A Review of Shared Equity Homownership and it's Applicability for the Community Land Trust's Hoy Creek Site in Coquitlam, British Columbia

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Definitions

Shared Equity Homeownership (SEH): a form of homeownership where a second interest group has a share of the equity in the home/dwelling

Affordability Mechanism: specifically, for this document, affordability mechanisms are legal documents that "secure the right to limit resale price, limit future buyers to a certain income range and articulate other programmatic or policy requirements (Grounded Solutions Network)

e.g. Secondary Mortgage on Title, Ground Lease, Covenant, & Deed Restriction

Community Land Trust: Community Land Trust (CLT) is a Vancouver, BC-based non-profit, social purpose real estate developer and asset steward. The CLT accepts land and building transfers from the community housing sector. CLT holds these assets in trust for the long-term benefit of the community, so they can be used by generations to come. (cltrust.ca/about)

Resale Formula: a formula used in the affordability mechanism that determines that the maximum price for which a specified property can be resold under based on the specified agreement.

Formula Price: the maximum allowable resale price

Market Price: the market price without resale restrictions

Initial Sales Price: the initial price that homeowner has actually paid for the home.

Purchase Option Price: The option price is the potential maximum resale price that is determined based on the resale formula or appraised value. The maximum but not guaranteed price for which improvements on the CLT land may be sold by the homeowner.

Permanently Affordable Homeownership: Resale restricted homes with ongoing or lasting affordability. Homeownership is usually restricted to a certain income level, for an affordable price that includes durable legal restrictions of at least 30 years, have a right of first refusal clause and renew upon resale. (Grounded Solutions)

Monitoring for Compliance: Checking with homeowners and/or program administrators that program rules are being followed. Some examples include verifying owner-occupancy, calculating homebuyer incomes at time of purchase, calculating resale price, etc.

Stewardship: Supporting homeowner success. Stewardship activities might include community building, offering home repair or maintenance workshops, budget counseling or other financial services.

Executive Summary

In partnership with the Community Land Trust, Mitacs, and the Housing Research Collaborative, a study was undertaken to review Shared Equity Homeownership (SEH) and it's applicability in a BC/Canadian Context.

For the purpose of this study SEH was defined as:
Shared Equity Homeownership (SEH): a form of homeownership where a second interest group has a share of the equity in the home/dwelling

The purpose of this study was to determine what factors/characteristics make a program successful (the model, and its ongoing administration), as well as to understand the barriers of implementing a SEH program in Canada/BC.

To do this, 3 methods of gathering information were undertaken. Those being
- A review of relevant literature (academic and gray)
- Attended to 2 webinars (Grounded Solutions Network and Canadian Housing and Renewal Association)
- Semi-formal interviews with industry stakeholders and experts

With the information gained from these methods, 3 tools were created for the usage of the CLT and any organization who are interested in SEH. Those tools being
- A characteristic Matrix
- A Sensitivity Analysis that reviewed Buyer Affordability and Resale Value
- On-Going Administration Toolkit

Conclusions
- Based on the Sensitivity Analysis, this model would work in the majority of economic/market scenarios. This would exclude scenarios where housing price inflation is much higher than income inflation overtime
- With enders and the CMHC onboard, this type of homeownership could have great success

Moving forward the CLT should:
- Create a strong legal mechanism for this model/product with legal team
- Work with the CMHC and their Shared Equity Mortgage Provider (SEMP) fund
- Should educate and work with lender's to create a special mortgage product for this type of ownership
- Create an administrative operating budget, and a policy and procedural manual for the program
- Educate realtors and potential buyer's on this type of homeownership

Introduction

Shared Equity Homeownership (SEH) is an alternative homeownership model that is used as a tool that enables the expansion of residential shelter options beyond both standard homeownership and market rental. Its main goal is to provide housing/tenure to homeowners that are not able to afford the large down payments that typically are required for traditional homeownership, working to eliminate this key barrier between homeownership and renting.

In Canada, this type of homeownership model has been used before as an equity loan. Recently, the equity loan model has gained much traction, with both BC Housing and CMHC creating shared equity models of their own.

Although these models have had great success in Canada, a shared equity model that works in perpetuity with subsidy retention has yet to be successfully implemented. Historically, affordable housing is a one-time payout that only benefits the initial homeowner. The key benefit of a model working in perpetuity is there would be a one-time upfront cost that could have the potential to benefit multiple families, as the subsidy is retained. In a study done by Lubell (2013), he estimates that "SEH could serve two to five times as many households for the same amount of money as a comparable grant program….over a thirty- to fifty-year period. (Lubell 2013)

Traditionally, homeownership is a safe way to build wealth. The goal of a shared equity homeownership (SEH) model that works in perpetuity would be to not only build wealth for homeowners but also provide affordable housing for the next buyer at resale. This is done by applying resale restrictions to the maximum sales price.

