HOUSING RESEARCH REPORT

Shared Equity Housing in Canada:
Financing Models to Facilitate Access to Homeownership

CMHC helps Canadians meet their housing needs.

Canada Mortgage and Housing Corporation (CMHC) has been helping Canadians meet their housing needs for more than 70 years. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer unbiased housing research and advice to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

For more information, visit our website at **www.cmhc.ca** or follow us on **Twitter**, **LinkedIn**, **Facebook**, **Instagram** and **YouTube**.

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274. Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

Shared Equity Housing in Canada:

Financing Models to Facilitate Access to Homeownership

Prepared for
Canada Mortgage and Housing Corporation

March 6, 2018

SPR Associates Inc.
Principal Investigators:
Patricia Streich & Ted Harvey

18-260 Adelaide Street East
Toronto, ON M5A 1N1
416-977-5773
www.spr.ca

Acknowledgements

The researchers would like to thank all of the representatives of housing and other organizations who participated in the survey and the interviews for the profiles of shared equity housing. This study would not have been possible without their time and willingness to share information on the approaches used. For reasons of confidentiality, they have not been individually named in this report.

Staffing

Dr. Patricia Streich was the principal investigator for the research, with particular responsibility for the project profiles and the financial analysis. Dr. Ted Harvey, President, SPR, designed the on-line survey of housing stakeholders and co-authored this report. Ms. Marian Ficycz, SPR's Research Director, managed the on-line survey and was responsible for overall data management for the study.

Executive Summary

1. Purpose of the Study

In 2017, CMHC commissioned SPR Associates to undertake a study of financing approaches for Shared Equity Housing (SEH) in Canada. This is the first study on the awareness of shared equity housing in Canada and approaches to finance this type of housing for Canadians. With Canada's new *National Housing Strategy* in 2017, it is an opportune time to consider innovative alternatives such as SEH to improve access to homeownership.

For purposes of this study, SEH was defined as follows:

> **Definition of SEH:** "*Housing with some sharing of property ownership (such as between a sponsor/developer and occupants) and/or sharing of value appreciation (due to rising market values).* It includes types of homebuying assistance, land leases or land trusts, life leases and limited equity housing."

Study Methods: The study of financing for SEH was based on two methods, namely:

- A national on-line survey of housing stakeholders using CMHC mailing lists of users of CMHC information resulting in 512 responses from all housing sectors across Canada; and
- In-depth review of 10 SEH financing models based on 20 in-depth interviews and the on-line research.

Evaluation of the outcomes for homebuyers in SEH was outside the scope of this study and further research would be required to address outcomes.

2. Awareness and Perceptions of Shared Equity Housing – Survey Results

Survey results indicated a need for improved awareness of and information about the SEH alternative for facilitating access to homeownership, for example:

- Although more than half of the housing stakeholders who responded to the survey said they were familiar with SEH, only17.3% had been involved in SEH in some way;
- Housing stakeholders were most aware of homebuying/homeownership types of SEH though some were also familiar with land leases, life leases and the land trusts;
- The survey showed that all housing sectors have been involved in SEH (including social housing organizations, governments, the private sector and financial institutions); and
- Housing stakeholders saw potential for more use of SEH in Canada and 60% indicated that SEH should be given a higher priority. The need for more information was highlighted by 80% of stakeholders and the majority viewed the dissemination of this information as a role for CMHC.

These findings suggest opportunities for enhanced understanding of the SEH option as an alternative to improve access to homeownership in Canada.

3. Shared Equity Housing Financing – Canadian Examples

Information from 20 in-depth key informant interviews for 10 examples of SEH in Canada showed how various financing models provide access to homeownership without significant government financial assistance. The **three basic types** of SEH examined in this study were:

1. High ratio buyer equity (typically for seniors' housing under what are known as 'life leases');
2. Equity loan models (sponsor/developer provides loans for downpayments or as second mortgages secured on title to the property); and
3. Long-term land leases (land owned by sponsor/developer and buyers take out leasehold mortgages).

Key findings from the review of these SEH financing models are summarized below:

- Value appreciation shares vary. All models have some ratio for sharing of value appreciation on the property between the sponsor/developer and the homebuyer. For example, some use the same ratio as on initial equity shares, while others use a reduced share for homebuyers on re-sale (net of any outstanding equity loans, plus interest);
- All approaches calculate value appreciation based on the market value at the time of resale. None of the examples reviewed had limited (below market) appreciation rates;
- The time periods for shared financial terms vary considerably, with many being shorter (5 to 10 years) and Habitat GTA using 20 years in its new model;
- Other features of SEH are quite varied. Some SEH has low equity shares for buyers in early years to encourage buyers to build up equity and to discourage speculative buying. Some SEH has discounted market values at time of purchase. Some require mortgage insurance on buyer mortgages while others offer higher equity loans to buyers so that mortgage insurance is not required. Some require amortizing mortgages to discourage increased consumer debt; and
- Key benefits of SEH financing are seen by sponsors as follows: enabling buyers to enter the homeownership market and acquire equity, generating funds for sponsors/developers to build more housing, assisting more homebuyers, and self-financed ownership housing with minimal government funding.

The main challenge with current SEH approaches is how to ensure continued access to homebuying after resale since there were no limited value appreciation features found in the examples reviewed. Therefore, house values rise with market value, making access to homebuying more challenging for subsequent purchasers.

These findings suggest that SEH is a useful financial tool to help sponsors/developers to cover the costs of financial assistance for homebuyers and to create 'funds' for sponsors to develop more housing and/or to support more homebuyers.

Sponsor/developers and others interviewed suggested that CMHC could play a major role in helping to improve understanding of SEH among Canadian stakeholders for providing access to homeownership.

4. Conclusions & Recommendations

The study results showed that:

- Canada has a small and varied shared equity housing sector involving non-profit and private developers, financial institutions and governments;
- SEH is not well-known in Canada and more information needs to be made available on this alternative;
- SEH financing models (using shared value appreciation) are effective for self-financing of housing development and assisting homebuying;
- More research and evaluation of SEH is required to assess the impacts and results for homebuyers; and
- The diversity of current SEH models points to a need for broader evaluations and discussions among key stakeholders including governments, as to how SEH might be expanded.

Based on the study findings and conclusions, it is suggested that CMHC consider the following recommendations:

- Develop steps to increase awareness and knowledge about SEH in Canada;
- Address the information gaps and types of information required by all housing sectors about SEH and the most appropriate means of providing this information;
- Further research to evaluate existing shared equity models and to assess the impacts of alternate financing arrangements for continued access to homebuying;
- Consider the feasibility of other designs for SEH (such as fixed rate value appreciation) that could improve ongoing access to homebuying in SEH developed; and
- Examine options for innovative pilot projects to enhance SEH as a means of improving access to homebuying.

More research and information about SEH in Canada could be beneficial as background for further discussions with housing providers in all sectors.

A national forum or workshop on SEH with housing stakeholders and all levels of government may promote information-sharing and help identify alternatives for future directions.

Résumé

1. Objet de l'étude

En 2017, la SCHL a mandaté SPR Associates pour réaliser une étude sur les méthodes de financement de l'habitation avec participation au Canada. Il s'agit d'une première étude visant à faire connaître l'habitation avec participation au Canada, de même que les méthodes de financement associées à ce mode d'habitation pour les Canadiens. Dans le sillage de la Stratégie nationale sur le logement lancée en 2017, le moment est bien choisi pour examiner d'autres solutions, comme l'habitation avec participation, pour faciliter l'accès à la propriété.

Pour les besoins de la présente étude, voici la définition d'habitation avec participation que nous avons utilisée :

> **Habitation avec participation :** « Habitation dont le droit de propriété ou la plus-value (découlant de l'augmentation de la valeur marchande) sont partagés, par exemple, entre un promoteur et des occupants. Il peut s'agir de solutions d'aide à l'accession à la propriété, de programmes d'achat-bail des terres ou de fiducies foncières, de baux à vie et de programmes d'achat avec mise de fonds limitée. »

Méthodes d'étude : L'étude sur le financement de l'habitation avec participation a été menée selon deux méthodes :

- Un sondage national en ligne auprès d'acteurs du secteur de l'habitation à partir des listes d'envoi de la SCHL contenant le nom d'utilisateurs de données de la SCHL. Ce sondage a permis de recueillir 512 réponses provenant de l'ensemble des secteurs de l'habitation et des régions du Canada.
- Une analyse approfondie de 10 modèles de financement de l'habitation avec participation à partir de 20 entrevues de fond et des recherches menées en ligne.

L'évaluation des résultats pour les acheteurs ayant bénéficié d'un programme d'habitation avec participation ne s'inscrivait pas dans la présente étude. Ces résultats devront être analysés à la suite de recherches ultérieures.

2. Connaissance et perception de l'habitation avec participation – Résultats du sondage

Les résultats du sondage indiquent qu'il faut faire connaître et expliquer davantage l'habitation avec participation comme solution pour faciliter l'accès à la propriété. Par exemple :

- Plus de la moitié des acteurs du secteur de l'habitation qui ont répondu au sondage ont indiqué qu'ils connaissaient l'habitation avec participation, mais seulement 17,3 % en avaient fait l'expérience d'une façon ou d'une autre.
- Les acteurs du secteur de l'habitation connaissaient surtout les différents modes d'habitation avec participation, mais certains étaient aussi à l'aise avec les programmes d'achat-bail des terres, les baux à vie et les fiducies foncières.

- Le sondage montre que l'habitation avec participation existe dans tous les secteurs de l'habitation (organismes de logement social, gouvernements, secteur privé et institutions financières).
- Selon les acteurs du secteur de l'habitation, il serait possible de recourir davantage à l'habitation avec participation au Canada, et 60 % indiquent que cette solution devrait être prioritaire. En tout, 80 % des acteurs disent qu'il faut en parler davantage, et la majorité croient que c'est à la SCHL que revient la responsabilité de diffuser de l'information sur le sujet.

D'après ces constatations, il faudra saisir les occasions de faire connaître davantage l'habitation avec participation comme solution visant à faciliter l'accès à la propriété au Canada.

3. Financement de l'habitation avec participation – Exemples au Canada

L'information recueillie à la suite de 20 entrevues de fond menées avec des intervenants clés issus de 10 exemples d'habitation avec participation au Canada illustre la manière dont divers modèles de financement facilitent l'accès à la propriété sans aide financière majeure des gouvernements. Les **trois modèles de base** d'habitation avec participation étudiés ici sont les suivants :

1. Avoir propre des acheteurs à RPV élevé (généralement dans le cas de logements pour aînés visés par ce qu'on appelle des « baux à vie »);
2. Modèles avec prêt à la mise de fonds (le promoteur accorde un prêt à la mise de fonds ou consent un prêt hypothécaire de second rang garanti par le titre de propriété).
3. Baux fonciers de longue durée (le promoteur possède le terrain, et l'acheteur le loue à bail et contracte un prêt hypothécaire sur la propriété qui s'y trouve).

Les principales constatations tirées de l'analyse de ces modèles sont résumées ici :

- Les parts de la plus-value varient. Tous les modèles prévoient une certaine répartition de l'augmentation de la valeur de la propriété entre le promoteur et l'acheteur. Dans certains cas, les parts correspondent aux parts de la mise de fonds, tandis que dans d'autres, au moment de la revente, on applique pour l'acheteur une part réduite diminuée de tout prêt d'aide à la mise de fonds non remboursé, plus intérêts.
- Pour toutes ces méthodes, le calcul de la plus-value se fait selon la valeur marchande au moment de la revente. Nous n'avons pas analysé d'exemple dans lequel le taux d'appréciation avait été limité (inférieur au marché).
- Les périodes de partage de la participation financière varient considérablement. Si certaines sont courtes (de 5 à 10 ans), Habitat GTA utilise une période de participation partagée de 20 ans dans son nouveau modèle.
- Les autres caractéristiques de l'habitation avec participation sont assez nombreuses. Certains modèles préconisent la mise de fonds réduite pour encourager les jeunes acheteurs à accumuler de l'avoir propre et contrer les achats spéculatifs. D'autres modèles misent sur une valeur marchande réduite au moment de l'achat. Dans certains cas, on exige une assurance prêt hypothécaire sur le prêt contracté par l'acheteur, alors que dans d'autres, un prêt consenti à l'acheteur lui permet de verser une mise de fonds supérieure et

d’éviter l’assurance prêt hypothécaire. Dans certains modèles, on exige que le prêt hypothécaire soit amorti pour contrer une augmentation des dettes à la consommation.

- Pour les promoteurs, les principaux avantages du financement de l’habitation avec participation sont les suivants : permettre aux acheteurs d’accéder à la propriété et d’accumuler de l’avoir propre, générer des fonds pour les promoteurs pour qu’ils puissent construire davantage de logements, aider un plus grand nombre d’acheteurs, et créer un marché de propriétaires-occupants autofinancé avec un minimum de financement gouvernemental.

La principale difficulté dans les modèles actuels d’habitation avec participation est de maintenir l’accès à la propriété pour les acheteurs après une revente, car aucun exemple étudié ne contenait de dispositions limitant l’augmentation de la valeur. Par conséquent, celle-ci suit le marché, ce qui rend l’accès à la propriété plus difficile pour les acheteurs subséquents.

Ces constatations portent à croire que l’habitation avec participation est un outil financier utile pour aider les promoteurs à couvrir les coûts de l’aide financière aux acheteurs et créer des « fonds » pour les promoteurs afin qu’ils puissent produire davantage de logements ou aider davantage d’acheteurs d’habitation.

Les promoteurs et autres personnes interrogées croient que la SCHL pourrait jouer un grand rôle pour mieux faire connaître l’habitation avec participation aux acteurs canadiens du secteur de l’habitation afin de faciliter l’accès à la propriété.

4. Conclusions et recommandations

Voici ce que montrent les résultats de l’étude :

- Le Canada mise sur un secteur de l’habitation avec participation petit mais varié constitué de promoteurs des secteurs privé et sans but lucratif, d’institutions financières et de gouvernements.
- L’habitation avec participation est méconnue au Canada, et il faudra présenter de plus amples informations sur cette solution.
- Les modèles de financement de l’habitation avec participation (fondés sur un partage de la plus-value) constituent une formule efficace d’autofinancement de la production de logements et d’aide à l’accession à la propriété.
- Il faudra mener d’autres recherches et d’autres évaluations sur l’habitation avec participation pour en analyser l’impact et les résultats pour les acheteurs.
- La diversité des modèles actuels d’habitation avec participation attire l’attention sur la nécessité que les principaux acteurs, dont les gouvernements, mènent de plus amples évaluations et discussions pour trouver des façons d’en élargir la portée.

D’après les conclusions et constatations de l’étude, il est proposé à la SCHL de tenir compte des recommandations suivantes :

- Établir une démarche pour mieux faire connaître et expliquer l’habitation avec participation au Canada.

- Remédier aux lacunes d'information et produire les types d'information sur l'habitation avec participation dont tous les secteurs de l'habitation ont besoin, et déterminer la meilleure manière de présenter cette information.
- Approfondir les recherches pour évaluer les modèles actuels d'habitation avec participation et analyser l'impact d'autres solutions financières visant à faciliter l'accès à la propriété de façon continue.
- Établir s'il serait possible d'adopter d'autres modèles d'habitation avec participation (comme l'augmentation de la valeur selon un taux fixe) susceptibles de faciliter l'accès à la propriété de façon continue.
- Examiner des options de projets pilotes novateurs qui mettraient en valeur l'habitation avec participation comme moyen de faciliter l'accès à la propriété.

Il pourrait être utile de produire davantage de recherches et d'information sur l'habitation avec participation au Canada puisque ces dernières pourraient servir de base pour des discussions approfondies avec les fournisseurs de logement de tous les secteurs.

Un forum ou atelier national sur l'habitation avec participation en compagnie d'acteurs du secteur du logement et de tous les niveaux de gouvernement pourrait faciliter l'échange d'information et aider à trouver des solutions pour l'avenir.

La SCHL fera traduire le document sur demande.

Pour recevoir une copie traduite de ce document, veuillez remplir la partie ci-dessous et la retourner à l'adresse suivante :

Centre canadien de documentation sur l'habitation
Société canadienne d'hypothèques et de logement
700, chemin Montréal, bureau C1-200
Ottawa (Ontario) K1A 0P7

Titre du rapport : ____

____

Je demande que ce rapport soit disponible en français.

NOM : ____

ADRESSE : ____

rue App.

____

ville province Code postal

No de téléphone : ( ) _____________________

Table of Contents

1. Study Overview

1.1 Introduction/Background

In 2017, CMHC commissioned research on financial models for Shared Equity Housing (SEH) in Canada to help improve understanding of approaches used and lessons learned. With *Canada's National Housing Strategy. A Place to Call Home,* published in 2017, now may be an opportune time to consider alternate forms of housing tenure to help improve access to homeownership options for Canadians.[1]

Previous Research: This study built on previous research (SPR Associates, 2015, *A Literature Review of Shared Equity Housing Models in Canada and the US)*[2] that discussed:

- Definitions of shared equity housing;
- Differences between SEH in Canada and the US; and
- Canadian examples for further research.

As noted in SPR's 2015 SEH report, shared equity housing approaches have been less common in Canada than in the US. There is limited information available on the number of SEH units in Canada and/or the potential demand for such housing alternatives. However, shared equity is part of the homeownership sector providing housing for Canadians.[3] Readers are referred to the 2015 SEH Report for discussion of the background literature.

1.2 Purpose of this Study

The purpose of the 2017 follow-up study on SEH in Canada was to review how SEH is used and financed to facilitate access to homeownership. The study examined financial models for equity shares and shared value appreciation in various types of SEH.

For purposes of this study, SEH was defined as follows:

> *"Housing with <u>some sharing of property ownership</u> (such as between a sponsor/developer and occupants) and/or <u>sharing of value appreciation</u> (due to rising market values)."*

This definition is consistent with what Lubell (2013) describes as 'shared appreciation' where house prices are permitted to increase with market values.[4] It includes types of homebuying assistance, land leases or land trusts, life leases and limited equity housing. Some of these may not meet all the criteria under some US definitions (such as Davis, 2010) because home values rise with the market and there is no long-term mechanism to ensure continuing access to homebuying for low- to moderate-income homebuyers.

---

[1] Government of Canada, *Canada's National Housing Strategy. A Place to Call Home*, November 2017. Chapter 9, Improving Homeownership Options for Canadians. (www.placetocallhome.ca)

[2] CMHC, *Literature Review of Shared Equity Housing Models in Canada and the US, Final Report.* Prepared by SPR Associates, May 2015.

[3] According to the 2016 Census, 67.8% of dwellings in Canada are owner-occupied. Census data indicate the strong, continuing preferences of Canadians for forms of ownership versus rental housing.

[4] Jeffery Lubell (2013:2).

The study has implications for the affordability of homebuying in Canada, particularly as related to access to homeownership as outlined in Section 1.4 below.

1.3 Scope of the Study

This report provides an overview of findings, based on two key sources of information:

- A Canada-wide on-line survey of housing stakeholders, which was conducted in Summer/Fall 2017; and
- In-depth key informant interviews with 20 housing, planning and financial professionals involved in ten examples of SEH in Canada, conducted in the Summer 2017.

Detailed information from the 10 profiled examples is included in Annex C of this report.

The study focused on the types and terms of financing models used in Canada for SEH and assessed the following four key topics:

- Awareness of SEH models and approaches used in Canada;
- Sources and structures of equity shares and financial tools;
- Value appreciation shares and use of shared market value appreciation;
- Potential for expansion of SEH policies and initiatives in Canada.

Some information was obtained on the benefits and challenges of SEH. However, the study did not evaluate the impacts or outcomes of the models with respect to affordability of homebuying over time. Additional evaluative-type research could be beneficial.

