

**HOUSING HUB**

BUILDING PARTNERSHIPS. BUILDING HOMES.

# AFFORDABLE HOMEOWNERSHIP PROGRAM



**PROGRAM FRAMEWORK**

January 2019



## INTRODUCTION

In 2018, the Province of British Columbia announced the creation of the HousingHub, through which BC Housing partners with non-profit and for-profit sectors, faith groups, and other levels of government to identify and advance innovative approaches to locate, use, or repurpose land in communities where affordability is an issue.

The Affordable Home Ownership Program (AHOP) is delivered by BC Housing through the HousingHub to support the development of new, affordable homes for eligible home buyers. AHOP will provide an opportunity for households to access market ownership housing, further supporting the variety and range of affordable housing options in British Columbia. By providing interim construction financing at reduced rates and leveraging land and other contributions from project partners, units will be made available at 5-20% below market value for eligible home buyers, with the difference secured by an AHOP mortgage registered on title.

Figure 1: Housing Spectrum



This program framework outlines the overall program intent, goal, principles, target populations, core elements, standards and guidelines, monitoring and reporting requirements, and defines the roles and responsibilities of project partners in the delivery and management of the Affordable Home Ownership Program.

## PRINCIPLES

The following principles guide how BC Housing implements and administers AHOP, and our relationship with partners and government.

- 1. Affordable housing is established in communities where there is demonstrated demand**
- 2. BC Housing considers environmentally sustainable practices a priority and encourages commitments to this end**
- 3. Projects are consistent with regional and community priorities and plans**
  - a) Community support for the project should be evident.
  - b) Projects should be consistent with any official community plans and strategies.
- 4. Program partners are expected to maximize their equity contribution**
  - a) Proceeds from the repayment of AHOP mortgages are reinvested back in to affordable housing within the same community.

## **AFFORDABLE HOME OWNERSHIP PROGRAM (AHOP) – PROGRAM FRAMEWORK**

### **5. Operations are transparent and accountable**

- a) BC Housing will employ fair and consistent processes when evaluating and selecting projects.
- b) Project partners will maintain reliable and consistent records and fulfil reporting obligations to BC Housing.

## **PROGRAM PURPOSE**

### **OBJECTIVE**

Increase the supply and range of affordable home ownership options for eligible households across British Columbia and support the transition to home ownership.

### **OUTCOME**

- Middle Income households are supported to move into home ownership

### **OUTPUTS**

- New affordable home ownership units created in communities with housing need
- Interim construction financing approved for new projects
- AHOP mortgages registered on title

### **MEASURES**

- Number of home ownership units sold to eligible households
- Total amount of interim construction financing approved
- Total value of AHOP mortgages
- Average AHOP mortgage as percentage of Market Value

## **FUNDING**

Affordable home ownership units are created using BC Housing's low interest interim construction financing and equity contributions from project partners. Together, these contributions effectively reduce the cost to eligible purchasers, with the value secured by an AHOP mortgage.

### ***Interim Construction Financing<sup>1</sup>***

BC Housing will provide interim construction financing for the development of affordable home ownership units. Interim financing may be approved up to 100% of the cost to complete the affordable housing project and will be registered as a repayable loan on title. This loan will be repaid with the proceeds from the sale of individual units and discharged accordingly. A predetermined number of presales will be required prior to the advance of funds.

The overall form of security registered on title will vary depending on the project structure and partnership roles. BC Housing will typically require execution and registration of BC Housing's standard mortgage security package.

### ***Partner Contributions***

Partnerships are encouraged to leverage additional units and further increase the affordability of housing units. Partner contributions may include capital funding, land or other equity contributions. Partners may be non-profit housing providers, government agencies, the private sector or other community organizations.

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<sup>1</sup> Financing is subject to BC Housing's Lending Criteria.

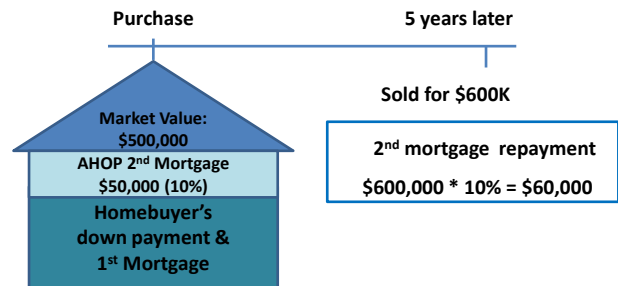
## AFFORDABLE HOME OWNERSHIP PROGRAM (AHOP) – PROGRAM FRAMEWORK

A second repayable loan will be registered prior to construction to secure the full value of these contributions. Repayment and partial discharges will occur as corresponding AHOP mortgages are provided to eligible purchasers.