Specifically, this report will be reviewing a shared equity model in preparation for phase III of the Hoy Creek Development in Coquitlam for the Community Land Trust (CLT) in Vancouver. The proposed development for phase III of the Hoy Creek is a 180 multi-unit residential building.

The Community Land Trust is a Vancouver, BC-based non-profit, social purpose real estate developer and asset steward. The CLT accepts land and building transfers from the community housing sector. The CLT holds these assets in trust for the long-term benefit of the community, so they can be used by generations to come. (sourced from cltrust.ca/about)

Although applicable to the CLT, this report has the goal of aiding other organizations in BC that would like to evaluate a shared equity. homeownership program.

"SEH could serve two to five times as many households for the same amount of money as a comparable grant program…over a thirty- to fifty-year period."

Purpose and Methodology

The purpose of this project is to explore the realm of shared equity homeownership (SEH) programs and determine their applicability in perpetuity in a BC/Canadian context. The research is guided by two main questions.

1. What makes a successful SEH program?
2. What are the barriers in BC/Canada to successfully implementing a perpetual SEH program?

Secondary research questions Include:

1. What resale formula would be most successful for the CLT based off their goals?
2. What are the legal mechanisms that should be in place to support this type of ownership?
3. In what economic scenarios/markets would the proposed model fail in?
4. Administratively, what would need to be done for this this to be successfully implemented?

For this project, multiple aspects of research were undertaken. Information was gathered from relevant literature (gray and academic), webinar sessions, and by conducting interviews with industry informants and stakeholders. Ultimately, this research helped inform a literature review and the creation of tools for the CLT and other relevant organizations investigating a shared equity homeownership program with subsidy retention. The tools (Characteristic Matrix, Sensitivity Analysis, and Ongoing Administration Toolkit) are summarized in the 'tools' section of the report.

The webinar sessions involved two organizations:

- The Grounded Solutions Network, a support network with the mission of cultivating communities and advancing affordable housing solutions,
- The Canadian Housing and Renewal Association (CHRA), a non-profit organization dedicated to supporting and strengthening the social housing sector.

The Grounded Solutions Network's webinar focused heavily on homeownership program design, while the CHRA's webinar concentrated and Shared Equity in a Canadian context.

Along with the information gathered from literature and webinar sessions, semi-formal interviews were also conducted. High level information from the interviews are summarized in the section below, as well as cited throughout the report where relevant information was used.

Interviews

The interviews were with industry experts and stakeholders. A total of six interviews took place, with the organizations:

- **Vancity** – a co-op based financial institution offering a wide range of lending products
- **Canadian and Mortgage Housing Corporation (CMHC)** – a Federal Crown Corporation with the goal of assisting housing for Canadians.
- **British Columbia Housing Management Commission (BC Housing)** – a provincial Crown corporation that develops, manages, and administers a wide range of subsidized housing options
- **Options for Homes** – is a Toronto based affordable housing developer
- **Miller Thomson LLP** – a large Canadian Law Firm
- **Townline (TL) Housing Solutions Ltd.** - Vancouver-based non-market housing developer

The information gained from the interviews benefited the research in many ways. Not only did it provide more information on affordable and shared equity models, but it also helped gain perspective on how this model could be successfully implemented in a BC/Canadian Context.

Prior to each meeting, a list of questions was sent out to the representatives from each organization. The interviews were then recorded to aid with post-interview transcription. These semi-formal interviews took place over the phone or in person in a professional setting. Each interview was recorded and transcribed with permission.

Interviews and their Learnings

Crown Corporations	The information gained from CMHC, and BC Housing was relevant to their specific programs, as well as what was applicable towards a potential shared equity program with subsidy retention in BC. The CMHC also spoke about what they would require from an organization if they are interested in one of their programs.
Legal	Miller Thomson provided information on the legal logistics of how a model like this could be implemented along with acknowledging the legal barriers that this type of model would endure. They reviewed other affordable homeownership models and spoke about, what legal mechanisms were available for a shared equity program. These included ground leases, secondary loans on title, and covenants.
Programs	The interview with Options for Homes spoke about their program's shared equity model and some of the key characteristics of their program. These include that the buildings are built at a slightly modest spec compared to conventional new construction, and they offer an option interest free down payment. Some relevant information for the CLT or an interested organization is that at presale, Options doesn't take a down payment like a standard development would. Options also said that their buyer's goals aren't related to making a quick flip on the unit, but to have steady tenure without being strained with large mortgage payments.
Lending	Vancity provided information regarding some of their past and present mortgage products, as well as information regarding their requirements if an organization wanted to use them as a mortgage provider for a shared equity homeownership program. They also provided information on some of the affordable homeownership programs they have worked with in the past.
Marketing	TL Housing Solutions provided information regarding the marketing of this type of model, along with discussing some of the work they have done in the affordable housing industry. Some of the key aspects from this meeting were related to: pricing for a security deposit/downpayment, working with CMHC as early as possible to get the discount to market realized as a down payment, and to include asset testing in buyer eligibility.

