



Corporate Report

2004

NO: R042:

COUNCIL DATE: February 23,

REGULAR COUNCIL

TO: Mayor & Council DATE: February 17,
2004

FROM: General Manager,
Planning and Development FILE: 4815-20

SUBJECT: The Surrey Home Ownership Assistance
Program - Status Report and Proposed
Funding Allocation for 2004

RECOMMENDATION

It is recommended that Council:

1. Receive this report as information;
2. Authorize funding in the amount of \$450,000 for the Home Ownership Assistance Program (the "Program") for the year 2004, which is the second year of the three year extension to the Program approved by Council in early 2003;
3. Authorize staff to negotiate a new administration agreement with the Greater Vancouver Housing Corporation ("GVHC") for the 2004 Program year; and
4. Authorize the City Clerk to bring forward the necessary expenditure by-law for the required readings.

INTENT

The intent of this report is to:

1. Advise Council of the results of the Program for the year 2003;
2. Obtain Council authorization for funding of \$450,000 for the continuation of the Program in 2004; and
3. Obtain Council authorization for staff to negotiate a new agreement with the GVHC for administering the Program in 2004.

BACKGROUND

In January of 2003, Council approved an extension of the City's Affordable Home Ownership Policy (the "Policy") and the Program for a three year period. This followed the conclusion of the two year pilot project related to the Program. In addition Council authorized staff to review the eligibility criteria, with a view to increasing the opportunities for first-time homebuyers to participate in the Program. In March 2003, Council authorized the staff to enter into an administration agreement with the GVHC for the year 2003 that was similar to the administration agreements of previous years.

In July of 2003, Council approved a series of amendments to the Program criteria, including an adjustment to the income ceiling for eligible households under the Program, based on the 2001 Census. These amendments improved the choice of homes, which could be purchased under the Program and expanded the number of eligible households qualified to participate in the Program. Council also directed staff to report back on an annual basis on the status of the Program.

The 2003 Program year has been completed successfully with 26 households having received financial assistance in purchasing a home under the Program.

A copy of the Policy and the Program are attached as Appendices I and II.

DISCUSSION

A. Results of the 2003 Program Year

- **Program participation increased significantly in 2003**

A total of 26 homes were approved for purchase under the 2003 Program, bringing the total number of households assisted by the Program since its inception to 35. The Program was launched in August 2000. The number of homes purchased under the Program in 2003 is a substantial increase in the level of participation, compared to the nine homes that were purchased under the Program during the pilot phase of the Program during the years 2000 through 2002. The GVHA notes a number of factors which have contributed to the strong interest in the Program over the past year, including a strong residential housing market in Surrey, a growing awareness and familiarity of the Program by real estate agents, developers and first time homebuyers and the modifications to the Program criteria approved by Council in July 2003. These modifications improved the affordability of and choice of homes available to qualified first time home buyers.

- **Increased condominium construction contributed to success of the Program**

The record setting building activity in Surrey in 2003 provided a significant number of multiple residential housing units suitable for first time homebuyers. This contributed to the Program's success, with 50% of the homes purchased under the Program being apartment units. This compared to only 11% in previous years. As confidence returns to the condominium sector, interest in the Program is expected to remain strong.

- **Marketing and promotional initiatives supported the Program**

It has been a priority for both the GVHC and the City over the past year to make information on the Program more accessible to first time homebuyers and to increase awareness of the Program. To launch the three year extension of the Program, the GVHC and City staff hosted a booth at the Greater Vancouver Homebuilders' First Time Homebuyers Seminar held at the Sheraton Guildford Hotel in April 2003. This event was attended by over 800 people from across the Lower Mainland. City staff also launched the Home Ownership Assistance Program

Web Pages on the City's website, which provide direct access to key program information and application forms. Program brochures were available at all City facilities, including libraries and recreation centres and complete information packages were sent to local real estate offices and lending institutions. These efforts have helped raise the profile of the Program. As well, over the past year there have been a number of stories in the media and several real estate firms have incorporated information on the Program in their marketing material and sales promotion.

- **The Program provided more affordability and choice than in previous years**

In July of 2003, Council approved a number of changes to the Program criteria to increase opportunities for first time homebuyers to participate and to improve the range of homes eligible for purchase under the Program. The impact of these changes on participation in the Program is outlined below.

