



CITY OF KINGSTON

**REPORT TO HOUSING AND HOMELESSNESS
ADVISORY COMMITTEE**

Report No.: HHC-12-001

TO: Chair, Affordable Housing Advisory Committee

FROM: Lanie Hurdle, Commissioner, Community Services Group

RESOURCE STAFF: Lee Campbell, Acting Manager, Housing Department

DATE OF MEETING: December 8, 2011

SUBJECT: Home Ownership Program Policy

EXECUTIVE SUMMARY:

On September 6, 2011 Council endorsed the Report No.: 11-226, Affordable Housing Incentives Program. This report set out a plan for significant municipal funding to be invested in affordable housing programs over the three year period, 2012-2014 and beyond. The home ownership down payment assistance program is one of the three programs approved in the report.

The home ownership program will provide funding to qualified home purchasers to be used for down payment towards the purchase of a home. The funding will be in the form of a forgivable loan registered on title of the new home. Although the City of Kingston is the Services Manager for both the City and the County of Frontenac, this program applies to the City only as it will be entirely funded from the City's municipal tax base.

The purpose of this report is to present and request approval of the attached policy which establishes the guidelines for the home ownership program.

RECOMMENDATION:

THAT Council endorse the proposed policy which sets out the guidelines for the municipally funded home ownership program; and

THAT Council authorize the Mayor and Clerk to execute all loan agreements under this program, in a form satisfactory to the Legal Services Department.

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AUTHORIZING SIGNATURES:

ORIGINAL SIGNED BY COMMISSIONER <u>Lanie Hurdle, Commissioner, Community Services</u>
ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER <u>Gerard Hunt, Chief Administrative Officer</u>

CONSULTATION WITH THE FOLLOWING COMMISSIONERS:

Cynthia Beach, <i>Sustainability and Growth</i>	NR
Denis Leger, <i>Transportation, Properties & Emergency Services</i>	N/R
Jim Keech, <i>President and CEO, Utilities Kingston</i>	N/R

(N/R indicates consultation not required)

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OPTIONS/DISCUSSION:

On September 6, 2011 City Council approved staff recommendations to increase its financial commitment to affordable housing solutions within the City of Kingston. The report recommended municipal funding for three programs that would address the needs across the continuum of housing. The home ownership program was approved to be funded at \$60,000 in 2012, \$120,000 in 2013 and \$160,000 in 2014. It is expected that this funding will assist approximately 39 households to purchase a home over the three (3) year period.

The home ownership program has been a very successful component of previous provincially funded affordable housing programs. To date, locally, this previous provincial program has assisted a total of sixty-four (64) households with their purchase of a home by providing funding for the down payment. Given that all of these households were renters and considering the low rental vacancy rate in the City of Kingston and County of Frontenac, this program is very beneficial to the community and those struggling to find appropriate accommodation to rent.

The policy attached to this report establishes the guidelines and criteria for applicants to be eligible to receive funding for a down payment. In developing this policy, staff reviewed current and previous home ownership guidelines established by the Ministry of Municipal Affairs and Housing and the feedback and issues associated with those programs. A number of these criteria were used in the attached policy such as the requirement that households must be renting at the time of application and cannot already own a property. Minor variances were made to better suit the needs of the City of Kingston. For example, the policy allows the City to determine maximum household income limits and maximum house prices rather than the Ministry. The actual figures are not included in the policy as they are expected to change annually. Although it is agreed that the City will, most likely, continue to use the Ministry's charts, this does allow the City the flexibility to deviate from those figures if it is determined to be in the best interest of the community and this program. The other reason for this change is that the Ministry's maximum house price changes quarterly which can be an administrative challenge. The City will set one maximum house price for the year which may be based on the Ministry's latest figures.

The latest reports from the Ministry set the maximum household income limit for 2011 at \$73,500. The maximum house price for the second quarter is \$268,245. Staff will consider these when setting annual income and house price limits for this program.

A homeownership revolving reserve fund was established as part of the previous provincial home ownership program. When home owners sell or default on the terms of the forgivable loan, they are required to repay the original loan and a small percentage of any capital gain. These funds are returned to the revolving reserve fund and re-allocated to another eligible household. In addition to the municipal funding allocated to this program, the funds currently held in this reserve will be allocated in 2012 which will increase the number of households able to purchase a home.

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City staff will review the policy and guidelines on a yearly basis to be flexible and adjust with market conditions.

EXISTING POLICY/BY LAW:

N/A

NOTICE PROVISIONS:

N/A

ACCESSIBILITY CONSIDERATIONS:

N/A

FINANCIAL CONSIDERATIONS:

Funding for this program will be included in the operational budgets for 2012 – 2014 as per Council Report No.: 11-226, Affordable Housing Incentives Program. \$60,000 is included in the 2012 operational budget.

