
DATE: March 24, 2010

REPORT TITLE: **RE-LAUNCH OF HOME IN PEEL RESALE PROGRAM**

FROM: Janet Menard, Commissioner of Human Services

RECOMMENDATION

That the continued participation by the Region of Peel in the Federal/Provincial Affordable Housing Program: Affordable Home Ownership Program (the "Program") resale component be approved;

And further, that based upon the funding announcement dated February 26, 2010 from the Ministry of Municipal Affairs and Housing, that the Region of Peel reintroduce the resale portion of the Affordable Home Ownership Program, to be known as Home in Peel;

And further, that the newly constructed homes portion of program requirements as described in the report of the Commissioner of Human Services dated October 28, 2009, titled "Affordable Home Ownership Program – "Home in Peel" – Phase Two Update" be removed from the next phase of the program;

And further, that it is recommended that the down payment assistance granted to approved purchasers during this phase of the Program be \$10,000 for a home in Peel that is \$270,000 or lower;

And further, that staff continue to work with the local Habitat for Humanity (HFH) affiliates in order to provide up to the maximum down payment assistance amount allowable under Home in Peel to their eligible purchasers of newly built HFH homes;

REPORT HIGHLIGHTS

- Due to the success of phase one of the Program, the re-launch of the Home in Peel resale program is highly anticipated
- There are currently over 300 applicants on the Home in Peel waiting list for program participation
- The Region will continue to work with Habitat for Humanity Brampton and Mississauga
- The Region of Peel has received a new allocation of \$1,483,000 for down payment assistance.
- The program will end on December 31st, 2010

March 24, 2010

RE-LAUNCH OF HOME IN PEEL RESALE PROGRAM

DISCUSSION

1. Background

The Affordable Home Ownership Program component was included under the Canada-Ontario Affordable Housing Program (the "Program"), announced on April 29, 2005. Following approval of the Region's Affordable Housing Program Delivery Plan by the Ministry of Municipal Affairs and Housing (MMAH) and Council, the Region designed phase one of the Affordable Home Ownership Program, titled "Home in Peel", which was launched in May 2008.

The Region was allocated \$2.85 million dollars under Home in Peel to assist 282 purchasers with down payment assistance. Home in Peel proved to be successful and high in demand. Despite this the program duration proved insufficient to process applications and allow house hunters to find suitable homes and finalize their transactions. The Region requested an additional year to provide the allocated down payment funding received to approved purchasers. Unfortunately, the request for additional time was not granted by the Province and Home in Peel ended on March 31st, 2009. During the duration of Home in Peel, the Region was able to provide 119 families and single purchasers with down payment assistance to purchase a resale home in the Region of Peel.

Although phase one of Home in Peel was extremely successful, the wait list for the Program still holds over 300 individuals and families. There is still a very high demand for the Program, as it permitted many renters in Peel to achieve their homeownership dreams. As part of the Region's recession response and economic stimulus strategy, Council approved funding for a Peel funded Home Ownership Program, modeled after Home in Peel. Three Hundred Thousand Dollars was allocated to the Region's Affordable Home Ownership Program, which allows 30 individuals and families to receive down payment assistance. This program is currently being delivered. Having had nine homes close and twenty-one closings pending, funds will be fully allocated by July 2010.

Following the end of phase one, the Province released new Program guidelines. These guidelines were based on newly constructed homes and were developed under the Federal and Provincial economic stimulation platform. Following this announcement, the Region prepared a Request for an Expression of Interest (REOI) in hopes of partnering with local developers to deliver this phase of the Program. Through preparing the REOI and redesigning Home in Peel to work under the new guidelines, it became evident that this phase of the Program would be very complex for the Region to deliver. This was primarily due to the administrative burden with respect to new home down payment security and limited choice of local developers to partner with, among other issues. Most secure financial commitment to buy a home and then proceed to build it. Due to these challenges and the proven success of the first phase of the Program, the Region is recommending the re-launch of the resale portion only.

2. Habitat for Humanity

A successful aspect of phase two of the Program was in working with Habitat for Humanity (HFH) affiliates to assist with down payment funds for their eligible purchasers (partner families). Service Managers were encouraged to assist these families by providing the maximum amount of down payment funds available for HFH deals under the phase two guidelines, which was \$50,000, regardless of the estimated value of the home. The Region

March 24, 2010

RE-LAUNCH OF HOME IN PEEL RESALE PROGRAM

was able to assist partner families in Mississauga and Brampton who received \$50,000 towards the down payment on their home. Staff recommends the continued support of Habitat for Humanity for the remainder of the Program.