- The majority of purchasers, 23 households, purchased newly constructed homes. Three households took advantage of the new "resale" category of homes eligible under the Program, which includes units with building permits issued on or after January 1, 2000 and covered by the New Home Warranty provisions.
- Two purchasers qualified for the \$20,000 funding available to first time homebuyers purchasing a newly constructed home in the City Centre. The additional assistance is intended to align the Program with other City initiatives to support the redevelopment and enhance the vitality of the City Centre.
- Twenty-three purchasers were residents of Surrey at the time of their home purchase, while three purchasers worked in, but did not live in, Surrey at the time of their purchase. In 2003 the program criteria were expanded to allow households where at least one person worked full time at a job in Surrey, to purchase a home in Surrey under the Program.
- Twenty five percent (25%) of the households are families with children, but the majority of purchasers are single or couple households without children.
- The Program, as adopted by Council, limits the participation to households with annual incomes at least 10% below the average household income in Surrey. This limited households to an income not greater than \$59,000 in 2003, based on Census data. Eight households with annual household incomes below \$41,000 purchased a home under the program in 2003 while nine households, that previously would not have qualified, were able to take advantage of the Program because the income ceiling was raised from \$51,000 to \$59,000 in 2003 Census data. The following chart sets out the household income distribution of purchasers under the program.

Income Range	No. of Households
\$30,000 and less	4
\$31,000 to \$40,999	5
\$41,000 to \$50,999	8
\$51,000 to \$59,000	9
Total 2003 Households	26

- **Proposed funding for 2004**

Given the strong demand for assistance under the Program and the fact that expenditure by-laws related to funding program have not been fully expended in previous years of the Program, it is recommended that Council authorize expenditures under the 2004 Program of \$450,000. This would include \$370,000 of interest earned in 2003 on the Affordable Housing Special Reserve Fund (the "Fund") and \$80,000 of unexpended funds available for the Program under expenditure by-laws adopted in prior years. The policy includes a statement that funding for the Program in any year would be limited to the interest earned on the Fund in the prior year. However, the full amount of the interest earned on the Fund in the years since the Program was implemented have not been expended in providing assistance under the Program, as described in the following section. On this basis, the requested additional allocation of \$80,000 for 2004 is considered reasonable. A similar recommendation will

likely be made for the 2005 Program year as well. It is expected that funding in the amount of \$450,000 per year will be available in the foreseeable future to sustain the Program.

B. Status of the Affordable Housing Funding and Program Funding To Date

Funding to implement the Program is provided through the Fund. The Policy, first adopted by Council in 1998, stipulates that only the interest earned on the Fund is to be used in support of the Policy and related Program. The Fund is to act as an endowment, to ensure the sustainability of both the Fund and the Program over time. The Fund is currently valued at approximately \$8.2 million, which includes the compounding of the annual interest on the principal.

Council has approved expenditure by-laws to support the Program as follows:

- In 2000, \$300,000 was allocated, representing the interest earned in 1998;
- In 2001, \$600,000 was allocated, representing interest earned in 1999 and 2000.

No additional expenditure by-laws have been processed as the demand for the Program in its first two years proved to be slower than anticipated.

An allocation of \$300,000 (which is the estimate of the annual interest on the Fund) enables the Program to assist 17 to 20 households annually, including the costs of Program administration. The previously allocated funding of \$900,000 has the capacity to assist approximately 54 to 60 households.

To date, 35 households have been approved to purchase homes under the Program, representing a total allocation of \$535,000. Administration expenses associated with the Program, primarily through the GVHC, have totalled \$52,000 to date, for a total Program expenditure of \$587,000.

This leaves \$313,000 still available to the Program under the existing expenditure by laws. As noted, the uptake rate of the Program has increased significantly during 2003 in comparison to previous years. There were seven purchases approved under the Program in December 2003 alone.

To ensure that the Program remains sustainable over time, it is recommended that the interest earned on the Fund in 2003, in the amount of \$370,000, be allocated to the Program for 2004 and that \$80,000 of the unexpended funds allocated to the Program by way of expenditure by-laws in prior years, be used to fund the Program for 2004 for a total Program funding allocation of \$450,000 in 2004. It is anticipated that a similar funding recommendation would be made for each of the next three years, at which time the unexpended funds from prior years would be fully expended.

