



Corporate Report

NO: R145

COUNCIL DATE: June 13, 2005

REGULAR COUNCIL

TO: Mayor & Council DATE: June 8, 2005
FROM: General Manager, Planning FILE: 5080-01
and Development
SUBJECT: Surrey Home Ownership Assistance Program –
Report on 2004 Program Year, Request for Funding
Approval for the 2005 Program Year and
Approval of a New Administration Agreement with
the Greater Vancouver Housing Corporation for 2005

RECOMMENDATION

It is recommended that Council:

1. Receive this report as information;
2. Authorize funding from the Affordable Housing Reserve Fund in the amount of \$450,000 to continue the Surrey Home Ownership Assistance Program (the "Program") for the 2005 Program year;
3. Authorize staff to enter into a new Administration Agreement with the Greater Vancouver Housing Corporation ("GVHC") to administer the Program for the 2005 Program year, on the basis of the proposed agreement attached as Appendix I to this report; and
4. Authorize the City Clerk to bring forward the necessary Expenditure By-law for the required readings.

INTENT

The intent of this report is to:

- Advise Council of the results of the Program for the 2004 Program year;
- Obtain Council authorization for funding of \$450,000 for the continuation of the Program in 2005; and
- Obtain Council authorization for staff to enter into a new agreement with the GVHC to administer the Program in 2005.

BACKGROUND

At the Regular Council Meeting of February 23, 2004, Council considered Corporate Report No. R042, entitled "Surrey Home Ownership Assistance Program – Status Report and Proposed Funding Allocation" and authorized funding of \$450,000 for the continuation of the Program in 2004.

Subsequently, at the Regular Council Meeting on May 3, 2004, Council considered Corporate Report No. R103, entitled "Home Ownership Assistance Program – Program Refinements and Administration Agreement with GHVC" and authorized staff to enter into a new agreement with the GVHC to administer the Program for 2004.

The 2004 Program was launched in early May 2004 and received steady interest by first time homebuyers throughout the year. Earlier this year, in March 2005, funding for the 2004 Program year had reached its capacity with 26 households assisted under the Program in the 2004 Program year.

A copy of the Affordable Home Ownership Policy is attached as Appendix II, and a copy of the Program criteria and brochure are

attached as Appendices III.

DISCUSSION

Results of the 2004 Program Year

The 2004 Program year was the second year of a three-year extension granted by Council in 2003. Assistance was provided to 26 households in the 2004 Program year. The same factors that contributed to the success of the 2003 Program year also contributed to the success of the Program in 2004. These included:

- Continued high levels of building activity in multiple residential housing units; especially in the apartment condominium and townhouse markets, suitable for first time homebuyers; and
- Growing awareness and familiarity with the Program by real estate agents, financial institutions, developers and first-time homebuyers.

The following is a brief profile of the first-time homebuyers who were assisted during the 2004 Program Year, based on the Program criteria:

- All 26 households purchased newly constructed homes. None of the households took advantage of the "resale" category of homes eligible under the Program, which includes units with building permits issued on or after January 1, 2000 and covered by the New Home Warranty provisions. In 2003, three households purchased "resale" units;
- Three purchasers qualified for \$20,000 in funding assistance available to first time homebuyers purchasing a newly constructed home in the City Centre. The Program provides for a greater amount of assistance (up to \$20,000, as opposed to up to \$15,000 in the remainder of the City) to households purchasing a newly constructed home in the City Centre;
- Nineteen (73%) of the purchasers were residents of Surrey at the time of their home purchase, while seven (27%) of the purchasers worked in, but did not live in Surrey at the time they purchased their home. This is an increase from 2003 where only three households were from outside the City, but worked in Surrey. The Program criteria allow households where at least one person worked full-time at a job in Surrey, to purchase a home in Surrey under the Program;
- Four households (15%) are families with children, but the majority of purchasers were single or couple households without children, similar to the 2003 Program Year;
- Fourteen households purchased apartment condominiums, compared to only seven households in 2003. Twelve households purchased townhouses, which has been the predominate type of home purchased under the Program until this year. This appears to be related to the strong resurgence of the condominium market that provides more affordable housing options to first time homebuyers;
- Twelve households who purchased a home had annual incomes below \$41,000, reflecting the increase choice and affordability in the multiple residential housing markets; and
- The Program criteria limits participation in the Program to households with annual incomes not greater than \$59,000, an amount that is at least 10% below the Surrey average household income. The following chart provides a summary, by income level, of the households that participated in the Program in the 2004 Program year.

| Income Range | No. of Households |
|-----------------------|-------------------|
| \$30,000 and less | 3 |
| \$31,000 to \$40,999 | 9 |
| \$41,000 to \$50,999 | 7 |
| \$51,000 to \$59,000 | 7 |
| Total 2004 Households | 26 |

Status of the Affordable Housing Fund and Request for 2005 Program Funding

The Policy, first adopted by Council in 1998, stipulated that the funding for the Program be limited to the interest earned by the Affordable Housing Reserve Fund (the "Fund") in the previous year. This amounts to approximately \$348,000 for 2005. Last year Council approved a recommendation to enhance and stabilize the annual funding allocation for the Program at \$450,000. This amount consisted of two components, \$370,000 in interest earned by the Fund in the previous year, plus \$80,000 from unallocated funds remaining from the early years of the Program when uptake in the Program was less than anticipated. The

funding amount of \$450,000 was considered sustainable over the three years of the Program extension (2003 to 2005). The new funding allocation was anticipated to increase the capacity of the Program from 17 households (based on an estimated annual return on the Fund of \$300,000) to up to approximately 27 households. The actual number that could be assisted depends on the amount of assistance provided to each participating household.

It is recommended that Council allocate \$450,000 of funding from the Fund for the 2005 Program year. This amount would consist of \$348,000 in interest earned by the Fund in 2004 that has been included in the 2005 budget and \$102,000 from unused funds from earlier Expenditure By-laws that were adopted by Council in relation to the early years of the Program. An Expenditure By-law will need to be adopted by Council to allocate the \$348,000 in interest earned by the Fund in 2004 for use during the 2005 Program year.

