a financial position to save for a down payment. In some cases, the down payment is the sole barrier to homeownership. It is recommended that the City of Hamilton offer low to moderate income renters two down payment assistance options:

- 1) The Neighbourhood Down Payment Assistance Program will be funded from two existing reserves and will complement the City's Neighbourhood Development Strategy by focusing on identified neighbourhoods; and,
- 2) The City-Wide Down Payment Assistance program will be funded through the Investment in Affordable Housing (IAH) in Ontario funding. This program will be modelled after the Canada Ontario Affordable Housing Program – Home Ownership (COAHP-HO).

If approved, the Hamilton Home Emergency Repair Program Reserve (\$224,276) and the Hamilton HomeStart Program Reserve (\$311,566) will combine for a total of \$535,842 to invest in the Neighbourhood Down Payment Assistance Program.

The Neighbourhood Down Payment Assistance Program will have two components, \$485,842 will be allocated for down payment assistance and \$50,000 for curb appeal improvement grants. The total \$535,482 in funding will support the purchase of at least 35 homes in the neighbourhoods designated by the Neighbourhood Development Strategy. The eleven identified Neighbourhood Development Strategy areas are Beasley, Crown Point, Keith, McQuesten, Riverdale, Rolston and Stinson neighbourhoods, the Stadium Precinct and the CATCH (Community Access to Child Health), Jamesville and Wever "hubs". The curb appeal improvement grant will support homeowners to improve (if necessary) the external look of the property as it appears from the street curb.

On February 13, 2012, Emergency and Community Services Committee approved Hamilton's Program Delivery and Fiscal Plan for the IAH funding as outlined in Report CS11079(b) - Investment in Affordable Housing for Ontario. In Hamilton, \$731,188 will be invested in the City-Wide Down Payment Assistance Program to support the purchase of at least 55 homes located in any neighbourhood in the City of Hamilton.

There are a number of reasons to support homeownership for low-to-moderate income citizens. Housing is linked to improved health, employment and educational outcomes. A range of stable housing options is good for neighbourhoods and homeownership contributes to poverty reduction. Hamilton has a strong housing continuum that includes emergency supports, transitional, supported and supportive housing, social housing, market rent housing and homeownership. It is ideal to have people moving

forward and to increase their stability along the continuum. Additionally, as people move into homeownership, rental spaces are opened up for those in need.

Alternatives for Consideration – Page 10

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

Financial:

There will be no additional cost to the City for delivery of the Neighbourhood Down Payment Assistance Program. The Hamilton Home Emergency Repair Program Reserve (Account # 102045) has a balance of \$311,566 and the Hamilton HomeStart Program Reserve (Account # 112009) has a balance of \$224,276. Both reserve accounts were developed from municipal funding for housing related programs dating over ten years. It is recommended that the two reserves be combined into a new reserve called the Neighbourhood Down Payment Assistance Program Reserve for a combined total of \$535,842.

Staffing:

The Neighbourhood Down Payment Assistance Program will be delivered within the current staff complement of the Housing Services Division with support from the Neighbourhood Development Strategy team.

Legal:

Staff from Corporate Legal Services have supported the previous homeownership programs delivered by the City of Hamilton and will work with Housing Services Division staff to develop the necessary loan agreements for the program.

HISTORICAL BACKGROUND (Chronology of events)

In 2006, the Hamilton HomeStart Program was developed through a partnership between the City of Hamilton and Scotia Bank. The City provided a \$4,500 grant to social housing tenants to use exclusively as a down payment to purchase a home. Each participant was required to save a minimum of \$1,200 a year and to qualify for a mortgage. ScotiaBank included a mortgage “cash back” bonus of up to \$1,000 to be used for the down payment for a house purchased with a ScotiaBank mortgage. Participants were required to enroll in both a general home maintenance course and a first time homebuyer seminar by Canada Mortgage and Housing Corporation (CMHC).

