

Trillium Housing Recommendations to City of Toronto Affordable Housing Strategy Update.

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About Trillium Housing

Trillium Housing creates housing affordability. Trillium Housing invests in the development of entry level ownership housing and provides innovative financing to enable modest-income families to own their home.

The shared-equity Trillium Mortgage is provided to income eligible home purchasers and is “customized” to the financial/housing needs of each family. The Trillium Mortgage improves housing affordability as it is PAYMENT FREE as long the purchaser owns and lives in the home. At resale (or rental of the home), the Trillium Mortgage is repaid including its share of the appreciation in value of the home to that time.

At Trillium Housing’s project The LOOP in Toronto outstanding housing affordability results were achieved. Average household incomes were \$66,000 and Trillium Mortgages reduced housing costs on average by **\$500 PER MONTH**. 31 kids are being housed because of Trillium Housing including 8 single-parent led families.

These outcomes were achieved even while paying the City over \$5 million for market-price land purchase and Development Charges. We

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credit the City for LENDING to our project less than half that amount was paid to the City to be used as a top up to our Trillium Mortgages.

Trillium Housing Non-Profit Principals and Board Directors.

Joe Deschênes Smith, Principal and Director
Richard Owen, Principal
Fred Heller, Principal

Dr. Mitchell Kosny, Director
Brigitte Witkowski, Director
Sharad Kerur, Director
Erik Koudstaal, Director
Peter Friedmann, Director

Trillium Housing Accomplishments

- 4 projects under way: Hamilton, Toronto, Pickering
- 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 Toronto.

1. Regressive Housing Taxes

Trillium Housing proposes that Toronto replace regressive new housing charges and fees and with a Flat Rate (%) or Progressive rates system. This is possible under the City of Toronto Act.

The Trillium Housing proposal would use the same background study to set a revenue target but replace the regressive charge with a Flat Rate or Progressive rate system.

Examples are provided of how the proposed elimination of regressive housing charges would reduce costs for lower priced housing and provide equivalent revenue. The examples are based two projects and assume a \$40,000 DC per 2 bedroom unit.

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Today

Current Fixed Dollar Development Charge

Regressive DC - \$40,000 per two bedroom

Building 1

- Unit price: \$1,200,00
- DC: \$40,000
- Effective Rate: 3.3%

Building 2

- Unit price \$400,00
- DC cost: \$40,000
- Effective Rate: 10%

Municipal Revenue: \$80,000

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Proposal

Trillium Housing Recommendation

1. Housing Development Charge Flat Rate

DC Flat 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

DC SOLUTION #2 -

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Current Fixed Dollar Development Charge

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

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Trillium Housing Recommendation**Development Charge Progressive Rate**

Progressive 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

2. Land Transfer Tax

Trillium Housing proposes two amendments to the Toronto Land Transfer Tax. The first would increase the progressive nature of the tax while remaining revenue neutral. Increasing the LTT rate on luxury homes while reducing the rate on entry level homes.

The second recommendation proposes that non-profit housing providers be provided an exemption (or zero rate) for Land Transfer Tax purposes.

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Current Land Transfer Tax

Land TT 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%.

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Two Trillium Housing Recommendations to improve LTT

1. Increase progressiveness of LTT

Increase luxury rate from 2.5%

Utilize the new revenue from the higher “luxury” LTT rate to reduce the LTT on lowest tiers or increase the rebate available to first time, income-eligible 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. Investment in housing affordability

Current

The City currently holds Billions of dollars in a variety of reserve accounts. While some have immediate use, many have been in place for extended periods of time. Over the last 2 decades the rate of return on the invested funds has typically been below 2%. The current investment of these funds does NOT provide direct economic benefit to the City nor does it provide any social or public policy benefit.

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Trillium Housing Recommendations

How Cities can stimulate Investment in Housing Affordability

1. City Reserves

Toronto should allocate a percentage of its reserves to be invested in housing affordability in the City.

Starting at an extremely small amount of 1% of reserves would generate tens of millions of new investment in affordable housing in the City.

An example of an investment opportunity would be the Trillium Mortgage Fund. Better than the recently announced New Home Buyer Incentive program, the Trillium Mortgage Fund will “right size” the shared equity mortgage provided to each family.

This investment by the City would directly support income eligible Torontonians.

The investments would NOT be exposed to development risk – as Trillium Mortgages are only issued once units are constructed.

The investment is a mortgage – so the City investments are secured on title of newly built housing stock.