Program Updates and Revisions Not Required

Over the past few years, a number of changes to the Program have been made on a year by-year basis in response to changing market conditions or to improve the administration of the Program. No Program changes are required for the 2005 Program year as the Program appears to be well aligned with the housing market and is generating interest from a broad range of households and income levels.

Maintain the Income ceiling at \$59,000 for the 2005 Program Year

The Program provides that the maximum household income criterion be updated annually to reflect changes in the estimated average household income for the City of Surrey. The Program provides that eligible households are those with gross annual incomes at least 10% below the average household income for the City, based on the most recent available census data, adjusted for specific years by the Consumer Price Index (the "CPI").

The current income ceiling for the Program is \$59,000, first set in 2003 in response to new census information on average household income for Surrey and adjusted in accordance with the CPI. The income ceiling remained unchanged for the 2004 Program year on the basis that the Program was well positioned to assist a broad range of households under current criteria, due to increasing awareness of the Program by Surrey residents and increased supply of affordable townhouse and condominium housing options.

No change to the maximum income criterion of \$59,000 for the 2005 Program year is considered necessary for the same reasons as noted above.

Status of GVHC Administration Agreement

The GVHC has indicated that it is prepared to administer the Program, on behalf of the City for the 2005 Program year, but will conclude its administration role following the completion of the 2005 Program year. GVHC staff have indicated that the administration services provided by the GVHC are unique to Surrey and not representative of the more broadly based services and housing mandate of the GVHC as a regional housing agency. To date, the GVHC and the City have entered into four Administration Agreements, with the 2005 Program being the fifth such agreement. The City's Policy for the Program provides that the Program be administered by a non-profit agency on behalf of the City, to meet requirements of the *Local Government Act*.

Proposed GVHC Administration Agreement for the 2005

Similar to previous years, the proposed Administration Agreement covers one year of Program delivery and four years of Program monitoring, for a total contract term of five years. The Administration Agreement is the same as 2004 and will allow for up to 27 households to be assisted by the Program. Under the Agreement, in addition to administering the process of assessing applications for grants under the Program, the GVHC is entrusted with the task of monitoring the homes purchased under the Program, including confirmation that the homes remain in compliance with Program criteria and for transferring to the City any funds that become available from homeowners selling homes purchased under the Program. The monitoring component continues for a four year period beyond the year when the homes are purchased by participants in the Program.

The number of households that are actually provided with assistance will be dependent on the amount of assistance provided to each of the households. Under the Program, households purchasing an eligible newly constructed home in the City Centre may receive up to \$20,000 in financial assistance and households purchasing an eligible home outside of City Centre may receive up to \$15,000 in assistance. The GVHC Administration Agreement is based on 27 households being provided with assistance.

The proposed agreement provides that the GVHC will administer the Program on behalf of the City for a total maximum fee of no more than \$38,720, depending on the number of households provided with assistance. The administration costs remain below 10%

of the Program's total funding allocation of \$450,000. This percentage is similar to previous years. The proposed Administration Agreement is attached as Appendix I to this report.

2005 Program Launch and Marketing

The delivery of the 2005 Program year will commence, subject to Council adoption of the recommendations of this report and the City and the GVHC executing the Administration Agreement. As in previous years, City staff will continue to distribute brochures, maintain the City's website information, run City Page advertisements and issue press releases about the Program. The GVHC staff will continue to act as the primary contact for information about the Program.

Program Review Including Alternative Uses for the Affordable Housing Fund

The 2005 Program year will conclude the three-year extension to the Program granted by Council in 2003. The extension followed the two year pilot for the program, between 2000 and 2002. While the early years were not as successful as anticipated, due to market challenges and lack of awareness of the Program, the last three years of the Program have been very successful.

The Terms of Reference for the preparation of the Plan for the Social Well Being of Surrey Residents (the "Social Well Being Plan") include a review of optional uses for the funding that is available in the City's Affordable Housing Reserve Fund. It is expected that the Plan will be completed by the Fall of 2005. Staff will bring forward, by the Spring of 2006, a report that outlines the results of the Affordable Home Ownership Policy and Program, as well as recommendation as to the continuation of the Program. The report will also address alternative uses for the Fund, based on the outcome of the Social Well Being Plan.

CONCLUSION

Based on the above discussion, it is recommended that Council:

- Authorize funding from the Fund in the amount of \$450,000 to continue the Program for the 2005 Program year;
- Authorize staff to enter into a new Administration Agreement with the GVHC to administer the Program for the 2005 Program Year, on the basis of the proposed agreement attached as Appendix I to this report; and
- Authorize the City Clerk to bring forward the necessary Expenditure By-law for the required readings.

Murray Dinwoodie
General Manager
Planning and Development

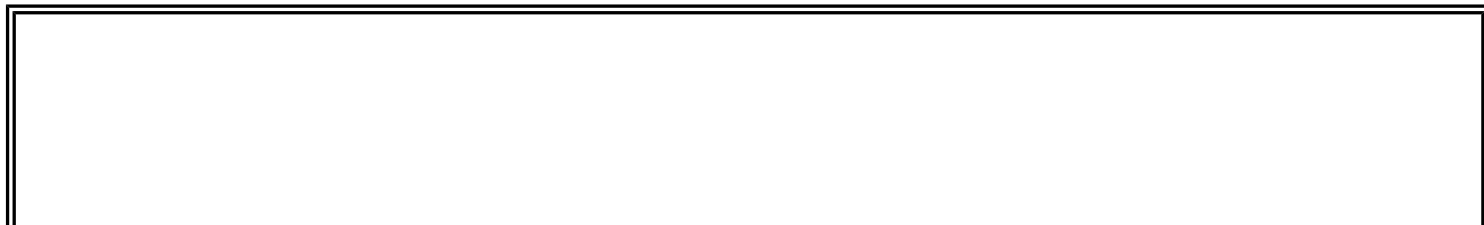
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Attachments:

- Appendix I Proposed Administration Agreement with the GVHC
- Appendix II Affordable Home Ownership Policy
- Appendix III Home Ownership Assistance Program and Brochure

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Appendix I





HOME OWNERSHIP ASSISTANCE PROGRAM ADMINISTRATION AGREEMENT 2005

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THIS AGREEMENT is dated for reference the _____ day of June 2005.

