

# Canada-Ontario Affordable Housing Program

## Homeownership Component

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## Program Guidelines

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Canada

 Ontario

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## Introduction And Program Overview

On April 29, 2005, the federal and provincial governments signed a new Canada-Ontario Affordable Housing Agreement (AHP). With this commitment, the federal, provincial and municipal governments will have invested at least \$734 million through the Canada-Ontario Affordable Housing Program. In total, the program will help 20,000 Ontario households by 2010.

The AHP is comprised of four components: Rental and Supportive, Rent Supplement/Housing Allowance, Northern Housing and Homeownership. The Homeownership component of the AHP was developed to assist low to moderate-income rental households in purchasing affordable homes. The objectives of the program are to:

- Ease the demand for rental housing by assisting renter households across the province in purchasing affordable homes;
- Free up social housing stock to address waiting lists; and
- Provide low and moderate-income individuals and families with an opportunity to move up the socio-economic ladder through homeownership.

Service Managers are encouraged to participate in the Homeownership component of the Affordable Housing Program. However, Service Managers must deliver either the Rental and Supportive or Northern Housing component in order to deliver the Homeownership component. Program funding is available to all 47 Ontario Service Managers. (Refer to Appendix A for Service Manager unit and funding allocations).

### Partnerships

Service Managers may partner with homeownership developers / proponents to deliver their Homeownership unit allocation. However, down payment assistance must be provided directly to homeowners. In the event that Service Managers elect not to participate in the Homeownership component, the province will deliver the program.

### Structure of Guidelines

The following guidelines will assist Consolidated Municipal Service Managers (Service Managers) with the implementation and administration of the Homeownership component of the AHP. The guidelines consist of 3 sections: Mandatory Requirements for Service Managers and Home purchasers, General Guidelines and Program Administration. The *Mandatory Requirements* section lists the key program parameters established by the federal and provincial governments. Service Managers are required to implement and administer the Homeownership component in accordance with these guidelines and must notify MMAH if unable to do so. The *General Guidelines* focus on program flexibilities and provide suggested implementation strategies for Service Managers. The strategies are optional and intended for reference and clarification.

## Administrative Requirements: Service Managers

### Key Dates

- June 30, 2006 – Deadline for Service Managers to submit Housing Delivery Plans (HDP) to their Municipal Services Office (MSO).
- March 31, 2009 – All Homeownership funding and unit allocations are committed.

### Unit Funding and Allocations

The Homeownership component of the AHP consists of an allocation of more than \$28 million to make homeownership affordable for at least 3,470 low and moderate-income households.

All 47 Service Managers in Ontario have been allocated a minimum number of units and maximum amount of funding for Homeownership component of the AHP.

### Housing Delivery Plan

Before entering into an Administration Agreement with the province, SMs are required to develop and adopt a board or council-approved Housing Delivery Plan (HDP) for review by MMAH. The HDP is intended to be a concise (e.g. 5 to 10 pages) statement of the Service Manager's affordable housing strategy. The HDP addresses all components of the Affordable Housing Program that the Service Manager intends to deliver.

SMs that have adopted a general housing plan, strategy, policy or statement within the past two years are encouraged to use existing policies as a foundation for the HDP. However, for the purposes of the AHP, councils will need to approve any new elements in the HDP needed to address provincial requirements.

The HDP is a tool for Service Managers to establish unit and household selection criteria. Further, it is a statement of intentions that will communicate program priorities to the community, the province, and will govern the unit selection process undertaken by Service Managers. For more information on the HDP, refer to Appendix 1 of the Interim Rental and Supportive Guidelines.

The section of the Housing Delivery Plan (HDP) relating to the Homeownership component of the AHP should address:

- Household targeting, and an approach to income verification;
- Household selection process;
- Unit selection;
- Intended municipal financial contributions or incentives;
- A strategy for the take-up and delivery of the units.

Alternatively, Service Managers may provide this information to the province as an addendum to the HDP.