A total of 12 homes were purchased under the HomeStart Program between 2006 and 2011. Due to the small scope of the project, a formal evaluation of HomeStart was not conducted. Staff suggest that the matched savings element of the program were

prohibitive to very low income individuals. HomeStart participants were tenants in social housing buildings with very low incomes. It took most of the 12 participants the full three years or more to save \$4,500 which was matched by the program. Prospective participants may have given up or needed to spend their savings on other costs. A review of literature and information on down payment assistance programs in North America shows very few successful programs use a matched savings model.

In April 2005, the Federal and Provincial governments signed the Canada-Ontario Affordable Housing Program (COAHP-HO) Agreement. One component of the Agreement was homeownership, which provided down payment assistance to low-to-moderate income renter households.

The program was delivered in two phases:

- Phase One (November 2006 – March 2009) provided 197 Hamilton households with \$7,262 in a forgivable loan to a total of \$1,416,090.
- Phase Two (April 2010 – March 2011) provided 31 households with a forgivable loan calculated at 10% of the total purchase price of the home to a total of \$563,000. The loans ranged between \$7,200 and \$26,000 depending on the house price.

In the first and second phases, \$1.9 million was invested in the purchase of 228 homes. Fewer households will be supported with the new Down Payment Assistance Programs because in the initial stage of COAHP, every household received the same allocation regardless of house price or income. The new program will adjust the down payment assistance based on income, family size and house price.

POLICY IMPLICATIONS

There are no policy implications to Report CS12001.

RELEVANT CONSULTATION

The following stakeholders were consulted in the design of the down payment assistance program for Hamilton:

- Legal Services Division, Corporate Services Department
- Finance and Administration, Corporate Services Department
- Neighbourhood Development Strategies, City Managers Office
- Strategic Services – Special Projects, Planning and Economic Development

- Municipal Service Managers from Niagara and Waterloo Regions
- Seventeen participants from the COAHP-Homeownership Program
- Members of the Affordable Housing Flagship
- Members of the Housing and Homelessness Planning Group
- Members of the Tenant Advisory Committee
- Staff from the Neighbourhood Development Strategy Team

Staff engaged in consultation for three purposes:

- 1) To gauge the level of support for a local homeownership program in Hamilton,
- 2) To understand what worked and what needed to be changed from the COAHP-HO model and;
- 3) To establish a link with the work of the Neighbourhood Development Strategy

Staff used consultation findings from a formalized review of the COAHP-HO program to inform the analysis and new program design. Information was also gathered through broad consultation for the development of the 10-year Housing and Homelessness Action Plan for Hamilton.

The consultation demonstrated support for homeownership in the form of down payment assistance. Those consulted believed this should remain a priority in Hamilton's housing response. In terms of learning from COAHP-HO, the advice was to target lower-income households than was done through COAHP-HO. The lower income threshold in the new program design reflects that advice.

ANALYSIS / RATIONALE FOR RECOMMENDATION

Reserve Funds

The Hamilton HomeStart Program served 12 people over its five-year duration. The COAHP-HO model of down payment assistance through forgivable loans as opposed to matched savings is a more effective model to support homeownership. Therefore, it is recommended that the funds from the HomeStart Reserve be allocated to the proposed Neighbourhood Down Payment Assistance Program.

In 2002, the Hamilton Home Emergency Repair Program Reserve was created for emergency home repairs; however, the program was not implemented. As this reserve has been dormant for over ten years and because a tangible and immediate use for the funds has been identified, it is recommended that the reserve be reallocated to the Neighbourhood Down Payment Assistance Program.

Projected Number of Homes Purchased

The down payment assistance for each household is dependent on a number of factors such as household type, income and house purchase price. It is therefore difficult to anticipate the exact number of participants. It is forecast that a total of 90 households would be assisted through the two programs.

An estimated 35 households may be assisted through the Neighbourhood Down Payment Assistance Program including down payment assistance and a \$1,500 curb appeal improvement grant.