BETWEEN:

CITY OF SURREY
14245 56 Avenue
Surrey, B.C. V3X 3A2

(the "*City*")

OF THE FIRST PART

AND:

GREATER VANCOUVER HOUSING CORPORATION
4330 Kingsway
Burnaby, B.C. V5H 4G8

(the "*GVHC*")

OF THE SECOND PART

WHEREAS:

- A. The *City* and *GVHC* wish to enter into this *Agreement* to set forth the rights and obligations of each of them with respect to the provision of services by the *GVHC* to the *City*.
- B. The *City* desires to retain the services of *GVHC* to deliver and administer the Home Ownership Assistance Program, for the 2005 *Program* year, under the *City's* Affordable Home Ownership Policy, as hereinafter defined as the *Program*.
- C. *GVHC* is a non profit housing agency with experience in administering housing programs throughout the Lower Mainland and, as an independent contractor, desires to administer the *Program* to benefit the *City's* residents.
- D. *GVHC* in its delivery of the *Program* will endeavour to protect the *City's* interest in maintaining a positive public image for the *Program* while ensuring adherence to all *Program* requirements.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of One Dollar (\$1.00) and other good and valuable consideration given by each of the parties to each other (the receipt and sufficiency of which is hereby acknowledged) the parties agree as follows:

1. DEFINITIONS

1.1 This *Agreement*, including the recitals, shall have the following definitions:

- (a) "*Agreement*" means this agreement, as amended from time to time, and includes Schedules "A", "B", and "C". All references in Schedule "A" to Non Profit Housing Society shall be read as a reference to *GVHC*;
- (b) "*Applicant*" means a Household which has submitted an Application to pre-qualify for the *Program* or to receive assistance under the *Program*;
- (c) "*Application*" means application forms completed by an *Applicant*, including supporting documentation submitted to *GVHC*;
- (d) "*City*" means the City of Surrey;
- (e) "*City Representative*" means the General Manager, Planning and Development, of the *City*;
- (f) "*Fees*" means the compensation payable by the City to *GVHC* for the administration of the *Program* in accordance with Schedule "C" attached hereto;

- (g) "*First Time Home Buyer*" means an individual who:
- (i) Is a Canadian citizen or is lawfully admitted to Canada as a landed immigrant,
 - (ii) Has not previously held a registered interest in land, whether in British Columbia or elsewhere, and
 - (iii) Has continuously maintained their principal residence in Surrey or has worked full-time in Surrey, B.C. throughout a period of not less than six months immediately before the *Application* is submitted to the *GVHC*;
- (h) "*GVHC*" means the Greater Vancouver Housing Corporation;
- (i) "*GVHC Representative*" means the Housing Manager, of the Greater Vancouver Housing Corporation;
- (j) "*Home*" means the lands and premises, purchased under the *Program* registered in fee simple in the New Westminster Land Title Office in the *Participant's* name which will be the principal residence of the *Participant*;
- (k) "*Home Ownership Assistance Program Guide*" means information material, including but not limited to, providing the potential *Applicant* with *Program* eligibility requirements, *Application* requirements and guidelines;
- (l) "*Household*" means one or more individuals 19 years of age or older, with or without dependants, occupying a residence in the *City*.
- (m) "*Participant*" means an *Applicant* who:
- (i) Has been verified as eligible under the *Program*;
 - (ii) Has entered into a *Second Mortgage* to purchase a *Home* under the *Program*; and
 - (iii) Will be the registered owner(s) in fee simple of the *Home* purchased under the *Program* to be registered in the New Westminster Land Title Office.
- (n) "*Program*" means the Home Ownership Assistance Program as outlined in Schedule "A" attached hereto and referenced in the *City's* Affordable Home Ownership Policy;
- (o) "*Second Mortgage*" means a second mortgage, approved by the *City*, to be registered in the New Westminster Land Title Office as a second financial charge against the *Home*. The conditions of the *Second Mortgage* include but are not limited to:
- (i) The use of the *Home* on a continuous basis as the principal residence of the *Participant*;
 - (ii) The requirement for repayment of the *Second Mortgage* as set out in the *Program*; and
 - (iii) The rights of recovery of the *Second Mortgage* as set out in the *Program*, in the event:
 1. The *Home* is sold for any reason by the *Participant*,
 2. The *Home* is not used as a principal residence or verification thereof is not provided by the *Participant* in a timely manner, or
 3. The *Participant* is in default of any obligations under this *Agreement* or the *Program* concerning the *Home*.
- (p) "*Term*" means the term of this *Agreement* which shall commence on June _____, 2005 and terminate in 60 months;
- (q) "*Timetable*" means the timetable by which the *Program* is to be delivered by *GVHC* as outlined in Schedule "B" attached hereto.

1.2 The singular of any term includes the plural, and vice versa, the use of any term is generally applicable to any gender and, where applicable, to a corporation and the word "including" is not limiting.

2. COMMENCEMENT

2.1 During the *Term* of this *Agreement* *GVHC* agrees to the following:

- (a) To commence the *Program* Delivery referred to in section 3 on June _____, 2005 and continue for 12 months;

- (b) To commence the *Program* monitoring referred to in section 5, 13 months from signing the Agreement and continue for 48 months;
- (c) The *City* may, at its option, enter into a new *Agreement* for the *Program* delivery referred to in section 3 for another 12 month period and the *Program* monitoring referred to in section 5 for another 48 month period on the same terms and conditions as this *Agreement* with 90 days written notice prior to the *Program* delivery referred to in (a) being terminated; and
- (d) The *GVHC* may, at its option, advise the *City* of its intention not to enter into a new *Agreement* for the *Program* delivery referred to in section 3 for another 12 month period and the *Program* monitoring referred to in section 5 for another 48 month period on the same terms and conditions as this *Agreement* with 90 days written notice prior to the *Program* delivery referred to in (a) being terminated.