1.4 Definitions and Terminology

There is no standard definition of the term ‘shared equity’ in Canada and it is not as well-known in Canada as in the US.

US Definitions of SEH: Coined in 2004 by the US National Housing Institute, shared equity was defined as *‘resale-restricted, owner-occupied housing’ with rights shared by an occupant and an organizational steward that protects affordability of homebuying long after it is purchased*.[5] Resale restrictions may include limits on the price increases at the time of resale so that house values do not appreciate with market values.

Another US author (Lubell 2013) describes shared equity as *a tenure choice that provides homes at a lower price point and where home price appreciation is shared by the buyer and the sponsor to ensure the 'community’s interest in ensuring long-term affordability for other homebuyers*'[6] This is a characteristic of community land trusts and limited equity housing operated by non-profits (or co-operatives) that are more common in the US than in Canada.[7] Canada has had limited experience with community land trusts and limited equity non-profit co-operatives.

Most Canadian examples of shared equity tend to fall under what the US author Lubell describes as *'shared appreciation'* approaches where house prices are permitted to increase with market value. Davis (2010) argues that these are pure market models of homeownership at the time of resale

---

[5] John Emmeus Davis (2010: 265).

[6] Jeffery Lubell (2013: 2).

[7] See: CMHC (2015) for background on community land trusts which have been widely used in the US.

since there is no ongoing affordability for subsequent homebuyers.[8] However, sponsor/developer shares of value appreciation may be used to assist more homebuyers to access homeownership.

As noted above, for purposes of this study, the broader definition offered by Lubell (2013) was adopted as more relevant to Canadian examples, noting that it includes both 'subsidy retention' and ‘shared appreciation’ types of shared equity.

Other Terminology Used in the Report

1. Canadian SEH Providers: ‘Sponsors/developers’

In this report, the terms ***‘sponsors/developers’*** are used to refer to the organizations involved in the development, finance, ownership and/or operations of housing offered with shared equity features. Most of the examples discussed involved non-profit organizations, some involve municipal corporations, and a few include private sector companies. Private sector builders and financial institutions also play key roles in the housing developed and financial arrangements.

2. Affordable Housing and Affordability: ‘Improving Access to Homebuying’

These two terms are not always used consistently or clearly defined in all housing reports. There are also used differently when applied to rental versus ownership housing. CMHC defines **affordable housing** as housing costing less than 30% of gross household income whereas **affordability of homebuying** depends on multiple factors (house prices, downpayments mortgage rates and lending criteria set by regulators of financial institutions).[9] Most of the examples in this study could be said to improve mortgage affordability because they reduce the amount of the first mortgage required from a lender, especially for first-time homebuyers who have limited equity for a downpayment and limited borrowing power under mortgage lending criteria.

To avoid confusion, this report uses the terms **‘improving access to homebuying’** which includes both the ability to make the required minimum downpayment as well as to obtain affordable mortgages from a lender based on the house price, their incomes, other debts and credit ratings, and lending policies and guidelines. It is assumed that qualifying borrowers could obtain high ratio mortgages at the prevailing interest rates by purchasing mortgage loan insurance if required (according to lending policies). By definition, mortgages have to be affordable to qualified borrowers at the time of homebuying.

3. Financing Models: ‘Equity and Value Appreciate Shares’

In this report, **'financing models'** refers to the structures for shared equity housing including both:

- Equity shares of both the sponsor/developer and the buyer, and
- Value appreciation shares over time and up to resale of a home.

The actual financing details for SEH are quite varied as discussed later in this report. It is worth noting that:

- Some programs also include types of government financing (such as capital grants) or contributions (such as development fee waivers) that may reduce the costs of development and/or broaden the range of households able to purchase a home. Therefore, the affordability of homebuying may be influenced by other factors; and

---

8 See: CMHC (2015:3).

9 As of January 2018, all mortgage borrowers in Canada are required to qualify for the mortgage amount under the ‘stress test’ at a higher interest rate (the Bank of Canada 5-year posted rate or 2% above the current rate, whichever is higher). The stress test effectively reduced borrowing power for both insured and uninsured (conventional) mortgages. As well, mortgage borrowing criteria require a maximum total debt ratio of 44% and a maximum shelter cost/income ratio of 32% (including mortgage payments, utilities and taxes). Borrowers with less than a 20% downpayment are required to purchase mortgage insurance and premiums are typically added to mortgage payments.

- Some financing models may be viewed as 'partial' or 'time-limited' SEH because favourable terms are front-end loaded or sponsor value appreciation shares are not in perpetuity. However, sponsors may use their shares for additional development to improve access to homebuying for other buyers. Therefore, the returns on financing may be carried forward even though previous housing moves into the market.

Section 3 provides more detailed information on the financing models.

1.5 Methodology

1.5.1 The On-Line Survey of Housing Stakeholders

The on-line survey of stakeholders was targeted to organizations and professionals in Canada who were involved in housing and related areas to identify persons who were familiar with or involved in shared equity housing. Since there is no standard definition for SEH in Canada, the survey invitation was intentionally designed with a broad description of the approach rather than restricting coverage to a few better known examples. The goal was to enable respondents to identify other examples which could be investigated in the study.

The survey used the most comprehensive listing of housing sector organizations and individuals who work in the public, private and non-profit housing sectors in Canada, namely, CMHC's mailing list of past users of its products. CMHC's lists have been used in numerous previous studies so as to ensure Canada-wide coverage in national studies.

The survey invitations were distributed by CMHC to 22,470 users of CMHC housing information products in the following sectors:[10]

- Planning/government housing officials;
- Private housing sector;
- Non-profit sponsors or partners and developers; and
- Financial institutions and mortgage brokers.

For ease of reference, these contacts are described as 'housing stakeholders' in this report. The survey target was to obtain completed surveys from a minimum of 150-200 stakeholders who were familiar with shared equity housing.

Survey responses were provided by a total of 512 Canadian housing stakeholders. The target was met, with 152 surveys completed by stakeholders who were familiar with some form of shared equity housing.

As shown below in Section 2, the resulting survey data covered all sectors as well as responses for all provinces and territories. Responses were highest from the private sector (builders, realtors and financial institutions), in the Provinces of Ontario, Quebec and BC where there may be more familiarity with the shared equity approach.

Given the lack of information available on the topic of shared equity housing in Canada, the survey data represent a snapshot of informed viewpoints from across sectors and provinces. It reaches beyond the people directly involved with the better-known examples of SEH to provide more balanced assessments. Some respondents identified examples of shared equity which were followed up in the study and considered for the detailed interviews.

---

[10] A total of 22,470 email invitations were sent to users of CMHC information resources. Invitations were issued in August 2017, followed by a reminder in September. Of these invitations, some 7,292 were opened by recipients and 512 surveys were completed.

1.5.2 Key Informant Interviews on Ten SEH Models

The study aimed to complete more in-depth analysis of actual development of SEH in Canada, based on on-line research and in-depth telephone interviews. The intention was to illustrate different types of models. Specific examples were identified based on the following sources:

- Previous research conducted for CMHC by SPR Associates in 2015;
- Additional examples drawn out by the on-line survey (further research and discussion with housing experts was conducted to determine if they met the criteria for the study).

The interviews provided the opportunity to ask knowledgeable experts about other possible examples and contacts. Some of the additional contacts were added to the interview list during the research.

Special efforts were made to identify examples in other regions of Canada and to find illustrations of limited equity co-operatives and community land trusts which are quite common in the US. Other examples of land lease arrangements, life leases and homebying assistance were investigated in BC, Manitoba and Quebec. Other programs for homebuying assistance in the Atlantic and the Prairies were considered. However, with the resources and information available, the study was not able to find relevant examples based on shared equity and shared value appreciation features.

During the research, the study did identify three additional specific examples that had some unqiue elements. Within the resources available, it was not possible to carry-out detailed interviewing and instead we choose to include short snapshots on the examples from Edmonton, Toronto and Calgary. Several additional land lease examples in BC (including Whistler and Simon Fraser University, Vancouver) could not be followed up.

With respect to Habitat for Humanity (HFH), it should be noted that there are HFH affiliates across Canada and local affiliates use a variety of models. For this study, Habitat GTA was selected because of its new model for shared equity and shared appreciation. The study did, however, include a special partnership between Habitat and Creating Homes in Guelph which is also benefitting from municipal development incentives with the City of Guelph. This represents a new approach involving multiple non-profit and municipal partners working together to expand the homebuying opportunities developed.

Based on the methods above, ten specific examples of SEH were selected for coverage in the key informant interviews, namely:

- Life Leases (for seniors housing), Ontario and Alberta
- Community Land Trust, Vancouver, BC
- Options For Homes, Toronto
- Home Ownership Alternatives Corporation, Ontario
- Daniels Corporation, Toronto
- Habitat Greater Toronto Area (GTA), Toronto
- Creating Homes, Cambridge, Ontario
- Habitat Guelph-Wellington and Creating Homes, Guelph, Ontario
- Attainable Homes Calgary, Alberta
- Banff Housing (land leases), Banff, Alberta

In addition, shorter snapshots were prepared (using on-line research) on three other examples identified during the study, namely:

- INHOUSE Society, Calgary, Alberta
- Artscape, Toronto, Ontario
- Lions Life Leases of Greater Edmonton, Alberta

Interviews and Organizations Covered: Interviews were conducted with three main types of organizations:

- Housing developers or sponsors;
- Financial sector representatives; and
- Local (municipal) housing or planning officials.

The study aimed to provide a balance of these three perspectives and to validate information from multiple sources.

A total of 20 in-depth interviews were completed in Summer 2017 (see Annex A for a list of organizations covered in the interviews). Several other less detailed interviews were carried out but did not provide sufficient information to report here.

Interviewees included knowledgeable persons who had some direct experience, involvement or role in the housing development with shared equity such as representatives (employees or board members) of the organizations as well as consultants who have provided professional services to organizations. The in-depth telephone interviews typically lasted approximately one hour and were based on the Interview Guide shown in Annex B. Topics addressed in the interviews included:

- Types of financing used;
- Market value appreciation;
- Effectiveness of the financing structure;
- Benefits of the approach used;
- Challenges and risk sharing; and
- Lessons learned.

Information obtained from the interviews (and review of background documents) was compiled into ten detailed profiles of the organizations covered in this part of the study. Detailed profiles are provided in Annex C.

1.5.3 List of Acronyms

Some of the frequently used acronyms in the report are defined below:

CMHC	Canada Mortgage and Housing Corporation
CLTs	Community Land Trusts
GTA	Greater Toronto Area
HFH	Habitat For Humanity
HELOC	Home Equity Lines of Credit
HOA	Home Ownership Alternatives
NPs	Non-Profits
SAMs	Shared Appreciation Mortgages
SEH	Shared Equity Housing
TCHC	Toronto Community Housing Corporation
MV	Market Value
OFH	Options For Homes
PES	Proportionate Equity Share

The report aims to minimize technical terminology for aspects of housing finance. However, there are some key terms that are used in many of the profiles (such as amortizing mortgages, CMHC mortgage insurance, second mortgages, construction mortgages, etc.). Details on terms can be found on CMHC's website (www.cmhc.ca).

1.6 Limitations of the Study

Four key limitations of the study are worth noting:

- The survey universe consisted of CMHC mailing lists for users of CMHC information sources. It was targeted to the most relevant categories (excluding other groups such as building materials, design, media, etc.). Even so, only about one in three stakeholders responding reported that they were well-informed about SEH. The low level of awareness about shared equity housing is a challenge for using survey methods in researching homeownership options.
- The study focused specifically on the financing approaches for SEH and did not examine other policy and program goals related to SEH or evaluate the impacts or outcomes of this type of housing. Further research would be required to address this.
- The study did not aim to assess the comparative effectiveness of the varied SEH models. Information presented was based on the views of those involved in SEH housing development and/or financing.
- The study is not intended to be a comprehensive inventory of housing with shared equity in Canada. Not all specific projects or examples could be included within the scope of the resources available.

For these reasons, the study results should be regarded as exploratory and further research is required. Variations in provincial regulatory policies that can affect tenure types and housing financing were beyond the scope of this study. Further, alternative forms of housing finance for housing development in the non-profit sector were also outside the scope of the study.[11]

1.7 Outline of this Report

Section 2 reports on the findings from the on-line survey of housing stakeholders related to awareness of SEH approaches and the relevance for housing policies.

Section 3 provides an overview of SEH financing models used in Canada and identifies common themes in approaches to shared equity and shared value appreciation.

Section 4 contains the overall findings, conclusions and recommendations from the study.

A list of key sources and documents is provided for future reference in Annex D. Annex A contains a list of organizations contacted and interviewed for the study; Annex B includes the Study Interview Guide; Annex C includes the detailed Profiles of SEH examples covered in the study; and Annex E contains the on-line survey questionnaire.

[11] Use of social financing (such as with community bonds) or other approaches such as the New Market Funds and Catalyst Development models in BC involve different approaches to equity financing in affordable or social housing development. The potential applicability to ongoing SEH requires further investigation.

2. Awareness & Perceptions of Shared Equity Housing

2.1 Stakeholders' Views On Shared Equity Housing in Canada

This section provides a snapshot of the awareness and perceptions of housing stakeholders[12] regarding SEH in Canada. A total of 512 completed responses were received to the on-line survey.

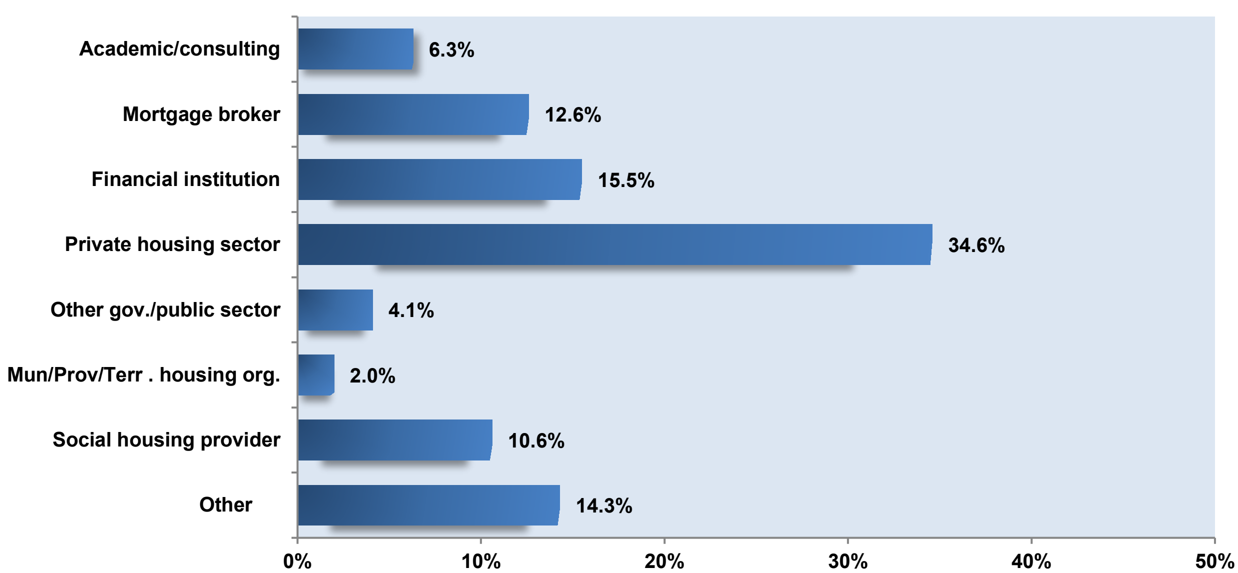
Responses were received from individuals in all housing sectors and provinces who have used CMHC information sources in the past. The results are illustrative of a range of views, however, the data are not necessarily representative of all housing organizations in Canada.

2.2 Profile of Survey Respondents

2.2.1 Types of Housing Stakeholders Responding to the Survey

The largest group of stakeholders responding to the survey were in the *private housing sector -- mainly builders and realtors* (34.6%). Other respondents included persons working in *financial institutions* (15.5%), *mortgage brokers* (12.6%), *social housing providers* (10.6%), *academics/consultants* (6.3%), *government/public sector* (4.1%), and municipal-provincial-territorial housing organizations (2%).[13] There were a small number of responses from the government housing sector.

Display 1
Types of Survey Respondents (Q.1)
(percentages based on 491 responses)



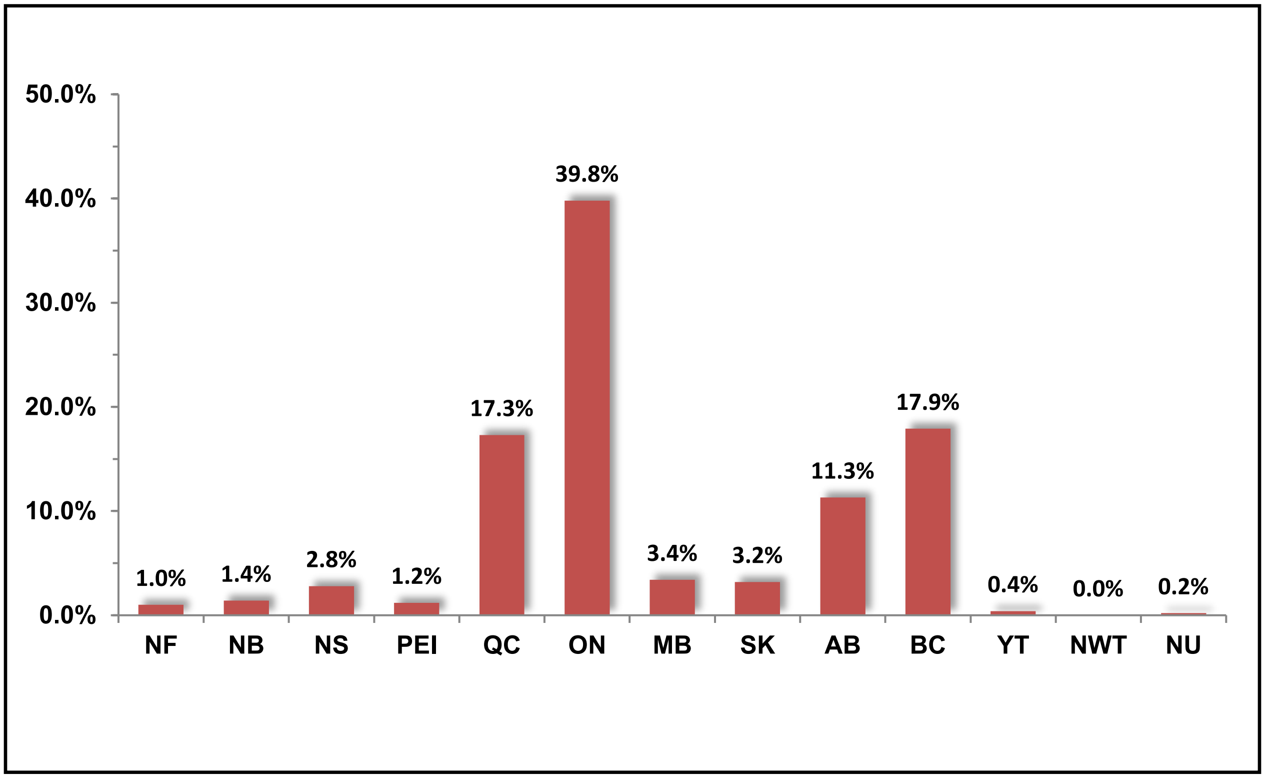
[12] The term 'stakeholders' is used to refer to individuals from housing sectors who have previously used CMHC information products.

[13] Other responses included: architect/planner; co-housing association; condominium; consumer of guaranteed equity/shared equity program; contractor; energy consultants; non-profit development agency; private lender (Mortgage Investment Corporation); property management; real estate brokerage; faith-based housing group; and non-profit landlord advocacy organization.