C. Status of the Administration Agreement with GVHC

In response to the three year extension approved by Council in January 2003, the GVHC indicated its willingness to continue to administer the Program on behalf of the City. The Legal Services Division has advised that the City should continue to enter into an annual agreement with the GVHC for each of the three years. The administration agreement with the GVHC for the one year period, entered into in March 2003, is coming to an end. The previous agreements between the City and the GVHC have involved a flat fee for base services provided and a variable fee based on the number of households assisted under the Program, with the cost not to exceed \$30,000 for the year. While it is anticipated that the next administration agreement will be similar, GVHC has indicated that the fee schedule may need to be adjusted to better reflect the costs associated with the evolving demands of the Program. It is recommended that Council grant staff the authority to negotiate a new agreement with the GVHC for the 2004 Program year containing similar provisions as previous agreements and direct that the agreement be forwarded to Council for final approval prior to execution. Administration fees will not exceed 10% of the total Program costs, as has been the case in previous years.

- **Monitoring of Homes Purchased in Previous Years**

Under the administration agreement the GVHC is entrusted with the task of monitoring the homes purchased under the Program, including confirmation that homes purchased under the Program remain in compliance with the program criteria and for transferring to the City any funds that become available from homeowners selling their homes purchased under the Program. During 2003 the GVHC dealt with three homes purchased under the Program that failed to remit the required property taxes to the City. In two of the cases the GVHC was able to contact the homeowners and have the outstanding taxes addressed. The third situation proved to be a foreclosure that resulted in a loss to the City of the second mortgage funds provided to the purchasers in 2001. When Council approved the Program in 1999, the potential for some financial losses under the Program was identified, but was considered a manageable risk given the overall benefits associated with the Program.

CONCLUSION

In 2003 the Program was successful in assisting 26 households with varying incomes to purchase a home, bringing the total number of households assisted under the Program since its inception to 35. The Program appears to have become well accepted in the community. Based on the information in this report, it is recommended that Council:

- Authorize funding in the amount of \$450,000 for the Program for the year 2004, which is the second year of the three year extension to the Program approved by Council in early 2003;
- Authorize staff to negotiate a new administration agreement with the GVHC for the 2004 Program year to be brought forward for approval by Council prior to execution; and
- Authorize the City Clerk to bring forward the necessary expenditure by-law for the required readings.

Murray Dinwoodie
General Manager
Planning and Development

BB/kms/rdd/saw

Attachments

Appendix I - Affordable Home Ownership Policy

Appendix II - Home Ownership Assistance Program

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Appendix I

CITY OF SURREY

AFFORDABLE HOME OWNERSHIP POLICY

Revised June 2003

Primary and Other Objectives:

The primary objective of the Affordable Home Ownership Policy is to financially assist households who reside or work in Surrey and who would not typically be able to enter the housing market due to income constraints to own a home.

Other objectives of the proposed policy include:

- The Affordable Housing Reserve Fund must be a "revolving fund" (i.e., the Fund continues to exist and provide benefit to the City's citizens over time);
- Households who are assisted should not recognize a "windfall" as a result of the application of the policy;
- The use of the Fund should be directed such that Surrey residents and workers are assisted;
- Administration costs associated with the policy's implementation and on-going maintenance should be minimized.

Term:

This policy will remain "active" until March 31, 2006 after which time the policy will be deemed "inactive". Prior to the policy becoming inactive, the City Manager will submit a report to Council which reviews the merits of the policy based on the experience to date and makes recommendations regarding its continuation.

Funding:

Funding to support the implementation of the policy will be provided from the Affordable Housing Special Reserve Fund ("the Fund") and will be approved by Council on an annual basis in conjunction with the adoption of the City's annual operating budget.

Funding in support of this policy in any year will be limited to a maximum of the annual interest earned during the previous year on the principal contained in the Fund.

Target Group:

The policy will be focused on assisting households who are first time homebuyers with incomes below the average household income in the City. The average household income for the City will be based on the most recent Census data and adjusted by the annual changes in the Consumer Price Index to reflect the estimated average household income for the previous year. The average household income in Surrey for the Year 2003 is estimated to be \$65,750 -and the target group for this Policy will have a household income equal or below \$59,000 representing an income at least 10% below the average household income in Surrey.