3. PROGRAM DELIVERY

3.1 Forms, Documents and Materials

GVHC will prepare for the *City's* review the following forms, documents and materials to support the delivery of the *Program* including, but not limited to:

- (a) An *Application* for pre-qualification of interested households for the *Program* and an *Application* for pre-qualified households to request assistance under the *Program*;
- (b) Information material providing the potential *Applicant* with *Program* eligibility requirements, and *Application* requirements and guidelines, referenced as the *Home Ownership Assistance Program Guide*; and
- (c) Public announcements, promotional and public information meetings for the *Program* including issuing press releases, as required.

3.2 Home Ownership Assistance Program Guide

GVHC will prepare a *Home Ownership Assistance Program Guide* including, but not necessarily limited to:

- (a) Pertinent information about the *Program*, the application and review process, and related *Program* requirements;
- (b) A clear description of the eligibility criteria, as well as the required supporting documentation;
- (c) The *Applications* for pre-qualification of interested *Households* and request for *Program* assistance for pre-qualified *Households* who have selected a *Home*; and
- (d) A waiver permitting *GVHC* to conduct a third party verification of the information provided by the *Applicant* and contained within the *Application*.

3.3 Distribution of Program Information

3.3.1 *GVHC* will make information packages for the *Program* available:

- (a) At the *GVHC* offices; and
- (b) By mail from the *GVHC*.

3.3.2 *GVHC* will provide to the *City* information packages and *Applications* available and printable through the *City's* Website.

3.4 Process for Applications

GVHC will establish and administer a process enabling interested *Households* to be pre-qualified for the *Program*, and for pre-qualified *Applicants*, who have selected a qualified *Home*, to apply for assistance under the *Program*, including but not limited to:

- (a) Recording the receipt of all *Applications*;
- (b) Reviewing *Applications* for completeness;
- (c) Returning an *Application* which is incomplete or illegible;
- (d) Confirming the receipt of a fully completed *Application*; and
- (e) Advising *Applicants* of the outcome of the pre-qualification *Application* and the request for assistance each within five business days, and to confirm the outcome in writing.

3.4.1 *GVHC* will reject *Applications* in situations where:

- (a) Either the *Applicant* or the selected *Home* do not meet the *Program* criteria; and

(b) There is insufficient funding available under the *Program* to fulfil the requested amount of assistance.

3.4.2 The *GVHC* will pre-qualify *Applicants* for the *Program* in situations where the *Applicant* meets the eligibility criteria for income, assets, residency, employment and first time *Home* buyer status, and has provided supporting documentation, including but not limited to:

- (a) Income tax information for the past two years for all adult members of the *Household* including, but not limited to: 2004 Tax Return, or T4 slips for 2004, and 2003 Tax Return;
- (b) Summary of assets for all adult members of the household;
- (c) Proof of Surrey residency or full-time employment in Surrey supported by six months of documentation that may include employment records, utility bills, drivers license etc. of at least one adult member of the *Household*; and
- (d) *First time homebuyer* status of all adult members of the household.

3.4.3 The *GVHC* will maintain contact with pre-qualified *Applicants* for the *Program* as required to provide updates on policy or administrative changes to the *Program*.

3.4.4 The *GVHC* may approve *Applicants* for assistance under the *Program* in situations where:

- (a) The number of *Participants* approved under the *Program* is 27 *Applicants*, provided the cumulative amount of the assistance provided under the *Program* does not exceed the approved allocated amount for the *Program*;
- (b) The *Applicant* was pre-qualified not more than four months prior to submitting an application for assistance under the *Program*;
- (c) The *Applicant* has submitted a contract of purchase and sale for a **qualified** *Home* under the *Program*;
- (d) The contract of purchase and sale to purchase a *Home* is made conditional upon inspections of the *Home* to the satisfaction of *GVHC* and subject to financing;
- (e) An independent appraisal is made available to *GVHC* to verify that the purchase price reflects market value;
- (f) Verification that the *Second Mortgage* funds will be released to a lawyer/notary public in trust for completion of the purchase; and
- (g) Registration of a *Second Mortgage*.

4. SECOND MORTGAGE

4.1 Documentation

GVHC will ensure that a *Second Mortgage* equal to the monetary assistance provided under the *Program* will be registered on the property title of each purchased *Home*. *GVHC* will use the *Second Mortgage* document approved by the *City*, including, but not limited to the following stipulations:

- (a) The use of the *Home* on a continuous basis as the principal residence of the *Participant*;
- (b) The requirement for repayment of the *Second Mortgage* as set out in the *Program*; and
- (c) The rights of recovery of the *Second Mortgage* as set out in the *Program*, in the event:
 - (i) The *Home* is sold for any reason by the *Participant*,
 - (ii) The *Home* is not used as a principal residence or verification thereof is not provided by the *Participant* in a timely manner, or
 - (iii) The *Participant* is in default of any obligations under this *Agreement* or the *Program* concerning the *Home*.

4.2 Distribution of Funds

GVHC will process the *Second Mortgage* funds including, but not limited to the following:

- (a) Release of the funds to the lawyer/notary public in trust for completion of a *Home* purchase;
- (b) Registration of a *Second Mortgage* against the *Home* on behalf of every *Participant* as a condition of the purchase of a *Home*;
- (c) Discharge of the *Second Mortgage* upon sale of the *Home* by the *Participant*; and

(d) Return of the net proceeds of the *Second Mortgage* funds to the *City*.

5. PROGRAM MONITORING

5.1 *GVHC* will establish a process to verify *Program* compliance by each *Participant* during the *Term* including, but not limited to:

- (a) Verifying the *Participants* principal residence status annually with assistance from the *City of Surrey*;
- (b) Obtaining a statutory declaration from *Participants*, whose home ownership status needs further verification, on or before the date of submission of the Form A Freehold Transfer in the Land Title Office transferring the *Home* into the *Participant's* name confirming that they are still occupying the *Home* as their principal residence; and
- (c) Initiating and undertaking compliance procedures for any *Participant* in breach of the principal residency requirement.