2.2.1 Survey Responses by Province/Territory

Geographically, survey responses were received from all provinces/territories, but were somewhat more likely to come from provinces with larger volumes of housing development (including non-profits) and possibly those where shared equity housing models may have been more widely used. These included: Ontario (39.8%); British Columbia (17.9%); Quebec (17.3%); and Alberta (11.3%).

Display 2
Province/Territory of Respondent (Q.3)
(percentages based on 497 responses)

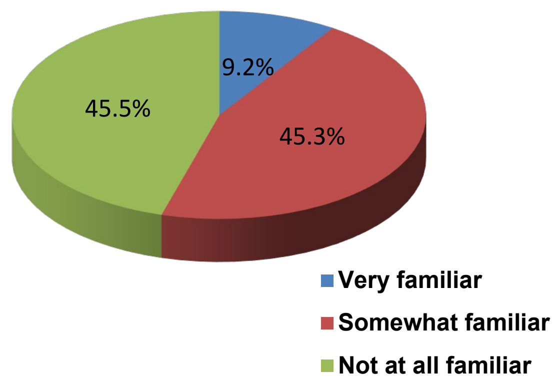


2.3 Awareness & Knowledge of Shared Equity Housing

Housing stakeholders were highly variable in their knowledge of SEH. Only 9.2% indicated that they were 'very familiar' with SEH and 45.2% noted that they were 'somewhat familiar' with SEH. The remaining 45.5% reported that they are ‘not at all familiar’ with SEH. It is important to note, however, that the numbers of 'Do not know' responses to later detailed questions revealed a lower level of knowledge about the detailed design of SEH approaches.

Awareness and involvement in SEH: Of those who were aware of SEH programs, only a minority (17.3%) drew their knowledge from direct involvement in SEH programs. Another 36.6% were aware of SEH programs, but nearly half (46.8%) had no knowledge of, or involvement in SEH.

Display 3
Housing Stakeholders' Knowledge of Shared Equity Housing (Q.4)
(percentages based on 499 responses)



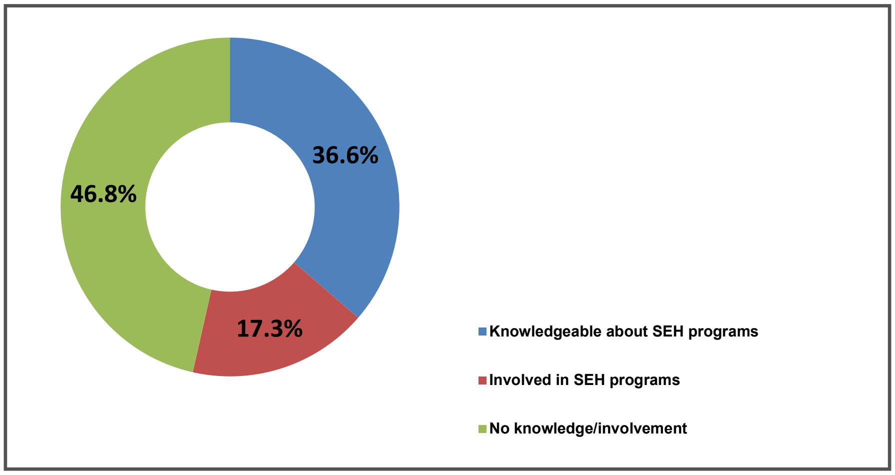
Awareness/involvement by organization type: To explore awareness in more detail, the awareness and involvement in SEH was analyzed across organization types (see Table 1, below).

The survey data suggested a varied pattern, with higher awareness and involvement with SEH in some sectors than in others. Those most likely to be familiar with SEH were: mortgage brokers/financial services (81%), social housing providers/developers (73%) and financial institutions (banks/lenders) (61%). Of these, social housing providers/developers were most likely to be involved in SEH projects (32%), followed by financial institutions/banks/lenders (24%). This may suggest a particular focus for informational efforts as noted in the conclusions to this report.

Table 1
Awareness/Involvement of SEH by Organization
(percentages based on 152 responses)

Type of Organization	Familiar with SEH	Involved in an SEH Project
Social housing provider/developer (non-profit/ co-operative)	73%	32%
Municipal or provincial/territorial housing organization/agency	45%	0%
Other government/public sector	53%	15%
Private housing sector (developers, builders, real estate, landlords)	41%	10%
Financial institution (bank or lender)	61%	24%
Mortgage broker/other financial services	81%	8%
Academic, consulting, advocacy organization	45%	15%
Other	55%	18%

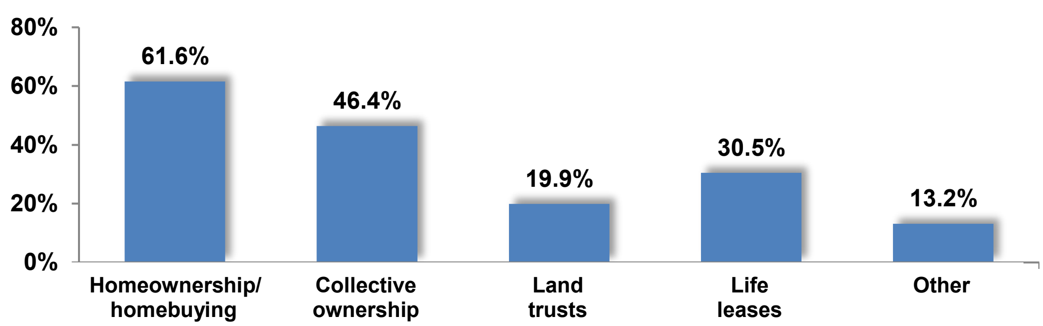
Display 4
Respondents' Awareness/Knowledge of SEH Programs (Q.5)
(percentages based on 284 responses, excludes those who indicated in Q.4 that they were "not familiar at all" with SEH)



2.4 Types of Shared Equity Programs/Projects

Among stakeholders (30% of respondents) who were aware of SEH, the majority identified home-ownership or homebuying assistance programs or projects (61.6% were aware of *homeownership programs)*. Respondents were also aware of programs involving *collective ownership* (46.4%), *life leases* (30.5%), and *land trusts* (19.9%). Responses to the 'Other' category included: CMHC - New Brunswick Affordable Housing; co-housing; community-based downpayment subsidy; Indigenous participatory ownership; land lease - home owned by homeowner, rent with option to buy.

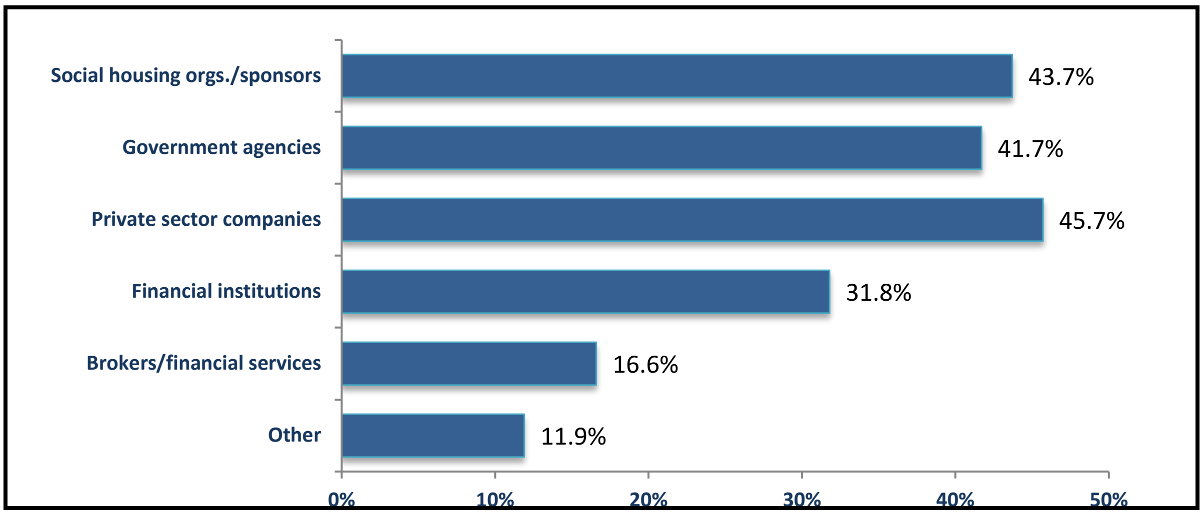
Display 5
Types of SEH Programs Respondents were Aware of (Q.6)
(percentages based on 151 respondents who reported they were familiar with SEH)



Types of Organizations/Partners Involved in SEH: Stakeholders who were familiar with SEH (151 respondents) indicated that private sector companies, social housing organizations/sponsors, government agencies, and financial institutions were the most likely to be involved in SEH (see Display 6, below). These responses are reflective of the wide range of sectors and organizations that have roles to play in SEH.

As noted in Section 3 of the report, non-profit housing organizations were developer/sponsors of many types of SEH in Canada. In Display 6, private 'non-profits' are included in the first category (Social Housing Organizations/sponsors). Public non-profits (such as municipal housing organizations) are included in the second category (Government Agencies). The 'Other' category may include development consultants that provide services to non-profit housing organizations.

Display 6
Organizations/Partners Involved in SEH Programs (Q.7)*
(percentages based on 151 respondents
who reported that they were familiar with SEH)



* 6% indicated "Don't know". Respondents were able to select more than one answer, thus responses do not necessarily total 100%.

2.5 Current Shared Equity Housing Policies in Canada

The survey included a series of questions about current policies, priorities and gaps in knowledge regarding SEH in Canada -- "what, if anything, should Canada be doing to enhance the use of SEH?"

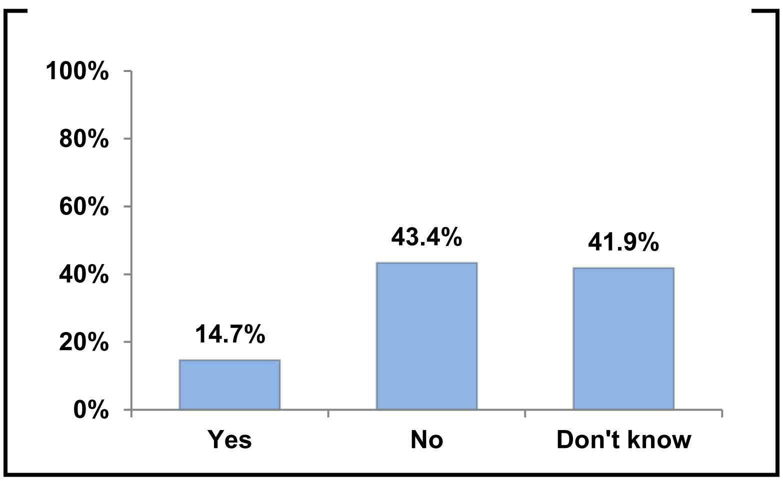
Responses indicate great potential to improve the use of SEH approaches through the dissemination of more information about these alternatives for access to homeownership. As illustrated in Displays 7 to 10, below:

- Over 60% of stakeholders were able to assess the effectiveness or potential for expanding use of SEH in Canada (42% could not provide an assessment). This points to an information gap about how well SEH works or the potential for more SEH.

- Among those who responded to these questions, about three-quarters indicated that the SEH programs today were not effective as now used. However, more than half indicated that SEH programs could be better used and expanded. These data suggest that the small-scale nature of most SEH initiatives limit the ability to improve access to homebuying. Nearly 60% of responding stakeholders noted that expanding these programs should be a higher priority in Canada.
- Over 80% of respondents felt that providing more information on SEH should be a higher priority, and over 70% indicated that CMHC should be the primary agency for providing information.

These data suggest that housing stakeholders see the potential for expanding the SEH sector to help meet Canada's housing goals and priorities, particularly in improving access to homebuying and homeownership.

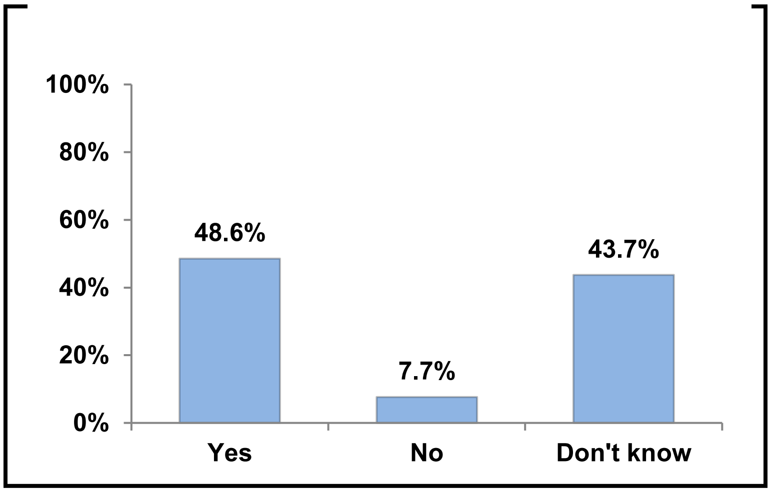
Display 7
Are Shared Equity Programs Effective in Canada Today? (Q.19)
(percentages based on 288 responses)



Canadian housing stakeholders viewed SEH as underutilized today and as having potential for expanded use and impact. The majority indicated that CMHC should provide more information about SEH.

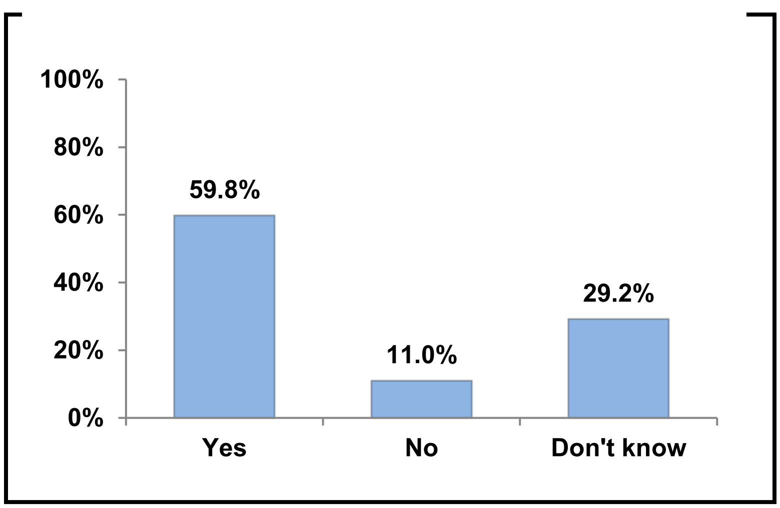
Housing stakeholders saw expansion of SEH as desirable for Canada by a ratio of 6 to 1 (48.6% to 7.7%).

Display 8
Could use of Shared Equity Programs be Expanded in Canada? (Q.20)
(percentages based on 276 responses)



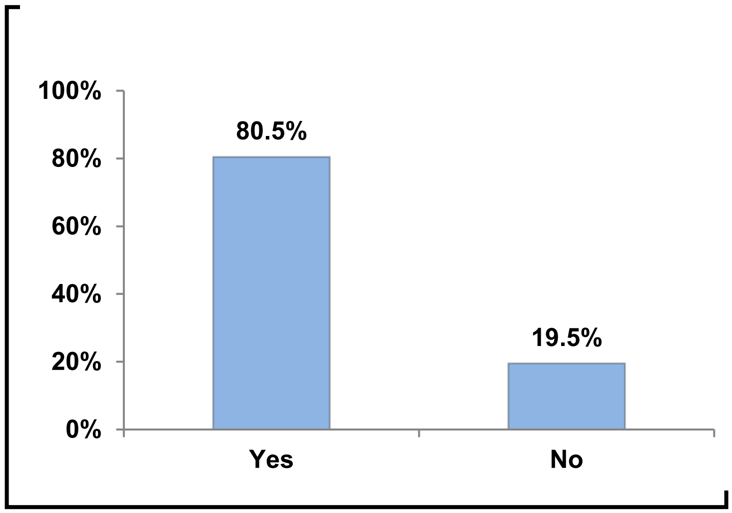
The importance of SEH can be seen in the fact that more than half of stakeholders indicated that expansion of SEH in Canada should be a priority (59.8% of stakeholders saw this as a desirable higher priority, compared to 11% who did not).

Display 9
Should Expansion of Shared Equity Housing be a Higher Priority for Canada? (Q.21)
(percentages based on 346 responses)



An even larger percentage of housing stakeholders (80.5%) felt that providing more information on SEH should be high on the priority list for Canada.

Display 10
Should Providing More Information on Shared Equity Housing be a Higher Priority for Canada? (Q.22)
(percentages based on 487 responses)



Some of the benefits of SEH highlighted by survey respondents included:

- Gets people onto the property ladder who could not otherwise afford to buy;
- Helps people to build an asset for their families and get ahead in life;
- Huge benefits result by freeing up rental units for others;
- Helps offset tighter controls on access to mortgages (lending policies);
- Creates more options for people;
- Creates affordable housing;
- Promotes public and private sectors working together;
- Has the potential for smaller projects through conversions of existing housing to SEH.

The survey results suggest potential for SEH to play an increased role in meeting Canada's housing goals by helping to create options for accessing homeownership and enabling all sectors to work together.

2.6 Key Findings on SEH Awareness, Knowledge & Potential

The survey results indicate support across all housing sectors and regions of Canada for increased awareness, information and discussion about the potential usefulness of the SEH alternative for accessing homeownership.

Key findings from the survey:

- Although awareness of SEH varies, more than half of stakeholders were familiar with SEH and 17.3% had been involved in some in some way;
- Over 60% were aware of homebuying/homeownership types of SEH; others were also familiar with other types such as land leases, life leases and land trusts;
- All housing sectors have been involved in SEH to some degree, including social housing, governments, the private sector and financial institutions;
- Housing stakeholders see potential for expanding the use of SEH in Canada -- 59.8% believe that it should be given a higher priority. The need for more information was highlighted by 80.5% of stakeholders, with the majority seeing providing this information as a role for CMHC;
- The benefits of SEH in creating affordable homes and improving access to homeownership is seen as providing more options for people to buy a home by all housing sectors working together.

The vast majority of Canadian housing stakeholders who were informed about SEH and offered assessments, indicated that expanding the use of SEH should be a priority, and that this effort should be led by CMHC.

The findings suggest opportunities for enhanced understanding of the SEH option as an alternative to strengthen Canada's housing strategy, meet housing goals and improve access to homeownership.

Overall Finding from the Survey: Housing stakeholders pointed to potential for SEH as part of Canada's housing strategies and to improve access to homeownership.

3. SEH Financial Models

3.1 Overview of SEH Approaches

This section of the report profiles financing models for SEH housing in Canada, based on 20 in-depth telephone interviews conducted with sponsors and other knowledgeable stakeholders, supplemented with on-line research. Additional data from the survey is also included below.

As noted in Section 1, detailed information was drawn from ten profiles (included in Annex C). For more detail on how each model is financed, see the individual profiles in Annex C which contains detailed findings on the following SEH examples:

- Life Leases (for seniors housing), Ontario and Alberta
- Community Land Trust, Vancouver, BC
- Options For Homes, Toronto
- Home Ownership Alternatives Corporation, Ontario
- Daniels Corporation, Toronto
- Habitat Greater Toronto Area (GTA), Toronto
- Creating Homes, Cambridge, Ontario
- Habitat Guelph-Wellington and Creating Homes, Guelph, Ontario
- Attainable Homes Calgary, Alberta
- Banff Housing (land leases), Banff, Alberta

In addition, shorter snapshots were prepared for:

- INHOUSE Society, Calgary, Alberta
- Artscape, Toronto, Ontario
- Lions Life Leases of Greater Edmonton, Alberta

Data compiled from interviews and the other sources examined provide a rich information base that could be useful for subsequent detailed case studies.[14]

This study covered examples from British Columbia, Alberta and Ontario. Examples from other provinces (such as Manitoba and Quebec) were also considered, however, insufficient information was available on specific models in other areas. It is noted that provincial legislation and regulations on forms of housing tenure vary somewhat and could affect some types of shared equity housing. (Regulatory systems were beyond the scope of the current study.)