Amount of Assistance to be provided:

The target reduction in the price of affordable housing units provided as a result of the application of this policy is the lesser of 15% of the market price or \$15,000 for the qualifying dwelling unit. To complement the Whalley Enhancement Strategy adopted by Council in May 2003, an additional \$5,000 of assistance will be provided to participants purchasing newly constructed **Homes** in the City Centre, as defined in the Surrey Zoning By-law No. 12000.

The maximum mortgage of the affordable housing unit purchased by a household through the application of this policy is to be related to the income of the household. The mortgage available from financial lending institutions is typically no more than three (3) times the annual income of the household purchasing the unit.

Where the financial assistance is provided directly to a qualifying household, the assistance may not be used as any part of the "5% minimum down payment" on the affordable home but rather as a reduction in the amount of the first mortgage.

Means by Which Assistance Will be Provided:

The City will enter into an agreement with a non-profit housing society (the "society") to deliver "affordable homes" under this policy. The agreement will ensure that the conditions of this policy are fully respected. The City will provide funding to the society which will then be used to provide affordable homes in the City under one or both of the following options, to be specified by the City in its agreement with the selected non-profit society:

- 1. Home Ownership Development Program** - Affordable housing units will be constructed in Surrey with support from the private sector and/or non-profit housing groups. These housing units will be sold to qualifying Surrey households at a discount below market value. Each of the sponsors will be responsible for absorbing part of the targeted price discount of the housing units. Further study of this option will be necessary before detailed program requirements can be specified and implemented.
- 2. Home Ownership Assistance Program** - Qualifying households will be eligible for an interest free loan to assist in the purchase of a newly constructed housing unit in Surrey. The program requirements and eligibility criteria are as described in the Home Ownership Assistance Program, as amended from time and as adopted by Council.

Recovery of Funds:

Any subsidy on each affordable housing unit provided under the application of this policy will be registered as an interest free "silent" second mortgage on the housing unit and be recoverable by the Fund on any resale of the unit or if the owner(s) of the unit cease(s) to occupy the unit as his/her/their primary residence. The recoverable amount will decrease annually by 10% of the original value of the subsidy to a maximum of 50% of the original value (i.e., if a unit is held for 5 years before sale, the repayment to the Fund would amount to 50% of the original value of the "silent" second mortgage).

Annual Report:

The City Manager will provide, during the first quarter of each year, an annual report to Council on the results of the application of the policy during the previous calendar year.

Legislation:

This policy is subject to any specific provisions of the Local Government Act or other relevant legislation.

Appendix II

CITY OF SURREY HOME OWNERSHIP ASSISTANCE PROGRAM

Revised June 2003

A. PROGRAM OVERVIEW

The home ownership assistance program is aimed at improving the access to *Home* ownership for *Households* who find it difficult due to income constraints to enter the housing market. The *Program* is meant to assist *Households* with incomes at least 10% below the *Average Household Income* in the *City*.

The *Program* will improve access to *Home* ownership in the following two ways:

- By providing an interest free loan to qualifying *Households* towards the purchase of a *Home*, subject to the availability of allocated funds for the Program. The loan will be registered as a Second Mortgage and will be partially forgivable over time.
- By improving home affordability through encouraging developers to offer competitively priced homes to *Participants* in recognition of the marketing opportunity presented by the *Program*.

The administration of the *Program*, including the receiving of *Applications* from interested *Households*, registration

of second mortgages and reporting requirements will be undertaken by a *Non Profit Housing Society* with which the *City* will enter into an *Agreement*.

B. PROGRAM CRITERIA

1. Eligible Households:

Households interested in having the opportunity to participate in the *Program* will need to meet the following eligibility requirements:

(a) *First Time Home Buyer*

An eligible *Household* must include an individual 19 years of age or older, who will be one of the owners of the *Home*, and who:

- (i) Is a Canadian citizen or is lawfully admitted to Canada as a landed immigrant,
- (ii) Has not previously held a registered interest in land, whether in British Columbia or elsewhere that constituted the individual's principal residence, and
- (iii) Has continuously maintained their principal residence in Surrey, B.C. throughout;

(b) Full-time employment

Refers to an individual 19 years or older who works 30 or more hours per week at their main or only job located in the City of Surrey.

(c) *Households*

An eligible *Household* means one or more individuals, 19 years of age or older, who will be the registered owner (s) in fee simple of the eligible *Home* to be registered in the New Westminster Land Title Office, and who have continuously maintained a principal residence in the City of Surrey or continuously maintained *full-time employment* in the City of Surrey for a period of not less than six months immediately before an *Application* is submitted to the GVHC.