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## Administration Agreement

The Administration Agreement outlines the roles and responsibilities of Service Managers and an accountability framework for Service Managers and the province. The agreement establishes that:

- The Service Manager will be responsible for establishing a permanent revolving fund for the delivery of homeownership units;
- The Homeownership Revolving Fund will provide down payment assistance;
- The down payment funding plus a share of the home owner's realized capital gains will be returned to the Homeownership Revolving Fund to be redistributed as down payment assistance to future potential home owners.

## Service Manager Homeownership Revolving Fund

The Homeownership Revolving Fund is a permanent fund designed to provide sustainable ongoing support to moderate and low-income individuals and households to pursue homeownership.

The province transfers allocated Homeownership component funding once the Service Manager has established a revolving fund to deliver the program. Service Managers participating in this component of the AHP must commit to delivering the Homeownership component for a minimum of 15 years. After the 15-year period, Service Managers may continue to provide down payment assistance to households to purchase affordable homes, or phase out the program. If Service Managers choose to phase out the program, they must inform the province and submit a phase-out plan. It is expected that money from the revolving fund would be returned to the province or reinvested into affordable housing within the Service Manager area (subject to provincial agreement). The plan must detail how remaining funds will be reinvested within the Service Manager area.

## Administration Fees for Service Managers

Administration fees are provided to Service Managers to offset the costs of delivering the program, which include: soliciting and selecting eligible households and housing units, and basic reporting on projects through the 20-year affordability period.

The administration fees will be equivalent to \$50,000 or 1.3 per cent of their total capital allocation are available under the Canada-Ontario Affordable Housing Program. Service Managers participating in the Homeownership component will be paid administration fees based on their funding allocation. Interest will accrue to the Homeownership Revolving Fund.

Service Managers may also use a percentage of the money repaid to the revolving fund for administering the Homeownership component. The exact percentage will need to be agreed to by the province.

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## **Electronic Funds Transfer Payments**

The Ministry flows the allocated Homeownership funds to participating Service Managers through an Electronic Funds Transfer (EFT) payment, once key milestones have been met. The Service Manager's Homeownership funding allocation is transferred directly to their Homeownership Revolving Fund.

## **Reporting by Service Managers**

Service Managers are responsible for timely and accurate reporting to the province in order to enable the province's report back on the Program to CMHC.

Participating Service Managers are required to report annually on the progress of the Homeownership component in a form prescribed by the province. The report should include information on:

- Number of households assisted;
- Financial position of the revolving fund; and
- Other criteria or commitments made in the Service Manager's HDP.

## **Government Communications Protocol**

A communications protocol is agreed to by CMHC, MMAH and the Service Managers to ensure cooperation in the development and distribution of materials and information relevant to the Program to the public.

## Mandatory Requirements: Homeowners

### Unit Eligibility and Selection by Homeowners

Purchasers may select a unit of their choice provided that it meets program criteria and any additional requirements developed by the Service Manager.

Homes eligible under the Homeownership component of the AHP include:

- New units, including conversions from non-residential use that include a new home warranty;
- Resale homes, provided a home inspection is undertaken at the prospective homeowner's expense. (It is strongly recommended that all prospective homeowners undertake an inspection for new homes);
- Homes where the purchase price does not exceed prices affordable to households at the 50th percentile of income or levels affordable to target groups who are on, or are eligible to be on, social housing waiting lists.

The purchaser's housing costs must be at or below the average market-selling price for the area, and must not exceed \$196,000 or what is affordable to households at the 50<sup>th</sup> percentile of income for the Service Manager area or province, whichever is lower (see Appendix B).

Units are to be located in urban revitalization areas as defined by Service Managers for the purposes of the Program.

Units may be detached, semi-detached, town (condo and freehold), stacked homes, row houses, or apartments. The home must be modest in size, relative to community norms, in terms of floor area and amenities, as determined by the province and the Service Manager. The home must be the sole and principal residence of the purchaser.