Literature Review

This review pulls on information from public documents, non-profit documents, webinars, interviews, and academic literature.

Historically, community land trusts hold land in perpetuity for the good of the community. Many land trusts supply affordable housing, through co-ops, affordable rentals, or affordable homeownership.

Community Land Trusts usually acquire land for nominal to affordable prices enabling them to provide non-market housing. Conventionally, CLTs provide homebuyers with homes by selling the physical home but leasing the land in which the home sits on. (Davis 2010) These long-term leases or ground leases are legal agreements for which the homeowner and CLT enter into. At resale the homeowner is restricted to selling the home at a max price which is noted in the lease/legal agreement that both parties entered into. Both parties then walk away with a predetermined share of the equity increase if any occurred. The CLT then uses this equity to help subsidize the home for the next buyer.

In terms of the housing continuum, home buyers that enter into a shared equity homeownership program are usually first-time home buyers coming from the rental side of the continuum. SEH programs assist people that want to take the leap from renting into homeownership. The placement of shared equity in the housing continuum can be seen below.

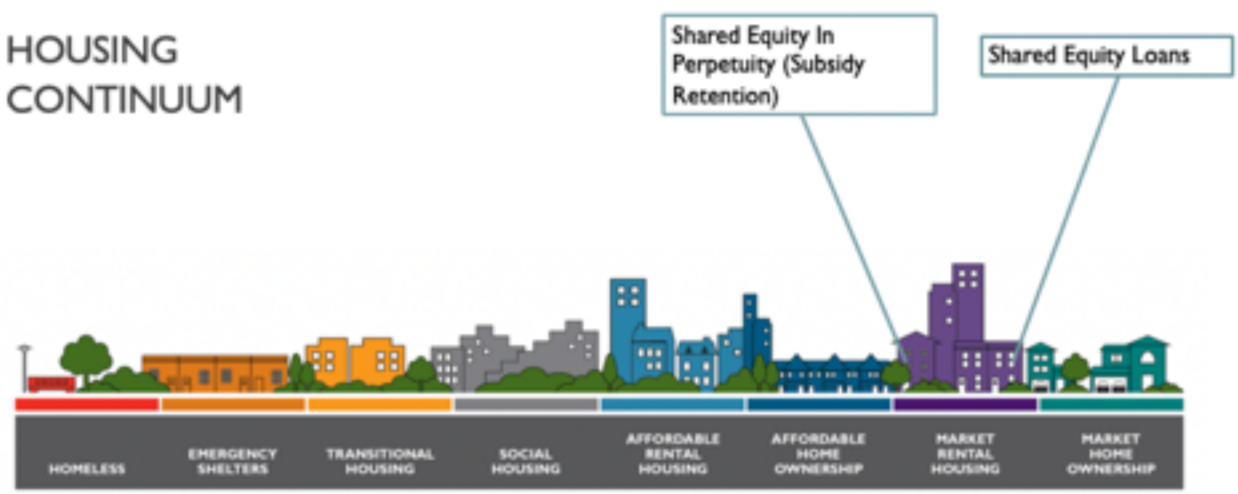

Figure 1: Canadian and Mortgage Housing Continuum with placement of Shared Equity models (Image sourced from CMHC)

Types of Shared Equity Homeownership

Many models fall under the category of Shared Appreciation or Shared Equity Homeownership.

The two types that will be referred to in this report:

Equity Loans

Shared Appreciation that works in Perpetuity with Subsidy Retention

Equity Loans

In Canada, the majority of shared equity models work off of the equity loan model. This model works by a sponsor/developer providing a loan for the down payments as a second mortgage secured on title to the property. Simply, this model involves a down payment contribution towards the purchase of a home from a sponsor/developer. This contribution is required to be paid back to the sponsor/developer by the homeowner at resale.

