



**CITY OF HAMILTON**  
**HEALTHY AND SAFE COMMUNITIES DEPARTMENT**  
**Housing Services Division**

<b>TO:</b>	Chair and Members Emergency and Community Services Committee
<b>COMMITTEE DATE:</b>	December 10, 2020
<b>SUBJECT/REPORT NO:</b>	Kiwanis Homes Down Payment Assistance Pilot Program (HSC20032(a)) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Kirstin Maxwell (905) 546-2424 Ext. 3846 Brian Kreps (905) 546-2424 Ext.1782
<b>SUBMITTED BY:</b>	Edward John Director, Housing Services Division Healthy and Safe Communities Department
<b>SIGNATURE:</b>	

### RECOMMENDATION(S)

That the General Manager of the Healthy and Safe Communities Department or his designate be authorized to enter into an agreement with Hamilton East Kiwanis Non-Profit Homes Inc. (Kiwanis) and any agreements and ancillary documentation required to deliver and administer the Kiwanis Homes Down Payment Assistance Pilot Program in a form satisfactory to the City Solicitor and content satisfactory the General Manager of the Healthy and Safe Communities Department in accordance with the Terms and Conditions set out in Appendix "A" to Report HSC20032(a), with all program administration carried out by Kiwanis or a third party retained by Kiwanis and consented to by the City, funded by a \$1.065 M investment including administration fees from the Down Payment Assistance Program Reserve (#112254) revolving loan fund.

### EXECUTIVE SUMMARY

Hamilton East Kiwanis Non-Profit Homes Inc. (Kiwanis) is in the process of implementing its strategic plan which includes building 1,000 new units over 10 years. To fund this development Kiwanis plans to sell approximately 180 single-detached units.

As a pilot project, Kiwanis has proposed working with the City and the Hamilton Community Foundation (HCF) on an affordable down payment assistance program (DPAP) to sell these units to low income households. The Kiwanis Homes Down Payment Assistance Pilot Program (KDPAPP) will support the sale of 30-40 Kiwanis

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homes to qualifying social housing tenants, first targeting Kiwanis tenants who are paying market rent. The latest provincial DPAP program guidelines note that housing service managers should “give consideration to households residing in social housing but whose incomes have increased and are paying market rent.”

Each participating organization will contribute 10% of the purchase price of each home to a combined shared appreciation second mortgage worth a total of 30% of the purchase price. This second mortgage will significantly reduce the amount of the first mortgage and ongoing mortgage payments and ensures expensive Canada Mortgage and Housing Corporation (CMHC) mortgage insurance is not required. In lieu of on-going payments, the shared appreciation second mortgage plus a relative share of the appreciation of the home’s value will be repayable at 10 years.

The City has \$1,185,695 of Federal-Provincial funds available in the revolving DPAP Reserve. Up to \$1.065 M of this fund would be used as the City’s contribution to the program, including an administration fee of \$5 K one-time and up-front and 0.45% of the City’s portion of the total mortgage value under administration annually for 10 years, and 0.15% of the City’s total mortgage value annually for an additional 10 years. Once a mortgage is discharged the associated administration fee will cease. As many DPAP purchasers discharge their mortgages early, it is not expected that the full \$1.065 M will be expended. Kiwanis will provide security for the funds and either carry out all program and shared appreciation mortgage administration themselves or retain a third party consented to by the City to carry out the administration. While the City has historically administered the DPAP itself, the Federal-Provincial program guidelines permit municipalities to contract the program administration to third parties.

## **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

### **Financial:**

The DPAP Reserve (#112254) is a revolving loan fund regularly replenished through repayment of down payment assistance forgivable loans previously provided to low-income households through Provincial and Federal investments to enable them to purchase homes. When the homes are sold or the mortgages are discharged for other reasons, the principal loan amount plus a portion of any capital appreciation is paid into the DPAP Reserve, which must be used for the DPAP or returned to the Province. The DPAP has been funded solely by the DPAP Reserve since 2013. As of November 13, 2020, the reserve had a balance of \$1,185,695.