Service Managers may establish their own maximum house price and household income level, provided it is consistent with mandatory program requirements.

### Conditions for Repayment by Homeowner

When a Homeownership unit is sold before the 20-year affordability period expires, the homeowner is required to repay the original AHP contribution plus five per cent of the realized capital gains. Contributions repaid to the Homeownership Revolving Fund are to be redistributed under the Homeownership component in that Service Manager area. If the home were to be sold after 20 years, there would be no repayment of the contribution or capital gains to the revolving fund.

### Conditions for Non-Repayment by Homeowner

In cases where a home is sold within the 20-year affordability period but the seller experiences a capital loss, repayment of the Homeownership down payment assistance would be waived provided the sale meets the following criteria:

- The unit is sold at a fair market value; and

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- The purchase and sale of the unit is an arm's-length transaction.

If a purchaser ceases to occupy a Homeownership unit as a sole and principal residence within 20 years of the date of purchase, it is deemed a sale and the repayment requirements outlined above apply.

## Mandatory Guidelines: Service Managers

### Household Eligibility and Selection

To be eligible for down payment assistance under the Homeownership component of the AHP, prospective purchasers must meet the following minimum criteria:

- Be a renter household buying a sole and principal residence;
- Have incomes at or below the 50<sup>th</sup> percentile income level for the Service Manager area or the province, whichever is lower; and
- Meet any additional criteria as established and communicated by Service Managers.

Service Managers should establish an approach to income verification in order to target households in need.

Purchasers will be selected through a fair and open process developed by the Service Manager based on local criteria and defined needs specified in the Service Manager's Housing Delivery Plan. The Service Manager must make information about the Homeownership component – including administrative procedures – available to the public. This must include information about the application process and selection procedures in the Service Manager's area. This allows potential purchasers to self-identify and submit their names for consideration for down payment assistance under the Homeownership component.

Service Managers are encouraged to address target groups identified under the new Affordable Housing Program Agreement, and/or appropriate provincial targets (e.g. seniors and social assistance recipients), and/or groups identified through municipal needs assessments or other methods (e.g. first-time home buyers, new immigrants, single parent households, recent graduates).

### Homeowner Assistance Levels

An eligible purchaser will use Homeownership assistance as a down payment on the purchase of a new or resale home. The down payment assistance will be five percent of the cost of an eligible home under the Homeownership component.

The Province has established maximum contributions per unit for each Service Manager area. (Refer to appendix B for details).

The Service Manager provides the Homeownership component down payment assistance to eligible purchasers at the time of closing of the purchase and sale of the home. No interest shall be charged on the assistance. Appropriate documentation will be in place to secure the down payment assistance on title or in an agreement upon closing.

## **Security Agreements**

Service Managers register an appropriate security agreement (e.g. a mortgage) with the purchaser on title to provide a mechanism for the repayment of the down payment assistance, and five percent of the realized capital gains to the Homeownership Revolving Fund, when ownership changes as a result of the sale of the house or the death of the homeowner.

## General Guidelines: Service Managers

### Allocating Funds Repaid to Revolving Fund

Service Managers may determine how funds repaid to the Homeownership Revolving Fund will be reallocated in their area. It is expected that the Revolving Fund will grow over time as a result of homeowners repaying the total amount of assistance and five percent of the realized capital gains into the fund. Service Managers may choose to increase the depth of down payment assistance, within program parameters, for future homes or they can choose to increase the number of households assisted through the fund.

### Stacking

Service Managers located in Northern Ontario may stack program funding allocated to the Northern and Homeownership components of the AHP as long as federal funding does not exceed \$25,000 per unit. However, units that receive stacked program funding may not be counted under both program components. Service Managers are required to meet their unit allocation for both the Northern and Homeownership components of the program.

### Prepayment of Down Payment Assistance

Service Managers may choose to allow homeowners to repay the down payment assistance within the 20-year affordability period without selling the home. Homeowners are still be required to repay five percent of the realized capital gains if the house is sold within 20 years of the date of purchase.