(d) *Household* Income and Assets

Eligible *Households* will have a gross annual income 10% below the *Average Household Income* for the City of Surrey. On this basis, the total annual income for eligible *Households* is not to exceed \$59,000 for the 2003 Program year.

The total annual income includes income from all sources, including earned income, all income from public and private pension and disability plans, government income supplements, child support, alimony, unemployment insurance and an imputed income from assets.

Income from assets is determined by exempting the first \$15,000 from total assets and computing the balance at a per annum rate based on the average return for a one year Guaranteed Investment Certificate (GIC). Assets include accounts in banks, trust companies, etc.; stocks and bonds; real estate; equity in a business; Registered Retirement Savings Plans; and cash and other items of potential income earning nature.

The total asset amount held by eligible *Households* is not to exceed the maximum total annual income permitted under the *Program*.

(e) Income Statements

To assist in verification of income and assets, eligible *Households* must submit copies of filed income tax returns for the current year and two previous years, a summary of other financial or investment statements, and such other information as may be necessary to verify the current total annual income of the *Household*;

(f) Surrey Resident

Is an individual who meets the requirements of a *Household*, and resides in the City of Surrey.

(g) Surrey Worker

Is an individual who meets the requirements of a *Household*, does not reside in the City of Surrey.

2. **Eligible Homes:**

The following conditions describe a *Home* that is eligible to be purchased under the *Program*:

(a) *Homes* may be new (i.e. never occupied) or resale (provided the building permit was issued on January 1, 2000 or later) and the *Home* is covered by a new home warranty in accordance with the requirements of the Homeowner Protection Act, and

(b) *Homes* must be located in the City of Surrey.

C. DEVELOPER PARTICIPATION

To increase the level of *Home* affordability provided under the *Program*, the *Non Profit Housing Society* will contact residential developers and builders who are planning or constructing new homes to advise them of the Program and to encourage and identify competitively priced, eligible *Homes* for the *Program*.

D. HOME OWNERSHIP ASSISTANCE PROVISIONS

Participants will be eligible for a loan equal to the lesser of 15% of the market price of a qualifying *Home* or \$15,000. *Participants* purchasing a newly constructed *Home* located in the City Centre are eligible for a loan equal to the lesser of 20% of the market price of a qualifying *Home* or \$20,000. The City Centre is as described in the attached map and as defined in the Surrey Zoning By-law No. 12000. The terms and conditions of the loan will include, but not be limited to the following:

(a) The loan will be interest free and be registered on title as a second mortgage, to be recovered upon resale of the *Home*;

(b) The repayment amount of the loan will decrease annually by 10% of the original loan amount to a maximum of 50%. The annual discount will occur on the anniversary of the registration date of the second mortgage;

(c) The *Home* is to be occupied by the owner during the term of the second mortgage; and

(d) The loan may become due and payable if the terms and conditions of the second mortgage are not fully met at all times.

E. PROGRAM DEFINITIONS

The following definitions apply throughout the Home Ownership Assistance Program:

"Agreement"	means the agreement entered into between the City of Surrey and a Non Profit Housing Society;
"Applicant"	means a <i>Household</i> which has submitted an <i>Application</i> for the opportunity to participate in the <i>Program</i> ;
"Application"	means an application form completed by an Applicant, including supporting documentation submitted to the contracted <i>Non Profit Housing Society</i> ;
"Home"	means the lands and premises, purchased under the Program registered in fee simple in the New Westminster Land Title Office in the <i>Participant's</i> name which will be the principal

	residence of the Participant;
"Average Household Income"	means the gross annual household income that is the mathematical average of all household incomes in the City of Surrey based on the most recent Canadian census;
"Non Profit Housing Society"	means the Non Profit Housing Society selected by the City to implement, administer and monitor the Program and with which the City of Surrey has an agreement;
"Participant"	means an applicant who: (a) has been verified as eligible under the <i>Program</i> ; (b) will be the registered owner in fee simple of the eligible <i>Home</i> to be registered in the New Westminster Land Title Office; and (c) has entered into a second mortgage to purchase a home under the <i>Program</i> ;
"Program"	means the Home Ownership Assistance Program as outlined in this document and referenced in the City's Affordable Home Ownership Policy.