



Trillium Housing Recommendations to improve ON housing affordability without incurring additional government expenditures.

Presented to Ministry of Finance officials April, 2017 by Joe Deschênes Smith and Richard Owen.

Trillium Housing

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Trillium Housing

Trillium Housing is a new initiative creating housing affordability. Trillium Housing is dedicated to investing in the development of entry level ownership housing and to providing innovative financing to enable modest-income families to own their home.

The Trillium Mortgage is provided to income eligible home purchasers at Trillium Housing developments. The Trillium Mortgage improves housing affordability as it is PAYMENT FREE as long the purchaser owns and lives in the home. At resale (or rent it out), the Trillium Mortgage is repaid including its share of the appreciation in value of the home to that time.

Trillium Housing Non-Profit Principals and Board Directors.

Joe Deschênes Smith, Principal and Director

Richard Owen, Principal

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Dr. Mitchell Kosny, Director

Brigitte Witkowski, Director

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Trillium Housing Accomplishments

- **5 projects under way: Hamilton, Toronto, Eastern Ontario**
- **First non-profit to purchase land under ON surplus land policy**
- **First non-profit to purchase land from Build Toronto for affordable housing**
- **Issued Trillium Housing Bond to impact investors**
- **Negotiated pilot housing investment with ON government and tier 1 Bank**

The following recommendations on 7 topic areas would positively impact on housing affordability both with respect to demand support for modest income Ontarians and through supply measures that would encourage the provision of more affordable housing in Ontario.

1. Regressive Housing Taxes

Background Study

Fixed dollar amount per unit type

Mississauga example:

Regressive DC - \$40,000 per two bedroom

Building 1

Unit price: \$1,200,000

DC: \$40,000

Effective Rate: 3.3%

Building 2

Unit price \$400,000

DC cost: \$40,000

Effective Rate: 10%

Municipal Revenue:

\$80,000



Trillium Housing Recommendation

1. Housing DC Tax RATE

Background Study

Add Unit value forecast

Set rate to raise same revenue

Mississauga example:

DC rate: 5%

Building 1

Unit price: \$1,200,000

DC rate: 5%

DC cost: \$60,000

Building 2

Unit Price: \$400,000

DC Rate: 5%

DC cost: \$20,000

Municipal Revenue:

\$80,000



Trillium Housing Recommendation

2. Progressive Housing DC Tax Rates

Background Study

Add Unit value forecast

Progressive rates

Mississauga example:

DC rates: 2% first \$300,000
 4% \$300,001 to \$600,000
 8% over \$600,000

Building 1

Unit price: \$1,200,000

DC rate: 2% cost: \$6,000
 4% cost: \$12,000
 8% cost: \$48,000

Total DC cost: \$66,000

Building 2

Unit Price: \$400,000

DC Rate: 2% cost: \$6,000
 4% cost: \$6,000
 8% cost: \$0

Total DC cost: \$12,000

Municipal Revenue:

\$78,000

Regressive Housing Taxes

Background Study

Fixed dollar amount per unit type

Mississauga example:

Regressive DC - \$40,000 per two bedroom

Building 1

Unit price: \$1,200,000

DC cost: \$40,000

Effective Rate: 3.3%

Building 2

Unit price \$400,000

DC cost: \$40,000

Effective Rate: 10%

Municipal Revenue:

\$80,000



2. Land Transfer Tax

Current

LTT Rate:

Up to \$55,000: 0.5%

\$55,000 to \$250,000: 1.0%

\$250,000 to \$400,000: 1.5%

\$400,000: 2.0%

Amounts exceeding \$2,000,000, where the land contains one or two single family residences: 2.5%.

Trillium Housing Recommendations

1. Increase progressiveness of LTT

Increase luxury rate from 2.5% to ?

Utilize the new revenue from the higher "luxury" LTT rate to increase the LTT rebate to first time home buyers.

Add an income threshold for the first time home buyer rebate.

