CITY OF HAMILTON

COMMUNITY SERVICES DEPARTMENT
Employment, Housing and Long-Term Care Division

SUBJECT: The Hamilton HomeStart Program:
Promoting First-Time Homeownership For CityHousing Hamilton Social Housing Tenants (SSC06012) (City Wide)

RECOMMENDATIONS:

(a) That Council endorse the establishment and delivery of the Hamilton HomeStart Program to transition CityHousing Hamilton social housing tenants into first-time homeownership.

(b) That the Municipal Capital Facility By-law No. 03-148 be amended to incorporate homeownership, attached as Appendix A to report SSC06012, and that the amended by-law, which has been prepared in a form satisfactory to the City Solicitor, be introduced for approval by City Council.

(c) That the “Hamilton Convert-to-Rent Program” Project No. 102046 be closed and the funds transferred to a new “Hamilton HomeStart Program”.

(d) That the “Housing Hamilton Innovations Fund” Project No. 6290341102, be closed and the funds transferred to the “Hamilton HomeStart Program”.

(e) That Staff be authorized to disburse funds from the Hamilton HomeStart Program upon completion of the minimum requirements for participants and as other eligibility conditions are satisfied.

(f) That the Mayor and City Clerk be authorized to execute any further documentation which, in the opinion of the City Solicitor, may be required to implement the above recommendations.
EXECUTIVE SUMMARY:

The purpose of this report is to recommend the establishment of a program partnership called “Hamilton HomeStart” between the City of Hamilton, Scotiabank, Canada Mortgage and Housing Corporation (CMHC), the REALTORS Association of Hamilton-Burlington (RAHB), and Threshold School of Building, which will promote first-time affordable homeownership opportunities to CityHousing Hamilton social housing tenants.

For low and moderate-income renter households, typically the biggest barrier to homeownership is not inadequate income but rather the ability to save for a down payment. Through the City’s involvement in the Home Ownership Affordability Partnership (HOAP), Housing Branch staff have identified social housing tenant households in Hamilton who want to own their own home and can make the transition to homeownership with some financial assistance, education, and training.

Through Hamilton HomeStart, there is a real opportunity to transition existing social housing tenants to first-time affordable homeownership. A number of benefits to both the individual household and the broader community will result from these efforts:

- Social housing units are made available from households moving into homeownership for other households on the social housing waiting list – “moving along the continuum”;
- Households are empowered to build assets;
- The demand for lower cost ownership housing options in Hamilton is increased as the pool of potential first-time homebuyers with a moderate household income is increased;
- Re-emphasizes the original intent of social housing as a transitional phase for households moving along the housing continuum;
- Increases citizen engagement and participation in the community; and,
- Demonstrates City leadership by focusing on pragmatic, cost-effective initiatives that make a tangible difference in addressing affordable housing concerns.

Under Hamilton HomeStart, financial assistance to CityHousing Hamilton social housing tenant households will be provided by the City in the form of a grant to a maximum of $4,500. The grant will be used solely as a down payment to purchase a home in the City of Hamilton. The core principle of Hamilton HomeStart is that the City will provide a matched credit on savings contributed by the Hamilton HomeStart participant to a certain limit on an annual basis for a maximum period of three years.
The other partners of Hamilton HomeStart are contributing their own resources and expertise to this initiative: CMHC will provide information and guidance on homeownership education through homeownership workshops; RAHB will provide information on current housing market trends in Hamilton and articulate the role and capabilities of a professional REALTOR in the home buying process; and, Threshold School of Building will offer a 9-week “General Home Maintenance” course to participants.

To secure a financial partner to deliver the Hamilton HomeStart Program, Housing Branch staff in cooperation with Purchasing staff issued Expression of Interest C10-01-06 that closed on March 10, 2006. Scotiabank was the successful bidder and will undertake all administrative aspects associated with the savings plan, contribute funds based on the amount and timing of the participants’ savings for the down payment and provide financial counselling, education and training to the participants.

Funding for the Hamilton HomeStart Program will be secured through the closing and transfer of funds from two existing programs. No new City funding is required to deliver the Hamilton HomeStart Program and the available funding (approximately $255,000) will assist 55-60 social housing tenants with their transition into homeownership.