3. Program Requirements and Eligibility

In order to participate in Home in Peel, clients must be at least 18 years of age, have a maximum earned household income of \$77,900 or less and currently rent their home. All homes purchased through the Program must be under \$270,000 and located within the Region of Peel. The maximum purchase price is being increased from \$247,000 based on current market conditions and feedback from previous successful Program participants. Housing prices in Peel have increased and many of the individuals and families on the Home in Peel waiting list are able to qualify for a higher mortgage. This higher purchase price will provide greater choice and greater opportunity for families to find suitable housing that will meet their needs. Purchasers must be able to independently apply for and secure personal mortgage financing under a NHA Approved Lender and must have funds available to cover all closing costs that may be incurred during the home purchasing process.

As a condition of the Program, the Service Manager must use the Region's Revolving Loan Fund (RLF) in order to accommodate receipts of funds from the MMAH and default payments returned to the fund by purchasers. This RLF must remain in effect for the duration of the program affordability period (20 years after the purchase of their home).

Purchasers are required to remain in the home purchased with the assistance of the Program for 20 years in order for the down payment loan to become forgivable. Conditions of default include failure to remain in the home as their sole and principal residence for the full 20 year program affordability period, bankruptcy or insolvency, death of a purchaser, and misuse of the down payment loan funds.

a) Defaults and Repayment

Should "default" conditions apply and there is a value increase in their home, the purchaser is required to repay the down payment loan, plus a percentage of the capital gain to the Region's RLF. If there has not been a capital appreciation, the purchaser does not have to repay the initial down payment loan amount or any interest to the Region's RLF.

Furthermore, all program participants will be required to adhere to annual reporting requirements for 20 years after the purchase of their home, which is referred to as the program affordability period. The Region of Peel is required to report on the RLF and program default activities annually to the Province for the duration of the program affordability period.

Any funds that are transferred back into the RLF during years one through 15 may be redistributed to future eligible purchasers under the Program. Fortunately, very few defaults have occurred to date. Additionally, very few clients have re-sold their homes. In circumstances where funds have been returned, down payments have been offered to eligible purchasers on the current Program wait list. After year 15, Services Managers may submit a phase-out plan for approval to the MMAH that details how future funds that are returned to the RLF will be redistributed within the Service Manager's area towards affordable housing initiatives.

There will be no financial cost to the Region of Peel, resulting from defaults.

March 24, 2010

RE-LAUNCH OF HOME IN PEEL RESALE PROGRAM**b) Down Payment Assistance**

Under the Program guidelines, the Service Managers are allowed to provide up to 10 per cent of the total purchase price to eligible purchasers as the down payment loan assistance. Staff recommends that the down payment assistance granted to approved purchasers during this phase of the Program be \$10,000 for a home in Peel that is \$270,000 or lower.

Down payment assistance is obtained from the MMAH by the Region on behalf of eligible purchasers upon the receipt of financing approval and an eligible offer of purchase on a home. The down payment funds are held by the Region until the time of closing, when they are transferred, in trust, to the purchaser's lawyer. The Region of Peel is named second mortgagee for the program affordability period of 20 years.

c) Habitat for Humanity

As previously stated, the Region recommends the continued affiliation with both local HFH affiliates. Service Managers are permitted to provide partner families with a flat amount of \$50,000 towards the down payment on their HFH home, regardless of the value of the home.

The Province has recommended that the maximum purchase price of a HFH home be \$366,767 in the Region of Peel. This recommendation is based on the average resale price of a home in the Region of Peel during the fourth quarter of 2009. The reason for the higher maximum purchase price for HFH homes is often times the appraised value of Habitat homes is much higher than the amount of mortgage the purchasers will end up paying. This is due to land costs which are factored into the appraisal but are not consistent with the cost of building the home.

4. Proposed Direction

MMAH has confirmed that the Region of Peel's funding allocation for year two of the Program is \$1,483,000. This allocation demonstrates and confirms positive outcome of the first phase of Home in Peel. Furthermore, the Region is advocating for additional administrative funds to help ensure the Program runs efficiently and successfully. The MMAH has advised that an announcement will be made by the end of March 2010 (Appendix I).

This Program will be operated on a first come, first serve basis, starting with applicants already on the wait list from phase one of the Program. The anticipated end date of the next phase is December 31st, 2010. This means that all purchase and sale agreements will need to be received by this date in order to be eligible.