CONTACTS:

Lanie Hurdle, Commissioner, Community Services Group

613-546-4291 ext. 1231

OTHER CITY OF KINGSTON STAFF CONSULTED:

Mary McIntyre, Housing Programs Administrator, Housing Department

Lee Campbell, Acting Housing Manager, Housing Department

Alan McLeod, Senior Legal Counsel

EXHIBITS ATTACHED:

Exhibit A – City of Kingston, Home Ownership Program Policy



City of Kingston
Policies and Procedures
Housing Department, Community Services

Home Ownership Program

Document No.	Housing-001
Effective Date	01-01-2012
Revision Date	N/A
Revision No.	1.0
Page No.	1 of 3
Approval:	City of Kingston Council

1.0 PURPOSE

- 1.1 The purpose of this policy is to establish guidelines for a municipally funded Homeownership program which will provide financial assistance, in the form of a forgivable loan, to low and moderate income renter households towards a down payment for the purchase of a home.
- 1.2 The purpose of the Homeownership program is to assist low to moderate income renter households to purchase affordable homes and move along the housing continuum, thereby increasing the number of available rental units in the City of Kingston.

2.0 REVISION HISTORY

Date	Rev. No.	Change	Ref. Section
	1.0	New document	Not applicable

3.0 DEFINITIONS

- Approved Applicants** means households whose application meets the eligibility criteria and who have been conditionally approved to receive funding.
- Adult Members of the Household** means all members of the household over the age of 18 years and not in school full time.
- Assets** means all assets owned by the adult members of the household and includes vehicles, recreational vehicles, and cash on hand.
- Conditional Commitment Letter** means the letter sent to eligible applicants advising that funding has been approved on the condition that they provide a fully executed Purchase and Sale Agreement within the timeline set out in the letter.
- Down Payment** means the money paid on behalf of the home purchaser to the primary lending institution toward the purchase of a home.
- Eligible Applicants** means households whose application meets the eligibility criteria but who have not yet been approved to receive funding.
- Funding** means the interest free forgivable loan provided for down payment.
- Fully Executed Purchase and Sale Agreement** means a legal and binding unconditional agreement between the home purchaser and the home vendor for purchase and sale of the home.
- Home** means real property.

Home Inspection means an inspection, of the home to be purchased, by a person qualified to do home inspections.

Home Owner means the household that has completed the purchase of a home and has received funding.

Home Purchaser means the household approved for the funding and in the process of purchasing a home.

Loan Agreement means the agreement signed between the City of Kingston and the home purchaser and which sets out the terms of the funding and is registered on title of the purchased home.

Property Appreciation means the difference between the original purchase price of the home purchased under this program and the final sale price of the home if sold within twenty (20) years of the original purchase.

Unit means a self contained dwelling with a kitchen, bathroom and sleeping space for which the household is paying fair market rent.

4.0 PROGRAM RULES

- 4.1 The funding is available only for down payment on the purchase of a home.
- 4.2 The funding cannot be used for any construction financing or any other purpose.
- 4.3 Approved applicants must provide a fully executed Purchase and Sale Agreement within ninety (90) days of receipt of the conditional commitment letter.
- 4.4 The ninety (90) day timeline may be extended if market conditions indicate more time may be needed to secure a home to purchase and will be set out in the conditional commitment letter.
- 4.5 The funding will be paid directly to the home purchaser's solicitor upon closing the purchase of the home.
- 4.6 The maximum amount of the funding will be up to five per cent (5%) of the purchase price of the home to a maximum of \$12,500.00.
- 4.7 The funding will be in the form of a 20 year interest free loan registered on title.
- 4.8 The home purchaser will be responsible for covering all costs associated with finalizing the purchase, including legal fees, land transfer tax, and any other costs related to the purchase of the home.
- 4.9 All re-sale homes must have a home inspection completed at the expense of the home purchaser and provide verification of same (i.e. copy of inspection, summary page, invoice).
- 4.10 The funding will be forgiven and can be discharged at the request and expense of the home owner on the 20th anniversary date of the home purchase.
- 4.11 The funding plus a percentage of the property appreciation as outlined in 4.12, will become payable if, at any time prior to the 20th anniversary,
 - a) the home is no longer the sole and principal residence of the home owner; or
 - b) the home is sold, transferred or disposed of; or
 - c) the home owner wishes to refinance the home for an amount greater than the original mortgage; or
 - d) there is any default of the funding agreement.
- 4.12 Should the funding become payable, the home owner shall pay, in addition to the original funding, a percentage of the property appreciation. The percentage will be the same percentage used to determine the amount of the original funding. For example, if the home purchaser received down payment funding equal to five percent

(5%) of the purchase price, then the home owner would be required to repay five (5%) of the capital gain in addition to the original funding.