6. PROGRAM REPORTS

6.1 *GVHC* will provide the *City* with the following information and reports, including:

- (a) The number of *Applications* received and the processing of outcomes;
- (b) Completion of a *Home* purchase by each *Participant* and the registration of the *Second Mortgage*;
- (c) Any issues of *Program* compliance and status; and
- (d) Such other reports as the *City* may reasonably require.

6.2 *GVHC* will comply with requests for any audits as required and funded by the *City* to verify the delivery of the *Program* in accordance with this *Agreement*.

7. TIMETABLE

7.1 *GVHC* will deliver and administer the *Program* in a timely manner based on the *Timetable* included in Appendix "B".

8. COMPENSATION

8.1 *GVHC* will establish a process with the *City* for payment of *Fees* and advance of *Second Mortgage* funds including, but not limited to:

- (a) Submission of an invoice to the *City* requesting compensation for services provided based on the *Fees*, for *Program* delivery referred to in section 3 and *Program* monitoring in section 5, and as set out in Appendix "C"; and
- (b) Submission of a notice in writing requesting a transfer of funds to cover *Second Mortgages*, one month prior to the date in which the *Second Mortgage* funds are required by *GVHC*.

9. DISCLAIMER OF PARTNERSHIP

9.1 The *City* disclaims any intentions to create a partnership with *GVHC* with respect to the matter of this *Agreement*.

10. NOTICE

10.1 Any notice, which is required under this *Agreement*, including *Program* compliance issues and corrective actions undertaken by *GVHC*, shall be in writing and delivered or sent by facsimile transmission, addressed to:

To the *City*:

Attention: General Manager, Planning and Development
City of Surrey
14245 56th Avenue
Surrey, B.C. V3X 3A2
Phone: (604) 591 4474
Fax: (604) 591 4632

and

To the *GVHC*:

Attention: Housing Manager
Greater Vancouver Housing Corporation
4330 Kingsway
Burnaby, B.C. V5H 4G8
Phone: (604) 432 6300
Fax: (604) 436 6960

THIS AGREEMENT has been executed as of the day and year first above written.

CITY OF SURREY by its
authorized signatories

Murray Dinwoodie - General Manager,
Planning & Development Department

Marg Jones - City Clerk

**GREATER VANCOUVER HOUSING
CORPORATION** by its authorized
Signatory

Don Littleford - Housing Manager

SCHEDULE "A"

CITY OF SURREY HOME OWNERSHIP ASSISTANCE PROGRAM June 2005

A. PROGRAM OVERVIEW

The home ownership assistance program is aimed at improving the access to *Home* ownership for *Households* who find it difficult due to income constraints to enter the housing market. The *Program* is meant to assist *Households* with incomes at least 10% below the *Average Household Income* in the *City*.

The *Program* will improve access to *Home* ownership in the following two ways:

- By providing an interest free loan to qualifying *Households* towards the purchase of a *Home*, subject to the availability of allocated funds for the Program. The loan will be registered as a Second Mortgage and will be partially forgivable over time.
- By improving home affordability through encouraging developers to offer competitively priced homes to *Participants* in recognition of the marketing opportunity presented by the *Program*.

The administration of the *Program*, including the receiving of *Applications* from interested *Households*, registration of second mortgages and reporting requirements will be undertaken by a *Non Profit Housing Society* with which the *City* will enter into an *Agreement*.

B. PROGRAM CRITERIA

1. Eligible Households:

Households interested in having the opportunity to participate in the *Program* will need to meet the following eligibility requirements:

(a) *First Time Home Buyer*

An eligible *Household* must include an individual 19 years of age or older, who will be one of the owners of the *Home*, and who:

- (i) Is a Canadian citizen or is lawfully admitted to Canada as a landed immigrant; and
- (ii) Has not previously held a registered interest in land, whether in British Columbia or elsewhere.

(b) Full-time employment

Refers to an individual 19 years or older who works 30 or more hours per week at their main or only job located in the City of Surrey.

(c) *Household*

An eligible *Household* means one or more individuals, 19 years of age or older, who will be the registered owner (s) in fee simple of the eligible *Home* to be registered in the New Westminster Land Title Office, and who have continuously maintained a principal residence in the City of Surrey or continuously maintained *full-time employment* in the City of Surrey for a period of not less than six months immediately before an *Application* is submitted to the GVHC.

(d) *Household* Income and Assets

Eligible *Households* will have a gross annual income 10% below the *Average Household Income* for the City of Surrey. On this basis, the total annual income for eligible *Households* is not to exceed \$59,000.

The total annual income includes income from all sources, including earned income, all income from public and private pension and disability plans, government income supplements, child support, alimony, unemployment insurance and an imputed income from assets.

The total asset amount held by the eligible *Household* is not to exceed the maximum total annual income permitted under the *Program*. Assets include accounts in banks, trust companies, etc.; stocks and bonds; equity in a business; Registered Retirement Savings Plans; and cash including any amount to be used as a down payment on the eligible *Home*.

(e) Down Payment Requirements

An eligible *Household* is required to provide a minimum equity of 5% as down payment on the purchase of *Home* as set out by Canada Housing and Mortgage Corporation, and qualify for a first mortgage with a financial lending institution. The *Program* assistance cannot be used as any part of the minimum 5% down payment, but rather the *Program* assistance can only be used to reduce the amount of the first mortgage.

(f) Income Statements

To assist in verification of income and assets, each eligible *Household* must submit copies of filed income tax returns for the current year and two previous years, a summary of other financial or investment statements, and such other information as may be necessary to verify the current total annual income of the *Household*.

(g) Surrey Resident

Is an individual who meets the requirements of a *Household*, and resides in the City of Surrey.

(h) Surrey Worker

Is an individual who meets the requirements of a *Household* and does not reside in the City of Surrey.

2. **Eligible Homes:**

The following conditions describe a *Home* that is eligible to be purchased under the *Program*:

- (a) *Homes* may be new (i.e. never occupied) or resale (provided the building permit was issued on January 1, 2000 or later) and the *Home* is covered by a new home warranty in accordance with the requirements of the Homeowner Protection Act, and

- (b) *Homes* must be located in the City of Surrey.