The City contribution of \$1 M towards the KDPAPP with an additional total one-time administration fee of \$5 K up front, 0.45% of 1/3 of the total mortgage value under management annually for the first 10 years, and 0.15% of the City portion of the total mortgage value under management for an additional 10 years complies with the approved use of this reserve and is solely funded by the reserve fund with no levy implication. The administration fees will be funded solely from capital appreciation earned

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on previous second mortgages when they are discharged and repaid to the DPAP Reserve.

Staffing: N/A

Legal: N/A

## **HISTORICAL BACKGROUND**

June 11, 2012 - Through Report CS11017(d) Council directed Staff to use future funds in the DPAP Reserve for down payment assistance in accordance with Provincial guidelines, targeted to priority neighbourhoods, which includes Ward 3.

July 8, 2016 - Council received a presentation from Kiwanis respecting a Proposal to Leverage former federal social housing projects that have been funded as Section 95 Properties to Create New Affordable Housing (Item 6.1) and directed staff respond in a report to the Emergency & Community Services Committee. The item was removed from the Outstanding Business List December 17, 2018.

February 2020 the Kiwanis Board of Directors approved the KDPAPP and allocated \$1 M as Kiwanis' contribution. The HCF also approved an investment of up to \$1 M in August 2020.

November 11, 2020 through Report HSC20032 Council approved the transfer of up to \$267,780 of social housing operating subsidy from the sale of up to 32 of these existing scattered units to rent supplements in units currently under construction at 6 – 14 Acorn Street for a duration of 20 years.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

The KDPAPP meets numerous directions and targets set out in the Housing and Homelessness Action Plan, in particular, the target to increase new affordable ownership units by 5% annually.

The latest provincial DPAP program guidelines note that service managers should “give consideration to households residing in social housing but whose incomes have increased and are paying market rent.”

## **RELEVANT CONSULTATION**

Finance and Administration staff have been consulted, confirmed the funds available in the Down Payment Assistance Program Reserve (#112254), and reviewed this report.

Legal Services staff have reviewed this report and Term Sheet.

Kiwanis conducted a focus group in December 2019 with families living in the units to be sold to ascertain the level of interest in this initiative. The response and enthusiasm demonstrated considerable interest in the KDPAPP.

The Ministry of Municipal Affairs and Housing and the City of Toronto were consulted about this approach to the DPAP.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

### **A. The Proposal**

As detailed in Report HSC20032 Kiwanis owns 180 single detached homes, primarily in Ward 3. While these homes are designated as rent-geared-to-income (RGI) units, approximately 30% of the tenants are paying market rent since their incomes have increased beyond the point of qualifying for RGI. As of December 2019, across all Kiwanis properties 250 tenants were paying market rent in RGI units. Frequently, tenants remain in social housing paying market rent and occupying an RGI unit because the cost of market rent or home ownership is out of reach.

In 2016, Kiwanis approached the City with their plan to sell many of their single detached homes gradually over the next 10 years to help fund the development of 1,000 new rental units. Single-detached homes are expensive to maintain and selling them can yield significant equity. This proposal pertains only to the first tranche of 30-40 sales. Kiwanis proposed the idea of working with the City on a DPAP to ensure these sales create affordable homeownership opportunities for their tenants and other low-income households.

The KDPAPP will provide a combined total of 30% of the purchase price of a Kiwanis home for eligible purchasers in the form of a single, second shared appreciation mortgage, funded equally (10% each) by the \$1 M investments from each of the DPAP Reserve managed by the City, the HCF, and Kiwanis.

Affordability of the purchases will be ensured by reasonable purchase prices, the provision of a shared appreciation second mortgage, and the savings on CMHC insurance premiums due to the down payment being more than 20%. There are no regular payments on a shared appreciation second mortgage. At the time of sale, defaults or other disposition of the home, if less than 10 years, the City will receive the principal amount and a portion of the capital appreciation relative to the mortgage's proportion of the purchase price to be re-loaned to future purchasers. If the City portion of the mortgage continues for 20 years, it will be fully forgiven as required by the provincial guidelines.