Many of the models use different ratios for sharing the value of appreciation. Generally, the sponsor provides 10-15% but in some cases even 25% (Trillium Housing). The higher the percentage of equity offered, the larger the risk and reward for the loan provider. Depending on the model, at resale, many of the models use the same ratio split as the initial equity share, while other use a reduced share for homebuyers on resale.
To the right is a list of organizations that provide shared equity loans.

CMHC
- Requires a 5% down payment
- 5-10% Equity Loan
- Resale % is same equity split

Housing HUB
- Requires a 5-15% down payment
- 5-15% Equity Loan
- Resale % is same equity split

Options 4 Homes
- Requires a 5% down payment
- 15% Equity Loan
- Resale % is same equity split

Trillium
- Requires a 5% down payment
- 25% Equity Loan
- Resale % is same equity split

With shared equity loans, there is no-long term mechanism to ensure continuing access to homebuying for low-moderate income buyers, (Davis 2010) because home values are still rising with the market, and these models do not work with resale restrictions since they are sold at market value. However, Housing Hub does offer the option to sell the home with the secondary mortgage on title, which would offer the home at a discount to market (Interview with BC Housing).

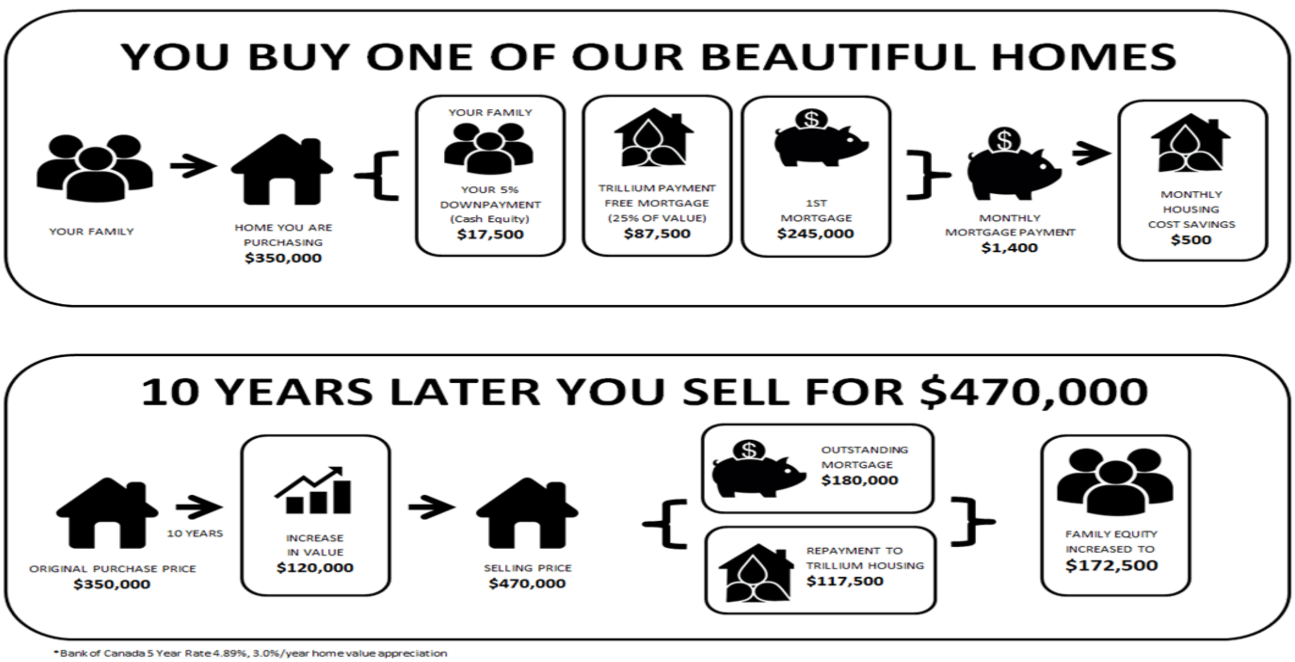

Figure 2: An example of Trilliums equity loan (Image sourced from Trillium Housing)

Strengths

- Homeowner is able to purchase the unit and sell the unit at market value.
- Provide buyers with equity loans to lower the cost of a down payment, also lowering monthly mortgage payments.

Challenges and Weakness

- Shared equity mortgagee is taking a large risk if the housing market were to fall.
  - » If the homeowner sells at a loss, the shared equity loan will also be paid at a loss.

SEH which works in Perpetuity with Subsidy Retention

As shown in the diagram below. Shared Equity homeownership works by providing the home at a discounted price. This model works in perpetuity as the home at resale is sold with resale restrictions, meaning it has a predetermined maximum resale value and can't be sold at market value. There are many formulas for determining the resale value. These formulas will be referred to later in the review in the 'resale formula' section

The most common formula for Community Land Trust's is the appreciation formula which can be seen below in figure 3.

