

Request for Decision

Options for Homes Greater Sudbury - Deferral of Development Charges and Other Fees

Presented To:	Policy Committee
Presented:	Wednesday, Aug 11, 2010
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Type:	Managers' Reports

Recommendation

That Council direct staff to dedicate the necessary resources to complete the required analysis in considering assistance to Options for Homes development projects through the deferral of development charges and other fees.

Background

In May of 2007, the Greater Sudbury Development Corporation organized a meeting with various local developers in an effort to address the shortage of housing in Greater Sudbury. It was hoped that developers would address market demand by building multi-unit housing options such as apartments or condominiums.

As a result of the issues raised at this meeting, the GSDC continued its efforts to research different models for multi-residential and achievable housing. The Options for Homes concept was discovered and further investigation revealed that this model could be an ideal type of housing for Greater Sudbury. Options for Homes is a non-profit corporation dedicated to providing quality housing at the lowest possible price. Their goal is to bring home ownership within the reach of families with gross annual incomes as low as \$35,000.

An information session about the Options model was organized by GSDC staff in November, 2007, and was attended by various community stakeholders including real estate professionals, developers, builders, not-for-profit agencies, politicians, etc. In order for the Options model to be successful according to Michel Labbé, President of Options for Homes, a socially-minded individual with experience in building projects is needed to champion the project and manage its development.

With the support of the Mayor Rodriguez, Councillor Janet Gasparini and GSCD Board member Michael Penwarden, a series of meetings was organized to try and recruit someone to champion the project. In April 2008, Tom Corbett, a local entrepreneur, agreed to become the 'Development Consultant' and sign an agreement with Options for Homes to work within that concept.

Signed By

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Since that time, Mr. Corbett identified a site near the downtown core and had begun pre-selling a number of units (over 30) as part of an approximately 100-unit, 8-storey, condominium building. It is important to note that the Options for Homes model relies on very modest marketing initiatives in order to keep costs down, including the good-news stories generally reported in the media about this type of achievable home-ownership. As a result of the modest marketing budget, the economic downturn and some inaccurate negative connotations in the news about the development, one of which that the project will resemble subsidized rental accommodations, sales virtually stopped in the spring of 2009.

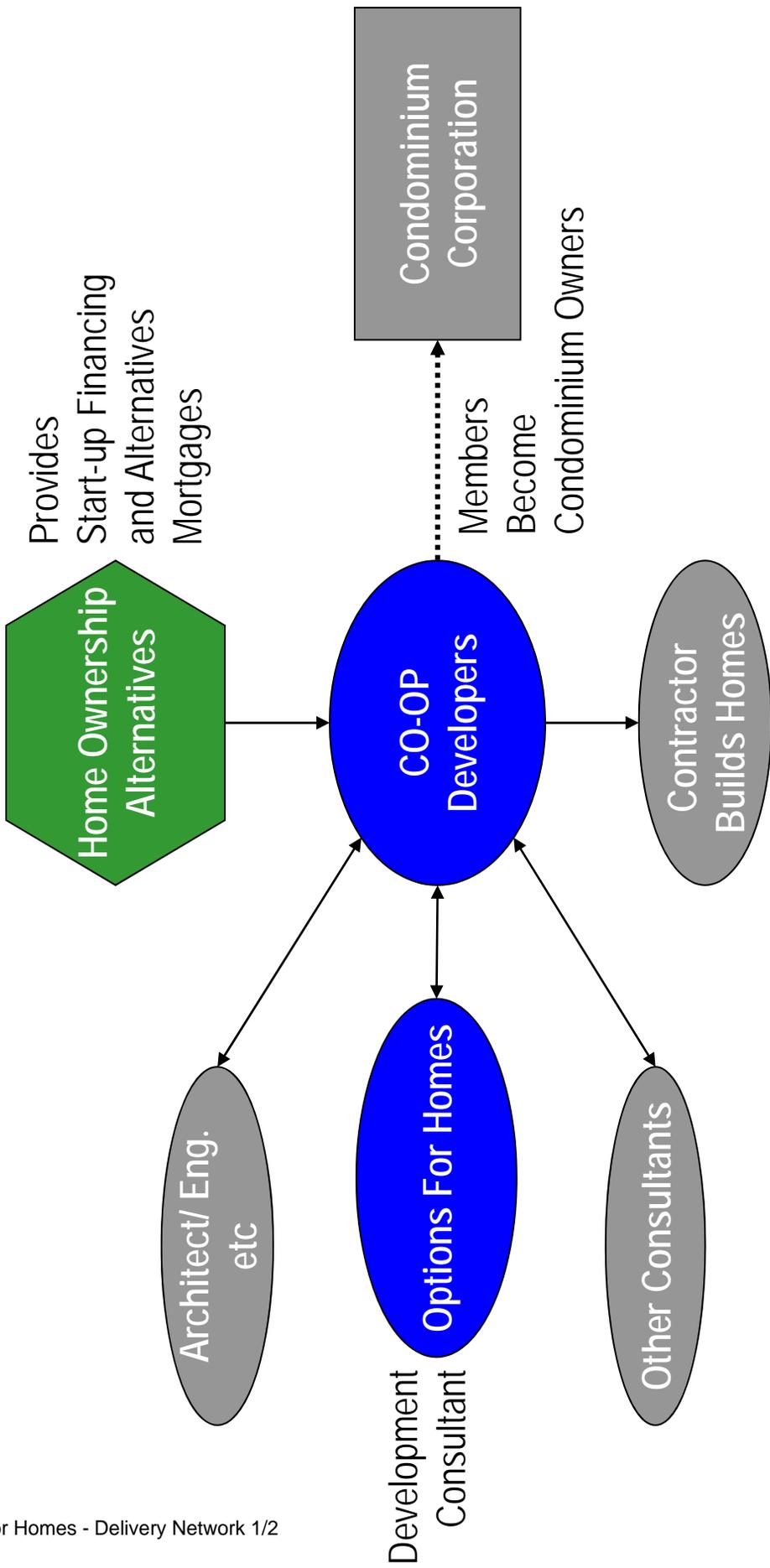
Mr. Corbett is committed to seeing the Options for Homes model be successful in our community and would like to re-initiate marketing efforts. Since being involved with Options for Homes, a province-wide organization has been formed by Options' affiliates in other jurisdictions in Ontario. Mr. Corbett is a founding member of that organization and is also the Treasurer. While the Options concept is well-established in the City of Toronto, the organization's goal is to standardize the Options model and process in smaller communities outside the metropolitan area of Toronto where it is less understood. The City of Toronto, for example, will defer the development charges for a period of time which in turn further defrays the initial costs of home ownership. Home Ownership Alternatives (HOA), Options' sister organization that provides start-up financing and the 'Alternative' mortgages, will guarantee the financial agreement should a homeowner default on paying the applicable development charge within the time limit. Other communities with well-defined affordable housing strategies offer similar assistance.