Council will establish the legal authorization for the City to provide down payment assistance through the Hamilton HomeStart Program by approving minor amendments to the City’s Municipal Capital Facility By-law (No. 03-148) attached as Appendix “A”.

**BACKGROUND:**

**Why Promote Homeownership?**

Housing Branch staff work to provide a variety of housing options across the affordable housing continuum. Although homeownership is not feasible for all social housing tenants, through the City’s participation in the Home Ownership Affordability Partnership (HOAP) approved by Council through Report PD02001(c) on October 15, 2003, it has become evident that some social housing tenants have the potential and the desire to become homeowners. Through the establishment and implementation of the Hamilton HomeStart Program, there is a real opportunity to transition existing social housing tenants to affordable homeownership. A number of benefits to the broader community and the individual household will result from these efforts:

- Social housing units are made available from households moving into homeownership for other households on the social housing waiting list;
- Households are empowered to build assets and personal wealth;
- Increases the demand for lower cost ownership housing options by increasing the pool of;
- Re--emphasizes the original intent of social housing as being a transitional phase for households moving along the housing continuum;
- Increases citizen engagement and participation in the community; and,
Demonstrates City leadership by focusing on pragmatic, cost-effective initiatives that make a tangible difference in addressing affordable housing concerns.

Under Hamilton HomeStart, financial assistance to social housing tenant households will be provided by the City in the form of a grant to be used solely as a down payment to purchase a home in the City of Hamilton. The core principle of Hamilton HomeStart is that the City will provide a matched credit on savings contributed by the Hamilton HomeStart participant to a certain limit on an annual basis and for a maximum period of three years.

The framework for the Hamilton HomeStart Program was created with the recognition that long-term sustainable homeownership is more than saving for a down payment. It requires knowledge and training in financial management techniques, an awareness of the home buying process, and recognition that the homeowner and household are now responsible for the upkeep and maintenance of their home. Evidence from other affordable homeownership promotion programs in the United States clearly indicates that all aspects of homeownership education are essential to ensure successful and sustained ownership tenure for low and moderate-income households.

In order to effectively promote affordable homeownership opportunities to social housing tenants, Housing Branch staff contacted Canada Mortgage and Housing Corporation (CMHC), the REALTORS Association of Hamilton-Burlington (RAHB), and Threshold School of Building to invite these organizations to strengthen the program with their individual areas of expertise. As a result, CMHC will provide information and guidance on homeownership education through homeownership workshops; RAHB will provide information on current housing market trends in Hamilton and articulate the role and expertise provided by a REALTOR in the home buying process; Threshold School of Building will offer a 9-week “General Home Maintenance” course to participants; and, the City of Hamilton will provide a grant as a financial incentive for participants to save for a down payment and purchase their first home.

In order to complete the range of resources and expertise necessary for the successful implementation of the program, the next step was to select a partnering financial institution with expertise in counselling on savings and financial management behaviour in the sub-prime lending market. Housing Branch staff in cooperation with Purchasing staff issued an Expression of Interest for financial services for Hamilton HomeStart through Contract C10-01-06, “Hamilton HomeStart: Affordable Homeownership for Social Housing Tenants”. The EOI was posted on the City of Hamilton’s website on February 10, 2006 and closed on March 10, 2006. Scotiabank was the successful bidder based on their commitment to offer additional financial assistance to Hamilton HomeStart participants, previous experience in promoting homeownership opportunities for social housing tenants and their financial training and counselling initiatives.
Program Mechanics
Eligible participants will be selected from CityHousing Hamilton tenants who were initially housed on a rent-g geared-to-income basis through the social housing wait list (Access to Housing, formerly known as the Coordinated Housing Access Network). A participating household must save a minimum $1,200 per annum as savings specifically for a down payment. The $1,200 amount will be matched as a credit to be paid in cash by the City of Hamilton at the time of closing.