3.2 Summary of Shared Equity Financing Models

The models profiled below illustrate a range of approaches for financing shared equity housing. Individual housing organizations have developed their own approaches and financing models, based on broader mandates and housing objectives.

[14] Case studies were beyond the scope and resources for the current study. CMHC may wish to consider whether such additional detailed analysis of the models is warranted.

The table below summarizes equity share features of the financing models included in this study.

Table 1
Summary of SEH Financing Models

Types/Examples	Equity Shares (Developer/Homebuyer)			Value Appreciation (VA) Shares on New MV
	Initial Shares (Developer/Buyer)	Financial Tool	Source of Funds for buyer shares	
Life Lease, ON	15/85 of initial MV	Leasehold tenure	Buyer equity	15/85 of new MV
Vancouver CLT	Not applicable	99-year land lease	Not applicable	100% to City
Options for Homes	15/85 of initial MV	Second mortgage(SAM for 10 years) on title	5% buyer equity & up to 15% HOA	SAM repayment + interest (8%/year from VA)
Homeownership Alternatives (HOA), ON	Up to 15% SAM of initial MV	SAM for 10 years on title	HOA Fund	SAM repayment + interest (8%/year from VA)
Daniels – BOOST	10/90 of initial MV	SAMs for 20 years	TCHC downpayment loan or 5% Daniels	10.90 of new MV
Habitat GTA	100/0 of initial MV	PES – payment of Habitat 20-year 0% mortgages	HFH mortgage from lenders	PES increase over time & with MV
Creating Homes Cambridge	15/85 (with SAM)	Up to 15% SAM for 10 years	5% buyer equity & up to 15% HOA	Up to 15/85 on new MV
Guelph Models	Mixed models – HFH + Creating Homes/HOA + City; Range: 100/0 to 15/85)	City grants mortgages HOA SAMs	Some units with 5% buyer equity (some 0%) City/HFH/HOA	Repayment from VA on new MV
Attainable Homes Calgary (AHCC)	5/95 of discounted initial MV	Repayable equity loan on title	AHCC Fund for equity loans; Private lender mortgages	Graduate scale for 3 years then 25/75 of MV to repayment
Banff Housing Corp. (BHC)	20/80 of initial MV	Land lease held by BHC	Buyer equity & private lenders	20/80 of new MV

Notes: PES = Proportionate Equity Share, based on buyer payments on HFH mortgage and increasing MV.

Common Themes: Despite differences in formulae and ways of calculating equity shares and value appreciation, some common themes emerged from this study.

Equity Shares: All models (except for Habitat) have some ratio of equity sharing (between the sponsor and homebuyers) at the front end:

- The developer/sponsor typically has between 5% and 20% equity share (the balance is the buyer's share).
- The largest sponsor/developer equity share (100%) is under the Habitat model since homebuyers do not contribute a downpayment. Buyers accrue equity over time through repayment of Habitat mortgages.
- In other models, buyers have the option to 'buy-out' the developer's share and acquire a larger proportion of the equity. Effectively, this moves the housing to the private market with no further returns on equity to the developer. The difference is at what point in time the sponsor/developer recovers their initial equity share and any share of value appreciation.

Value Appreciate Shares: All of the models have some sharing ratio on value appreciation. Two main approaches were used for the value appreciation:

- Some use the same ratio for the value appreciate share as for the equity share as at the front end. This assumes that the developer still holds a share at the back-end on resales;
- The other, more complex approach is where there are equity loans to buyers that are recovered with some interest from the value appreciation at time of resale. In most instances, the value appreciation is based on the new market value on resale. In most cases (except for Banff's program), housing moves to full private market prices on resale.

Timeframes: The time periods for shared financial terms in these models vary considerably.

- Many are shorter term (5 to 10 years) but Habitat is using 20 years in its new model while land leases are much longer term.
- The timeframes and scales of equity appreciation affect the rate of repayment of up-front equity loans and recapture of funds for added development (i.e., the growth of the funds).

Other Features of Models: Since sponsor/developers share in value appreciation, some funding returns to the sponsor for other development, basically allowing a program to be self-financing over the longer term (assuming that market values increase). However, the terms vary:

- Some set low buyer equity shares in early years to encourage repayments and for buyers to build more equity;
- Some control the rate of value appreciation to buyers in the early years to discourage speculative buying;
- In most cases, equity loans are secured on the title to properties so as to ensure recovery on resale or provide sponsor control on the resale. Others have leasehold arrangements with buyers. Some programs require amortizing mortgages on properties as a means to discourage increasing consumer debt and protect buyers. Conditions on the title and mortgages can affect the private lender's willingness to offer first mortgages.
- Programs with higher developer equity shares typically do not require mortgage insurance on first mortgages. However, other programs do require CMHC mortgage insurance on homebuyer mortgages. Mortgage insurance on leasehold mortgages reportedly involved discussions with CMHC.

3.3 Sources of Funds for Development

Development models and sources of funds have been quite complex in some of these models. Based on the 20 key informant interviews, the main sources of funds for development and equity financing included:

- Sponsor/developer equity (e.g. land)
- Buyer equity (e.g. as minimum down payment amounts or from previous homes such as seniors who sold previous homes)
- Private sector contributions (e.g. discounts on development costs)
- Social equity funds or financing (e.g. non-profit financing groups)
- Municipal financial incentives or contributions (e.g. offsets on development charges, land, etc.)
- Federal and provincial grants (e.g. capital grants or downpayment grants)
- Charitable sector (e.g. donations)

Developments involving non-profit housing organizations often involve combinations of multiple sources of funds.

Similar trends were noted in survey responses from 68 respondents who were familiar with SEH projects. Survey respondents identified the main sources of capital or equity as:

- Financial institutions
- Municipal governments (land and fee waivers)
- Sponsor contributions (land or cash)
- Government grants/housing funding
- Private and local in-kind supports and donations
- Private developers may also provide land at low cost
- Construction financing is most often obtained from private financial institutions

According to survey respondents, the most common form of mortgage financing in SEH projects was first mortgages from a private lender (36.8%) although 13.2% identified mortgages from a government housing agency and 16.2% identified borrower mortgages from a sponsor. Only 14.7% identified repayable loans to households and 11.8% said there were no mortgages involved in projects.

Recently, increased partnerships among public, private and social developers have increased the complexity of housing developed and/or acquired. For example:

- Non-profits can acquire blocks of units in a private development (such as with the Artscape non-profit in Toronto and in Calgary's Attainable Homes program);
- Two or more non-profits can develop buildings within a development to offer a wider range of prices and cover a broader range of occupants (such as with partnerships in Guelph between Habitat and Options For Homes);
- Municipalities can develop land and offer parcels of the site to different developers or builders (such as in Toronto, Guelph and other communities).

In this context, SEH may be offered as a component of a larger development with other tenures and financing arrangements. In these cases, SEH models do not need to be self-supporting for an entire program or development.

Common themes in information from both the interviews and survey data show the complexity of funding arrangements that are typical in other forms of housing development, particularly in larger and more costly markets.

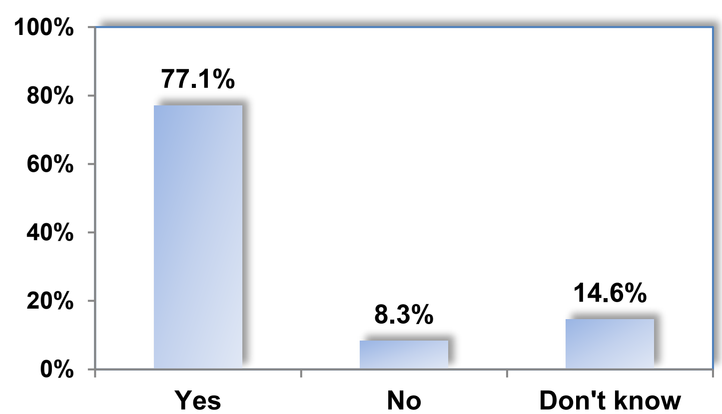
Another feature in several programs has been contributions from private developers typically in the form of discounts on initial prices such as in Calgary's Attainable Homes program and in the Accès Condo program in Montreal, which is operated by the Société d'Habitation de Montréal. In Toronto, the Daniels Corporation operates the BOOST program under an agreement with TCHC to assist moderate-income condo buyers. Approaches such as these allow for acquisition of privately-developed units and achieve a distribution of units in more mixed developments.

Therefore, there appears to be potential for partnerships across public, non-profit and private sector for financing and developing SEH although the extent of private sector interest could not be determined in this study. More research on private developer participation and interest would be required.

3.4 Roles of Shared Market Value Appreciation

Although some types of SEH (such as community land trusts) include some limits to homebuyer value appreciation at the time of resale, the examples covered in this review did not use a limited appreciation design. Instead, as noted above, the models involve sharing of market value appreciation between the homebuyer and sponsor/developer, and houses are sold at the new market value. Information from the Survey identified some of the perceived benefits of this type of SEH. Of the 48 respondents who were familiar with market value appreciation, 77.1% noted that households receive the value increase in the sale of their property (14.6% indicated 'Don't know" and 8.3% indicated "No").

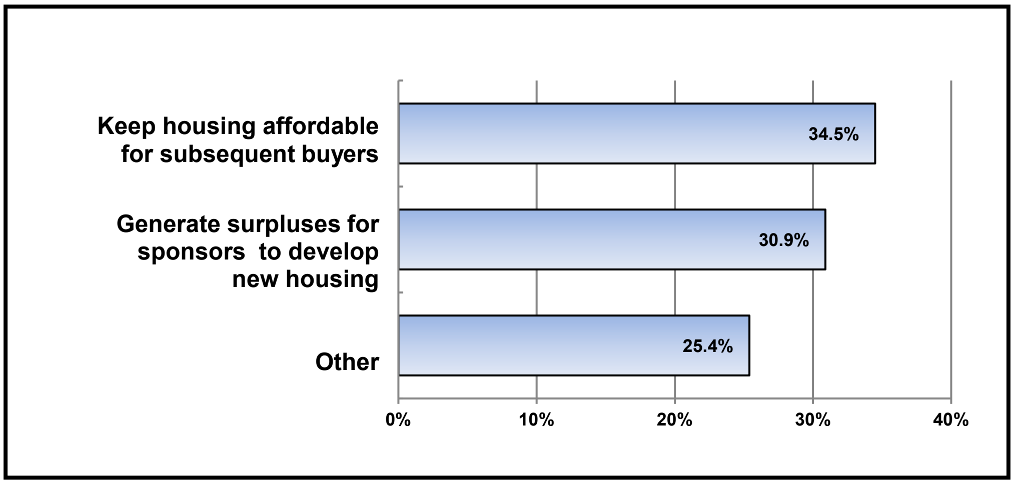
Display 11
Households Receive Market Value Appreciation on the Sale of their Property (Q.16)
(percentages based on 48 respondents reporting they were familiar with shared appreciation details)



Sharing value appreciation was perceived to provide benefits to both the homebuyer and the sponsor/developer organization. Stakeholders familiar with value appreciation (55 respondents) felt that this served two main purposes (see Display 12):

- Keep housing affordable for subsequent buyers[15] (presumably on the assumption that the sponsor/developer could pass on some of the benefit in reduced prices to subsequent buyers); and
- Generate surpluses for sponsors to develop new housing.

Display 12
Purpose of Sharing the Value Appreciation (Q.18)
(percentages based on 55 respondents reporting
that they were familiar with shared appreciation details)



* 9.1% indicated "Don't know".

These data indicate that the expectation is that sponsors/developers would be able to offer housing at a discounted price (that is below the full market value) to subsequent buyers by preserving part of the value increase. This is the basic model used in the Banff housing example which is based on a land lease model and where 20% of the new market value reverts to the Banff Housing Corporation. Banff is able to maintain the same discount below market values, however, the purchase price of homes continues to rise with the market. (An example of the effect for subsequent buyers is shown in the detailed profile in Annex C.) The mortgages required to buy a home continue to increase with market values, unless buyers make larger downpayments..

Based on the other examples covered in the interviews, the main effects of shared value appreciation to sponsors/developers are:

- To allow for buyer repayment of any second mortgage loans provided by the sponsors to the buyers, sometimes with interest costs; and
- To provide a return on sponsor/developer equity and provide funding for new housing development.

The sponsor/developers view this as a means to have sustainable self-financing for their housing developments, thereby avoiding dependence on government financing.

[15] 'Keeping housing affordable' was not defined in the survey question or the responses. Respondents may have assumed that homes may be sold back to a sponsor/developer for resale to other eligible homebuyers rather than moving into the market.

Market value appreciation assumes rising market values which have been seen in larger markets. However, the values of smaller or modest SEH homes may not necessarily increase as quickly as average home prices. Developments in smaller markets with lower increases in market values may also face challenges if there is not sufficient market demand. Therefore, it would be important to assess actual experience with turnover and trends in market values.

Since homebuyers receive most of the market value appreciation they could benefit from increased buyers' equity for a downpayment on another home in the market. The study found limited data available on the resales and longer term trends for homebuyers who sell SEH homes. Therefore, it was not possible to assess longer term outcomes.

3.5 Models for Financing Shared Equity

This study illustrated three broad types of financing models with shared equity, namely:

- Buyer equity model;
- Equity loan models; and
- Land lease model.

The equity loan approach includes three basic sub-types, as shown in the table (next page). All of the equity loan models involve some type of revolving fund for returns on equity shares to enable more development.

Table 3
Summary of Types of Financing Shared Equity

TYPES OF MODELS	KEY FEATURES
1. Buyer Equity	• Self-financing with buyer equity & minimum developer equity contributions • Buyers have major share of shared value appreciation based on actual market value • Developers recapture their share of value appreciation on resale at market value
2. Equity Loans	• All types require developer fund to provide equity to buyers • 'Loans' are secured on title and repayable on resale or at end of a set term • Some programs include grants from government programs and or municipal financial contributions
Zero Buyer Equity	• Developer carries 100% of mortgage financing costs and provides zero cost mortgages to buyers • Buyers accumulate shares from monthly payments to developer and earns share of value appreciation on resale or end of term • Developers recapture their costs and share of value appreciation on resale or end of a specified time period (e.g. 20 years)
Downpayment Loans	• Developer provides loans for minimum downpayment and buyers take out mortgages • Buyers repay loans from value appreciation on resales (plus fees) • Developer recovers their equity and share of value appreciation
Second Mortgage Loans (some known as shared appreciation mortgages) (SAMs)	• Developer (or social finance agent) provides second mortgage financing with no payments until resale or at end of a fixed term (e.g. 10 years) • Developer recovers loans plus interest and fees from value appreciation on resale at market value • Buyer accumulates share of value appreciation net of loan repayment and charges
3. Land Lease	• Buyers have leasehold (or sub-lease) tenure generally on publicly-owned land • Buyer equity and mortgages used to purchase buildings • Land holder retains equity share on land value and recovers on resale to assist the next buyer • Buyers recover their equity and share of value appreciation on sale at market value

Two general themes emerged from these alternatives:

- Shared equity features can be financed largely without government subsidies and programs can be self-financing through recovery of buyer assistance and shares of value appreciation; and
- 'Share' ratios (for both initial buyer equity and value appreciation) are quite varied. As well, the timing for sponsors to cover their shares also varies. This affects the ability to finance new developments and/or assist more homebuyers.

Findings and implications from these results are summarized in the following section.

3.7 Findings on SEH Financing Models

The detailed interviews and profiles completed for this study illustrate a broad range of shared equity housing approaches in Canada.

Key findings on some common trends are as follows:

- **Equity shares:** All models examined (except for Habitat) have some ratio of equity sharing at the time a homebuyer makes an initial purchase, typically in the range of 5% to 20% as the sponsor/develop share. The balance is the buyer's share. In the Habitat model, HFH holds 100% of the equity (since there is no downpayment) and the buyer acquires a share of equity over time through payment of Habitat mortgages.
- **Value appreciation shares:** All models have some ratio for sharing of value appreciation. Two main approaches are: the same ratio as on equity shares or a reduced hare net of any outstanding equity loans plus interest. Both calculate value appreciate based on the market value at the time of resale. None of the examples reviewed had limited (below market) appreciation rates. Sponsor/develop shares of value appreciation are a vehicle to generate funds for new housing development or to assist more homebuyers so that programs are self-financing without government funding.
- **Timeframes:** The time periods for shared financial terms vary considerably with many being shorter (5 to 10 years) and Habitat using 20 years in its new model.
- **Other features:** Some set low shares for buyers in early years to encourage buyers to build up equity and to discourage speculative buying. Equity loans are secured on title or leasehold titles provide sponsor on resales. Some require mortgage insurance while other not, and some require amortizing mortgages to discourage increased consumer debt.
- **Types of financing:** Three basic were buyer equity models (life leases), equity loan models (sponsor loans for downpayments or as second mortgages to buyers secured on title) and land lease (long-term with leasehold mortgages).

Since there are no limited value appreciation features, all examples involve house values rising with market value. Therefore, at the time of resales, properties revert to the market unless there are other controls (such as through land lease or the property is acquired by the sponsor/developer). Ensuring ongoing access to homebuying is a challenge when homes are sold at market values.

The main benefits of these approaches are seen as enabling households to enter the homeownership market and the creation of funds for sponsor/developer to build more housing without government funding. All housing sectors have been involved in SEH in Canada, and there is evidence of increased partnerships to scale up development.

Sponsors involved in shared equity housing suggested that Canada's national housing agency could help to improve understanding of this approach.

Overall Finding on SEH Financing: As a financial tool, shared equity and shared value appreciation in Canadian examples help housing sponsors/developers to cover costs and to finance assistance for homebuyers.

4. Conclusions and Recommendations

The current study is the first to explore awareness of shared equity housing in Canada and to review the varied approaches to finance this type of homebuying for Canadians. Information in this report could help in further discussions and research about options for homebuying, particularly as related to entry into homeownership.

Overall Findings and Conclusions: Results from the survey and the detailed interviews regarding 10 different types of SEH in Canada showed that:

- **Canada has a small and varied shared equity housing sector involving non-profit and private developers, financial institutions and governments.** To-date, most of the SEH housing in Canada has been developed by non-profit housing sponsors or municipal housing organizations.
- **SEH generally aims to make homebuying more accessible for households who may not otherwise be able to buy a home.** It has also been used to provide housing options for seniors.
- **SEH is not well-known in Canada and more information needs to be made available on this alternative.** Housing stakeholders surveyed and interviewed in this study suggested strongly that it would be useful if information about SEH could be provided by CMHC.
- **Although the effectiveness of SEH for homebuyers remains to be investigated, financing models for SEH in Canada are effective to create self-financing for housing development and to assist buyers.** Value appreciation shares to sponsors/developers enable more development. Changes in some designs could help improve sustainable access to homebuying following sales. For example, limited rates of value appreciation to homeowners (i.e., below the market value rates) would ensure that subsequent buyers could access homeownership.
- **More research and evaluation of SEH is required to assess the impacts and results of the various financing models.** The feasibility of fixed rate of return models for SEH requires further investigation. Financial analysis of rates of value appreciation and the risk profiles on sponsor loans and mortgages to homebuyers may also be beneficial.
- **The diversity of current SEH models merit evaluation as well as discussions among key stakeholders including governments about how SEH might be expanded.**

Implications for Affordability of Homebuying: The study has implications for the affordability of homebuying (as defined in Section 1.4). Only one approach in this study (Habitat) explicitly relates shelter expenses to homebuyer incomes, so that the housing is affordable with less than 30% of household income.