C. DEVELOPER PARTICIPATION

To increase the level of *Home* affordability provided under the *Program*, the City may request the *Non Profit Housing Society* to contact residential developers and builders who are planning or constructing new homes to advise them of the *Program* and to encourage and identify competitively priced, eligible *Homes* for the *Program*.

D. HOME OWNERSHIP ASSISTANCE PROVISIONS

Participants will be eligible for a loan equal to the lesser of 15% of the market price of a qualifying *Home* or \$15,000.

Participants purchasing a newly constructed *Home* located in the City Centre are eligible for a loan equal to the lesser of 20% of the market price of a qualifying *Home* or \$20,000. The City Centre is as described in the attached map and as defined in the Surrey Zoning By-law No. 12000. The terms and conditions of the loan will include, but not be limited to the following:

- (a) The loan will be interest free and be registered on title as a second mortgage in favour of the City, to be recovered upon resale of the *Home*;
- (b) The repayment amount of the loan will decrease annually by 10% of the original loan amount to a maximum of 50%. The annual discount will occur on the anniversary of the registration date of the second mortgage;
- (c) The *Home* is to be occupied by the owner during the term of the second mortgage;
- (d) The loan available to eligible *Households* that will be secured by way of a second mortgage in favour of the City must be arranged before the completion date of the purchase of the *Home*;
- (e) Additional owners cannot be registered on the title of the property (*Home*) during the term of the second mortgage; and
- (f) The City retains the right to call the loan if it is determined that the terms and conditions of the second mortgage are not being fully met. If the loan is called, the full amount becomes due and payable immediately.

E. PROGRAM DEFINITIONS

The following definitions apply throughout the Home Ownership Assistance Program:

| | |
|---------------------------------------|---|
| " <i>Agreement</i> " | means the agreement entered into between the City of Surrey and a Non Profit Housing Society; |
| " <i>Applicant</i> " | means a <i>Household</i> which has submitted an <i>Application</i> for the opportunity to participate in the <i>Program</i> ; |
| " <i>Application</i> " | means an application form completed by an Applicant, including supporting documentation submitted to the contracted <i>Non Profit Housing Society</i> ; |
| " <i>Home</i> " | means the lands and premises, purchased under the Program registered in fee simple in the New Westminster Land Title Office in the <i>Participant's</i> name which will be the principal residence of the Participant; |
| " <i>Average Household Income</i> " | means the gross annual household income that is the mathematical average of all household incomes in the City of Surrey based on the most recent Canadian census; |
| " <i>Non Profit Housing Society</i> " | means the Non Profit Housing Society selected by the City to implement, administer and monitor the <i>Program</i> and with which the City of Surrey has an agreement; |
| " <i>Participant</i> " | means an applicant who: <ol style="list-style-type: none"> (a) has been verified as eligible under the <i>Program</i>; (b) will be the registered owner in fee simple of the eligible <i>Home</i> to be registered in the New Westminster Land Title Office; and (c) has entered into a second mortgage to purchase a home under the <i>Program</i>; |

"Program"

means the Home Ownership Assistance Program as outlined in this document and referenced in the City's Affordable Home Ownership Policy.

SCHEDULE "B" - TIMETABLE

| MONTHS | 2005 ACTIVITIES |
|--------|-----------------|
|--------|-----------------|

Program Delivery

| | |
|-----------------------|---|
| June 2005 | <ul style="list-style-type: none"> • Revise the <i>Home Ownership Assistance Program Guide</i>, <i>Application</i> forms and supporting material for printing, distribution and for access on the City of Surrey website. |
| June 2005 To May 2006 | <p>Stage I Applications – <i>Program</i> Pre-qualification</p> <ul style="list-style-type: none"> • Begin responding to inquiries and requests for <i>Program</i> information; • Begin accepting and recording <i>Applications</i> for pre-qualification; and • Verify eligibility of the <i>Applicants</i> and the selected <i>Home</i> to be purchased under the <i>Program</i>. |
| June 2005 To | Stage II Applications – <i>Program</i> |

| | |
|-------------|---|
| May 2006 | <p>Funding</p> <ul style="list-style-type: none"> • Begin accepting, recording, reviewing <i>Applications</i> from pre-qualified <i>Applicants</i> for requests for funding assistance to purchase a <i>Home</i> under the <i>Program</i>; • Verify availability of funds under the <i>Program</i>; and • Verify and approve eligibility of <i>Applicant</i> and the selected <i>Home</i> purchase. |
|-------------|---|

Program Monitoring

| | |
|----------------------------|--|
| May 2006 To May 2009 | <ul style="list-style-type: none"> • Monitor and verify <i>Program</i> compliance for each <i>Second Mortgage</i> registered under the <i>Program</i>; and • Discharge <i>Second Mortgages</i> upon sale of the <i>Home</i>. |
|----------------------------|--|

SCHEDULE "C" – FEES

| EXPENSE DESCRIPTION | EXPENSE FREQUENCY | ITEM AMOUNT |
|---------------------|-------------------|-------------|
|---------------------|-------------------|-------------|

Program Delivery

| | | |
|---|--------|----------|
| <ul style="list-style-type: none"> • <i>Program</i> Administration • Response to inquiries and <i>Application</i> mailing • <i>Application</i> receipt, registration and acknowledgement • Follow-up on incomplete <i>Applications</i> • <i>Application Review Process</i> • <i>Application</i>, and other forms preparation and printing • <i>Home Ownership Assistance Program Guide</i> • <i>Program</i> updates and reports • As required, provide information | Annual | \$11,800 |
|---|--------|----------|

| | | |
|--|---|-----------------------------|
| in writing to pre-qualified <i>Applicants</i> in regards to updates on policy or administrative changes to the <i>Program</i> . [Cross reference to Section 3.43] | | |
| <ul style="list-style-type: none"> As required, public announcements, advertising, promotional and/or public information meetings for the <i>Program</i>, including press releases. [Cross reference to Section 3.1(c)] | Maximum 2 public related initiatives @ \$500 each | \$1,000 |
| <ul style="list-style-type: none"> Pre-purchase Home documentation, inspection reviews and <i>Participant</i> consultation Administration and documentation of <i>Second Mortgage</i> | \$660 per <i>Participant</i> * | Up to a maximum of \$17,820 |