When the value of the dwelling goes up, the seller is given x% of the appreciation gain at resale. In this diagram, 25% is what the seller can walk away with, while CLT retains 75% of the appreciation to keep the home affordable for the next buyer.

In the United States, where this model originated, the key legal agreement that allows for the resale restriction is the Ground Lease. (Ehlenz and Taylor 2019; Davis 2006)

Ground Lease

A ground lease is a model where land in which the building lies on is not freehold and is leased. This means that the buyer wouldn't be able to purchase the land but would partake in a long-term ground lease of the land. The majority of community land trust models in the United States work off this model, where a ground lease is used as the housing agreement between the landlord and the homeowner/occupant. In Canada, this is done on special occasions, including Banff National Park (Alberata, Canada), and many Canadian University Campuses. With Banff being located on Crown Land, a buyer would not have the right to the land and would have to set up a leasehold mortgage to occupy a residence in Banff. In the case of Simon Fraser University in Burnaby, BC, residents who own a home on campus do so under a ground lease as well.

There are many issues with ground leases. These include its complex structure to set up and that they tend to have a depreciating value as the lease comes closer to its end date. Many lenders see leasehold mortgages as unsafe and tend not to give out mortgages for leasehold ownership. (Sawyer 2013)

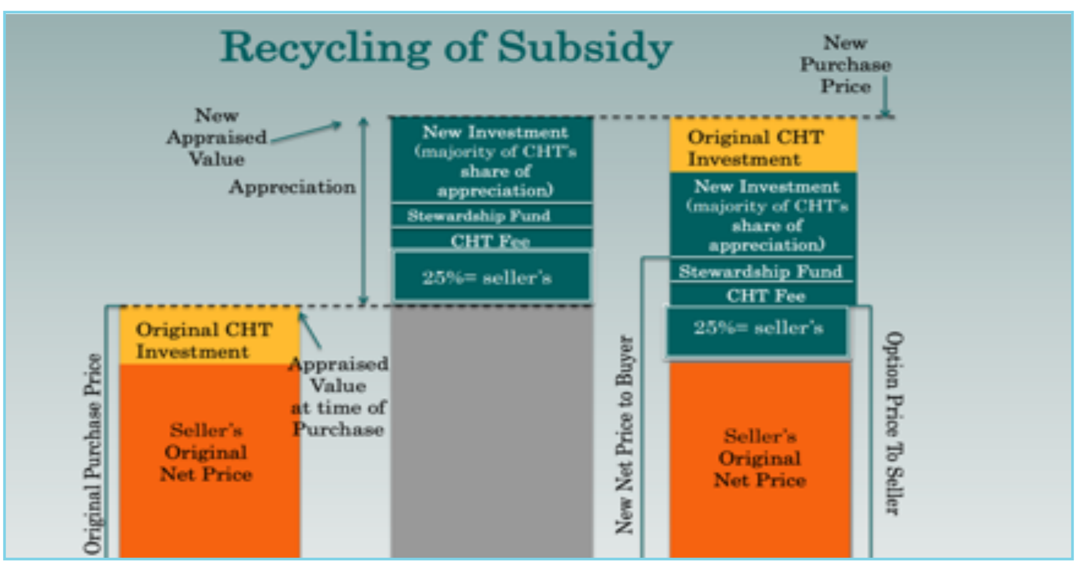

Figure 3:   Shared Equity example with retention from Champlagne Housing Trust (CHT). (Model sourced from CHT)

Strengths

- Strong Loan Performance (possibly due to homebuyer education, financial assistance in case of emergency, and the fact these owners worked hard for homeownership)
- Provide homeownership opportunities to people that would generally be excluded from the market. While generating wealth building opportunities and sustaining permanently affordable housing portfolios.

Challenges and Weakness

- Usually rely on mechanism for allocating property value typically including
    - » Ground lease or some type of covenant (ground leases expire)
    - » Limited equity resale formula enforced by contract that may be transferred from one homeowner to another.
- The economic circumstances over the last decade have provided a good place to start SEH implementation. More time is needed for research to fully understand the long-term potential benefits and risks of SEH.
- Debate regarding the scalability of the model. SEH programs would need to grow their real estate portfolio to show their financial stability (Theodos et al. 2017)
    - » SEH representatives stated that programs require a portfolio of itleast 300 units to generate sufficient revenue to cover annual operating expenses. (Most programs maintain portfolios below this benchmark as 29.5 units is the median size of the program)

Legal Agreements and Mechanisms

The legal agreements discussed below are used to ensure that these shared equity programs are successful. (For both programs that work in perpetuity and equity loans)

Secondary Mortgage on Title

By nature, a mortgage is a loan, meaning it can be paid off. A secondary loan on title is a mechanism used to which is the total amount which the seller must repay to the program upon resale. In most models that use a secondary mortgage on title as the legal mechanism, the loan is used as an equity loan.