In other models, buyer households have to meet borrowing criteria to qualify for mortgages. Mortgage affordability is benchmarked at 32% of incomes to cover mortgage payments, taxes and utilities. However, borrowing capacity also takes account of other household debts. Therefore, an individual’s ability to qualify for a mortgage involves other factors as well as income.

SEH models may have an impact on mortgage affordability because of sponsor/developer contributions for downpayments and/or equity loans that reduce the amount of mortgages the borrowers require.

The amount of sponsor/developer loans and the terms for repayment affect the mortgages required and associated monthly payments. These variables affect the incomes required to buy with SEH financial backing. More detailed analysis of financial impacts for homebuyers will require data on loan portfolios under the various SEH programs.

Recommendations: Based on the study findings and conclusions, it is suggested that CMHC consider the following recommendations:

- Develop steps to increase awareness and knowledge about SEH in Canada.
- Address the information gaps and types of information required by all housing sectors about SEH and the most appropriate means of providing this information.
- Further research to evaluate existing shared equity models so as to assess the impacts of alternate financing arrangements, particularly as related to sustainable access for homebuying.
- Consider the feasibility of other designs for SEH (such as fixed rate value appreciation) that could help improve ongoing access to homebuying in SEH developed.
- Examine options for innovative pilot projects to enhance SEH as a means of improving access to homebuying (such as with pilot testing and evaluation).

More research and information about SEH in Canada could be beneficial as background for further discussions with housing providers in all sectors. Opportunities for information sharing and identifying alternatives may help inform future directions.

A national forum or workshop on SEH with interested housing stakeholders and all levels of government may promote information sharing and help identify alternatives for future directions.

Annex A: List of Organizations Contacted for Profiles

Attainable Homes Calgary (AHCC), Calgary

Banff Housing Corporation, Banff, Alberta

Canmore Housing Corporation, Canmore, Alberta

Creating Homes (Cambridge) Inc., Ontario

City of Calgary, Planning Department

City of Guelph, Planning and Development Departments

City of Toronto, Affordable Housing Division

Community Land Trust, Vancouver

Daniels Corporation, Toronto

Devonshire Financial Services, London

Gary Zock Associates, Ontario

Habitat GTA, Toronto

Habitat Guelph-Wellington, Guelph

Home Ownership Alternatives Corporation, Toronto

Options For Homes GTA, Toronto

Other:

Financial Contacts and Development Consultants and representatives

Annex B: Key Informant Interview Guide

Background: As part of the study on financing models for Shared Equity Housing in Canada, SPR is interviewing knowledgeable individuals/groups that have been involved in these types of housing developments. Our goal is to speak with people from housing organizations; the financial sector; as well as government housing officials.

The purpose of the interview is to obtain your views on the following topics:

- Types of financing used
- Market value appreciation
- Effectiveness of the financing structure and what works well
- Benefits of the approach used
- Challenges and risk sharing
- Lessons learned for ways to finance shared equity

The interview will take about 30-45 minutes. If you have additional information you would like to share with us for this study, we would appreciate receiving this by email.

A. BACKGROUND INFORMATION

Type of Organization: ____

B. EXPERIENCE WITH SHARED EQUITY HOUSING

B1. Please describe the type(s) of shared equity housing you have been involved with.

B2. How long have you/your organization been involved with this type of housing?

B3. Is your organization also involved with other types of housing as well?

C. FINANCING MODEL

C1. Please describe the types of **capital financing** used to develop housing with a shared equity model (e.g. sources of funds, land, trusts or investment funds).

C2. Could you provide a specific example of a project you were involved with (e.g. % of funds from different sources)?*:*

C3. What is the main source of **mortgage financing and typical terms** (e.g. lenders involved, lending ratios, and so on)?*:*

C4. Are any other types of loans offered to buyers in developments (deferred or recoverable loans and repayment experience)? *:*

C5. What is a typical rate of turnover of residents/owners in projects (e.g. in early years and at a later date)?

D. VALUE APPRECIATION

D1. Please describe any conditions on the market value appreciation at the time of resale (such as % to buyer and developer, how market value assessed, sharing of losses and risks).

D2. Can you provide a specific example?

D3. What are the goals of shared value appreciation (e.g. to households versus sponsors)?

E. EFFECTIVENESS

E1. How would you assess the effectiveness of the way this housing is financed (i.e., what works well with this model)?

F. BENEFITS

F1. How would you describe the main benefits of the approach used (for consumers, developers, affordability or tenure choices?

G. CHALLENGES AND RISK SHARING

G1. Are there any specific challenges or risks associated with this approach (e.g. for developers, buyers, and so on)?

H. KEY LESSONS LEARNED

H1. What are two key lessons learned about shared equity housing from your experience (such as effective models in larger and smaller markets)?

I. OTHER COMMENTS

Do you have any other comments to share with us regarding shared equity housing?

J. OTHER CONTACTS

Can you suggest any other contacts you have worked with who we could speak with regarding shared equity housing? Please provide contact names and emails or telephone numbers.

THANK YOU VERY MUCH FOR PARTICIPATING IN THIS INTERVIEW

Annex C: Profiles of Shared Equity Housing Models in Canada

This annex includes short summary profiles of the examples of shared equity covered in the study.

Many of the examples involve non-profit housing organizations and relate to forms of ownership or homebuying. However, the financing for equity shares and approaches to value appreciations are quite varied.

Some examples illustrate use of partnerships in development, not necessarily as part of the SEH approach, but as a mechanism for achieving 'financeable' projects. In other words, 'financing packages' may include a SEH component as part of the broader land development, planning and financing processes for all types of housing.

This section includes the following examples:

1. Life Leases (for seniors housing), Ontario and Alberta
2. Vancouver Community Land Trust, Vancouver, BC
3. Options For Homes, Toronto
4. Home Ownership Alternatives Corporation, Ontario
5. Daniels Corporation, Toronto
6. Habitat GTA, Toronto
7. Creating Homes, Cambridge, Ontario
8. City of Guelph, Habitat & Creating Homes, Ontario
9. Attainable Homes Calgary, Alberta
10. Banff Housing Corporation (Land Leases), Banff, Alberta

Along with the profiled examples, the report also includes:

- Selected 'snapshots' of other specific programs offered by local housing organizations, including *Artscape* in Toronto and *INHOUSE Society* in Calgary. The snapshots illustrate how variations in the structures of financing for shared equity affect the results; and
- An illustration of how municipal incentives and planning work with partnerships of housing organizations to develop mixed projects with elements of shared equity. Successes in the City of Guelph show how the City, Habitat, Creating Homes and Options For Homes, along with HOA financing combined efforts can create levels of shared equity housing.

1. Life Lease Housing -- Ontario and Alberta

Overview: Life lease projects date back to 1988 in Canada. Most of these developments have been for seniors housing, provided by non-profit organizations and are self-financed (no government funding required). According to experts in this field:

- There are no current data on the number of life lease developments or units. A 2005 survey reported about 380 projects, mostly with non-profits for seniors, especially church/faith groups and some immigrant communities. Many new life lease projects have been developed since 2005.
- Life lease developments were most active in Ontario (some in BC, Manitoba, Quebec & more are active now in Alberta).

The originators of 'life leases' in Canada see this term (adopted from the UK in 1988) as something of a misnomer since ownership is not for life nor is it a lease. It is actually a form of tenure with a right to occupancy and a share of equity. Various formulae have been used but the most common is based on 85% of market value for the homeowner share of value appreciation.

The model has been used to provide housing for seniors who have some equity to acquire a unit in multi-unit buildings with some amenities or services. Active developments are underway in Alberta, such as Lions Village of Greater Edmonton and a few projects in Ontario.

CMHC actively supported this form of housing until the late 1990s, but has not in recent years.

Financing Approach

Most projects in Ontario were developed by non-profit housing organizations that owned existing sites to add new development. The model was especially popular with faith groups and immigrant groups to meet the needs of their members. Key features:

- The land value typically contributed about 15% of equity from the non-profit for construction financing from a lender. Lenders preferred to see a high ratio of 'presales' of units to provide assurance of pay-out of these mortgages;
- Buyers purchase a leasehold interest in the property but do not hold title (as they would in a condominium property). The buyers' prepayments are held in a trust account and used with the full payments to pay-out the construction mortgages;
- Most buyers had equity from previous homes, although they could obtain individual mortgages from lenders at the time of purchase if they wished. About 10-15% of buyers take out mortgages to cover the balance of the purchase when they move in.

Buyer equity is the main source of financing for developments in Ontario and Alberta, with a 15:85 share (non-profit: buyer) of equity and for sharing of value appreciation. Value appreciation is based on the increase in market value. Therefore, the non-profit receives a stream of repayments on its shares through turnover of the suite (averaging about 10% per year). These funds can be used to cover the expenses involved and to build reserves for other development.

Models vary by province. For example, under Manitoba legislation, buyers put in only downpayments and can pay off monthly amounts but have no guarantee on recovering their equity.

Life leases involve very detailed leasehold agreements between the non-profit and the buyers (specifying all the terms and conditions).

A typical profile of the financing components in the Ontario model is summarized below.

Summary: Life Leases		
Key Elements	**Sponsor/Developer**	**Households**
Sources of Funds (Project Financing)	Non-profit owns land (15% of cost) Use presale funds to secure construction mortgage from lender for 70-80% project cost. Pay off from buyers' balance – no take-out mortgage	Initial deposit & 25% down from their own funds Pay balance on completion from own equity (10-15% take out mortgages from lenders)
Shares of Equity (Ownership)	15% of Market Value (MV)	85% of MV
Shares of Value Appreciation (on resale)	15% of new MV Includes 5% fee (transaction costs)	85% of new MV (includes share of value appreciation)
Options	Some NPs keep 15% of units for rental (for other seniors)	
Benefits	Self-financing (no government funds needed) Expand portfolios/meet needs Some NPs have wait lists for buyers from own community 10% turnover/year – revenue to NP	May sell any time (needs change) & recover equity Option to stay in community No home upkeep (services provided)
Challenges	Lenders prefer minimum of 80% pre-sales RBC major supporter Small business volume for lenders Aging of seniors – more service needs	Do not hold title to property (leasehold) Lenders wary of mortgages on leasehold

Lessons Learned & Implications:

- Life lease projects have been very successful with reportedly no failures or foreclosures. Experienced non-profit housing organizations are in a good position to expand their roles in meeting housing needs in their communities. The model has worked especially well in small and medium- sized communities to help people stay in community when ready to move out of their homes. Land values may be too high in large markets to make housing affordable although Lions Life Leases in Edmonton (see below) has three projects ('villages');
- Life lease needs to be marketed as a form of tenure as they are not care facilities. They provide strong, supportive communities but not higher levels of support that some seniors may need;
- Life leases provide a self-financing option for seniors housing. Some of the non-profit organizations involved retain a portion of the units for rental to seniors who could not afford to purchase. For large lenders, these projects may be a small niche market without much business profit but smaller lenders are interested in financing them.

Implications for policies include the following:

- While non-profits have land to contribute to the development, some project development funding up-front would be beneficial and could be repayable at the completion of construction;
- More promotion and education about life leases by CMHC could be beneficial to explain the concept and the benefits;
- The model could be especially useful in smaller markets with aging population where there is sometimes a lack of alternatives when senior homeowners wish to downsize. The fact that the model can be self-financing without government funding makes it an attractive option from a policy perspective.

An example of successful life leases in Edmonton is highlighted below.

Lions Life Leases of Greater Edmonton is a non-profit organization that is committed to providing housing for Edmonton and area seniors aged 55 and older using the ‘’Life Lease Concept.” Life lease communities are among the ownership options in retirement living for seniors. They offer mature adults who are neither tenants nor owners a stake in a community designed as a rewarding, supportive and affordable place to live.

- Residents buy a life lease or leasehold interest in their accommodations, giving them a right to occupy the unit and use all communal amenities.
- Residents also pay a small monthly occupancy fee, depending on the size of the unit.
- When residents leave a Lions Village, they are refunded the original amount of their deposit, subject to the terms of their lease.

The three villages: Castledowns, Riverside and Railtown in Edmonton have activities and amenities such as: on-site caretakers, furnished guest suites, exercise rooms, billiards rooms, wood working rooms, craft and recreation rooms, beauty salons, covered parking and family rooms. Services include Health Navigator, concierge, and unit maintenance.

Villages have one- and two-bedroom suites, some with balconies, dens and walk-in closets.

Source:www.lionsvillage.com

2. Vancouver Community Land Trust Foundation

Overview: The Vancouver Community Land Trust Foundation (the Land Trust) is a non-profit organization established by the Co-op Housing Federation of BC (CHF-BC) with a consortium of non-profit organizations and financial institutions:

- The City of Vancouver leased four City-owned sites to the Land Trust at a nominal rate with a 99-year lease to develop up to 358 units of affordable non-profit rental and co-operative housing.
- The Van City Foundation and BC Housing provided seed capital as major financial partners with the Land Trust and community equity funds access private investor funds for project development.

For more detail regarding the structure and operations of the Land Trust, see Patten (2015).[16]

The Land Trust is a unique partnership of the non-profit, co-operative, government and private sectors to create a platform for affordable housing development in Vancouver. However, it is different from the usual model for community land trusts, for example:

- In Vancouver's Land Trust, the City of Vancouver retains ownership of the land over the long-term and grants the right to use the land through long-term leases to the Land Trust;
- The City has included affordability requirements in the lease agreement between the City and the Land Trust to preserve long-term affordability for low- and moderate-income families in perpetuity.

In other words, the City retains some of the functions normally carried by community land trusts. Nevertheless, the Land Trust has the lead role in stewardship over the use of the land for the housing developed by other non-profits and co-operatives.

CLTs have a long history in the US but have not gained much traction for housing in Canada. The notion of retaining community benefits and providing stewardship for assets in perpetuity is distinct from riding the wave of rising real estate values. In the case of the Land Trust, much of this benefit is a function of the City land ownership and leasing to the Land Trust for development.

Thus, the Land Trust is not primarily a shared equity housing model, but rather a joint ownership model with: (1) some of the assets owned by the City (the land) and some assets (the buildings) owned by individual non-profits or co-operatives; and (2) most equity for development is provided by private equity investors who thereby own an interest in the properties until repayment.

Value Appreciation: All of the growth in land values reverts to the City as the land owner. With long-term leasing at nominal rates, the non-profits benefit from zero increases in lease charges tied to rising market values of land. It appears that any increases (or declines) in asset values for properties would revert to the non-profit owners of the buildings (although it is not clear if the investments in properties would be fully depreciated by the end of the terms of the leases (99 years) or earlier). The ability of non-profits to leverage their assets for improvements or redevelopment remains to be determined.

[16] Kirsten Patten, Vancouver Community Land Trust Foundation. *Examining a model for long-term housing affordability*, SCARP-BC, April 2015.

Affordability: The agreement between the City and the Land Trust drives the housing affordability over the long-term. The criteria for 'affordability' are related to market prices (e.g. as a percentage of average market rents). With rising rents in the broader market, the rents or charges in the non-profit housing would increase over time, and some portion of the units will have charges set at market rates to generate internal subsidies for other units at lower rents. The mechanism may maintain relative affordability over time but not guarantee housing affordability for lower-income families.

Tenure: Plans to-date include rental and co-operative housing and strata title ownership developments. There was limited information available on shares of equity in the initial project under construction.

Summary: Vancouver Community Land Trust (CLT)		
Key Elements	**Sponsor/Developer**	**Households**
Sources of Funds (Project Financing)	City owns land (4 sites) – 99 year lease to CLT Start-up capital to CLT from: Van City, BC Housing & NP sector Project development financing from equity funds (e.g. 20% costs) NPs/Co-ops hold construction mortgages & take-out mortgages	Projects can include market ownership (multi-unit strata title or condo – e.g. False Creek/Granville Island under construction (2017)). (See Note 1)
Shares of Equity (Ownership)	<u>% shares may vary by project</u>: City retains equity on land (e.g. 15%) Equity investors own % share to repayment (varies by project) (e.g. 20%) Rental NP/co-ops have 0% equity at front-end but own balance (e.g.65%)	Individual homebuyers own some share of value.
Shares of Value Appreciation	City retains share on land value appreciation for 99 years Rental NP/Co-op hold balance of any value appreciation	See Note 1
Options	Title to land at end of lease TBD	
Benefits	Portfolio approach to development CLT provides development services on fee-for-service charge to NP/Co-op Long-term affordability maintained by terms of City lease agreement Development of affordable NP housing with mixed market model Self-financing (no government funds)	
Challenges	Stewardship is divided: City responsible for Trust functions on land CLT responsible for use of land by NPs/Co-ops	

Note 1: Initial projects under development (2017) include a proportion of strata title ownership. Insufficient information was available on the equity shares and value appreciation over time.

Since construction is still underway, it is too soon to assess lessons learned.

The Land Trust model illustrates a way to successfully pool assets for development of more housing with some assurance of continued affordability under the terms of the lease agreement with the City. The City would be responsible for investments in additional affordable housing on City-owned land.

3. Options For Homes, GTA

Overview: Options For Homes is a non-profit housing developer established in the 1990s. To-date, it has completed 2,500 units, has 600 units under construction and another 1,700 units in the pipeline. Options For Homes developments cover a number of centres in Ontario, most of these being multi-unit condominium ownership projects.

Options GTA is the central offices for Ontario and has goals to expand to higher priced markets across Canada. Options is also partnering with other housing groups such as Habitat for Humanity.

Financing Approach

Options developments are financed by Home Ownership Alternatives (HOA) Corporation (outlined in Section 2.4). HOA is a separate non-profit that also provides financing to other non-profit housing developments. HOA operates a fund that provides equity for new projects.

While Options is considering variations of its basic model, the main features of the model to-date are as follows:

- The goal is to make the first purchase of a modest-priced new home as affordable as possible to homebuyers with moderate incomes.
- HOA provides second mortgages called shared appreciation mortgages.
- Construction mortgages for Options developments are obtained from private lenders, mostly with TD, BMO and some credit unions. These lenders also offer mortgages to homebuyers. Van City Investment Bank (its social impact bank) also provides construction mortgages to Options but does not provide retail mortgages to buyers.
- Most Options homebuyers do not need CMHC mortgage Insurance because the second mortgages reduce the loan-to-value- ratio to 80%. Therefore, buyers do not have to pay the CMHC insurance premium.
- Options/HOA include some features to protect buyers and reduce the risk on the second mortgages. For example, buyers are required to qualify for a mortgage at prime interest rates plus 2% to help protect them from high financial debt loads.
- Repayments, turnover and losses depend on market conditions. For example, if house prices increase rapidly, there can be more turnover (resales) in early years. In slower markets with more affordable homes, people with lower incomes are able to buy and remain longer in their homes.
- Value appreciation on resale is not limited (e.g. it is based on market value). The value of Options shares increases or Options/HOA assumes the loss on second mortgages.

Monies repaid (for second mortgages plus interest charged by HOA) and the amount of value appreciation earned by Options are returned to the Fund for use in further developments. This determines the volume of new development.

The typical profile of financing components is summarized below.