The maximum amount of matched funds to be contributed by the City in the form of a grant will be $1,500 per annum to a maximum of $4,500 over the three-year period. Staff considered the option of a loan as opposed to a grant; however, based on the administrative and legal expenses and staff resources required to oversee a loan of $4,500, it was determined a grant would be more cost-effective and efficient to deliver as well as creating a notable incentive for homeownership. City of Hamilton monies will only be used for a down payment and for no other purpose. If the participant does not purchase a house, there will be no City of Hamilton financial contribution irrespective of how much the household has saved. As well, City of Hamilton monies will be transferred to the participant’s real estate lawyer in trust at the time of closing on a dwelling and at no other time.

Any type of dwelling in the City of Hamilton (new or resale) is eligible for purchase; however, the purchase price cannot exceed the average price of all resale dwellings and the purchaser cannot have previously been a homeowner. Participants can choose to purchase a home at any time; however, after four years from their initial enrolment date in the program, they will no longer be eligible to receive the matching City grant.

As the City funding for the Hamilton HomeStart Program is limited, the funds will be targeted for social housing tenants residing in CityHousing Hamilton social housing units. If additional funds are provided in future years, consideration will be given to expanding the program to include all social housing tenants in the City of Hamilton.

In addition to the financial incentives offered by the City of Hamilton, Scotiabank will develop the “Scotia Hamilton HomeStart Bonus Savings Plan”, which is the first of its kind in Canada. Under the Plan, Hamilton HomeStart participants will open a special savings account at the Scotiabank Centre Mall Branch. Scotiabank will contribute a “mortgage bonus” that will be determined based on the participants’ length of time spent in the program. The mortgage bonus will be a maximum of $1,000 over the three-year period that can be used for the down payment or other closing costs associated with a home purchase:

<table>
<thead>
<tr>
<th>Savings Period</th>
<th>Scotia Mortgage Bonus</th>
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<tr>
<td>12-17 months</td>
<td>$250</td>
</tr>
<tr>
<td>18-29 months</td>
<td>$500</td>
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<tr>
<td>30-35 months</td>
<td>$750</td>
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<tr>
<td>36+ months</td>
<td>$1,000</td>
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Scotiabank will also undertake all tasks associated with implementing and administering the Scotia Hamilton HomeStart Savings Plan and will work closely with Housing Branch staff once the participants begin their savings period.

In order to maintain eligibility in the program during the savings period, participants in the Scotia Hamilton HomeStart Savings Plan must also fulfil four prerequisites:

1) Work with Scotiabank’s Financial Specialists to “find the money” through financial training, counselling and learned savings behaviour;
2) Attend Canada Mortgage and Housing Corporation’s “Buying and Owning a Home” seminar;
3) Attend an educational seminar sponsored by the REALTORS Association of Hamilton-Burlington (RAHB); and,
4) Complete the “General Home Maintenance Course” offered by Threshold School of Building in Hamilton.

The establishment of the Scotia Hamilton HomeStart Savings Plan is a tremendous opportunity to provide participants and their families with a solid footing and promote long-term financial and personal family sustainability and growth in personal assets. Scotiabank’s Product Division is currently creating brochures to be incorporated into the communications strategy.

Source of City Funding
Housing Branch staff are not requesting new monies for the Hamilton HomeStart Program at this time. Staff propose a reallocation of existing limited program dollars from two existing programs that are under performing. A total of $170,039.14 is in Reserve Account 102046 for the Hamilton Convert-to-Rent Program. This program was originally intended to create new low cost rental housing supply. The need for the City to deliver and implement the Convert-to-Rent Program is no longer required as it is more effective to use senior levels of government funding through the Canada-Ontario Affordable Housing Program. Accordingly, it is recommended that the Hamilton-Convert-to-Rent Reserve Account be closed and all the funds transferred to a new Hamilton HomeStart Program that will be used to fund the City’s contribution to the Scotia Hamilton HomeStart Savings Plan. In addition, the Canada-Ontario Affordable Housing Program can function as a companion to the “Main Street Housing Program” that is to be rolled out in early 2007 by the Downtown Renewal Division of the Planning and Economic Development Department.

Similarly, a total of $85,000 is in Project No. 6290341102 for the Housing Hamilton Innovations Fund (HHIF). The Housing Hamilton Innovations Fund (HHIF) was approved by Council on October 15, 2003 through Report PD02001(c), “Housing Hamilton Innovations Fund/Proposed City Partnership with Hamilton-Halton Homebuilders’ Association, Hamilton-Burlington and District Real Estate Board and Threshold School of Building: Affordable Housing Community Pilot Project”.