2. Exempt Non-Profit Housing Providers from LTT

Any non-profit that purchases land for the provision of affordable housing would be exempt (or receive a 100% rebate) on LTT.

3. Pools of investment Capital

Current

Foundations/charities, pension plans and credit unions currently have minimal investment in the affordable housing sector in ON or investments that have broader positive impact for ON residents or even their members/beneficiaries.

Combined these three sectors have hundreds of Billions of Dollars in Assets.

All three enjoy some combination of:

- preferential tax treatment from the Province
- Specific provincial Legislation and Regulation by the Province
- Funded by the Province
- Governance set by the Province



Trillium Housing Recommendations

Engaging Capital Pools to invest in ON Housing Affordability

1. Definition

By statute, the Province should use the definition of “fiduciary obligation” so that it includes assessing a financial value to the net positive social and environmental good (or bad) of investments, and require those organizations who have “fiduciary obligations” to ensure that their investment decisions include an assessment of the broader impact on ON.

2. Foundations and Charities Tax-Free Status

In exchange for meeting the social and other objectives that donors set when establishing their foundation, they are granted a ZERO tax rate.

In exchange, foundations must meet a disbursement rate of 3.5% of assets.

We recommend that in addition to the 3.5% disbursement rate that foundations and charities be expected to make ON investments that have positive social impact, including affordable housing.

The Province could gradually introduce this new requirement by setting the foundation asset size low and the initial asset allocation to community benefit investment low.

In support of the sector, the Province could create a list of acceptable investments (say, Gov of ON or Housing Provider Bonds).

The goal would be to reduce the cost of capital to those delivering positive community impact and affordable housing.

Trillium Housing Recommendations

Engaging Capital Pools to invest in ON Housing Affordability

3. Pension Plans

Similar to Foundations, ON funded/governed pension plans could be instructed to invest in community benefit funds.

In this instance, we suggest the establishment of an Affordable Housing Fund, which would receive investments from ON –led/funded pension plans.

We suggest this investment start at 1/10 or 1% of assets. Based on a few of ON largest plans, this would result in Fund of over \$300m.

ON could consider “guaranteeing” the Fund return, providing the Pension plans the equivalent of ON Gov Bond rates (2.5%?).

The fund would make a variety of short and long term investments in the affordable housing sector, from energy retrofits, renovations, construction and land assembly loans and long term mortgage financings.

4. Credit Unions

ON should bring in legislation similar to the American Community Reinvestment Act which since the 1970’s has required US banks to make community investments in that country’s poorest neighborhoods.

ON Credit Unions, which are provincially mandated, could have their focus on serving members, expanded to include serving ON communities.

4. Surplus Government Land

ON already gives non-profits priority access to surplus land at market price. (Trillium Housing was the first non-profit to use this process – and is currently buying its third site).

Sites are purchased at appraised market value and usually full payment is required in 60 days.



Trillium Housing Recommendations

1. Expand the program to provide non-profits with a 5-year, interest free repayment period.

Allows for NP's to deliver community benefit infrastructure at reduced financing costs.

A high payment-free amount – say 90% would have greatest impact.

Most surplus sites have been dormant for decades – so the interest free period is a small fraction of the “opportunity loss” already incurred.

The payment postponement could be secured on the land, although it would have to be 2nd to normal development financing.

2. Expand the Land availability to sites owned by ON agencies (like LCBO legacy sites) and surplus school sites.

Agencies and school boards would receive appraised market rate. There might be some “accounting” adjustments required to provide the interest-free component of the repayment.

5. ON Non-Profit Sector

ON has 1,200 non-profit and co-op housing providers housing over half a million Ontarians.

The Non Profit sector was identified by ON government's own Drummond Report as the most cost effective mechanism to deliver public service.

This is clearly evident when comparing government run social housing to non-profit run affordable rental housing.

Only non-profits (like Trillium Housing) provide any housing affordability options in the ownership market.

In the housing sector, non-profits are required to meet all the same Planning, reporting taxation and other government requirements in the development of housing affordability.

