

The Blue Mountains Attainable Housing Corporation

2016 Housing Strategy

Background

A recent Grey County study has revealed that between 2006 and 2011, the median household income in The Blue Mountains increased 12.5% while the average value of dwellings went up 22.5%. This suggests that incomes are not keeping pace with housing costs. The Housing Strategy proposed here is an important tool to be considered in helping to reduce the impact of this trend.

In the study, “County of Grey Housing Data 2015 Update”, low and moderate income households (the lowest 60% of the income distribution) in The Blue Mountains were found to be able to afford a maximum purchase price of \$386,428. (This calculation assumed a 10% down payment, 25-year amortization and 4.06% interest rate.) Yet in 2015 the average MLS resale price was \$603,924, representing a considerable gap in home ownership affordability.

The Town of the Blue Mountains has experienced considerable change over the past 20 years primarily due to the attractiveness of the area to second home owners, retirees and vacationers. The vast majority of housing units in the The Blue Mountains are owned (86% according to the 2015 study). We have seen increases in ownership units and a proportionate decrease in rental stock. From 2001-2011 only 20 rental units were constructed in The Blue Mountains, compared to 560 ownership units. A low interest rate environment, together with the high cost of land and high cost of construction, make new ownership units a more attractive development option. The lack of supply of rental housing that is affordable even at the moderate income levels profoundly impacts the long term social and economical health of our community.

For these reasons, the Housing Committee and subsequent The Blue Mountains Attainable Housing Corporation have been tasked with recommending, developing and implementing attainable housing policies and programs.

Council agreed to the creation of an attainable housing corporation wherein the business plan was based on purchasing and leasing land at rates below mortgage rates available on the open market. This business model no longer works in a low interest rate environment.

Moving Forward

With the creation of the Corporation we are uniquely positioned to act as an advocate, catalyst and provider of attainable housing programs, both rental and ownership. The Blue Mountains

Attainable Housing Corporation needs to expand its vision and address a wide range of needs for attainable housing in The Blue Mountains and help fulfill attainable housing goals laid out in the Town's new strategic plan.

The Attainable Housing Corporation has developed the following new goals.

Goal 1:

Augment the supply of rental accommodation

- Strategy
 - Encourage secondary suites in existing homes and
 - Encourage secondary suites in adjacent structures
 - Provide financial assistance in the building of secondary suites
 - Corporation to provide a 10% grant up to \$5,000 to assist a homeowner to construct a secondary suite
- Benefit
 - Create rental units for lower income residents
 - Help defray home carrying costs for homeowners
 - Help seniors stay in their existing homes with additional income
 - Help new home buyers purchase homes in TBM through additional rental income
- Funding Mechanism
 - The Blue Mountains Attainable Housing Corporation currently has budgeted funds available for this program
 - Secondary suite conversions would be partially funded in the amount 10% of conversion cost to a maximum of \$5,000
 - Funds would be advanced upon issuance of an occupancy permit
 - Location of secondary suites is not restricted but must be in The Blue Mountains

Goal 2:

Increase home ownership affordability through down payment assistance

- Strategy
 - Provide down payment assistance for eligible home purchasers in The Blue Mountains based on the latest housing data from Grey County
- Benefit:
 - A reduced payment could encourage young individuals / couples / parents to make The Blue Mountains their home
 - Improving homeownership affordability for young people and families will increase the Town's diversity and the sustainability of its schools and community facilities
 - Improved diversity of homeowners will bring improved economic prosperity in The Blue Mountains

- Funding Mechanism
 - Corporation to fund down payment assistance up to 5% of home purchase up to a maximum of **\$19,300**. Applicants are required to have a minimum down payment of 5% of their own funds
 - Assistance will be in the form of an interest free loan
 - Housing Corporation will finance the loans using funds borrowed from the Town
 - Housing Corporation to budget for loss of interest as an expense
 - Capital is to be repaid after 20 years of occupancy or upon the following circumstances: sale of property, refinancing, mortgage default, or the unit is no longer the principal residence of the purchaser
 - Down payment assistance funding would be secured through a 2nd mortgage, or 3rd mortgage in the case of Grey County down payment assistance

Conclusion:

This revised, broader (2016) Attainable Housing Strategy proposes to augment the supply of secondary suites for rent, and to increase home ownership affordability through down payment assistance. Goal #1 is for a period of five years and Goal #2 is for a period of 20 years.