Summary: Options For Homes, GTA		
Key Elements	**Sponsor/Developer** (See Note 1)	**Households**
Sources of Funds (Project Financing)	Options For Homes (OFH) purchases land & undertakes development HOA provides start-up funding Construction mortgages for 80% costs from private lenders Builder discounts (Tridel) 10% used as equity for financing OFH use buyer financing to pay off construction mortgages	Homebuyer deposits Minimum 5% downpayments HOA 10-year second mortgages (shared appreciation mortgages (SAM)) up to 15% of purchase price (registered on title). About 50% buyers take SAMs. Buyers take-out first mortgages with lenders most without mortgage insurance.
Shares of Equity (Ownership)	OFH/HOA from 0-15% (Max 15% with SAM for approx. half buyers)	85 – 100% At 5-year mortgage renewal, 60-70% buyers pay-out SAMs to save on interest fees & increase share to 100%.
Shares of Value Appreciation (on resale)	0-15% of MV of buyers have SAMs – may repay early, at resale or year 10. OFH Share = balance of SAM + 8% interest/year on balance (fixed recovery rate)	100% of MV if no SAM 85% of MV if have SAM If SAM, repayment of balance in SAM +8% interest/year from MV appreciation
Options	OFH/HOA has 100% risk on SAM if value loss.	Buyers have option to prepay amounts of SAM or lump sum
Benefits	On or before 10 years, OHF/HOA receives repayment back to revolving fund plus value appreciation for more development	Lower first mortgage more affordable No mortgage insurance fees Buyers build savings for new home buying
Challenges	Selling prices rise to current MVs &are less affordable to next buyers – no second mortgage loans for next buyers	Homes rise to new MVs. No assistance for continuing affordability

Note 1: OFH is the developer for housing projects and HOA is the financial partner.

Lessons Learned & Implications: Options provides access to home ownership, for example:

- Second mortgages reduce the first mortgage amount and the monthly debt service payments. There are no monthly cash payments on second mortgages but interest accumulates until SAMs are paid off. Buyers may not be aware of the interest but HOA is now sending annual statements;
- Risks are low right now with low interest rates but could be higher when interest rates climb;
- A common critique of the financing model is that it does not provide ongoing affordability. After the first resale, homes increase to market values and subsequent buyers are not eligible for Options/HOA second mortgages.

Options has considered a longer-term second mortgage (e.g. 20 years) – basically keeping its 15% investment in the homes for a long-term to lengthen affordability. Effectively, this could reduce the purchase price to 15% below market for subsequent buyers. The challenge with this approach is the reduced growth of the Fund for new development.

To-date, the Options' second mortgages have been unsecured against the risk of value declines or foreclosures on uninsured first mortgages. A government backstop (insurance) on second mortgages could offset some of the risk and ensure faster growth of the Fund.

The Options model with variations in the formula has been adopted by some other groups with mixed results. However, the ongoing problem is shared appreciation, based on rising market values.

4. Home Ownership Alternatives (HOA) Corporation, Ontario

Overview: HOA is a non-profit financial corporation that has three main roles:

- To provide up-front equity (typically 5-10% of costs) to non-profits for project development costs and to enable non-profits to secure construction mortgages. These investment are recovered on completion of construction when construction mortgages are repaid;
- To provide second mortgages to homebuyers (up to 15% of home purchase costs) to reduce the amount of first mortgages required to purchase a home; and
- To manage its Fund for investment in non-profit housing and provide financial services (such as administration of loans and payments) to non-profits.

HOA provides financing to Options For Homes as well as other non-profit housing developers.

HOA has created a self-sustaining revolving fund as a pool of assets that grows with the returns from its investments and that can be used to provide affordable housing in the future. This model is viewed as representing social equity.

In addition, the federal, provincial and municipal governments provided $8.7 million to HOA to use as downpayment support for families that need more than just the basic second mortgage help.

HOA has its own mortgage broker, *Mortgage Services Inc. (MSI)*, which handles all of HOA's mortgage services. MSI provides second mortgages to homebuyers.

HOA Financing Model. The financial model focuses on *Shared Appreciation Mortgages (SAMs):*The HOA provides 10-year, no payment second mortgages to help reduce the amount of the first mortgage required to buy a home and improve affordability of first mortgage payments. Key features of SAMs are as follows:

- Up to 15% of the initial market value (purchase price) for qualified buyers;
- Secured on title to the property;
- Repayable at time of resale or at 10-year maturity; and
- Interest charges based on fixed interest rate of 8% per annum on outstanding balances in the SAM, plus transaction fees.

Under this model, the shares for buyers with SAMs from HOA are as shown below, assuming that buyers take out maximum SAMs and make no prepayments:

	HOA	**Homebuyer**
Initial Equity Shares of MV	15%	85%
Shares of Value Appreciation on resale	15% of initial MV 8% interest p.a. + transaction fees	Balance of new MV (less SAM repayment)

SAMs are uninsured and HOA carries the risk of losses in markets where value appreciation is less than 10% per year. It seeks to minimize risks by:

- Working with lenders that offer amortizing mortgages (rather than HELOCs) to minimize increases in consumer debt;
- Providing its own internal brokerage function and not using mortgage brokers;
- Making borrowers aware of the interest charged (accruing) on the second mortgage loans. HOA sends annual statements of principal and interest owing to the borrowers to raise awareness.

Buyers are also able to repay SAMs and HOA will set up repayment plans for borrowers using on-line systems. From a Fund perspective, repayments are positive and help to grow the Fund for new development. The rates of repayment on second mortgages have increased substantially. Currently, 60-70% repay before the 10-year limit. Lenders are also encouraging borrowers to refinance and repay SAMs at the time of 5-year mortgage renewals because they can obtain a lower interest rate from the lender.

The chart below summarizes the HOA financing model for SAMs to homebuyers.

Summary: Home Ownership Alternatives (HOA) Corporation (Ontario)		
Key Elements	**Sponsor/Developer (See Note 1)**	**Households**
Sources of Funds (Project Financing)	Growth in revolving Fund from 2 sources, repayments of: • development funds when built • SAMs with interest & fees	Buyer downpayments typically 5% Buyers can qualify for up to 15% SAMs to secure 1st mortgages Some repay SAMs on closing (e.g. seniors)
Shares of Equity (Ownership)	Up to 15% of initial MV with SAMs secured on title to properties % share decline to zero with repayments by borrowers	Minimum of 85% with SAMs (100% if no SAM) 60-70% repay SAMs before 10 year limit and own 100% share Many repay SAM at 5-year renewal of 1st mortgage (refinancing) with lower interest rate
Shares of Value Appreciation (on resale)	15% of initial MV + 8% interest p.a. + transaction fees (assuming no pre-payment of SAM) Or Bal. SAM + interest due + transaction fees Or Zero share if zero balance in SAM	New MV less balance owing for SAM + interest & transaction fees If no SAM outstanding, share = 100% of MV appreciation
Options	HOA will create repayment plans for SAMs HOA prefers amortizing mortgages	Can make payments on SAMs
Benefits	Capital and returns flow back to Fund for more investment	Access to homebuying with lower 1st mortgage & payments
Challenges	100% risk on SAMs uninsured (losses born by Fund) Up to 10 years for capital recovery	Home values rise with MVs – no continuing affordability

Note 1: HOA is the financial partner in developments with housing non-profits and co-ops. As a non-profit financial corporation, HOA is responsible for a revolving fund of equity to assist in affordable housing development.

Risks to Growth of the HOA Fund: OFH and HOA carry 100% of the risks for losses from non-repayment of second mortgages and the interest. The Boards of both corporations determine the policies in place and the effects of any changes in interest rates.

Some of the potential risks are specific to the 'product' itself and the market conditions where it is provided. Key factors include:

- **Value appreciation share based on fixed increase rate (8%):** The rate has been fixed for some time and is below the actual market rate in major markets. However, a 10% p.a. rate is unrealistic in some smaller markets. It could be raised to the market rate, provided that is realistic and does not reduce the demand for the product.
- **Alternatives for repayment of second mortgages:** No payment second mortgages ties up capital, potentially for 10 years or until resale. Revenues to the Fund could be accelerated with other designs. HOA already offers options for owners to repay earlier if they prefer and are able. With the increasing rates of buyers repaying earlier and/or buying without the second mortgage, the market for the product may be evolving. For example, some mid-rise condo projects in Toronto are attracting seniors who are downsizing, have equity and need only small mortgages (if any). Most do not make use of the second mortgage. The impact on the growth of the Fund has to be considered.
- **Balancing the Fund:** Currently, losses on investments are offset by the returns and the current model works well. Any extension in the term of a second mortgage (e.g. to 20 years to extended affordability) could also have an impact on risk exposure and revenues/returns to the Fund.

Lessons Learned: Developments involving types of shared equity features involve more financial administration than other types of approaches (such as forgiveable downpayment assistance grants). Small-scale non-profit developers do not typically have in-house expertise and capacity to ensure on-the going financial services required. Therefore, a non-profit such as HOA can offer these specialized financial services to a wide range of non-profits:

- Balancing sound financial management of funds with the goal of improving access to affordable homeownership can involve conflicting priorities between the developer and the financial agency.
- The potential for pooling of risk from lending across a larger portfolio of loans needs further investigation. Individually, many of these types of developments are relatively small-scale niche products and some may be more profitable than others for growth of a fund.
- Other types of funds for housing development (such as ENCASA, Catalyst Developments and the New Market Funds) are more involved with rental than ownership. However, there may be lessons to be learned from how other funds are structured.
- The current designs for shared equity are based on the 'homebuyer'. Even though equity loans are registered on the title to the property, models such as Options For Homes discharge the loans on resale. Another approach would be to retain the financing assistance with the property to provide continuing affordability to subsequent buyers.

There are also other homeownership financing models. The example of Artscape Non-Profit, Toronto, is summarized below.

Artscape works with the City and developers to acquire residential and commercial space for artists in multi-tenanted developments such as condominium projects. Artscape does not undertake development, it acquires units in developments (under Section 37 of the Planning Act). Developers see artists as desirable additions in developments (a type of community benefit). Its Triangle Loft building has 78 units -- half for homebuyers and half rented at average market rent.

Key features of the Artscape homebuyer model:

- ***The model is distinct as it tries to create ongoing affordability. The mechanism is that the loan stays with the unit and the new households moving in assume the loan***
- 5% fixed rate, maximum value appreciation to Artscape on resales provide it with returns for its operations
- Units are re-appraised at the time of resale
- 15% of units sold to new homebuyers
- Reserves right of first refusal (buy-back condition) to ensure sales to artists
- Revenues make Artscape self-sufficient (revolving fund to assist more buyers)

5. Daniels Corporation, Toronto

Overview: Daniels Corporation is a private developer with a proven 20-year track record in real estate development. Daniels is well-known for its partnership with the City of Toronto in the Regent Park redevelopment.

Financing Approach: Daniels has created two models for supporting affordable homeownership in Toronto: the BOOST Program; and the Habitat model. BOOST includes an explicit shared appreciation feature.

BOOST grew out of a pilot in Etobicoke in 2003. The City of Toronto provides dollars from the federal-provincial affordable housing initiatives to cover 10% downpayments for qualified buyers.

In addition, BOOST provides <u>shared appreciation second mortgages for 20 years</u>. The second mortgage agreement includes an iron-clad clause that buyers who sell before 20 years pay 10% of the value appreciation at the time of sale.

Funds from the 10% value appreciation revert to the Toronto Community Housing Corporation's (TCHC) Toronto Affordable Housing Fund to be used for more affordable homes. In this way, part of the gains from increased market values are returned to the community.

Some key elements are:

- By year 5, buyers typically have paid down 10% of their mortgages. Lenders have to provide amortizing mortgages with 5-year terms (i.e., buyers cannot obtain lines of credit). RBC is the major lender and others are involved as they want to do business with Daniels. Track records show fewer failure rates on these mortgages than others.
- Buyers can sell, at which point Daniels requires payment of the second mortgage. If necessary, Daniels will foreclose (to recover the second) and sell the unit directly.
- Daniels has its own mortgage broker and its own realtor company. It will arrange the first and second mortgages and handle all the sales, screening of applications and marketing. Buyers buy from Daniels (not TCHC) to overcome buyer resistance to buying from a social landlord.
- Daniels established safeguards against windfall profits and speculative buying. For example, it monitors for potential abuse such as listings on Air BnB and Kijiji. Buyers are expected to be living in the homes and if buyers are living elsewhere Daniels can exercise the right to foreclose on the second mortgage.

Daniels also offers enhanced affordability by making a contribution. It offers the Triple 5% down program where a buyer could receive5%from Daniels plus 5% from provincial funds to add to a 5% buyer downpayment. Daniels will then offer these deals (with a 15% downpayment) to the banks. In this way, the developer is a catalyst and champion of the product. It feels that more developers could be encouraged to play this type of role.

Summary: Daniels Corporation (Toronto, Ontario)		
Key Elements	**Sponsor/Developer(See Note 1)**	**Households**
Sources of Funds (Project Financing)	*BOOST Program*: City of Toronto provides funds for 10% downpayments (F/P IAH funds). SAMs for 20 years. *Triple 5 Program*: Daniels Corp. provides 5% downpayment, 5% from buyer, 5% province $)	Buyers obtain 1st mortgages – amortizing mortgages are required from major lender. Daniels mortgage broker & realtor company arrange 1st and 2nd mortgages i.e. buy from Daniels (not from TCHC)
Shares of Equity (Ownership)	10% Daniels/TCHC	85-90% in 20 years At year 5, most have 10% equity.
Shares of Value Appreciation (on resale)	SAMs – 10% of value appreciation on current MV sales before 20 years. Funds revert to TCHC Fund for more homes	90% of value appreciation on current MV
Options	In Habitat GTA/Daniels joint projects, buyers can pay back grants and refinance at year 20. Earlier payment incentive – forgiveness on recapture of value appreciation. Daniels will foreclose and do resales.	Buyers not allowed to rent.
Benefits	Recaptures some of value for community benefit. Daniels offers full services to buyers	Improved access to qualified buyers. Daniels help arrange mortgages
Challenges	Monitors closely to avoid windfall profit taking & abuse.	Values go to MV on resales – no continuing affordability

Note 1: Daniels requires amortizing first mortgages (no HELOCs) with 5-year terms.

Habitat GTA Partnership Model: HFH has a 20th year milestone date when owners pay back any money they were loaned and can sell at market value. At that time them may refinance any outstanding balance with a new mortgage from a lender if they want to stay. Therefore, they are paying back assistance they had so that it can be used to help more buyers.

Habitat also has a payback option before 20 years. As an incentive, earlier payment does not include the percentage increase from rising market value. To avoid abuse, the amount repayable in any one year (such as one day before the loan is due) is limited.

More details on the Habitat GTA model are included two pages below.

Lessons Learned

All of the approaches allow for resales at market value. There are no mechanisms to provide continuing affordability for subsequent buyers. To compensate, the program aims to recover some of the value increase into funds for further development.

Daniels seeks to provide a private developer delivery model that distinguishes this type of housing from social housing. As a full-service developer, it is able to offer all of the services needed by buyers and facilitate borrowing from lenders.

Daniels demonstrates how private sector developers can also play a role as well as non-profits in offering kinds of shared equity ownership. This model brings forward possible added value from the private very social housing lens such as stronger links with private lenders and use of private real estate practices to protect program integrity while still ensuring return of benefits for more affordable housing.

6. Habitat GTA, Toronto

Background on Habitat for Humanity: Habitat for Humanity (HFH) is a Canada-wide organization with a local affiliate structure. All Habitat homes are sold to buyers with the basic HFH model as follows:

- Zero downpayments by buyers (100% mortgages from HFH)
- Zero interest rate mortgages
- Monthly payments based on a percentage of family income (typically 25-30%)
- HFH retains first right of refusal at time of sale
- Homes are sold to families at fair market values

Each local HFH group (affiliate) is able to adapt its model to local needs and priorities.

Shared Equity and Value Appreciation Approaches: *There is no ONE model for HFH sharing of equity and value appreciation.* The goals vary, for example:

- To maximize the value going to homebuyers, some models ensure that most or all of the value appreciation goes to the families; and
- To help support development of more Habitat homes and assist more families, some models capture a high proportion or all of the value appreciation as a source of capital for Habitat.

The two largest Habitat affiliates (in terms of the numbers of homes developed) are the GTA and Edmonton affiliates. Groups use very different models and there is ongoing discussion within HFH about the various approaches:

- **Habitat Edmonton** supports first-time buyers to enter homeownership and accumulate their savings from the principal repaid. All payments made are applied to repayment of principal with zero interest mortgages so buyers can build up equity more quickly than with private lender mortgages. Once the Habitat family has built up sufficient equity they can sell a Habitat home back to HFH and use their savings as downpayments for another home. Habitat Edmonton buys back the home and sells it to another qualified family and does not permit house prices to increase to market value. Therefore, there is no sharing of value appreciation. The Province of Alberta has been a strong supporter of this program. However, some groups note that it does not build stability for families and children.
- **Manitoba Models:** The Edmonton model was also used by Habitat Winnipeg for the first 10 years.. Habitat families who sell their homes and receive the amounts of principal repaid. After 10 years, families who sell may receive up to 100% of the equity in their homes.
- **Habitat GTA:** In 2015,following the amalgamation of three former HFH affiliates in the GTA, their different models were realigned into the new Habitat GTA model which is profiled below. The homes sold under previous models before 2015 (called ‘legacy’ homes) continue to operate under the former arrangements until the mortgages are repaid in full or the houses are sold.

Habitat Guelph-Wellington (profiled in Section 2.8, below) is also using a new approach. Both Habitat GTA and Habitat G-W use partnership approaches to increase the volumes of housing developed.

New 2015 Financial Model of Habitat GTA: The key features of the 2015 Habitat GTA mortgage model are summarized below. Based on the first three years of experience, some modifications are being considered at this time.

Key changes were:

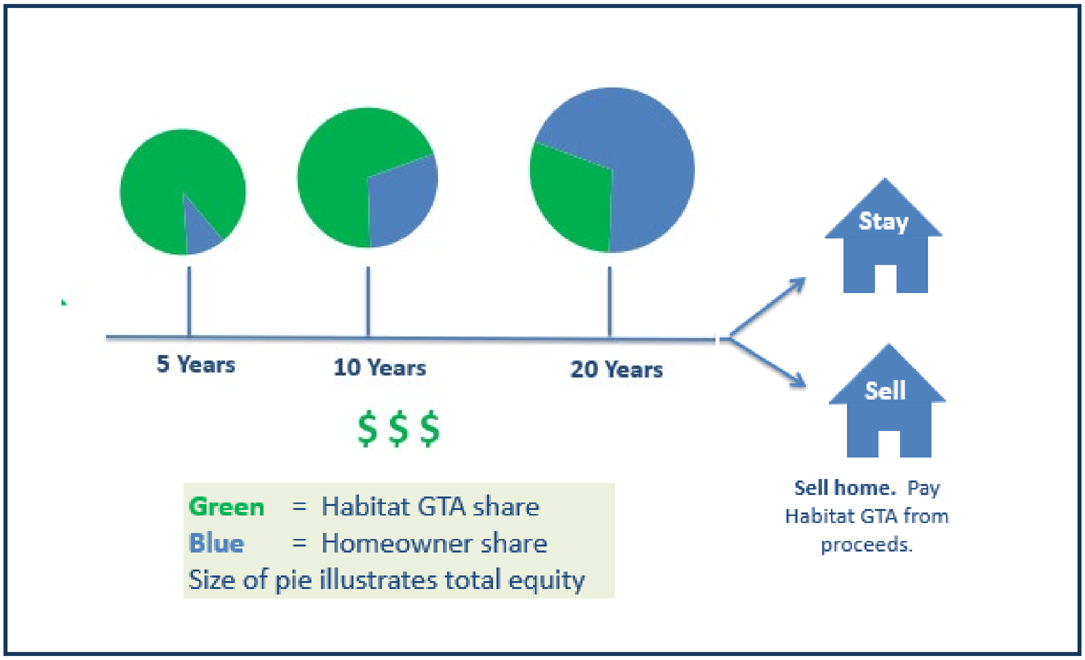
- Concept is 'a first home, not last home' – a bridge to homeownership.
- Viewed as a 'hand-up' versus previous open-ended mortgages with no fixed end point.
- Fixed 20-year term for paying off the mortgage may increase rate of savings accumulated (20 years viewed as the time to break the poverty cycle and raise children). No second mortgages are allowed and having a fixed term is a closer parallel with traditional mortgages.
- At the end of the 20-year term, families move into the open market or obtain conventional mortgages to cover the repayment of the HFH equity share.
- Shared value appreciation – proportionate shares based on the investment of HFH and the family in the home. This is an incentive to top-up payments by 20th year. The family's share = % of original mortgage they have paid off.