### **AHOP Mortgages for Purchasers**

AHOP units are sold to eligible purchasers at their full market value, with the AHOP mortgage registered on title<sup>2</sup> and credited towards the purchase price at closing.

The mortgage will be for a 25 year term, interest and payment free, open to repayment in full at any time. At repayment, the home owner must repay the proportionate share of the current fair market value of the home. For example, if the home was purchased with a 10% AHOP mortgage, the home owner must repay 10% of the current fair market value at the time of repayment.



The home buyer will own the property outright and have the full benefits, rights and responsibilities of home ownership, and must maintain the home as their principal residence<sup>3</sup> for the first 5 years of the AHOP mortgage term. The buyer will be permitted to sell the property on the open market at any point, provided they repay the AHOP mortgage at that time.

The AHOP mortgage becomes due and payable upon any of the following:

- Default on the 1<sup>st</sup> or AHOP mortgage<sup>4</sup>
- Sale of the home or other change of ownership
- The home ceasing to be the home owner's principal residence during the first 5 years<sup>5</sup>
- The end of the 25 year mortgage term

At repayment, the home buyer must payout the AHOP mortgage in full and may choose to refinance through the lender of their choice.

### **AHOP Funds**

Proceeds from the repayment of AHOP mortgages will be reinvested in affordable housing within the same community, ensuring the contributions to the project continue to be applied to affordable housing. Where an AHOP mortgage is paid out upon resale, the purchaser (if eligible) may apply to BC Housing for an AHOP mortgage equal to the repayment amount. BC Housing will work with municipalities and project partners to leverage these funds, and project partners may establish additional requirements within the guidelines of this Program Framework.

<sup>2</sup> The AHOP mortgage will be registered in favor of BC Housing in 2nd position, behind the mortgage obtained to purchase the home. No other financing will be granted in priority to the AHOP loan.

<sup>3</sup> Principal residence is defined as the home that is designated (and is eligible to be designated) as the owner's principal residence for tax purposes, and where all persons registered on title live permanently for at least 6 months per year in a self-contained unit with access to all living facilities at all times to conduct their daily activities (such as: cooking, sleeping and receiving mail) and is the residential address used by the persons registered on title on documentation including but not limited to identification, vehicle registration and income tax returns.

<sup>4</sup> Events of mortgage default will include not maintaining the home as a principal residence for the first five years, non-payment of property taxes or strata fees, and misrepresentation of eligibility.

<sup>5</sup> During the first five years of the 2<sup>nd</sup> mortgage term, units may not be rented or leased without prior written approval of BC Housing, granted only in demonstrated cases of hardship.

### PROJECT ELIGIBILITY

BC Housing will consider proposals for funding through an open call for submissions. The evaluation of submissions will be based on proponent and project eligibility, need and demand, lending criteria and available financing. The following minimum eligibility requirements must be met<sup>6</sup>:

- The site must be suitable for affordable housing.
- Housing must be affordable for eligible households.
- The project partner must demonstrate demand for affordable ownership units in the target community and that the project is consistent with community priorities and plans.
- The project partner must present a clear business case for the project including satisfying any pre-determined pre-sale requirements and demonstrating sales revenues will be sufficient to fully repay the interim construction loan.
- The project partner is required to bring equity to the development in the form of cash, grants, municipal reductions, or unencumbered land.

In addition to the minimum eligibility criteria, project partners are expected to have experience and knowledge of the home ownership market in the target community. Greater consideration should be given to projects where:

- Eligibility requirements are simple with minimal ownership restrictions consistent with program guidelines.
- Ownership costs are favourable against local market ownership costs and rents.
- Location is favourable, including proximity to amenities. Unit size, layout, design and finishing is modest, yet well-aligned with the expectations of the target market.
- The character of the target market suggests that proposed units will sell in a timely manner.