### Land Transfer Tax Rebate

Eligible purchasers who are first-time buyers and who are buying a new home are eligible for a Land Transfer Tax rebate. Purchasers can apply for the Land Transfer Tax Rebate directly to the Ministry of Finance.

Service Managers may choose to provide eligible purchasers who are also eligible for the Land Transfer Tax Rebate with down payment assistance, net of the value of their Land Transfer Tax rebate. For example, if a household qualifies for \$9,000 in down payment assistance, and is also eligible for the Land Transfer Tax rebate of \$1,500, the Service Manager may choose to provide the household with \$7,500 in down payment assistance under the Homeownership component.

### Service Manager Right-of-First-Refusal

Service Managers that have made significant enhancements to the down payment assistance provided to a household may elect to include provisions in their agreement with the purchaser that allow for the right-of-first-refusal should the home be placed on the market for resale. Service Manager contributions of an amount equal to the federal

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capital funding are considered a significant contribution (on average \$4,000 in cash or in-kind).

To ensure that homeowners receive a fair resale value, the price of the home under such right-of-first-refusal arrangements would be determined through a fair appraisal undertaken at the Service Manager's expense.

### **Education and Training**

Service Managers are encouraged to facilitate education and training sessions for recipients of down payment assistance under the Homeownership component of the AHP.

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## Contacts

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**Canada-Ontario  
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Delivery Branch**  
777 Bay Street, 2nd Floor  
Toronto ON M5G 2E5  
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Fax: (416) 585-6588

Facilitation Branch  
General Inquiry: (416) 585-6699  
Fax: (416) 585-6588

[www.mah.gov.on.ca](http://www.mah.gov.on.ca)

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**Eastern Municipal Services Office**  
8 Estate Lane  
Rockwood House  
Kingston ON K7M 9A8  
General Inquiry: (613) 548-4304  
Toll Free: 1-800-267-9438  
Fax: (613) 548-6822

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General Inquiry: (807) 475-1651  
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Fax: (807) 475-1196

Contact: David Forester

Serving: Kenora, Rainy River, Thunder Bay

## Appendix A: Service Manager Unit & Funding Allocations

CMSM's	Unit Allocation	Funding Allocation
<i>Greater Toronto Area</i>	1,582	<i>\$13.78</i>
City of Toronto	729	6.345
Regional Municipality of Durham	158	1.368
Regional Municipality of Halton	120	1.044
Regional Municipality of Peel	328	2.853
Regional Municipality of York	249	2.169
City of Brantford	37	0.288
City of Cornwall	33	0.198
City of Greater Sudbury	45	0.324
City of Hamilton	145	1.053
City of Kingston	41	0.297
City of Kawartha Lakes	25	0.171
City of London	120	0.927
City of Ottawa	232	2.025
City of Peterborough	37	0.243
City of St. Thomas	24	0.189
City of Stratford	22	0.18
City of Windsor	113	0.981
County of Bruce	19	0.135
County of Dufferin	16	0.135
County of Grey	26	0.171
County of Hastings	38	0.234
County of Huron	17	0.126
County of Lambton	37	0.288
County of Lanark	19	0.144
County of Lennox & Addington	19	0.135
County of Northumberland	23	0.18
County of Oxford	29	0.243
County of Renfrew	28	0.189
County of Simcoe	118	1.026
County of Wellington	56	0.495
County of Haldimand-Norfolk	31	0.234
Regional Municipality of Waterloo	133	1.161
Regional Municipality of Niagara	121	0.864
Municipality of Chatham-Kent	31	0.216
UC of Leeds & Grenville	29	0.225
UC of Prescott & Russell	23	0.189
District Municipality of Muskoka	16	0.108
Algoma DSSAB	12	0.063
Sault Ste. Marie DSSAB	22	0.144
Cochrane DSSAB	24	0.171
Kenora DSSAB	19	0.135
Manitoulin-Sudbury DSSAB	10	0.054
Nippising DSSAB	24	0.153
Parry Sound DSSAB	12	0.063
Rainy River DSSAB	7	0.045
Thunder Bay DSSAB	43	0.333
Timiskaming DSSAB	10	0.054
<b>Ontario</b>	<b>3470</b>	<b>\$28.37</b>

