SUBJECT: Homeownership Component of the Canada-Ontario Affordable Housing Program: Requests for Postponement of Second Mortgages (CS10002) (City Wide)

RECOMMENDATION:

That the General Manager of the Community Services Department, or her designate, be authorized to execute the necessary documentation, required for the amendments to second mortgage, as submitted by recipients of the Homeownership Component of the Canada-Ontario Affordable Housing Program, in a form satisfactory to the City Solicitor.

Joe-Anne Priel
General Manager
Community Services Department

EXECUTIVE SUMMARY:

Council previously approved Item 8.2 of Emergency & Community Services Committee Report 07-008 (ECS07047) on June 13, 2007, in which the City of Hamilton agreed to participate in the Homeownership Component of the Canada-Ontario Affordable Housing Program (COAHP). Through the COAHP, the City, in its role as Service Manager, received over $1.4 million in funding from the Province, which was provided to 197 eligible rental households as down payment assistance to purchase a first home. A first mortgage was arranged by the buyer with a leading institution to buy the house. The down payment assistance funding was issued in the form of a forgivable loan secured by a second mortgage against the property.
Two recipients under this program have requested that the City agree to a postponement of the second mortgage to enable their respective first mortgages to be refinanced. Currently, staff does not have Council’s authority to execute the additional documents required to give effect to such requests. Staff anticipates that similar requests will become a routine occurrence in the years ahead. With appropriate authority from Council, such requests will be assessed and processed in a timely and efficient manner.

**BACKGROUND:**

The Homeownership Component of the COAHP is intended to provide down payment assistance in the form of a forgivable loan of $7,262.00 to help low-to-moderate income households (the “Recipient”) purchase their first home.

The loan is secured by a second mortgage against the property according to the terms of a Loan Agreement (the “Agreement”) between the City of Hamilton and the Recipient. If the Recipient maintains their interest in the unit for 20 years, the loan is completely forgiven and the mortgage discharged from the property. Within a 20-year time period, the loan must be repaid if the unit is sold for more than the purchase price, plus 5% of any capital appreciation on the building. If the unit is sold for less than the purchase price, but at fair market value, within a 20-year period the loan is forgiven.

**ANALYSIS/RATIONALE:**

The terms of the COAHP Homeownership Component do not require that the recipients maintain a specific equity ratio in the property nor do the terms preclude refinancing an existing first mortgage. Homeowners have the ability to pursue refinancing options, which will typically involve securing a new first mortgage in favour of one institution and discharging the existing first mortgage in favour of another institution. When this happens, the second mortgage securing the down payment assistance moves into a first priority position.

As a condition of advancing funds, lenders will require that the City of Hamilton agree to postpone this mortgage and remain in second position as it was originally intended; subordinate to the new first mortgage. Repayment conditions of the down payment assistance do not change when a postponement is in place. This process is standard banking practice in regard to mortgages.

Given the intent of the COAHP and the nominal principal amount of each forgivable loan under this program, it is neither desirable nor beneficial to require independent appraisals or new applications in order to assess each request. Instead, assessment will be based on a cursory review of the particulars of the proposed new first mortgage and where staff deems such particulars to be consistent with current market conditions, the postponement will be granted. This practice will also enable staff to address the request quickly without causing inconvenience for the Recipient.
**ALTERNATIVES FOR CONSIDERATION:**

Council could opt not to delegate the authority for such agreements and require that staff report to Council to approve each request individually that is made on behalf of a recipient under this program. Such an approach would give Council an opportunity to consider each request on its own merits, but would take additional time, which may cause undue hardship for recipients.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

**Financial**

Authorizing the General Manager of the Community Services Department or her designate to execute any further documentation for the COAHP does not require additional funding. Maintaining the second priority position for the mortgages does not create any financial risk. The funds for this program were provided by the Province, not the City of Hamilton, and there is no requirement that the homeowner maintain a specific equity ratio in the property.

**Staffing**

Currently, the Homeownership Component of the COAHP is delivered within the existing staff complement of the CityHousing Hamilton and Legal Services Divisions.

**Legal**

The original COAHP Service Manager Agreement between the Ministry of Municipal Affairs and Housing and the City of Hamilton does not preclude the City from agreement to requests for postponements. The only requirement is that the mortgages maintain a second priority position and cannot be postponed except to a first institutional lender.

**POLICIES AFFECTING PROPOSAL:**

There are no policies that affect Report CS10002.

**RELEVANT CONSULTATION:**

Legal Services Division provided consultation for Report CS10002.
CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line,” (community, environment, and economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No
By participating in programs such as the Canada-Ontario Affordable Housing Program and addressing the housing needs of low-to-moderate income households, overall community well-being is enhanced.

Environmental Well-Being is enhanced. ☐ Yes ☑ No

Economic Well-Being is enhanced. ☑ Yes ☐ No
Poverty is reduced by encouraging low-to-moderate income households to acquire assets. Investment in Hamilton is enhanced and supported through the Canada-Ontario Affordable Housing Program.

Does the option you are recommending create value across all three bottom lines? ☐ Yes ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☑ Yes ☐ No
Delivery and promotion of various housing programs allows for staff creativity, innovation and an ability to make a positive difference in the lives of Hamilton's citizens.