Annual Program Monitoring

| | | |
|---|--|--|
| <ul style="list-style-type: none"> Discharge <i>Second Mortgage</i> upon resale of <i>Home</i>, Monitoring and reporting of <i>Program</i> compliance of Homes purchased during the 2005 <i>Program</i> year, for the four years following the purchase being 2006, 2007, 2008 and 2009 | Per <i>Participant</i> * \$75 per year Up to a maximum of \$2,025 per year | Up to a maximum of \$8,100 for 4 years |
| Total | | \$38,720 |

* It is estimated that the capacity of the *Program* is between 21 to 27 households, depending on the amount of assistance provided to individual households and the amount of funding allocated to the Program by Surrey Council. The administrative agreement is based on the potential capacity of 27 *Participants*, but the actual number of *Participants* assisted under the *Program* may be less.

Appendix II

CITY OF SURREY

AFFORDABLE HOME OWNERSHIP POLICY

Program Years 2004 and 2005

Primary and Other Objectives:

The primary objective of the Affordable Home Ownership Policy is to financially assist households who reside or work in Surrey and who would not typically be able to enter the housing market due to income constraints to own a home.

Other objectives of the proposed policy include:

- The Affordable Housing Reserve Fund must be a "revolving fund" (i.e., the Fund continues to exist and provide benefit to the City's citizens over time);
- Households who are assisted should not recognize a "windfall" as a result of the application of the policy;
- The use of the Fund should be directed such that Surrey residents and workers are assisted;
- Administration costs associated with the policy's implementation and on-going maintenance should be minimized.

Term:

This policy will remain "active" until March 31, 2006 after which time the policy will be deemed "inactive". Prior to the policy becoming inactive, the City Manager will submit a report to Council which reviews the merits of the policy based on the experience to date and makes recommendations regarding its continuation.

Funding:

Funding to support the implementation of the policy will be provided from the Affordable Housing Special Reserve Fund ("the Fund") and will be approved by Council on an annual basis in conjunction with the adoption of the City's annual operating budget.

Funding in support of this policy in any year will be limited to a maximum of the annual interest earned during the previous year on the principal contained in the Fund.

Target Group:

The policy will be focused on assisting households who are first time homebuyers with incomes below the average household income in the City. The average household income for the City will be based on the most recent Census data and adjusted by the annual changes in the Consumer Price Index to reflect the estimated average household income for the previous year. The average household income in Surrey for the Year 2003 is estimated to be \$65,750 and the target group for this Policy will have a household income equal or below \$59,000 representing an income at least 10% below the average household income in Surrey.

Amount of Assistance to be provided:

The target reduction in the price of affordable housing units provided as a result of the application of this policy is the lesser of 15% of the market price or \$15,000 for the qualifying dwelling unit. To complement the Whalley Enhancement Strategy adopted by Council in May 2003, an additional \$5,000 of assistance will be provided to participants purchasing newly constructed *Homes* in the City Centre, as defined in the Surrey Zoning By-law No. 12000.

The maximum mortgage of the affordable housing unit purchased by a household through the application of this policy is to be related to the income of the household. The mortgage available from financial lending institutions is typically no more than three (3) times the annual income of the household purchasing the unit.

Where the financial assistance is provided directly to a qualifying household, the assistance may not be used as any part of the "5% minimum down payment" on the affordable home but rather as a reduction in the amount of the first mortgage.

Means by Which Assistance Will be Provided:

The City will enter into an agreement with a non-profit housing society (the "society") to deliver "affordable homes" under this policy. The agreement will ensure that the conditions of this policy are fully respected. The City will provide funding to the society which will then be used to provide affordable homes in the City under one or both of the following options, to be specified by the City in its agreement with the selected non-profit society:

1. **Home Ownership Development Program** - Affordable housing units will be constructed in Surrey with support from the private sector and/or non-profit housing groups. These housing units will be sold to qualifying Surrey households at a discount below market value. Each of the sponsors will be responsible for absorbing part of the targeted price discount of the housing units. Further study of this option will be necessary before detailed program requirements can be specified and implemented.
2. **Home Ownership Assistance Program** - Qualifying households will be eligible for an interest free loan to assist in the purchase of a newly constructed housing unit in Surrey. The program requirements and eligibility criteria are as described in the Home Ownership Assistance Program, as amended from time and as adopted by Council.

Recovery of Funds:

Any subsidy on each affordable housing unit provided under the application of this policy will be registered as an interest free "silent" second mortgage on the housing unit and be recoverable by the Fund on any resale of the unit or if the owner(s) of the unit cease(s) to occupy the unit as his/her/their primary residence. The recoverable amount will decrease annually by 10% of the original value of the subsidy to a maximum of 50% of the original value (i.e., if a unit is held for 5 years before sale, the repayment to the Fund would amount to 50% of the original value of the "silent" second mortgage).

Annual Report:

The City Manager will provide, during the first quarter of each year, an annual report to Council on the results of the application of the policy during the previous calendar year.

Legislation:

This policy is subject to any specific provisions of the Local Government Act or other relevant legislation.

Appendix III

CITY OF SURREY HOME OWNERSHIP ASSISTANCE PROGRAM Program Years 2004 and 2005

A. PROGRAM OVERVIEW

The home ownership assistance program is aimed at improving the access to *Home* ownership for *Households* who find it difficult due to income constraints to enter the housing market. The *Program* is meant to assist *Households* with incomes at least 10% below the *Average Household Income* in the *City*.

The *Program* will improve access to *Home* ownership in the following two ways:

- By providing an interest free loan to qualifying *Households* towards the purchase of a *Home*, subject to the availability of allocated funds for the Program. The loan will be registered as a Second Mortgage and will be partially forgivable over time.
- By improving home affordability through encouraging developers to offer competitively priced homes to *Participants* in recognition of the marketing opportunity presented by the *Program*.