Under HHIF, Council set aside $100,000 to offer as a grant or interest-free loan to support community-based housing groups in Hamilton who wished to promote innovative ideas while increasing the supply of affordable rental and ownership housing for lower income households. HHIF was instrumental in kick-starting the Home Ownership Affordability Partnership (HOAP) with a grant of $15,000. Since the introduction of HHIF in 2003, Housing Branch staff have been actively promoting the availability of the program to various housing stakeholders in the City of Hamilton.

In addition, advertisements were placed in the Hamilton Spectator advising of the availability of the program and the City’s desire to seek proposals. Unfortunately, the first successful implementation of the HHIF initiative by the Home Ownership Affordability Partnership was never again replicated, as subsequent take-up of the funding by the community has not occurred because of the limited dollars available to a potential applicant.

Since the take-up of HHIF has been very limited, staff recommend a reallocation of the monies to the Hamilton HomeStart Program to assist with the City’s contribution. Closing the two programs would result in a transfer of $255,039.14 to the newly created program. This level of funding would allow approximately 55-60 social housing tenant households to participate in the Hamilton HomeStart Program and ultimately transition to homeownership.

In addition, the Hamilton Community Foundation has generously provided a $10,000 grant to assist with the education component of Hamilton HomeStart through defraying the Hamilton HomeStart participants’ tuition fees to attend Threshold School of Building’s General Home Maintenance course.

Legal Requirements
In order to implement the Hamilton HomeStart Program and provide financial assistance, Legal staff have advised that the existing Municipal Capital Facilities By-law No. 03-148, originally approved by Council through Report PD03122 on June 11, 2003, must be amended in order to recognize affordable homeownership. The suggested by-law is attached as Appendix “A”.

Any residential dwelling purchased through Hamilton HomeStart must be of equal or less in value than the average resale dwelling price within the City of Hamilton, according to the monthly resale data collected by the REALTORS Association of Hamilton-Burlington. In addition, the tenant must be a first-time homebuyer and cannot have previously owned any other home.

Objectives
The objectives of the Hamilton HomeStart Program are consistent with a number of key policy and programmatic initiatives from all levels of government, and also with notable community-led efforts such as the Hamilton Roundtable for Poverty Reduction.
The implementation of the Hamilton HomeStart Program would meet the requirements of Recommendation #19 of Council-approved “Keys to the Home: A Housing Strategy for Hamilton” on November 10, 2004:

*That the Employment, Housing and Long-Term Care Division of the Public Health and Community Services Department partner with the REALTORS Association of Hamilton-Burlington (RAHB) to identify opportunities and linkages where CityHousing Hamilton social housing tenants with the means and desire for homeownership can purchase their first home.*

Another synergy with a main tenet of “Keys to the Home” is that the Hamilton HomeStart Program will help to provide more choices and opportunities along the housing continuum. Not only will Hamilton HomeStart assist social housing tenants to transition into homeownership, but it will also free up rent-geared-to-income units for families on the social housing wait list. Thus, poverty is reduced for Hamilton residents, which is in keeping with the goals and objectives of the Hamilton Roundtable for Poverty Reduction and the Affordable Housing Flagship.

Housing Branch staff are proposing a unique role for the City of Hamilton, as this type of down payment assistance is typically within the purview of the senior levels of government who have significantly greater fiscal capacities than local municipalities. Nonetheless, the City of Hamilton is committed to improving the quality-of-life of its residents. Hamilton HomeStart would create an opportunity for the City to directly influence the long-term socioeconomic well-being of Hamilton residents as well as to establish the City of Hamilton as a leader in cost-effective housing program initiatives. The successful implementation of the Scotia Hamilton HomeStart Savings Plan will also demonstrate the viability and efficacy of this type of initiative to the Federal and Provincial governments for replication and implementation on a larger scale.