Due to the nature of the Program's funding and timing limitations, along with the success of the first phase of the Program, additional local rules have been created as a means to implement this Program in the most efficient manner.

March 24, 2010

RE-LAUNCH OF HOME IN PEEL RESALE PROGRAM

Local rules include:

- A 120-day time limit for all approved purchasers to submit proof of financing and a Conditional Offer of Purchase and Sale to the program representative;
- All firm closing dates must be at least 60 days from the date of firm offer acceptance;
- Only resale homes (with the exception of Habitat for Humanity homes) will be eligible under this Program
- Duplex, Triplex and mobile home units are not eligible as homes under this Program;
- Guarantors and co-signers are not allowed for mortgage financing approval; and
- The purchaser's solicitor must register on title to the home a second mortgage in favour of the Region of Peel, securing the down payment loan

In order to limit the risk and exposure of the Region, the purchaser's lawyer will be required to register the down payment loan funds received as a second mortgage on title in favour of Region of Peel. They will also be required to report upon closing to the Regional Solicitor as per the normal and usual real estate practices for purchasing and mortgaging homes.

FINANCIAL IMPLICATIONS

The Region of Peel will not be required to allocate any additional funding for this phase of the Program, as it will be fully-funded by the Provincial and Federal governments. Continued use of the independent balance sheet account that was previously established for Home in Peel to keep track of receipts and payments will be used for the next phase.

LEGAL IMPLICATIONS

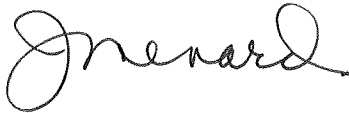
The Human Services Program Specialist and Regional Solicitor, or his designate, will work closely together to administer the Program. Final approval to release down payment funds to the purchaser's lawyer will be granted by the Regional Solicitor on behalf of the Region of Peel. Relevant program records and applicant information will also be kept on file for the duration of the program.

March 24, 2010

RE-LAUNCH OF HOME IN PEEL RESALE PROGRAM

CONCLUSION

The previous success of Home in Peel proves that affordable home ownership initiatives are very well received in the Region of Peel. The applicants on the Home in Peel waiting list are anxiously anticipating the re-launch of the resale portion, in hopes that they will achieve their home ownership dreams. For most of the families and individuals on Peel's Program waiting list, receiving a lump sum towards their down payment is the last element they require to move from renting to home ownership. As well, many of the families assisted through this program have moved from both market and subsidized housing units. This momentum allows staff to increase the number of families awaiting affordable housing on the social housing wait list. The re-launch of the resale portion of the Program, along with the continued affiliation with Habitat for Humanity, will allow Peel to continue to lead in affordable housing programs and services among Service Managers in Ontario.



Janet Menard
Commissioner of Human Services

Approved for Submission:



D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Gurpreet Malhotra at extension 4862 or via email at gurpreet.malhotra@peelregion.ca

Authored By: J. Macintyre

- c. Legislative Services
 -  Manager, Financial Support Unit (FSU)
 -  Patrick O'Connor Regional Solicitor

March 24, 2010
RE-LAUNCH OF HOME IN PEEL RESALE PROGRAM

APPENDIX I

Ministry of
Municipal Affairs
and Housing

Assistant Deputy Minister's Office

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Bureau du sous-ministre adjoint

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February 26, 2010

Ms. Janet Menard
Commissioner of Human Services
Regional Municipality of Peel
5 Wellington Street East
Brampton, ON L6W 1Y1

Dear Ms. Menard:

**Re: Canada-Ontario Affordable Housing Program (AHP) Extension (2009)
Homeownership Component Notional Funding Allocation – Year Two**

To begin, I would like to commend you on your contributions to the successful delivery of the Canada-Ontario Affordable Housing Program (AHP) Extension (2009) in your area. As a result of the extraordinary efforts of Service Managers, all Year One AHP Extension (2009) funding has been committed.

Thank you for your positive response to Dana Richardson's letter dated January 29, 2010 asking that you indicate your interest in delivering the Homeownership component in Year Two of the AHP Extension (2009). I am pleased to inform you that your funding allocation is \$1,483,000.

The final date to submit all Agreements of Purchase and Sale to the Ministry is December 31, 2010. Funding that has not been committed by this date may be reallocated to other Service Managers and/or to other AHP components.

I look forward to our continued successes in the months ahead.

Sincerely,

Pam Skinner
Assistant Deputy Minister
Housing Division

c. Ian Russell, Team Lead, Regional Housing Services, MSO – Central