If the City made investments available, other affordable housing providers would provide opportunities for the City to get a financial return AND support housing affordability in the City.

In the future, the Reserves Impact Investments could be increased based on availability of appropriate investment opportunities.

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2. Definition of “fiduciary obligation”

Without spending a dime, the City should set as policy that any investment that it makes or that is made on its behalf by third parties (like pension plans) 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 advisers or staff who have “fiduciary obligations” to ensure that their investment decisions include an assessment of the broader impact on Toronto and its communities.

This would reverse the narrow financial focus of investment advisors and require them to take a broader view of the investment advice they are providing.

4. Surplus Government Land

Unlike the Province of Ontario, Toronto DOES NOT provide non-profits priority access to surplus land at market price. (Trillium Housing was the first non-profit to use this Ontario process – and has purchased three sites).

Under the Ontario process, sites are purchased at appraised market value and usually full payment is required in 60 days.

In some instances, the City of Toronto has sold sites at below market rates and provided tax and charges waivers in processes designed for for-profit developers/landlords.

Trillium Housing Recommendations

1. Priority Consideration for Non-Profits

The City should adopt the provincial program and expand on it to provide non-profits not only priority access to purchase surplus sites but also provide a 5-year, interest free payment period (or a Vendor-take-back (VTB) mortgage).

This would allow for NP's to deliver affordable housing at reduced financing costs.

A fully secured, payment-free VTB – of, say, 90% of the land value, would have greatest impact.

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

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

The benefit would accrue to either non-profit led development of rental or ownership housing.

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2. Expand the Land availability to sites owned by other governments & agencies

The City receives access to many sites from other governments which are NOT available to non-profits like agency sites and surplus school sites. The City should explore circulating these sites to Non-Profits and to broker the purchase of the sites on behalf of non-profits that identify opportunities to provide affordable housing. In this case, the zero-interest-rate VTB would not be possible unless the City decided to put up the cash to purchase the sites.

5. ON Non-Profit Sector

Toronto has hundreds of non-profits and co-ops providing housing to thousands of Torontonians.

The Non-Profit sector has been identified in many studies 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.

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Trillium Housing Recommendations to support Non-Profit Sector

Toronto 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
- Construction insurance
- Parkland and other dedications
- Land Transfer Tax
- Property Tax

Revenue neutral. Since the number of non-profits in the overall market is very small, any lost revenue could be recouped by a small increase in the overall rates applied to the for-profit sector.

Toronto should recognize the superior quality and lower-cost-delivery of the non-profit sector by providing non-profits with “special status” and more flexibility in meeting their Planning requirements and in the Official Plans, zoning and other regulations related to the provision of housing.

6. New National Housing Strategy Funds

The province has announced that it will soon release the details of the renewal of the Federal/provincial funding programs to deliver housing affordability in the Province.

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Trillium Housing Recommendation for New Housing Funding

This is the time to redesign the current myriad of City programs to deliver housing affordability.

The renewed programs should focus on clear outcomes and should reduce the administrative burdens, overheads and secondary requirements which increasingly burden city proposal calls.

Simple outcome requirements would also eliminate the current biases in the programs. The first focus should be on the income of the families housed. This would be compared to a FAIR assessment of the program cost to achieve this outcome. Current “silo” programs DO NOT allow for this fair comparison.

To be clear, the City should NOT consider a GRANT as an equal contribution as a LOAN. Equally, the programs should not be biased against (or for) one type of tenure type of another.

7. Inclusionary Zoning

The province has provided municipalities with flexibility in designing Inclusionary Zoning programs.

Conventional thinking with respect to inclusionary zoning pre-concludes that the model only works for rental stock and with large financial costs to overall development costs of housing projects.

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Trillium Housing Recommendation for Inclusionary Zoning

Trillium Housing has developed a “turnkey” program that would permit municipalities to implement Inclusionary Zoning Policies. The IZ Turnkey uses the Trillium Mortgage to provide housing affordability financing for income-eligible families. The program also encourages the development of entry-level priced housing.

One of the great strengths of the Trillium Housing IZ Turnkey is that it leaves the choice of where to live with FAMILIES, and not with bureaucrats.

The proposal requires NO new city staff. It DOES NOT require long term management of rental assets by unwilling developers.

Finally, contributions under the IZ Turnkey (by the City or developer) are INVESTMENTS in Trillium Mortgages and are repaid in full.

The IZ Turnkey does NOT add additional costs to the development pro forma as development investments in the IZ Trillium Mortgages comes at the end of a housing project at the time of profit disbursement.