**ANALYSIS/RATIONALE:**

There is a real opportunity to transition existing social housing tenants to affordable homeownership, resulting in a number of benefits:

- Social housing units are made available from households moving into homeownership for other households on the social housing waiting list;
- Households are empowered to build assets;
- The demand for lower cost ownership housing options in Hamilton is increased as the pool of moderate income first-time homebuyers is increased;
- Re-emphasizes the original intent of social housing as being a transitional phase for households moving along the housing continuum;
- Increases citizen engagement and participation in the community; and,
- Demonstrates City leadership by focusing on pragmatic, cost-effective initiatives that make a tangible difference in addressing affordable housing concerns.
There are no alternatives for consideration.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

**Financial:**
A total of $170,039.14 is in Reserve Account 102046 – Hamilton Convert-to-Rent Program. Since the introduction of the Canada-Ontario Affordable Housing Program, the need for the City to deliver and implement the Convert-to-Rent Program is not essential. Accordingly, it is recommended that the Hamilton-Convert-to-Rent Reserve Account be closed and all the funds transferred to a new Hamilton HomeStart Program that will be used to fund the City’s contribution to the Scotia Hamilton HomeStart Savings Plan.

Similarly, a total of $85,000 is in Project No. 6290341102 for the Housing Hamilton Innovations Fund (HHIF). Since the take-up of HHIF has been limited, staff recommend reallocating the monies to the Hamilton HomeStart Project to assist with the City’s contribution. Collapse the two projects would result in a transfer of $255,039.14 to the Hamilton HomeStart Program. When these funds have been exhausted, the Hamilton HomeStart Program will cease unless additional sources of funding are secured.

All administrative tasks will be handled by Scotiabank. When the participants purchase a home and a closing date is imminent, the City’s financial contribution, based on a matching of the participants’ eligible savings to the maximum, will be forwarded to Scotiabank in their capacity as mortgage lender and then sent “in trust” to the participants solicitor.

The Hamilton Community Foundation has awarded a $10,000 grant to assist in establishing Hamilton HomeStart that will be used to defray the Hamilton HomeStart participants’ tuition fees to attend the Threshold School of Building’s General Home Maintenance course.

**Staffing:**
The promotion and delivery of the Hamilton HomeStart Program can be accommodated within the existing staff complement of the Housing Branch.

**Legal:**
Legal staff has reviewed the proposed amended Municipal Capital Facilities By-law, attached as Appendix ‘A’. Upon Council passing of the By-law, the City of Hamilton can deliver the Hamilton HomeStart Program. In addition, upon approval of the recommendations in the report, Housing Branch staff in partnership with Scotiabank will begin to create the necessary application forms and other communication documents required to implement the Hamilton HomeStart Program in accordance with City financial and legal protocols.
POLICIES AFFECTING PROPOSAL:

The implementation of Hamilton HomeStart would meet the requirements of Recommendation #19 of Council-approved "Keys to the Home: A Housing Strategy for Hamilton":

_That the Employment, Housing and Long-Term Care Division of the Public Health and Community Services Department partner with the REALTORS Association of Hamilton-Burlington (RAHB) to identify opportunities and linkages where CityHousing Hamilton social housing tenants with the means and desire for homeownership can purchase their first home._

RELEVANT CONSULTATION:

Staff have spent considerable time consulting with potential partners for the proposed Hamilton HomeStart Program. Staff have also liaised with Finance staff, Legal staff, and Downtown Renewal staff on the implementation and delivery of the Scotia Hamilton HomeStart Savings Plan. In addition, management representatives from Scotiabank with expertise in mortgage financing, product promotion, and client services have provided feedback to the project as it has evolved.

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.

Evaluate the implications of your recommendations by indicating and completing the sections below. Consider both short-term and long-term implications.

Community Well-Being is enhanced. ☑ Yes ☐ No

*Partnerships are promoted.*

This report dovetails with CityHousing Hamilton’s Strategic Goal to “Reinvest in Communities and Increase Affordable Housing – Expand the supply of affordable housing in Hamilton through new development, redevelopment and partnerships with the private sector and community housing stakeholders that will lever additional funding and resources.”