While all project partners must meet these basic requirements, BC Housing may prioritize projects based on available financing and other determining factors, such as:

- Greater need and demand/community impact
- Greater affordability
- Larger equity contribution
- Geographic location

### KEY PROGRAM ELEMENTS

#### *Home Buyer Eligibility*

All individuals who will have an interest in the home registered on title must meet all the following eligibility requirements:

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<sup>6</sup> BC Housing may require additional guarantees or security in certain cases as it deems appropriate.

## AFFORDABLE HOME OWNERSHIP PROGRAM (AHOP) – PROGRAM FRAMEWORK

- Canadian citizen or permanent resident;
- Resided in British Columbia for the past 12 months;
- Not own an interest in real property anywhere in the world, and currently live in rental housing or another non-ownership tenure (e.g. living with family).
- Combined, gross household income of all individuals on title must not exceed the applicable Middle Income Limit defined as follows:
  - **Units with two or more bedrooms:** Middle-income households are those whose gross household income does not exceed the 75<sup>th</sup> income percentile for families with children, as determined by BC Housing from time to time.<sup>7</sup>
  - **Units with less than two bedrooms:** Middle-income households are those whose gross household income does not exceed the 75<sup>th</sup> income percentile for families without children, as determined by BC Housing from time to time.<sup>8</sup>

### ***Project Guidelines***

As development projects vary considerably, these guidelines will be applied as appropriate:

- Keep eligibility as broad as possible within program objectives to create a sufficient pool of eligible buyers.
- Design projects so that buyers can build equity consistent with equity gains in the housing market.
- Maintain a balanced design approach, such that modest units are affordable to households within the income eligibility requirements, while unit appeal is sufficient to ensure sale.
- Collaborate with municipal and community partners to ensure local needs for affordable home ownership are met and there is sufficient demand for the types of units being built.
- Create a marketing strategy during the planning phase and incorporate advertising to target eligible households that may not be actively looking to purchase a home.

### ***Development Guidelines***

Projects are encouraged to meet or exceed the BC Housing Design and Construction Guidelines ([http://www.bchousing.org/Partners/Standards\\_Procurement/Standards](http://www.bchousing.org/Partners/Standards_Procurement/Standards)). Provincially funded units must meet high standards of environmental sustainability, including low GHG emissions. Certifications may include LEED, R2000, Passive House or other equivalent.

## **ROLES AND RESPONSIBILITIES**

### ***BC Housing***

- Evaluating project proposals.
- Providing or facilitating interim construction financing.
- Monitoring and evaluating the success of the program.
- Ongoing administration and monitoring of AHOP mortgages.

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<sup>7</sup> BC Housing determines this figure using data released by Statistics Canada - Income Statistics Division: *T1 Family File – Custom Tabulation British Columbian Couple Families (With Children)*.

<sup>8</sup> BC Housing determines this figure using data released by Statistics Canada - Income Statistics Division: *T1 Family File – Custom Tabulation British Columbian Couple Families (Without Children)*.

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#### ***Project Partners***

- Coordinating the design and construction of developments.
- Coordinating the sale of the units to eligible home buyers, including verifying home buyer eligibility. The project partner will establish a contract of purchase and sale with eligible buyers that reflects program guidelines and includes:
  - Owner occupancy requirements.
  - Provisions relating to any purchase options or default on any mortgage.
  - Provisions relating to AHOP mortgages, including repayment requirements.
  - Condition precedents such as a Statutory Declaration of Intent with respect to eligibility and the home buyer's ability to obtain 1<sup>st</sup> mortgage financing.

### MONITORING AND REPORTING

Monitoring ensures program compliance and minimizes risk to all stakeholders, including residents, project partners and BC Housing.

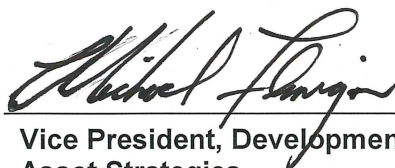
BC Housing's main interests are:

- Affordable housing is maintained for target households.
- Construction standards and value for money are met.
- Project partners meet contractual obligations.

BC Housing and project partners will implement a system for periodic monitoring to ensure ongoing compliance with mortgage terms, and may require proof from the home owner that the property is being maintained as their principal residence.

### SIGN-OFF

This Program Framework requires final sign-off by BC Housing's Vice-President of Development and Asset Strategies and Vice-President of Corporate Services.



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Vice President, Development and  
Asset Strategies



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Vice President, Corporate Services