At the end of 20 years, the home is appraised at full (current) market value or sold and the proportionate shares are based on the percentage of original mortgage repaid. Assuming that market values have increased, both HFH and the owner have their shares of the value appreciation as shown below.

Proportionate Equity Sharing (PES) Formula:
Buyer share = Mortgage payments to date/original MV X current MV
HFH GTA share = [(Original MV–mortgage payments)/original MV] X current MV

There is a sliding scale of owner shares of equity and the value appreciation over time. Assuming rising market values, the amounts of total equity could increase as illustrated in Display C.1, below. Habitat homebuyers who choose to 'stay' in their homes after year 20 would refinance their homes with a private lender mortgage and repay Habitat the value of its share at that time. Habitat's share covers the interest costs paid on its mortgage for the property.

Display C.1
Habitat GTA: Growth in Equity Shares Over Time



Source: Habitat for Humanity GTA, Habitat GTA Mortgage Model. Presentation by David Sauve, August 12, 2015, Extracted from Slide 7.

Since monthly payments are based on a percentage of incomes, proportionate shares would be higher for buyers with higher incomes. However, with initial house values close to $500,000, it could be challenging for modest income buyers to fully repay their mortgages over 20 years.

The model allows house values to rise to market levels on resale or at the end of the 20-year term. Therefore, there is no continuity of affordability for new homebuyers unless the subsequent buyers have access to mortgage assistance from HFH (that is, 100% mortgages at zero interest for 20 years).

The summary profile of the financial components is shown in the chart below.

Summary: Habitat for Humanity, GTA		
Key Elements	**Sponsor/Developer(Note 1)**	**Households**
Sources of Funds (Project Financing)	HFH equity (from donated funds) to buy land & finance development. HFH uses government grants & monetarized flow of future payments to borrow construction mortgages & take-out mortgages from lenders HFH donations treated as long-term equity for 20+years HFH repays its mortgages with interest. HFHF holds title & enters agreements with buyers. Habitat lends 20-yr mortgages to buyers Mortgage origination by HFH Mortgage admin. by MCAP.- repayments to HFH Revolving Fund	0% downpayment 0% interest rate mortgages Pay 25-30% of income/month Contributions of volunteer hours not monetized
Shares of Equity (Ownership)	<u>Proportionate equity sharing (PES)</u> = mortgage outstanding X current MV (On paper, declining equity share as payments reduce mortgage balance)	Share = % of mortgage paid off. X current MV (Have equity on paper but not on title)
Shares of Value Appreciation (on resale)	<u>Proportionate equity shares (PES)</u> = Value appreciation X % equity share. Recovers some of its costs of capital from value increase at 20 years or resale.	Share = Value appreciation X buyer equity share At year 20, family may sell or refinance with private mortgage Based on market value (or appraisal) at year 20.
Options	HFH may extend terms>20 years, if needed	Able to prepay/pay down their mortgages faster
Benefits	Recovers its INTEREST cost of mortgage funds from value appreciation.	
Challenges	Mismatch between 5-year mortgage at HFH and 20-year term on buyer loans Risk exposure & market conditions	House values rise to MV – no continuing affordability.

Note 1: Summary of new model in Habitat GTA. Different models are used in other Habitat affiliates. It should be noted that, based on the first few years' experience, Habitat GTA is considering refinements to the formulae.

Implications for Habitat GTA: HFH has traditionally borne high risks on its investments, given the target income groups it seeks to reach and its policies to help families sustain their payments. As house prices rise and the uncertain job market affects more family incomes, these types of risks may increase.

Financially, HFH provides an interest rate subsidy to its buyers equivalent to the cost of funds it borrows in the private market. The proportionate share model provides one means of recouping some of these losses but not until the sale of the home or at the end of the 20-year term.

Other sources of financing may be available to groups like Habitat GTA such as foundations that provide social investment financing at lower cost than the larger lenders.

Lessons Learned: It is too soon to fully assess the Habitat GTA approach, based on proportionate shares of equity and value appreciation. Some factors to consider are as follows:

- The model has the potential for HFH GTA to recover some of its costs of funds to finance the mortgages at zero interest rates. However, if Habitat buyers were able to obtain lower interest financing from a lender, this approach could be more costly to the member families. This is difficult to reconcile with the goal of giving families a hand-up into the ownership market.
- Lack of insurance on HFH mortgages (or the ability to pool its mortgage portfolio) is a risk with the mortgage model and having some type of backstop on their mortgage portfolio would be beneficial.
- As HFH aims to scale-up its programs with higher volumes of homes in some markets, faster turn-around on its equity is critical to sustain new development and other models for financing its own developments may need to be considered. Larger volumes of homes also raise concerns about the rates of market take-up and the extent to which the homes hold their value in the marketplace.
- Rising house prices in the GTA and for new Habitat homes is a concern for consumers with moderate incomes. The feasibility of paying off large mortgages (even at zero interest rates) may be daunting and discouraging some families from pursuing this option to own a home.

7. Creating Homes, Cambridge, Ontario

Overview: 'Creating Homes' was the product brand with shared equity marketed in Cambridge and Guelph. Project development was undertaken through a development consulting firm.

Marketing the product has to balance the benefits offered with the consumers' perception of fairness and risk as compared with regular market condos. Even with the nearby communities of Cambridge and Guelph, the markets are quite different and the take-up of projects varied.

- The price point can be critical, especially for first-time buyers. More expensive homes may seem out of reach to people with lower incomes even though the second mortgage can make monthly payments affordable.
- Target buyers were diverse in these communities, not just first-time buyers. They included: empty nesters (older people), divorced people and younger couples.
- Empty nesters with equity to buy do not need the second mortgage but may apply and obtain approval to reduce the first mortgage required – but then pay off the second mortgage on closing when they move in. Once the second mortgage is discharged there is no mechanism for shared value appreciation (that is, the buyers own 100% of the equity and the value appreciation).
- With high rates of market price increases in the Guelph area, buyers can expect considerable gains on resales and prices will rise accordingly.
- The owner's ability to rent a unit in these types of projects may be less than in market condos. However, although the purchase agreements expect that units will be owner-occupied, there are allowances for short-term rentals. For owners without the second mortgage registered on title, there are limited mechanisms to deal with leasing.

Financing Approach: This model has a number of components:

- Construction mortgages financed with HOA guarantees and some financing from Meridian Credit Union.
- Homebuyers contribute a minimum of 5% equity (downpayment). This can help ensure people will stay committed to buy when construction is completed.
- First mortgages were also offered by Meridian CU but buyers could borrow from another lender.
- HOA finances the second mortgages (SAMs) which are registered on title. As with the Options model, these are no payment mortgages until time of resale when they are payable in full (from the sale price). In Cambridge, only about 10% of buyers took out a second mortgage.
- Municipal development charge deferral was helpful in Guelph (but the City of Cambridge did not). Municipal acceptance and support really helps.

The chart below summarizes the features of this financing approach.

Summary: Creating Homes (Cambridge) Inc., Ontario		
Key Elements	**Sponsor/Developer(Note 1)**	**Households**
Sources of Funds (Project Financing)	Municipal financial incentives (in Guelph – see following profile) Construction mortgage financed with HOA and some financing from Meridien CU HOA finances 15% second mortgages (SAMs)	Minimum 5% downpayment Mortgages from lenders (offered by Meridien) – 80% mortgages without mortgage insurance Second mortgages available from HOA (in Cambridge only 10% buyers used SAMs)
Shares of Equity (Ownership)	Vary by project and within projects: 0% to 15% (with SAMs) One project had 10% downpayment grants, 10% SAM & 5% from buyer – developer share = 10%	Varies by buyer e.g. older buyers use their own funds & own 100% of equity. With 15% SAMs, buyer's share = 85% With 10% SAMs, buyers share = 90%
Shares of Value Appreciation (on resale)	Same as share of equity, i.e., may be 0% to 15% on new market value	Same as share of equity i.e. 85-90% with SAMs. 100% share when no SAMs
Options	Partnering with other developers – more mixed developments	Can repay SAMs at any time and acquire 100% equity share
Benefits	Returns to fund for new homes	Flexibility on how they finance
Challenges	Market take-up varies – price point important	If buyers have no SAMs, can rent out their units No price restriction on resale – no continuing affordability

Note 1: Creating Homes (Cambridge) Inc. is a non-profit corporation using Option For Homes type Shared Equity Mortgages (SAMs) to market homes in Cambridge and Guelph. (Financing structure can vary by project.)

Lessons Learned: A number of key lessons were learned, including:

- Creating Homes (similar to Options For Homes) does not limit sales to first-time buyers. It sees the value of its product for older people who want to downsize and stay in their own areas. This product gave seniors the option to do that.
- Consumer confidence in the product (and that it is not too risky) is a challenge with all new products. If there are too many restrictions the consumers will resist it. Reportedly, there was some consumer resistance to the product.
- Ways to provide longer term affordability are needed with this and the Options model. Values/prices can rise rapidly in strong markets. The housing is smaller, more modest units (to reduce costs) and may not be as marketable at higher prices. The major risk exposure appears to rest with HOA Corporation but may be modest in that only a small proportion of buyers took advantage of the second mortgages. However, that limits the flow-back of funds to finance additional developments.

Creating Homes and Habitat have just launched construction on their joint project in Guelph. An overview of the initiatives in the Guelph area is presented in the following section. It illustrates the types of synergies possible with partnerships and supportive municipal incentives.

8. City of Guelph, Habitat G-W & Creating Homes, Ontario

Guelph as an Innovative Sponsor: The City of Guelph has been particularly innovative in supporting partnerships among local housing development groups and creating municipal incentives that promote affordable housing options.

Some of these developments incorporate elements of shared equity housing as part of the development and involved several non-profits, namely:

- Creating Homes (Cambridge)
- Habitat for Humanity, Guelph Wellington
- City of Guelph
- HOA Corporation
- Options For Homes

Habitat Guelph-Wellington (G-W): Partnership Development & Financing Model: Habitat G-W adopted the partnership model to enable it to build more homes more efficiently (for its target group) and to be able to make the project financially feasible, given Habitat's funding model (using donations for equity and financing all mortgage expenses for its projects).

The partnering model has two motivations:

- Financial – to make the project financially viable for Habitat; and
- Social – to meet its social justice mission to improve communities and quality of life.

Financing Model has 3 sources of funds: Based on the estimated cost of construction and the market value of the completed projects, Habitat calculates:

- Value of the cash flow from Habitat units which determines the amount of mortgage that Habitat can obtain;
- Amount of Habitat donations and fundraising it can bring as equity;
- The balance is the contribution required from partners.

For the current project, Habitat had the land and created the partnership, beginning with Co-op Community Living (homes for people with disabilities -- who pay a rent based on disability pensions), followed by Creating Homes. Having forged this partnership, Habitat approached the City of Guelph to obtain municipal incentives.

Habitat sees the City of Guelph as very progressive and there is strong political support. Habitat can present a strong argument that it brings market value to the community as well as social value. People in homes are seen as paying money back to the City and supporting local services instead of draining costly services. For Habitat, the new model provides a way to scale up and do more without added equity. Other Habitat groups in Southwestern Ontario are considering this model.

The City of Guelph has a series of tax policies and grants to offset development costs. Guelph uses an innovative approach that separates financial incentives from tax revenues. Incentives are financed as grants from designated funds rather than tax forgiveness so tax revenue streams are not reduced.

Key incentives include:

- Tax Increment Based Grant (TIBG);
- Development Charge Late Payment Agreement (DCLPAs);
- Major Downtown Activation Grant (part of Downtown Renewal Plan);
- Remediation of Contaminated Lands (deferred grants);
- Heritage Grants for Historic Sites.

TIBGs are a mechanism for recognizing the community benefit of increased values and forgiveness of the added tax assessment related to increased value following redevelopment. While the owner/developer is still required to pay the increased tax assessments, they receive a reimbursement of the increment from a separate fund set aside by the City.

DCLPAs provide a means of deferring DCs and collecting payments at a later date to reduce the initial financing costs of new development. These result in savings on the borrowing costs for construction mortgages (financing). Financial incentives for new housing developments within the City and in new subdivisions are all seen as supporting planning goals for the City.

The following chart illustrates the elements of the development model.

Summary: City of Guelph, Habitat & Creating Homes (Ontario)		
Key Elements	**Sponsor/Developer(Note 1)**	**Households**
Sources of Funds (Project Financing)	Municipal incentives at front-end reduce financing costs (e.g. construction financing) Municipal land development	Lower/moderate to middle income buyers Downpayment vary 0% (HFH) to 5% (with SAMs) First mortgages from lenders (or from HFH)
Shares of Equity (Ownership)	Varies by partner & buyer financial capacity, e.g. range from 0% to 15% (with second mortgage loans)	Front end equity share varies. HFH = % mortgage repaid x MV
Shares of Value Appreciation (on resale)	Same as equity share x current MV	Same as equity x current market value
Options	Flexibility on structures of financial assistance & repayment options	Buyers have options to increase their equity shares by repayment of equity loans or increased mortgage repayments (with HFH)
Benefits	Increased volume of new units to meet more demand Strong municipal support for developments very beneficial	More mixed communities & housing types – more housing options
Challenges	Requires strong development capacity for larger projects	Maintaining front-end affordability continuing challenge

Note 1: Joint projects for new development involving partnership between HFH Guelph-Wellington with Creating Homes and planned project with Options For Homes GTA, supported by municipal financial incentives from the City of Guelph. Purpose is scaling up the size of developments with more mixed communities for wider range of incomes and a variety of household types.

The types of housing developments include:

- Creating Homes and Habitat partnered to build a 30-unit project on land owned by Habitat. The project included 12 units for Creating Homes and 18 units for Habitat. HOA provided construction financing and Creating Homes provided second mortgages with shared equity. All homes had shared appreciation on resale.
- A large brownfield site is under development planning with a potential for 400 homes. Proposals include a mix of Habitat, Options for Homes and market rent housing. The City can provide deferred grants to offset site remediation costs estimated at $5M. Habitat and Options would provide shared equity financing.
- The Market Commons development (40-unit project with average price of $200,000) involved financial support from HOA for three levels of buyers: unassisted buyers with 5% downpayments; $20,000 second mortgages from HOA; and a combination of HOA $48,000 second mortgage plus $28,000 grant from the City to reduce the first mortgage to $114,000. Most of the homes had shared equity financing.

When groups collaborate as in Guelph, the shared equity elements become a component to multi-sector development, illustrating how it can be supportive to produce a range of tenures.

Display C.2 (next page) shows how the elements of this model come together for development and support the shared equity housing component.

Display C.2
City of Guelph Model

Competition created among groups for the funding

Too many restrictions on funding

Tight government control discouraged innovation and groups from working together

Tough to get financing without equity in property

PROGRESSIVE

INNOVATIVE

CREATIVE

ENCOURAGE PARTNERSHIPS

The City has developed programs that support local companies and to encourage partners to work together to develop affordable housing

REMOVE RESTRICTIONS

Remove restrictions, offer programs that are supposed to aid in the development of housing

PARTNERSHIPS

Partners provide 2nd mortgages or assist with financing

OFFER FINANCIAL MOTIVATION

- 10% downpayment
- 90% commercial mortgage
- Calculate cost of construction and market value of completed projects

THE CITY OF GUELPH

LEADING THE WAY IN HOUSING DEVELOPMENT

Success Stories

CREATING HOMES

30 units, with 12 for Creating Homes and 18 for Habitat for Humanity

Habitat had land, Creating Homes provided mortgages, HOA provided financing

MOUNTFORD PROJECT

Took advantage of DC Late Payment, abatement, infrastructure upgrades and reduced parking requirements

GUELPH'S FIVE HOUSING PROGRAMS

1. Tax Increment Based Grant (TIBG)
2. Development Charge Late Payment Agreement
3. Major Downtown Activation Grant
4. Remediation of Contaminated Lands
5. Heritage Grants for Historic Sites

MARKET COMMONS

- HOA - Three levels of support
- $200,000 unit – 5% down, no help
- $20,000 HOA, Mortgage $170,000
- $48,000 HOA, $28,000 CITY – Reduced Mortgage of $114,000
- 6 Stories – 40 units
- Commercial and Residential Infill

DOWNTOWN RENEWAL PLAN

Fund of $33M was used fully within 3 years

City is replacing (much bigger scale than expected)

Keeps financial incentive separate from tax revenues

BROWNFIELD SITE

Could accommodate 400 homes

Mix market rent, HFH, Options for Homes

Deferred grants for site remediation to offset costs ($5M)

TAX INCREMENT BASED GRANT

- Tax Increment Based Grant (TIBG)
- Fewer contaminated sites in the City
- More heritage structures retained
- Building momentum for long-term, sustained private sector redevelopment investments
- Grants are tied to real assessment growth, projects have to be complete and reassessed before grant money starts

9. Attainable Homes City of Calgary (AHCC), Alberta

Overview: AHCC, created in 2009 by the City of Calgary, is a non-profit, municipally-owned corporation, using a shared equity model to assist moderate-income Calgarians to purchase a home:

- Since 2009, more than 500 homes were sold to qualified buyers and AAHC's goal is to provide 100-200 homes per year.
- AAHC works with some partner builder companies to develop projects but also purchases small number of units (10 units per building) in private developer projects so as to achieve a wider distribution of homes across the City.
- Requires 95% CMHC insured mortgages with one of the partner lenders that includes Alberta Treasury Board.
- AHCC's program works with zero cost to the City of Calgary.

AHCC is one model for shared equity in Calgary. The INHOUSE Society, a local non-profit has a different shared equity model. As profiled below, AHCC and INHOUSE have somewhat different target groups. AHCC targets middle income households (incomes $45,000 to $90,000) and does not limit access to first-time buyers, although they cannot own another property. INHOUSE targets first-time buyers with lower incomes.

AHCC Shared Equity Model: The AHCC model does require a minimum $2,000 buyer downpayment but provides non-repayable downpayment assistance (up to 5%)to buyers. It describes the recovery of AHCC's share as '*paying it forward to help others become homeowners'*. The recovery occurs when buyers sell their homes based on a sliding scale over time. Recoveries include both the initial downpayment loan and a share of the value appreciation (if any).

A typical suite costs about $250,000. With a 95% mortgage, the 5% downpayment is about $12,500. If market valued increased after five years at 2.5% per annum, the appreciation is $51,000 which is shared: 25% AHCC ($12,750) and owners 75% ($38,250), which includes the buyer's original deposit).

The chart below summarizes the key features of the financing approach.

Summary: Attainable Homes Calgary (AHCC) (Alberta)		
Key Elements	**Sponsor/Developer**	**Households**
Sources of Funds (Project Financing)	Builders obtain construction mortgages AHCC sets price at 1-2% below MV AHCC funds 5% downpayments (non-repayable equity loans) to buyers (e.g. avg. price = $250,000 & equity loan = $12,500)	Minimum downpayment (deposit) $2,000 Mortgages from partner lenders (95% 1st mortgage with CMHC mortgage insurance)
Shares of Equity (Ownership)	Sliding scale over first 3 years: 100% in year 1 75% (years 1-2) 50% (years 2-3) 25% in year 3 + AHCC share to zero on repayment of equity loan.	Sliding scale over first 3 years: Up to one year – 0% 1-2 years -25% 2-3 years – 50% 3+ years – 75% At end of 5-year mortgage may refinance to buy-out equity loan and own 100% equity share
Shares of Value Appreciation (on resale)	Same as above until buyers payback downpayment equity loan Minimum repayment of 64% of the 5% loan (i.e., partial forgiveness in a down market). Paybacks return to AHCC program with share of new MV to fund program.	Same as above until buy-out (repay equity loan). Increase to 100% share of future value appreciation..
Options	AHCC considering deeper program (with larger front-end loans)	May repay equity loan faster & increase equity share
Benefits	Self-financing program (no cost to City)	Enables moderate income families to buy into market.
Challenges	AHCC share risk & losses in down market Large demand for program (wait list) but limited to 100-200 homes per year.	House values increase to MV but – no continuing affordability

Experience with AHCC Shared Equity – Market Niche

Interested buyers have to meet certain conditions:

- Register interest in buying a home and pay a $100 application fee;
- Take an education course to qualify; and
- Pre-qualify for a mortgage with a lender (from partner lenders).