Based off the interview with Miller Thomson this type of mechanism can be successfully used as a shared appreciation loan for one-time use, but it cannot be implemented successfully in perpetuity in British Columbia. (Interview with Miller Thomson). Both section 33 of the Property Law Act and Section 244 of the Land Title Act limit its use in perpetuity.

Section 33 of Property Law Act of BC states, "despite an agreement to the contrary, a mortgagor is entitle to receive from a mortgagee, on a written request delivered to the mortgagee, if the mortgagor is entitled to a discharge, a discharge of the mortgage executed in a form registrable under the land title act and otherwise a statement in writing of the terms on which the mortgagee will give a discharge, including, if appropriate, particulars of the money payable for principal, interest and any other sums." This means that if the owner is entitled to discharge the mortgage on title, and he pays off his mortgage, he has the right to the dwelling. Essentially, the homeowner could buy out the housing organization's title from the property.

With a secondary mortgage on title, section 244 of the Land Title Act, states "If a mortgagee, without just cause, refuses or neglects to give the mortgagor or owner of the equity of redemption, herein referred to as the "owner", a discharge of the mortgage, despite the tender or attempted tender of all money due and owing by the owner to the mortgagee, the owner may make an application to the Supreme Court in the same manner as provided in section 243, and the court has all the power conferred on that court by section 243". This would require the mortgagee (the housing organization) to give up title, which would lead to the failure of the unit staying affordable in perpetuity.

Based off these acts, more research will need be done to confirm the usage of a secondary mortgage on title, before it is utilized as a legal mechanism in a SEH product with subsidy retention.

Ground Lease

The ground Lease is utilized as a housing agreement between a land trust (sponsor/developer) and a homeowner. The ground Lease would cover a variety of agreements between the homeowner and the landowner including but not limited to, the rights to the land, terms of the lease (change of landowner), lease fee, taxes and assessments, homeowner improvements, financing restrictions, liability, insurance, and the transfer of the home which would include resale restrictions. (Grounded Solutions Network 2018a)

Predominately, the ground lease has been used by community land trusts in the United States as they can split up the price of land and the price of a dwelling.

The use of ground leases in Canada is used sparingly and with caution due to several significant weaknesses. The Ground Lease can be quite complex to create (Based off interview with Miller Thomson, (Sawyer 2013). Mainly, its most substantial weakness is that financial institutions may be skeptical of the usage of a ground lease, impacting the availability leasehold mortgages. One of the most significant issues surrounding a ground lease is that it has an expiration date. Generally speaking, as the ground lease gets closer to its end date (less than 50 years left on lease), the price eventually plateaus and declines as there can be uncertainty with whether the lease will be renewed and under what terms. However, ground leases can have clauses in their agreements that auto-renew at the lease expiry date.

For models that use the ground lease in a multifamily residential in BC, the developer would need to file a strata plan. "Upon the filing of the strata plan, the ground lease fractures into completely separate leases of each strata lot on the terms of the model strata lot lease. The strata corporation then becomes a party to the model strata lot lease for the purpose of giving covenants in connection with the maintenance and repair of the common property. These types of leases are permitted by the leasehold strata provisions of the strata property act". (Sawyer 2013)

Covenant

A covenant is an agreement that is between the landowner (could be government-owned) and the occupier. The covenant related to shared equity homeownership would be used as a housing agreement. In Canada, there are many options for housing covenants. Most commonly used in BC is the section 219 covenant of the Land Title Act.

"A covenant registrable under subsection (1) may be of a negative or positive nature and may include one or more of the following provisions:
(a) Provisions in respect of the use of a building on or to be erected on land."

It is important to note that for section 219 covenants to be utilized by a non-crown corporation or a non-municipal govt, the landowner must be designated by the minister/surveyor-general to receive the designation to hold this type of covenant. To apply the application must be done through myLTSA. To date, the only minister to designate a non-government organizaton to hold a section 219 covenant. is the minster of the environment. (Lancaster and Track 2015) In the past, developers that do hold the section 219 covenant have done so through partnerships with crown corporations like BC Housing. Examples of developments with this type of covenant would be the Strand in Port Moody, and 60 W. Cordova in Vancouver. (Interview with TL Housing, and Miller Thomson)

Other government covenants that work similarly to the 219 covenants are section 483 of the Local Government Act and section 905 of the Local Government Act. The 905 covenant is a housing agreement that usually works in accordance with the section 219 covenant. Specifically, in the Whistler context, the 905 cooperates with the 219 covenants in the Whistler Housing Association's housing agreement.