## Appendix B: Maximum Affordable House Price by Service Manager

CMSM's	Maximum Incomes (Median Incomes)	Maximum Affordable House Prices	Maximum Contribution/Unit
<i>Greater Toronto Area</i>	<i>\$59,000</i>	<i>\$196,000</i>	<i>\$10,000</i>
City of Toronto			
Regional Municipality of Durham			
Regional Municipality of Halton			
Regional Municipality of Peel			
Regional Municipality of York			
City of Brantford	\$52,700	\$175,000	\$9,000
City of Cornwall	\$45,900	\$152,000	\$7,500
City of Greater Sudbury	\$49,700	\$165,000	\$8,500
City of Hamilton	\$52,600	\$174,500	\$8,500
City of Kingston	\$51,400	\$170,500	\$8,500
City of Kawartha Lakes	\$48,200	\$160,000	\$8,000
City of London	\$52,800	\$175,000	\$9,000
City of Ottawa	\$59,000	\$196,000	\$10,000
City of Peterborough	\$48,000	\$159,500	\$8,000
City of St. Thomas	\$53,700	\$178,500	\$9,000
City of Stratford	\$56,600	\$188,000	\$9,500
City of Windsor	\$59,000	\$196,000	\$10,000
County of Bruce	\$49,900	\$165,500	\$8,500
County of Dufferin	\$59,000	\$196,000	\$10,000
County of Grey	\$47,400	\$157,500	\$8,000
County of Hastings	\$46,000	\$153,000	\$7,500
County of Huron	\$50,500	\$167,500	\$8,500
County of Lambton	\$53,000	\$176,000	\$9,000
County of Lanark	\$54,700	\$181,500	\$9,000
County of Lennox & Addington	\$49,700	\$165,000	\$8,500
County of Northumberland	\$52,800	\$175,500	\$9,000
County of Oxford	\$55,900	\$185,500	\$9,500
County of Renfrew	\$48,000	\$159,000	\$8,000
County of Simcoe	\$59,000	\$196,000	\$10,000
County of Wellington	\$59,000	\$196,000	\$10,000
County of Haldimand-Norfolk	\$55,100	\$182,500	\$9,000
Regional Municipality of Waterloo	\$59,000	\$196,000	\$10,000
Regional Municipality of Niagara	\$51,900	\$172,500	\$8,500
Municipality of Chatham-Kent	\$51,100	\$169,500	\$8,500
UC of Leeds & Grenville	\$52,800	\$175,500	\$9,000
UC of Prescott & Russell	\$57,900	\$192,500	\$9,500
District Municipality of Muskoka	\$48,000	\$159,500	\$8,000
Algoma DSSAB	\$40,500	\$134,500	\$6,500
Sault Ste. Marie DSSAB	\$47,700	\$158,500	\$8,000
Cochrane DSSAB	\$49,900	\$165,500	\$8,500
Kenora DSSAB	\$50,700	\$168,500	\$8,500
Manitoulin-Sudbury DSSAB	\$42,200	\$140,000	\$7,000
Nippissing DSSAB	\$44,200	\$146,500	\$7,500
Parry Sound DSSAB	\$42,500	\$141,000	\$7,000
Rainy River DSSAB	\$50,900	\$169,000	\$8,500
Thunder Bay DSSAB	\$54,600	\$181,000	\$9,000
Timiskaming DSSAB	\$39,800	\$132,000	\$6,500
<b>Ontario</b>	<b>\$59,000</b>	<b>\$196,000</b>	<b>\$10,000</b>

Note: Income levels were determined by 2000 Census data, indexed to 2004.