The administration of the *Program*, including the receiving of *Applications* from interested *Households*, registration of second mortgages and reporting requirements will be undertaken by a *Non Profit Housing Society* with which the *City* will enter into an *Agreement*.

B. PROGRAM CRITERIA

1. Eligible Households:

Households interested in having the opportunity to participate in the *Program* will need to meet the following eligibility requirements:

(a) First Time Home Buyer

An eligible *Household* must include an individual 19 years of age or older, who will be one of the owners of the *Home*, and who:

- (i) Is a Canadian citizen or is lawfully admitted to Canada as a landed immigrant; and
- (ii) Has not previously held a registered interest in land, whether in British Columbia or elsewhere.

(b) Full-time employment

Refers to an individual 19 years or older who works 30 or more hours per week at their main or only job located in the City of Surrey.

(c) Households

An eligible *Household* means one or more individuals, 19 years of age or older, who will be the registered owner (s) in fee simple of the eligible *Home* to be registered in the New Westminster Land Title Office, and who have continuously maintained a principal residence in the City of Surrey or continuously maintained *full-time employment* in the City of Surrey for a period of not less than six months immediately before an *Application* is submitted to the GVHC.

(d) *Household* Income and Assets

Eligible *Households* will have a gross annual income 10% below the *Average Household Income* for the City of Surrey. On this basis, the total annual income for eligible *Households* is not to exceed \$59,000.

The total annual income includes income from all sources, including earned income, all income from public and private pension and disability plans, government income supplements, child support, alimony, unemployment insurance and an imputed income from assets.

The total asset amount held by eligible *Households* is not to exceed the maximum total annual income permitted under the *Program*. Assets include accounts in banks, trust companies, etc.; stocks and bonds; equity in a business; Registered Retirement Savings Plans; and cash including gift down payments from family or friends.

(e) Down Payment Requirements: Minimum and Maximum

Eligible *Households* are required to provide a minimum equity of 5% as down payment as set out by Canada Housing and Mortgage Corporation, and qualify for a first mortgage with a financial lending institution. The *Program* cannot be used to finance the minimum 5% down payment, but the *Program* can be used to reduce the size of the first mortgage.

Additional financial contributions are permitted beyond the minimum 5% down payment. However, the maximum down payment contribution from shall not exceed 20% of the purchase price of an eligible *Home*.

(f) Income Statements

To assist in verification of income and assets, eligible *Households* must submit copies of filed income tax returns for the current year and two previous years, a summary of other financial or investment statements, and such other information as may be necessary to verify the current total annual income of the *Household*.

(g) Surrey Resident

Is an individual who meets the requirements of a *Household*, and resides in the City of Surrey.

(h) Surrey Worker

Is an individual who meets the requirements of a *Household*, does not reside in the City of Surrey.

2. **Eligible Homes:**

The following conditions describe a *Home* that is eligible to be purchased under the *Program*:

- (a) *Homes* may be new (i.e. never occupied) or resale (provided the building permit was issued on January 1, 2000 or later) and the *Home* is covered by a new home warranty in accordance with the requirements of the Homeowner Protection Act, and
- (b) *Homes* must be located in the City of Surrey.

C. DEVELOPER PARTICIPATION

To increase the level of *Home* affordability provided under the *Program*, the City may request the *Non Profit Housing Society* to contact residential developers and builders who are planning or constructing new homes to advise them of the Program and to encourage and identify competitively priced, eligible *Homes* for the *Program*.

D. HOME OWNERSHIP ASSISTANCE PROVISIONS

Participants will be eligible for a loan equal to the lesser of 15% of the market price of a qualifying *Home* or \$15,000. *Participants* purchasing a newly constructed *Home* located in the City Centre are eligible for a loan equal to the lesser of 20% of

the market price of a qualifying *Home* or \$20,000. The City Centre is as described in the attached map and as defined in the Surrey Zoning By-law No. 12000. The terms and conditions of the loan will include, but not be limited to the following:

- (a) The loan will be interest free and be registered on title as a second mortgage, to be recovered upon resale of the *Home*;
- (b) The repayment amount of the loan will decrease annually by 10% of the original loan amount to a maximum of 50%. The annual discount will occur on the anniversary of the registration date of the second mortgage;
- (c) The *Home* is to be occupied by the owner during the term of the second mortgage;
- (d) The second mortgage must be arranged before the completion date of the purchase of the home. The second mortgage cannot be made retroactively;
- (e) Additional owners cannot be registered on title of the home during the term of the second mortgage; and
- (f) The loan may become due and payable if the terms and conditions of the second mortgage are not fully met at all times.

E. PROGRAM DEFINITIONS

The following definitions apply throughout the Home Ownership Assistance Program:

| | |
|---------------------------------------|---|
| " <i>Agreement</i> " | means the agreement entered into between the City of Surrey and a Non Profit Housing Society; |
| " <i>Applicant</i> " | means a <i>Household</i> which has submitted an <i>Application</i> for the opportunity to participate in the <i>Program</i> ; |
| " <i>Application</i> " | means an application form completed by an Applicant, including supporting documentation submitted to the contracted <i>Non Profit Housing Society</i> ; |
| " <i>Home</i> " | means the lands and premises, purchased under the Program registered in fee simple in the New Westminster Land Title Office in the <i>Participant's</i> name which will be the principal residence of the Participant; |
| " <i>Average Household Income</i> " | means the gross annual household income that is the mathematical average of all household incomes in the City of Surrey based on the most recent Canadian census; |
| " <i>Non Profit Housing Society</i> " | means the Non Profit Housing Society selected by the City to implement, administer and monitor the <i>Program</i> and with which the City of Surrey has an agreement; |
| " <i>Participant</i> " | means an applicant who: <ul style="list-style-type: none"> (d) has been verified as eligible under the <i>Program</i>; (e) will be the registered owner in fee simple of the eligible <i>Home</i> to be registered in the New Westminster Land Title Office; and (f) has entered into a second mortgage to purchase a home under the <i>Program</i>; |
| " <i>Program</i> " | means the Home Ownership Assistance Program as outlined in this document and referenced in the City's Affordable Home Ownership Policy. |



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