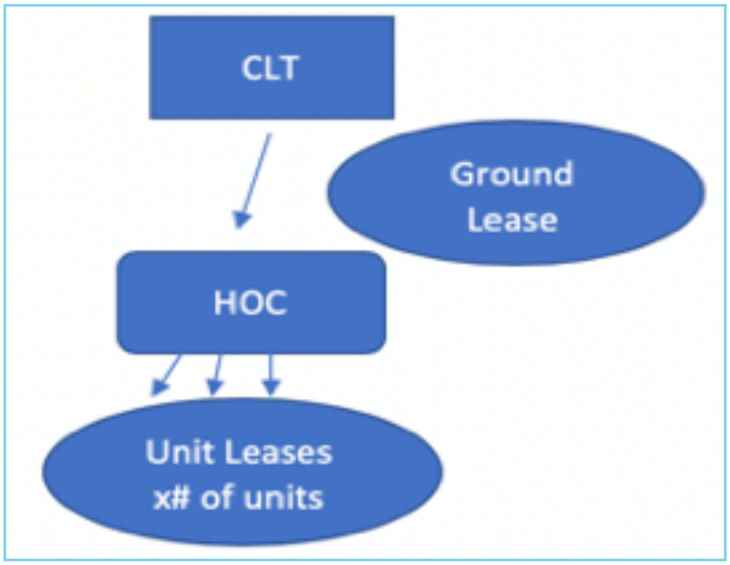

Figure 4: Possible ground Lease scenario. (Image was created in Interview with Miller Thomson)

Resale Formulas

With a strong resale formula, its important to have the right balance of giving a fair return to the seller, but also having ongoing affordability for the next buyer. This section will discuss three resale formulas:

Fixed Rate Method
Index Method
Appraisal Method

Fixed Rate Resale Formula

A fixed rate resale formula is a formula that works off a fixed rate no matter the type of market its in. Even in a down market it will still grow at a fixed rate, while if it's in a strong market, the rate of growth might increase slower than the actual market rate. Generally, the fixed rate is based off the % increase of Annual Median Income. The model can be used with either simple or compounded interest. (Burlington Associates in Community Development, n.d.; Grounded Solutions Network 2018b)

Strengths

- Homeowners will know what the maximum allowable sales price is
- Calculate the formula price at any time
- Easy to understand and administer
- Slow and steady increase

Original Affordable Price

X Set Multiplier (over time)

= Formula Price

Figure 5: Fixed Rate Resale Formula (Sourced from Grounded Solutions Network)

Weaknesses

- Not associated with condition of home (doesn't include capital improvements)
- No incentive for long term tenure (if simple interest and not compounded)
- Dissociation from the market
- Risky in falling markets

Index Resale Formula

Similar to fixed rate formula, the index-based model works off a percentage. In this case, that percentage is based off an index. For example, in Whistler, the model works off the Core Consumer Price Index. The two most common indices that index-based resale formulas work off of are the AMI (Annual Median Income) and CPI (Consumer Price Index) The calculation is based off the change in the specific index from the date of purchase, to the index at resale. For example if the AMI at 2014 vs 2004 has a difference is 22% then you multiply the affordable price by 1.22 to get new formula price. (Burlington Associates in Community Development, n.d.; Grounded Solutions Network 2018b)

Original Affordable Price

X % Change Index (over time)

= Formula Price

Figure 6: Index Resale Formula (Sourced from Grounded Solutions Network)

Strengths
- Calculate price at any time
- Easy to understand and administer
- Slow and steady increase
- Ties formula price directly to changes in median income

Weaknesses
- Not associated with conditions of home
- No incentive for longer term tenure
- Disassociated from the market
- Risky in falling markets
- Sporadic nature of indices
  - » There can be several flat or declining years or significant spikes

Example: Whistler Housing Association (WHA)

Appraisal Resale Formula

The appraisal resale formula is the most used formula for affordable homeownership programs that work in perpetuity. The formula works by taking the original market price and determining its total appreciation at resale by having it appraised. The max resale price (formula price) is the original affordable price + x% of the increased appraisal value. In stronger/hotter housing markets, a smaller percentage of the increased appraisal value is normally used, while slower markets tend to use larger percentage splits. (Burlington Associates in Community Development, n.d.; Grounded Solutions Network 2018b)