The general process for a municipality to offer assistance through the deferral of development charges and other fees is by issuing a loan equal to the amount of the fees to be repaid within a defined period of time, 10 years for example, or when the initial purchaser sells their unit. Under the various acts governing municipalities in Ontario, the development charges and building permit fees must be paid before a building permit can be issued. Thus, the municipality pays for the charges and fees and issues a loan to HOA in an amount equal to that total. Since the total is based on the number of units for which homeowners took advantage of the assistance, the loan is repaid when those initial purchasers sell their units or are required to because the time period has lapsed. The value of the development charge and other fees is registered on title and, as previously mentioned, HOA guarantees the full amount.

Mr. Corbett has requested similar assistance be offered to kick-start Sudbury's first Options development. An initial analysis by Mr. Corbett reveals that the value of the development charges, building permit and tipping fees for the proposed development is nearly \$1 million. It is important to note that up to 30% of the Options purchasers do not rely on the HOA second mortgage and other assistance programs such as development charge deferrals.

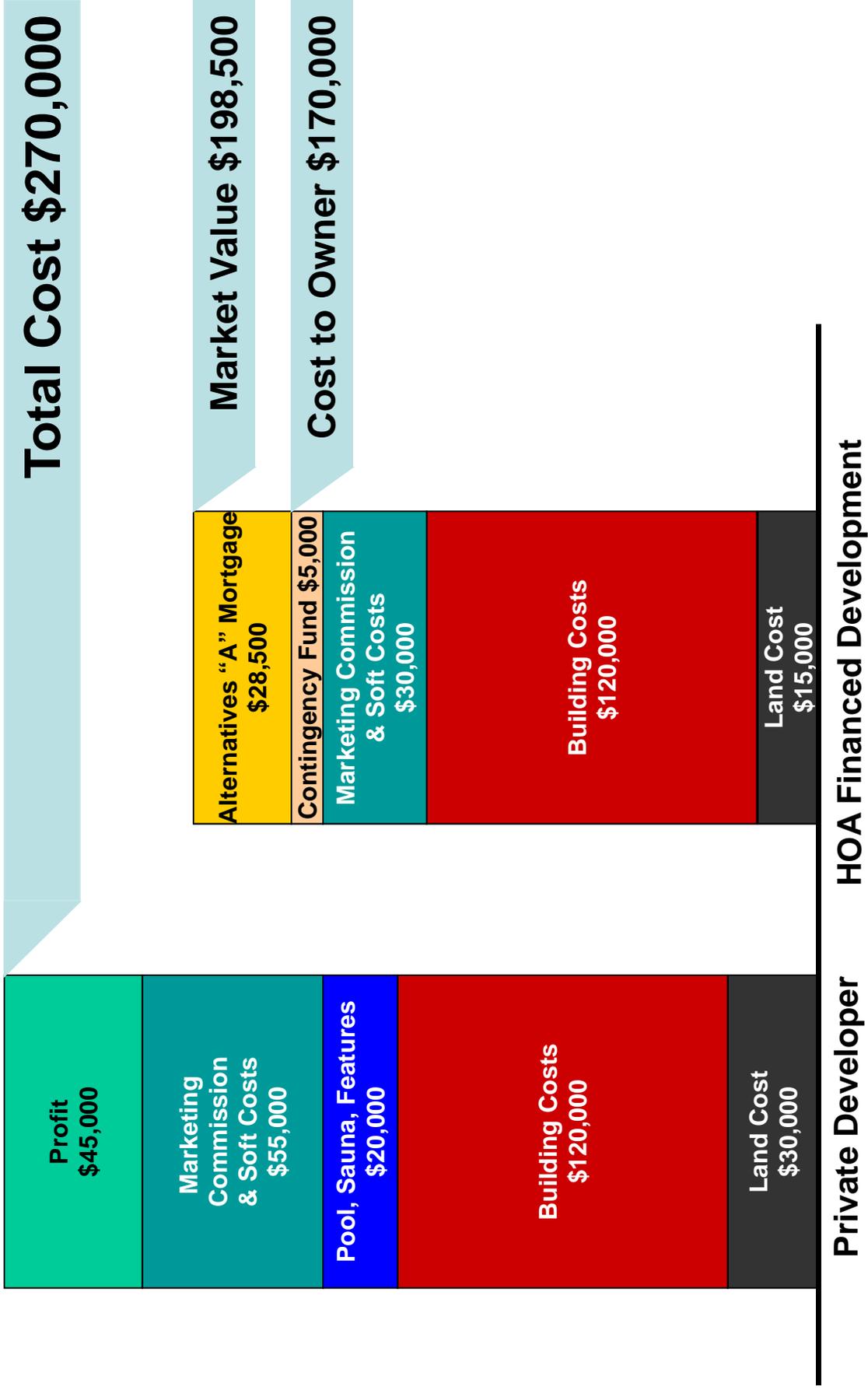
A Non-Profit Delivery Network

Options For Homes - Delivery Network 1/2



...builds successful communities

Private Developer vs Options Model



Options For Homes – Frequently Asked Questions

What is Options For Homes Affordable Home Ownership Model?

Options For Homes (Options) is a private, not for profit, corporation dedicated to providing affordable home ownership for low- to middle-income households. This is made possible because initial purchasers form a co-operative housing corporation retaining Options as a development consultant to build townhouse and apartment condominiums for them to own. The not for profit model eliminates most developer costs including marketing that can go as high as \$20,000 per unit. In addition, projects are designed simply, without frills like pools normally associated with multi-unit condominiums, meaning that they cost at least \$40,000 below similar sized suites in commercial developments. The Options ownership model also means that owners have opportunities at monthly meetings to get to know each other during the building period, which results in stronger communities.

How does the Options Alternative (Second) Mortgage Work?