Goal #1 will be financed by The Blue Mountains Attainable Housing Corporation through its annual budget. Goal #2 will be financed from funds borrowed from the Town, with capital repayment only. The loans will be secured with either a second or third mortgage on the property. The Blue Mountains Attainable Housing Corporation will be the prime lender using funds from the Town of The Blue Mountains. The programs will be reviewed annually.

Two readily identifiable risks would be an interest rate risk involving an opportunity cost for the Town if interest rates rise, as well as mortgage default risk, both of which can be mitigated through the budgeting process.



The Blue Mountains Attainable Housing Corporation

2016 Attainable Housing Strategy

Information Presentation to
Town of The Blue Mountains Committee of the Whole
May 16, 2016

2016 Attainable Housing Strategy

- In 2013 Council agreed to the creation of an attainable housing corporation. The business plan was based on purchasing and leasing land at rates below mortgage rates available on the open market. This business model no longer works in a low interest rate environment.
- In the recent County of Grey Housing Data 2015 Update, new light has been shed on our community's attainable housing situation
- Between 2006 and 2011, the median household income in The Blue Mountains increased 12.5% while the average value of dwellings went up 22.5%. This suggests that incomes are not keeping pace with housing costs.
- The Housing Strategy proposed here is an important tool to be considered in helping to reduce the impact of this trend.

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- Considerable change over the past 20 years primarily due to the attractiveness of the area to second home owners, retirees and vacationers with preference to develop and build private residences
- From 2001-2011 only 20 rental units were constructed in The Town of The Blue Mountains, compared to 560 ownership units
- The lack of supply of **rental housing** that is affordable even at the moderate income levels profoundly impacts the long term social and economical health of our community
- Addressing lack of **rental housing** is one of two goals the Corporation is addressing in this new strategy

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- Low and moderate income households (the lowest 60% of the income distribution) in The Blue Mountains were found to be able to afford a maximum purchase price of \$386,428
- In 2015 the average MLS resale price was \$603,924 in The Town of The Blue Mountains
- Addressing the difficulty in entering the home ownership market in our community is the second of two goals the Corporation is addressing in this new strategy

Goal 1

Augment the supply of rental accommodation

- Strategy
 - Encourage secondary suites in existing homes and in adjacent structures
 - Provide financial assistance in the building of secondary suites
 - Corporation to provide a 10% grant up to \$5,000 to assist a homeowner to construct a secondary suite
- Benefit
 - Create rental units for lower income residents
 - Help seniors stay in their existing homes with additional income
 - Help new home buyers purchase homes in TBM through additional rental income

Goal 1 - continued

Augment the supply of rental accommodation

- Funding Mechanism
 - The Blue Mountains Attainable Housing Corporation currently has budgeted funds available for this program
 - Secondary suite conversions costs would be partially funded in the amount 10% of conversion cost to a maximum of \$5,000
 - Funds would be advanced upon issuance of an occupancy permit

Goal 2

Increase home ownership affordability through down payment assistance

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 - Provide down payment assistance for eligible home purchasers in The Blue Mountains based on the latest housing data from Grey County
- Benefit:
 - A reduced payment could encourage young individuals / couples / parents to make The Blue Mountains their home
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Goal 2 - continued

Increase home ownership affordability through down payment assistance

- Funding Mechanism
 - Corporation to fund down payment assistance up to 5% of home purchase up to a maximum of \$19,300.
 - Applicants are required to have a minimum down payment of 5% of their own funds
 - Assistance will be in the form of an interest free loan
 - Housing Corporation will finance the loans using funds borrowed from the Town
 - Housing Corporation to budget for loss of interest as an expense
 - Capital is to be repaid after 20 years of occupancy or upon the following circumstances: sale of property, refinancing, mortgage default, or the unit is no longer the principal residence of the purchaser
 - Down payment assistance funding would be secured through a 2nd mortgage, or 3rd mortgage in the case of Grey County down payment assistance

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Two readily identifiable risks

- interest rate risk involving an opportunity cost for the Town if interest rates rise
- mortgage default risk

both of which can be mitigated through the budgeting process.



2016 Attainable Housing Strategy

- It is with these new strategies The Blue Mountain Attainable Housing Corporation will expand its vision and address a wider range of needs for attainable housing in community and help **fulfill attainable housing goals laid out in the Town's new strategic plan.**
- The Blue Mountain Attainable Housing Corporation brings this new housing strategy before Members of the Committee of the Whole to solicit support and agreement to our new strategy so that we can move forward with implementation
- Goal 1 and 2 are not newly invented programs, rather ones implemented successfully by Grey County and Simcoe County with suitable templates to be used for our purposes