- 4.13 Should the funding become payable as set out in 4.12, the City may at its expense, commission an appraisal of the property in order to determine the fair market value and the property appreciation.
- 4.14 The home owner must provide confirmation of their continued residency in the purchased home on an annual basis.
- 4.15 Any misrepresentation by the household will result in a repayment of the loan agreement as outlined in 4.12.

5.0 HOUSEHOLD ELIGIBILITY CRITERIA

- 5.1 At least one member of the household must be 18 years of age.
- 5.2 The household members must be permanent residents of the City of Kingston at the time of application.
- 5.3 The household must be renting a unit within the City of Kingston.
- 5.4 The household must not currently own a home or have a vested interest in any real estate.
- 5.5 The household must be purchasing their sole and principal residence.
- 5.6 The combined total gross income of the adult members of the household must be at or below the maximum household income limits as set by the City of Kingston and adjusted annually. The income limits will be provided as part of the information package released with each year funding.
- 5.7 The combined total assets of the adult members of the household must not be above \$30,000. Registered retirement assets are not included.
- 5.8 The household members must be Canadian citizens, landed immigrants, or have Refugee Claimant status and must be able to provide such documentation if requested.
- 5.9 The household must have a valid mortgage pre-approval from a primary lending institution.
- 5.10 The adult household members must each provide documentation as follows:
 - a) Two (2) most current Notices of Assessment, and
 - b) Verification of current income, and
 - c) Verification of current banking information, and
 - d) Verification of rental status, including rent receipts, and
 - e) Photo identification (health card is unacceptable), and
 - f) Copy of mortgage pre-approval from a primary lending institution, and
 - g) Verification of full time attendance in school, if applicable

6.0 ELIGIBLE HOME PURCHASES

- 6.1 The home must be located within the City of Kingston.
- 6.2 The home may be new or re-sale.
- 6.3 The purchase price of the home must be at or below the maximum house price as determined by the City of Kingston. The maximum house price will be provided as part of the information package released with each year funding.
- 6.4 Homes may be detached, semi-detached, condominiums, stacked homes, or row houses.
- 6.5 Multi-residential units, such as duplexes and triplexes, and mobile homes are not eligible.

7.0 APPLICATION AND SELECTION PROCESS

- 7.1** Program funding will be advertised on the City of Kingston website and will include program guidelines, application form, maximum income limits, and maximum house purchase price, as well as any other information which may be pertinent at the time of release of the information.
- 7.2** All prospective home purchasers must complete an application form and provide supporting information and documentation as required.
- 7.3** All applications and documentation must be delivered to the Housing Department office as explicitly outlined in the application form.
- 7.4** Only complete applications with all required documentation will be reviewed for eligibility.
- 7.5** Upon determination of eligibility, and as long as funding is available, applicants will be approved on a first come first serve basis and will receive a conditional commitment letter.
- 7.6** The conditional commitment letter will confirm funding on the condition that the approved applicant provides a fully executed Purchase and Sale Agreement within the timeline set out in the letter.
- 7.7** The closing date on the Purchase and Sale Agreement does not need to be within the set timeline.
- 7.8** Upon receipt of a fully executed Purchase and Sale Agreement, the home purchaser will receive a final commitment letter specifying the exact amount of funding to be paid to their solicitor on the closing date.
- 7.9** Home purchasers will be required to sign a loan agreement which sets out the terms of the funding prior to any funds being paid to the solicitor and which will be registered on title.
- 7.10** If the approved applicant is unable to provide a fully executed Purchase and Sale Agreement within the timeline set out in the conditional commitment letter, the funding allocation will be withdrawn and the applicant will no longer be eligible to receive the down payment funding.
- 7.11** If funding becomes available, the next eligible applicant on the waiting list will be contacted and provided a conditional commitment letter.
- 7.12** Once funding is allocated, eligible applicants will be placed on a waiting list in chronological order based on receipt of applications considered complete as set out in 7.4.
- 7.13** When all funding has been spent, eligible applicants remaining on the waiting list will be advised that all funding has been expended and that:
 - a)** they will be contacted should additional funding become available, and
 - b)** it is the applicant household's responsibility to notify the City, in writing, of any changes in their contact information, and
 - c)** they will be required to submit a new application and documentation to be deemed eligible.

8.0 HOME OWNERSHIP RESERVE

- 8.1** The City has a Home Ownership Reserve which was established for any down payment funds returned under the previous Home Ownership Programs.
- 8.2** Should funding become payable as set out in section 4.12 above, the funds shall be deposited into the Home Ownership Reserve.
- 8.3** Funds held in the Home Ownership Reserve shall be included in the next round of the Home Ownership Down Payment Assistance Program funding.