Applicants are then added to a list and homes are offered on a first-come, first-served basis. Many of the buyers are one-parent families (mothers with children).

Resales: The main reason for sales are life changes (such as income, jobs and/or divorce). Owners can sell at market value or get an appraisal. However, people tend to keep the home and rent it out which is permitted with approval. AAHC has taken back a few and finds it harder to market them when they are not new and have no home warranty. Sellers receive the yields from the sales, net of transaction fees.

One recent change has been in the names of the salespeople who are now called Program Facilitators. Part of their role is to provide financial literacy advice.

Lessons Learned: some key lessons learned were:

- Since first mortgages with lenders are insured, there is relatively little risk. However, values in the market have not been rising recently and this may put the AAHC equity loan amount at more risk. There is high demand for the homes but people with moderate incomes have difficulty qualifying for a 95% mortgage.
- For new developments, AAHC buys the land at market value, even if it is City-owned land. The City is conducting a two-year pilot on deferring development fees until occupancy to reduce up-front financing costs. Currently, AAHC pays these levies upfront and receives a rebate back from the City.
- With this model, AAHC retains an equity share in the property which is recoverable at time of resale from its share of appreciation in market value. Since the initial equity contribution is non-repayable, parts of it may be forgiven in a down market and reduce program funds to finance additional homebuyer assistance. In more buoyant market conditions, AAHC may recover its equity investment plus a share of the value appreciation, increasing its program funds.
- Under the current model, AAHC is applying an additional price discount on the initial selling price. However, at the time of resale, house prices go to regular market value and the value appreciation is based on actual values. In addition, the AHHC equity loan is interest free to borrowers and AAHC only recovers its interest costs when market values increase more rapidly in the early years.

In the City of Calgary, another non-profit (INHOUSE Society) uses a different model for its shared equity as summarized below.

INHOUSE Society, Calgary – Shared Equity Model

INHOUSE is a non-profit society that assists low and moderate income earners (below the median household income) to become homeowners for the first time and build their personal wealth from the equity in their homes. At the same time, the INHOUSE model seeks to maintain affordability of the homes for at least 10 years. Key features:

- Zero downpayment from buyers
- 65/45 initial shares of owner/INHOUSE equity
- Buyers obtain a 5-year CMHC insured mortgage for 65% of the market value of a home
- 45% of the market value is retained by INHOUSE (said to cover the deferred land value and developer's equity). This serves as the downpayment.
- Time restriction set at 10 years. Owners cannot sell their homes on the market and INHOUSE manages sales to ensure the suites remain as shared equity.
- Buyers can sell to INHOUSE at any time and recover their 65% share, based on the new market price. Buyers receive 65% of the value appreciation.
- INHOUSE recovers its initial 45% equity, plus 45% of value appreciation.
- Units acquired back by INHOUSE are resold with the 65/45 shares of market value under a new shared equity partnership with new buyer.
- After 10 years, the shared equity partnership is dissolved and buyers can refinance their mortgages or sell the home at market value. Owners hold title for 100% of the home.

INHOUSE's McPherson Place was assisted by the City of Calgary with a long-term loan for land acquisition. The City purchased 58 units for rental and 7 units were offered for shared equity purchase.

10. Banff Housing Corporation (Land Leases), Alberta

Purpose of Land Leases: Land leases are sometimes used as an alternative way of providing sites for housing development or because there are legal impediments to the sale of land. In these type of arrangements, fees or charges may be collected by the legal owner of the land from the organizations or individuals who occupy the land. One effect is that any users of the leased land are not able to sell the land and benefit from any land value appreciation.

Sometimes land leases are used to retain the ‘value’ of land in a trust or protection (such as in public or charitable sector ownership). The use of land in Canada’s national parks such as Banff falls into this category of land -- it cannot be sold for development but it may be leased to users for specific purposes such as housing or economic development enterprises that benefit the community.

Banff is an example of many resort communities (others include Jasper and Whistler) where provision of housing for residents poses some challenges, due to a lack of land for development. However, these communities need to provide housing for their workforce and try to keep employees as residents in the communities.

Background: Banff, Alberta is a growing community with a thriving tourism industry. Housing for staff who work in the tourism industry has been in short supply and the Town has adopted a four-year action plan to create more housing so that 80% of people who work in Banff live in Banff. A 2012 housing needs study reported a shortfall of some 790 housing units by 2022. Since 2014, permits for 200 new housing units have been issued. Some of the Town’s housing needs have to be met through the leasing of land owned by Parks Canada in the National Park.

As well as rental and affordable rental housing, Banff Housing Corporation (BHC) has delivered the **Banff Affordable Homebuying Program**. BHC is a municipal housing development corporation with a separate Board that reports to Council. The goal of this program is to keep people living in the community by enabling them to purchase homes.

The program is a type of **shared equity at both the front end (the initial sale) and the back end (time of resale).** Key features include:

- BHC acquires the unserviced land and undertakes all of the development. Land is then sub-leased at a price to cover all of the development costs. This creates a form of sub-leasehold tenure.
- 183 homes were built and sold to families on a leasehold basis.
- A typical 3-bedroom townhouse had an appraised value about $400,000. Two appraisals were carried out and the average was used.
- BHC sells the homes to homebuyers at 80% of the value (e.g. $320,000, excluding GST). The remaining 20% of value ($80,000) is retained by BHC. Therefore, there is an 80/20 share ratio on initial equity.
- Buyers sign a sublease agreement with certain conditions. For example, the homes must be owner-occupied and the buyers’ principal residence and they are not permitted to rent out their homes without approval.
- Homebuyers take out their own mortgages from a private lender.
- BHC charges an annual administration fee to cover its administration costs.
- Homebuyers can sell their properties in the market at any time.

Shared Equity at Resale: Owners sell their homes at market value and receive 80% of the new market value. This includes their equity contribution and their share of any value appreciation. BHC retains 20% of the sale price at market value (the initial value and increase in the market value). For example:

Assume selling price at new market value (MV)	**$500,000**
Includes: Value appreciation (from initial appraised value)	$100,000
Owner share of new MV (80% x $500,000)	$400,000
BHC share of new MV (20% x $500,000)	$100,000
Shares of value appreciation (80/20): • Owner = $80,000 (growth in value of their share) • BHC= $20,000 (growth in value of its share)	
BHC share is held in a deferred payment account (not treated as revenues in financial accounts). The amount is carried forward to cover the BHC equity share for the next purchase.	
Next purchaser buys the home at 80% of the new MV =	$400,000
BHC retains 20% equity share =	$100,000

Thus, the homes are always sold at less than the full market value, making them more affordable than full market-based prices. The table below summarizes the financing model.

Summary: Banff Housing Corporation (Alberta)		
Key Elements	**Sponsor/Developer(See Note 1)**	**Households**
Sources of Funds (Project Financing)	Town of Banff leases land and finances land development costs House values appraised & selling price to buyers = 80% of appraised value (e.g. avg. value = $400,000 and selling price = $320,000)	Buy as sub-leasehold tenure (no title to land) Mortgages from lenders based on selling price (min. down-payment required). CMHC mortgage insurance approval challenging on leasehold
Shares of Equity (Ownership)	20% share of appraised value to BHC	80% share of appraised value to buyers
Shares of Value Appreciation (on resale)	20% of new appraised value (MV) Sell to new buyers at 80% of MV	80% of new appraised value (MV) includes any buyer equity
Options	Options to formulae were considered but not approved	Fixed appreciation share more marketable than price restricted models
Benefits	Helps maintain affordability to buyers at 80% MV BHC retains share of value increase	Homes more affordable (lower mortgage costs)
Challenges	Selling prices escalate with turnover with appraisals on previous sales BHC shares on books in deferred payment account for use with new buyers	Resistance to leasehold (no title to land) No long-term price restriction

Note 1: BHC is a municipal housing corporation for the Town of Banff. BHC leases land in the National Park (owned by the Government of Canada) and undertakes land development. Housing is constructed by builders and sold through BHC.

As all the homes were similar (in age, size and design), the sale of one home effectively set the market values for the other homes because appraisals are based on comparables. The effect was to inflate the market values, making them less affordable over time.

Other alternatives were considered. For example, one solution posed was to use a fixed rate of price increases (such as 2% per annum compounded). BHC proposed this to Council but it was not popular and Council chose to stay with the equity share model and let the market set the values. Another alternative is a price restricted model that sets a value appreciation rate. Some price restricted models use the CPI as the index for housing value increases. Options without shared value appreciation at the end are less attractive to buyers – some of whom are already resistant to the restricted leasehold arrangement. Such plans need to make it clear that buyers receive back their initial equity plus a return on their investment because their return is based on their equity and not on house price increases.

Other approaches might work in other markets. However, the main goal of the BHC program is making homes affordable to keep families in this resort community. As well, homeowner property taxes provide revenues directly to the municipality to support services.

Lessons Learned: a number of lessons were learned:

- Access to mortgage insurance on price restricted mortgages with covenants has been difficult to negotiate, affecting the ability of buyers to obtain mortgages. For example, in nearby Canmore, year-long negotiations finally reached an agreement for CMHC insurance on mortgages in a 49-unit homeownership development;
- For municipal financial systems, accounting for the municipal share of shared equity has posed some challenges. Although they do represent assets to the municipality, accounting practice has been not to include these values on the books because the amounts are not realized until the time of resale;
- Other programs have run into difficulties where there are no price restrictions and market values increase dramatically. One example is the UBC Properties Trust for condos built on university lands in the 1990s. Today, properties are selling for over $750,000 and are unaffordable to the faculty and staff they were intended to serve.
- Setting values based on appraisals can result in challenges to appraised value. Some programs recommend using at least three appraisals. Other programs (such as at Simon Fraser University) used only one appraisal at the time of resale. However, decisions about the appropriate comparables can be contentious.

There has been more extensive experience in the US with types of limited equity ownership, trusts and leaseholds. Some of their practices may be useful to consider further.

Homeownership in resort and mountain communities in BC especially has not received much profile in past research. However, it is an important component of community plans to keep families in the community. Shared equity can play a part in making ownership more affordable for families, especially where access to buildable land is limited.

BHC's experience shows how shared equity can be provided at both the front and back ends to help promote more sustainable affordability.

Annex D: Selected Sources

Attainable Homes Calgary (www.attainyourhome.com) Attainable Homes Calgary Corporation, John Harrop, President & CEO (undated)

AHCC, "What is AHCC", CMLC, Calgary Housing Company & Attainable Homes

Banff Housing Corporation (www.banffhousing.ca)

Evergreen, Scaling Up Joint Ventures between Social Housing Providers and Private Sector Builders, Report prepared by Tim Welch, Joshua Warkent in & Michelle Germain, July 2017.

CMHC, Literature Review of Shared Equity Housing Models in Canada and the US, Report Prepared by SPR Associates, May 2015.

CMHC (n.d.), Community Land Trusts. How the Strategy Works, Case Study #1, Case Study #2. https://www.cmhc-schl.gc.ca/en/inpri/afhoce.....

City of Guelph, Downtown Renewal Office, Affordable Housing DC Late Payment Recommendation, Supplementary Presentation CAFÉ-17 3-7 Gordon Street, "Market Commons", Council May 28, 20102.

____, Report to Council Number 12-03, 3-7 Gordon Street-Downtown Guelph Community Improvement Plan (DGCIP) Major Downtown Activation Grant (DAG) Request and Development Charge (DC) Late Payment Agreement, Committee Report, May 14, 2012.

____, Finance & Enterprise Services, CAFES Committee, Funding for Tax Increment Based Grants (TIBGs), April 10, 2012

Creating Homes, Market Commons (undated)

Davis, John Emmeus (2006) "More Than Money" What is Shared in Shared Equity Homeownership?" Journal of Affordable Housing & Community Development Law, 19:3/4 (Spring 2010) 259-277.

Habitat for Humanity GTA, Habitat GTA Mortgage Market Model, Presentation by David Sauve, August 15, 2015.

Home Ownership Alternatives (http://hoacorp.ca)

Lions Village of Greater Edmonton, Life Leases. (www.lionsvillage.com)

Lubell, Jeffrey (2013) "Filling the Void Between Homeownership and Rental Housing: A Case for Expanding the Use of Shared Equity Homeownership" Paper presented at A National Symposium held April 1-2, Harvard Business School, Boston, Mass.

Patten, Kristin, 2015. Vancouver Community Land Trust Foundation. Examining a model for long-term housing affordability, SCARP-BC, April.

Annex E: Survey Questionnaire

Shared Equity Housing in Canada

A Study for CMHC by SPR Associates Inc.

CMHC SCHL

Thank you for agreeing to assist us with our research on shared equity housing in Canada.

Please complete this survey by providing information to the best of your ability -- feel free to indicate 'DK' or 'N/A' if a question is not applicable or if you do not have the information. At the end of the survey, please be sure to click 'SUBMIT' to record your responses. All information you provide will be kept completely confidential and will only be seen by the researchers. We greatly appreciate your assistance.

A. Background Information

1. How would you best describe your organization? *(Select one)*
   - ❑ Social housing provider or developer (e.g. non-profit or co-operative)
   - ❑ Municipal or provincial/territorial housing organization/agency
   - ❑ Other government/public sector
   - ❑ Private housing sector (developers, builders, real estate, landlords)
   - ❑ Financial institution (bank or lender)
   - ❑ Mortgage broker or other financial services
   - ❑ Academic, consulting, or advocacy organization
   - ❑ Other (please specify): ____

2. How many years have you worked in the housing sector? ________ (# years)

3. Which province/territory are you located in?

❑ NF	❑ ON	❑ BC
❑ NB	❑ MB	❑ YT
❑ NS	❑ SK	❑ NWT
❑ PEI	❑ AB	❑ NU
❑ QC		

B. Knowledge of Shared Equity Housing in Canada

4. How familiar are you with housing where part of the equity is owned by a project sponsor and/or where value increases are shared with the occupants (examples include land trusts, homebuyer programs (such as Options For Homes), life leases and limited equity co-ops)?
   - ❑ Very familiar
   - ❑ Somewhat familiar
   - ❑ Not at all familiar **(SKIP TO Q.19)**

5. Considering the past 10 years, have you been aware of or do you know about or have you ever been involved in any programs or projects with shared ownership or shared value appreciation? *(Select all that apply)*
   - ❑ Yes, I know about a program or project
   - ❑ Yes, I have been involved in a program or project
   - ❑ No **(SKIP TO Q.19)**

6. What type(s) of shared equity programs or projects are you aware of that have been developed over the past 10 years? *(Select all that apply)*
   - ❑ Homeownership/homebuying (including condominiums)
   - ❑ Collective ownership of housing (including limited equity co-ops)
   - ❑ Land trusts
   - ❑ Life leases (including retirement communities)
   - ❑ Other (please specify): ____

7. What type(s) of organizations or partners were involved in these programs or projects? *(Select all that apply)*
   - ❑ Social housing organization/sponsors
   - ❑ Government agencies (municipal or provincial)
   - ❑ Private sector companies
   - ❑ Financial institutions
   - ❑ Brokers or financial services companies
   - ❑ Don't know
   - ❑ Other (please specify): ____

8. Were you directly involved in any of these projects?
   - ❑ Yes
   - ❑ No **(SKIP TO Q.10)**

9. What was your role (e.g. developer, provided financing, sales or property management)?

10. Can you provide the <u>name of a specific program or project</u> with shared equity or value appreciation components that you know about or have been involved in over the past 10 years?
    - ❑ Yes
    - ❑ No **(SKIP TO Q.18)**

11. Please provide the details of a program or project you are most familiar with:

    Name of Program or Project: ____

    Location (City/Province): ____

    Name of Developer/Sponsor: ____

    Type of Developer (e.g. non-profit or private): ____________________________

    Website for the project or the developer: ________________________________

12. Are you aware of the details about the financing for the program or project?
    - ❑ Yes
    - ❑ No **(SKIP TO Q.19)**

13. How would you describe the financial aspects (terms and conditions) of this shared equity program?

C. Characteristics of A Specific Shared Equity Program/Project

The questions is this section refer to the program or project identified in Question 11

14. What was the main source of funds (capital) used to develop the housing (i.e., from a sponsor/developer, trust or investment fund, households/buyers, government, etc.)?

15. Which of the following types of mortgage financing were involved in the housing development or project? *(Select all that apply)*
    - ❑ First mortgage from a private lender
    - ❑ Mortgage(s) from a government housing agency
    - ❑ Mortgage(s) for households from a sponsor or developer
    - ❑ Recoverable loans to households from a sponsor or developer
    - ❑ Don't know
    - ❑ No mortgage (please explain): ____

16. Do individual households receive any market value appreciation on the sale of their property?
    - ❑ Yes
    - ❑ No **(SKIP TO Q.18)**
    - ❑ Don't know **(SKIP TO Q.18)**

17. What percentage do they receive? _________%

18. What is the purpose of sharing the value appreciation? *(Select all that apply)*
    - ❑ To help keep the housing affordable for subsequent buyers/households
    - ❑ To generate surpluses for sponsors to develop new housing
    - ❑ Don't know
    - ❑ Other (please describe): ____________________________________

D. Overall Views

19. Overall, do you think that the approaches available in Canada today are effective in terms of en*couraging and developing* shared equity housing?
    - ❑ Yes
    - ❑ No
    - ❑ Don’t know

20. In your view, could these approaches be used to expand shared equity housing in Canada?
    - ❑ Yes
    - ❑ No
    - ❑ Don’t know

21. Do you feel that expansion of access to shared equity housing should be a higher priority for Canada?
    - ❑ Yes
    - ❑ No
    - ❑ Don’t know

22. Would more information for housing stakeholders facilitate the development of shared equity housing?
    - ❑ Yes
    - ❑ No **(SKIP TO Q.24)**

23. In your opinion, who requires more of this type of information? *(Select all that apply)*
    - ❑ Persons like yourself
    - ❑ Consumers
    - ❑ Lenders
    - ❑ Housing providers or developers
    - ❑ CMHC
    - ❑ Municipalities or other governments (specify): ______________________________
    - ❑ Other (please specify): ____

24. Is there specific information about shared equity housing that you would like to receive?
    - ❑ Yes
    - ❑ No **(SKIP TO Q.26)**

25. What type of information would you like to receive?

26. Who should provide this type of information?
    - ❑ Lenders
    - ❑ Housing providers or developers
    - ❑ CMHC
    - ❑ Municipalities or other governments (specify): ____________________________
    - ❑ Other (please specify): ____

27. Are there any other comments you would like to share with us regarding shared equity housing? (for example, on specific benefits, or risks or negative impacts)

F. Other Contacts

28. Can you suggest any other organizations or contacts who are knowledgeable about Shared Equity Housing in Canada that we might contact for further information?

G. Follow-up

29. If you agree to our contacting you in the event that we need to clarify any of your responses, please provide your contact information and email below:

30. If you would like a copy of our study report, please provide your contact information below:

    ____
    - ❑ Same as above

THANK YOU VERY MUCH FOR COMPLETING OUR SURVEY!