An estimated 55 households may be assisted through the City-Wide Down Payment Assistance Program. This is based on the historical average forgivable loan amount of \$14,500.

Timelines

The pilot phase of this program will run from April 2012 to March 2013.

- April 2012 to June 2012, staff will finalize the application processes and material, develop an advertising strategy and plan an evaluation framework.
- At the beginning of June the program will be advertised to all rental tenants in Hamilton. The Community Development staff from the Neighbourhood Development Strategy will advertise the program within their neighbourhoods.
- From January – March 2013, a program evaluation, supported by the Neighbourhood Development Strategy will be completed. The program evaluation will look at the short-term success of the program.

Data Collection and Evaluation Framework

A data management system will be established to track program information and report on trends. The evaluation will include investigation of house retention and homeowner satisfaction at the one-year mark.

Given that the benefits of homeownership are long term, the Housing Services Division will explore a link with the City of Hamilton's Neighbourhood Development Strategy work to research the long term success of the program – success both in terms of the individual households but, also, the impact of the program on neighbourhood development.

Why Homeownership Down Payment Assistance?

There are a number of reasons to support homeownership for low-to-moderate income citizens, including:

- Housing is linked to improved health, employment and educational outcomes.
- A range of stable housing options is good for neighbourhoods.
- Homeownership contributes to poverty reduction.
- It is important to support people moving along the housing continuum.

The proposed Down Payment Assistance Programs aligns with the City of Hamilton's strategic documents, such as the Official Plan as follows:

- Supports low to moderate income citizens in wealth creation and, therefore, poverty reduction;
- Moves citizens along the housing continuum to achieve greater sustainability and stability; and,
- Opens up spaces within local rental stock including social housing units.

The program model is detailed in Appendix A to Report CS12001.

ALTERNATIVES FOR CONSIDERATION

Alternative #1

An alternative strategy would be to explore the feasibility of using the Hamilton Home Emergency Repair Program Reserve for its original purpose. This would include determining why the program did not move forward as intended in 2002 and activate the program so it is operational.

Financial Implications:

If the alternative was chosen, the total investment in the Neighbourhood Down Payment Assistance would be reduced to \$224,276 from \$535,842.

Staffing Implications:

Staffing resources to operate a Home Emergency Repair Program will require further exploration.

Legal Implications:

Legal implications for implementing the Home Emergency Repair Program will require further exploration.

Alternative #2

Another alternative strategy would be to transfer the Hamilton Home Emergency Repair Program Reserve into the Social Housing Reserve Fund - Capital Repairs (Account #112248).

Currently this account has \$2,852,950.00. This fund is allocated to social housing providers when they have emergency repair needs. It is suggested that adding \$311,566 to the Social Housing Reserve Fund would not make a significant impact in terms of social housing emergency repair needs. However, \$311,566 in down payment assistance could support the transition of approximately 15 low to moderate income families in the transition from renting to homeownership.

Financial Implications:

If the alternative was chosen, the total investment in down payment assistance would be reduced to \$224,276 from \$535,842.

Staffing Implications:

There are no staffing implications to this alternative.

Legal Implications:

There are no legal implications to this alternative.

CORPORATE STRATEGIC PLAN

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Social Development

- ◆ Everyone has a home they can afford that is well maintained and safe
- ◆ People participate in all aspects of community life without barriers or stigma

Healthy Community

- ◆ Adequate access to food, water, shelter and income, safety, work, recreation and support for all (Human Services)

APPENDICES / SCHEDULES

Appendix A to Report CS12001: Program Model for the Neighbourhood Down Payment Assistance Program.

Program Model for the Neighbourhood Down Payment Assistance Program

Program Model

The Neighbourhood Down Payment Assistance Programs will include the following elements.

Forgivable Loan Provision

Support will be provided in the form of a forgivable loan to be used by an eligible renter applicant toward a down payment for a new or resale house.