To manage the program, in accordance with the Terms and Conditions set out in Appendix "A" to Report HSC20032(a) the City will enter into an agreement with Kiwanis

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under which Kiwanis will provide a blanket security for the City's investment and Kiwanis or a third party they may retain if consented to by the City will administer all aspect of the program and second mortgages for the duration of the mortgages. Kiwanis will receive fees to administer the program and combined shared appreciation second mortgage over the 20 years. The Ministry of Municipal Affairs and Housing has confirmed that this approach is consistent with the program guidelines.

**B. KDPAPP Program Details**

The KDPAPP will comply with Federal-Provincial and City DPAP requirements as outlined in the Terms and Conditions set out in Appendix "A" to Report HSC20032(a). The following program guidelines are specific to the KDPAPP.

Eligible purchasers will be chosen in the following order of priority:

1. Tenants currently residing and paying market rent in a unit to be sold
2. Tenants paying market rent in another Kiwanis unit
3. Tenants paying market rent in other social housing units
4. Low-income purchasers in the broader community that meet all program requirements

Each home will be priced at the current market value at the time of sale, roughly estimated to be \$375,000, with a maximum purchase price for the KDPAPP of \$400,000 as outlined in the Terms and Conditions set out in Appendix "A" to Report HSC20032(a). Potential purchasers must qualify for a primary mortgage from a financial lending institution. The second mortgage will be a single shared appreciation mortgage in the amount of 30% of the purchase price funded equally by all three investor organizations. Homes will be sold until the \$1 M contribution from each investor is exhausted or 24 months, at which point the KDPAPP will end. Any additional contributions from the DPAP Reserve will require Council approval.

The Kiwanis and the HCF portions of the shared appreciation mortgage will be repayable at 10 years as preferred by Kiwanis and the HCF. However, the Provincial DPAP requirement is that the City funded mortgage be forgivable at 20 years (or longer). To address this discrepancy, the City portion of the mortgage may remain for up to a second 10-year term mortgage, at the end of which will be forgiven. Given the number of previous DPAP participants who have discharged their DPAP mortgages prior to the 10 year mark, it is not anticipated that many households will still have an outstanding mortgage at 10 years.

The risk of potential high repair costs that could create severe financial challenges for low-income purchasers will be minimized. Recent assessments of a sample of the Kiwanis homes indicate that they are in good condition as a result of continued investment by Kiwanis. In addition, Kiwanis will inspect each home prior to the purchase

and ensure all significant repairs are completed. Home inspections by an agent of the purchasers will also be required prior to the sale.

### C. Analysis

The DPAP has always been run on a first come first served basis. In recent years, increasing house prices have made it difficult to award funding as the required down payment and incomes to support payments are too high. The homes in the KDPAPP will be relatively affordable and the program accessible to people with lower incomes. Therefore, focusing a large portion of the funds in the Revolving Loan Fund on a program exclusively for Kiwanis' home sales is justified. With \$1 M allocated to the KDPAPP, at the time of writing \$185,695 of the Revolving Loan Fund remains to be allocated, with additional funds continually deposited. Funds will be available for future programs.

The investment in the KDPAPP meets several housing goals in one program. It will serve lower-income households than is currently possible with the DPAP programs due to the lower price of the Kiwanis homes and larger second mortgages made possible by the matching investments from the Hamilton Community Foundation and Kiwanis.

Additionally, by targeting households paying market rent in RGI units, the KDPAPP has the potential to free up RGI units for households on the Access to Housing Waitlist. The KDPAPP will enable social housing tenants to purchase a home, improve their financial independence over the long term, and remain in their neighbourhood in spite of rapidly increasing home prices and rents. It also supports Kiwanis in their efforts to raise capital to develop new affordable housing.

### **ALTERNATIVES FOR CONSIDERATION**

None

### **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

#### **Healthy and Safe Communities**

Hamilton is a safe and supportive city where people are active, healthy, and have a high quality of life.

### **APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report HSC2009(a): Terms and Conditions for Three-Party Agreement  
Between the City, Kiwanis, and  
Homeownership Alternatives