The value-added Alternative Mortgage is provided by Home Ownership Alternatives Non-Profit Corporation (HOA) and allows purchasers to pay 15% less than the market value of the building or development. These mortgages represent the difference between the market value of the suite and the cost to create the suite. Purchasers make absolutely no payments on this mortgage while they both own and live in their suite. That's because it is designed to assist homeowners, not speculators. When owners sell, the mortgage is repaid in the original amount plus its equivalent percentage of any profit accrued through the increase in the price of the suite. In other words, if the suite has increased in value by 20% then the alternative mortgage has increased in value by the same percentage. That increased mortgage money is then used by Options for Homes to fund new projects. Since this mortgage has no debt service costs, it can be considered as equity and the CMHC counts it as a contribution towards the owner's down payment for the purpose of avoiding mortgage insurance premiums.

For whom can Options provide homes?

Options enable individuals or households with limited resources to own homes by increasing the amount of their Alternatives Mortgage, thereby adding to a purchaser's down payment. With loans from government and other sources, Options now hopes to offer 15% of the homes to households with moderate incomes and 10% to households with low-incomes. In addition, the Options model allows such households, many for the first time, to turn their monthly payments for housing into real equity.

Is Options willing to share its knowledge?

Options is not interested in becoming a national company with offices in each major urban area. Instead they prefer to train and monitor several non-profit organizations in the delivery of the Options concept in their respective regions. If the opportunities were sufficient in any given region, Options would train several organizations. To date, Options is working with organizations in Ottawa, the Kitchener-Waterloo area, Collingwood, Hamilton, Sudbury and Dorset areas of Ontario; the Vancouver area of British Columbia; and in the City of Montreal in Quebec.

What is HOA's relationship to Options For Homes?

Both Options For Homes and HOA were founded by Options' president Michel Labbé but are two distinct corporate entities. Options is a development consultant that advises co-operatives helping them to obtain access to residential land and pre-sell ownership homes to low- and moderate-income households. These co-operatives apply to HOA for pre-construction financing.

How do we make it work?

Simple put:

- 1) Buy land
- 2) Find a community-minded contractor to set a firm price
- 3) Establish a non-profit delivery agency

Where possible, defer municipal costs and use federal and provincial programs to support the initial capital investment further reducing the unit costs to the individual home purchaser.