Modifications and exemptions to these requirements are often provided at the Municipal level, but are inconsistently available and cannot be planned upon.



Trillium Housing Recommendations

ON should exempt Non-Profit housing providers from many regulatory, planning tax, charges and fees requirements.

Exemptions from housing related charges/fees/taxes could include:

- Development Charges
- Building and Planning fees
- CMHC insurance
- Parkland and other dedications
- Land Transfer Tax
- Tarion registration
- HST
- Property Tax
- Etc

Any lost revenue could be recouped by a small increase in the overall rates applied to the for-profit sector.

The Planning Act (and others) could require Municipalities to provide non-profits with "special status" or more flexibility in meeting their requirements and in the Official Plans, zoning and other regulations related to the provision of housing.

Clearly would not apply to safety issues.

6. Pilot Projects

Trillium Housing received support from ON with a \$1.5 million pilot project.

Loan obtained from TD Bank.

Pilot successfully launched with first investment in Toronto project delivering 62 townhouses.

Second pilot in Pickering investment awaiting APS for site purchase from IO (waiting since Feb 2016).

Combined with Municipal support, forecast to deliver over \$5 million in housing affordability support through the provision of Trillium Mortgages to income eligible families.



Trillium Housing Recommendations

1. Expand Pilot Loan

We recommend expanding the current ON Pilot Project loan guarantee from \$1.5million to \$10 million.

Using the current investment ratios, we forecast over 600 new affordable housing units would be created.

Implementation could be very quick as Agreements are already in place and could be easily amended.

2. Pilot High Profile surplus ON sites

ON has high profile sites in Toronto, hottest housing market, where it could demonstrate both receiving fair market value for surplus land as well as delivery of housing affordability.

Trillium proposes to pilot its proposed surplus land recommendation on the former Pan Am sites owner by ON or the former ON Coroner's office buildings.

Large 5 year VTB (interest free) would create the value that Trillium Housing could leverage to sizeable housing affordability to many of the purchasers at these sites.

Trillium has proposed the same structure to create a Community Hub on the Pickering lands referenced earlier.

Create truly mixed-income communities.

7. Comparison: IAH RENTAL to Trillium Housing Ownership

Comparison starts with equal \$250,000 contribution (A GRANT for IAH rental versus a LOAN for Trillium Housing ownership)

IAH Rental Program

Funding:	\$250,000 GRANT (source: IAH, city fee/tax waivers)	
Units Built:	1	
Affordability:	\$989 Monthly rent	80% of AMR (figures from City)
Duration:	20 years	
Families assisted:	1	
Household Income:	\$39,552 (at 30% income to housing, per City)	
Family Equity 10yrs	ZERO	
Funding Repayment:	NEVER	



Funding:	\$250,000 secured <u>LOAN</u>	
Units Built:	30 (assume TH matches government funding of \$250k and partners 50/50 with builder – total equity of \$1m)	
Affordability:	\$ 1,164 Monthly carrying cost	
Trillium Mortgages	\$720,000 (\$250,000 funding plus project return)	
Families assisted:	6	
Household Income:	\$39,920 (Trillium Mortgages set to match IAH income target)	
Duration:	25 years	
Family Equity 10 yrs	\$129,905 (x6) 1 st Mortgage capital repayment + Home Value Appreciation	
Funding Repayment	\$335,979 Initial loan PLUS share of Home Value Appreciation.	

Assumptions for Trillium project, 30 units are 750 sq ft selling for \$300,000. Development return of 12% on revenue. Purchasers receiving Trillium Mortgage of \$120,000 and provide 5% (\$15,000) down-payment. Bi-weekly Mortgage payment of \$422 based Bank of Canada posted 5 year closed rate of 4.64%. Additional carrying cost of \$250 monthly condo taxes/costs. Household income calculated at 35% of income to housing cost reflects home equity contribution. 10 year Unit value appreciation at 3%/yr = \$103,170-