House Type Requirements

The home may be a single family dwelling, duplex or triplex but must be owner occupied, must not displace any tenants and must be legally conforming or legally non-conforming. If a participant intends to purchase a duplex or triplex, they must obtain a Zoning Verification from the City of Hamilton which confirms that it is legally conforming.

Eligibility

Eligible applicants will be 18 years or older, renters who do not currently own a home or property and are legal residents of Canada and intend to have this home as their one and only residence.

Income Threshold and Loan Amount

The income threshold for participants will be \$65,000.

The loan amount will be 10% of the purchase price of the home for all households with dependents whose income is lower than \$65,000 or households with no dependents whose income is lower than \$50,000.

The loan amount will be 5% for unattached individuals or couples without dependents whose income is greater than \$50,000 but less than \$65,000.

CMHC has a set of comprehensive tools for determining housing affordability. Staff applied these tools to a number of debt-to-income ratio and family size scenarios to test the income thresholds.

The rationale is that this model provides lower income households and families deeper homeownership affordability, maximizing the investment to where it will have the most impact. The assumption is that for people in receipt of 10% down payment assistance, this amount will comprise their entire down payment. However, for the moderate income category or those households without dependents, it is likely that the 5% they

receive will support part of a down payment, but not necessarily comprise their entire amount. However, it is important to note, that with CMHC Insurance, buyers are allowed to have a 5% down payment.

Maximum House Price

The maximum house price for eligible participants will not exceed \$250,000. The average resale house price was \$273,746 as of November 2011. The proposed threshold of \$250,000 is below that average because this program targets low to moderate income families.

Keeping the threshold close to the average allows potential homebuyers, in a range of family types, to choose from a range of housing types from condominiums to detached houses in a variety of neighbourhoods. This will also allow purchases within both the resale and new-build housing markets.

There may be some households that can afford the maximum purchase price. Families with dependents with incomes around \$60,000 who have limited debt will be able to carry a mortgage around \$230,000 and still maintain a health debt-to-income ratio.

Finally, in the Canada Ontario Affordable Housing Program - Homeownership Component (COAHP-HO) experience, while the maximum house purchase price was \$260,000, the average purchase price was only \$148,000. The higher limit allows for larger families to meet their unique needs.

Repayment

The program will use a forgivable loan approach in order to keep the program sustainable by reinvesting returned loans to a fund to support new homeowners.

In order to provide greater incentive to participate in the Neighbourhood Program, if a participant chooses to sell their house, and they realize capital gains, they will pay back their loan based on a schedule (as opposed to waiting the full 20 years to reach total forgiveness). If the house is sold and no capital gains are realized, the loan will be forgiven. The City of Hamilton reserves the right to get an arms length appraisal of the Fair Market Value of the property which determines whether or not capital gains were realized which determines whether or not participants will be required to pay their loan back.

- If the house is sold within the first five years – the participant will return the full principle loan amount plus 5% or 10% of any capital appreciation (depending on the terms)
- If the house is sold between 6 and 10 years – the participant will return 75% of the total principle loan amount and participates fully in any capital appreciation

- If the house is sold between 11 and 19 years – the participant will return 50% of the total principle loan amount and participates fully in any capital appreciation
- After the 20th anniversary (based on the closing date) – the loan is forgiven, participant returns nothing and participates fully in any capital appreciation.

The rationale for requiring repayment of the loan is to stimulate a revolving fund which allows for reinvestment in this program and promotes stability. It also discourages the practice of accessing the program to purchase homes to renovate and sell quickly for a profit. This concept of a staged repayment process (as opposed to the COAHP practice of paying the full principle loan amount plus a percentage of capital appreciation) falls in line with the recommendations of the Hamilton Roundtable for Poverty Reduction, particularly in terms of poverty alleviation through asset building.

Homeownership Readiness

The City of Hamilton will partner with CMHC to offer workshops on Homeownership Readiness for prospective applicants. There will be easy access to CMHC materials and resources through each stage of the home buying process. CMHC is available to make presentations about homeownership readiness.