Environmental Well-Being is enhanced. ☐ Yes ☑ No

Economic Well-Being is enhanced. ☑ Yes ☐ No

*Poverty is reduced.*
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

The concept of promoting affordable homeownership for social housing tenants is unique in Ontario and in Canada. Hamilton HomeStart will allow staff to participate in an innovative program that may pave the way for future affordable homeownership initiatives across Canada and demonstrate the leadership and commitment of the City of Hamilton to create a better community for all Hamilton residents.

EM/KE/em
Authority:

Bill No.

CITY OF HAMILTON

BY-LAW NO. 06-

To Amend By-law No. 03-148

WHEREAS on the 11th day of June, 2003, the Council of the City of Hamilton enacted By-law No. 03-148, being a By-law to Adopt a Municipal Housing Facility By-law;

NOW THEREFORE the Council of the City of Hamilton enacts as follows:

1. The number “7997” in the first line of the first paragraph of the Preamble to By-law 03-148 is hereby deleted and the number “1997” substituted therefor.

2. The number “2007” in the first line of the second paragraph of the Preamble to By-law 03-148 is hereby deleted and the number “2001” substituted therefor.

3. The fifth paragraph of the Preamble to By-law 03-148 is hereby amended by inserting the words “or other” between the word “financial” and the word “assistance” in the second line thereof.

4. Paragraph “(a)” of section 1 of By-law 03-148 is hereby amended by deleting the number “2007” therefrom and substituting therefor the number “2001”.

5. Section 1 of By-law 03-148 is hereby amended by adding the following thereto as paragraph (e), namely:

“(e)” average resale dwelling price for ownership municipal housing project facilities means the 3 month moving average of the average price of all resale dwellings sold in the City of Hamilton as determined by the REALTORS Association of Hamilton-Burlington or any successor thereof at the time of signing the Offer to Purchase.”

The subsequent paragraphs of the said Section 1 of By-law 03-148 are hereby re-lettered sequentially.
6. Paragraph (i) (formerly (h)) of Section 1 of By-law 03-148 is hereby deleted and the following substituted therefor, namely:

“(i) “Director” means the Director of the Housing Branch of the Community Services Department of the City Of Hamilton or his or her designate.”

7. Paragraph (j) (formerly (i) of Section 1 of By-law 03-148 is hereby amended by inserting the words “or ownership” between the words “rental” and “residential” in the second line thereof.

8. Paragraph (o) (formerly (n)) of Section 1 of By-law 03-148 is hereby deleted and the following substituted therefor, namely:

“structure type” means the type of residential dwelling to be constructed and/or occupied. For the purposes of this By-law, structure type includes apartment, townhouse, single detached and semi-detached dwellings.”

9. Section 2 of By-law 03-148 is hereby amended by inserting the words “rental or ownership” ahead of the word “municipal” in the fourth line thereof.

10. Section 4 of By-law 03-148 is hereby deleted and the following substituted therefor, namely:

“Affordable housing” for the purpose of a municipal housing project facilities by-law or agreement hereunder shall mean:

(a) a rental facility where the average monthly rental by structure type and unit size, exclusive of utilities, is less than or equal to the current average CMHC rent for the City for that respective structure type and unit size; or

(b) an ownership facility where the market value is less than or equal to the average resale dwelling price.”

11.(a) Section 6 of By-law 03-148 is hereby amended by inserting the word “rental” between the words “a” and “housing” in the first line of the first paragraph thereof.

(b) Paragraph (a) of Section 6 of By-law 03-148 is hereby amended by inserting “(a)” between the number “4” and the word “of” in the second line thereof.
12. Section 7 of By-law 03-148 is hereby amended by inserting the words “for rental housing” between the words “agreement” and “shall” in the first line thereof.

13. Section 11 of By-law 03-148 is hereby amended by inserting the words “to a rental municipal housing project facility” between the words “City” and “under” in the first line thereof.

14. Section 11 of By-law 03-148 is hereby amended by deleting the words “Federal-Provincial Community Rental Housing Program” and substituting the words Canada-Ontario Affordable Housing Program” in the last line thereof.

15. In all other respects, the contents of By-law No. 03-148 are hereby confirmed and remain unchanged.

PASSED AND ENACTED on the _______ day of ___________________, 2006.

________________________   ______________________
Mayor        City Clerk