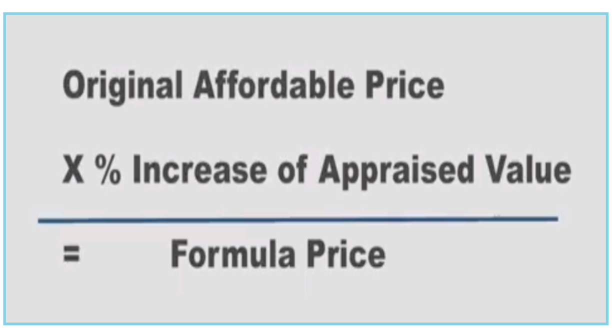

Figure 7: Appraisal Based Resale Formula (Sourced from Grounded Solutions Network)

Strengths
- Fully protect program in falling markets
- Ties formula price to condition of the home
- Removes issues around capital improvements
- Relatively easy to calculate and administer

Weaknesses
- Requires a 3rd party appraisal which means time and expense
- Appraisals can be inconsistent and random
- Can compromise affordability in times of rapid appreciation
- Does not distinguish between homeowner improvements and market forces

Examples: Champlain Housing Trust

Figure 8: Image of Balance between affordability and return to seller. (Sourced from Grounded Solutions Network)

For all Three Resale Formulas

A decision needs to be made regarding if a loss were to occur at resale. The options for this are:
- program takes a loss
- program and buyer split share of loss
- buyer takes a loss

The majority of programs share the loss with the buyer, but this option would put the Land Trust at risk.

Options and Suggestions for CLT

Based off the information provided by literature and interviews. CLT's options are

Legal Mechanism Option
Prepaid Leasehold strata

- Fundamentally similar to ground lease
- Set up a leasehold to Homeowner's Corporation (HOC)
- Have subleases for each unit the Homeowner's Corporation
    - » Offers exclusive tenure for purchaser
    - » Allows purchaser to finance

Barriers

- CMHC mortgage insurance isn't available for leasehold (unless landlord is government, first nation, or university) Possibly speak with CMHC about including non-profits to this
- Larger downpayment is usually required for leasehold ownership from bank

Legal Mechanism Option
Freehold strata using 219 covenants with a Crown corporation, potentially BC Housing.

- Offers exclusive tenure for purchaser
- Easier to get would be allowed to finance.

Barrier

- A 219 covenant, participatory mortgage, and a housing agreement might make this model less marketable

Resale Formula Option

Appraisal Resale Formula

- Based off the CLT's goals, the appraisal method is the best option since it is tailored to the market, as well provides the buyer with large equity gains, and incentivises the homeowner to make capital improvements.
- Although, this method does not assure affordability for the next buyer, it has value in the areas of capital improvements, and marketability as the homeowner will have the best chance of moving up the housing continuum with this resale formula.

Suggestion

- Using the appraisal resale formula, the best legal agreement option to implement would be the Freehold Strata with a 219 covenant. Although fundamentally different to community land trusts in the United Staates, this model has the best chance of recieving a mortgage with a reasonable loan-to-value, and would be able to utilize CMHC mortgage insurance.

Buyer Assumptions and Market Data

Based off data from Grounded Solutions 'myHomeKeeper' information tracker, a typical community land trust home, the buyer profile of a homeowner is similar to that of a market renter. (Wang et al. 2019)

Most of the buyers are first time home buyers, who are looking to get out of the rental stream and start building equity. Based off of a grounded solutions study (Wang et al. 2019) on average, CLT homebuyers are 39 years of age compared to a 51-year-old average homeowner.

The average income of a CLT homeowner is 41,207, with a 63% AMI. In terms of relevance to this report, the Vancouver CLT's initial market estimate is looking at homebuyers with roughly a 150% AMI. This is based off of data from affordable housing projects market buyer (Townline data).

In Vancouver, the median household makes approximately $72,000 a year. With a 150% AMI, being $108,000. These salary/income differences not only show the differences between the Vancouver CLT and American CLT economically speaking, but also the reason why affordability is such a significant issue in Vancouver.

Shared equity owners generally accumulate wealth during all periods of the market as the resale restrictions were successful over time. (Wang et al. 2019) On average, a CLT homebuyer held their home for about six years, where then 57% of homeowners moved up in the housing continuum into market homeownership after they sold. (Wang et al. 2019). Although, low relative to equity loans, this outcome is still a larger percentage than those that would move from market rental into traditional homeownership.

Based on market data collected from TL Housing Solutions on their project, "The Strand," the majority of purchasers were in their 20s and 30s. With an even mix of purchasers working in both the white-collar and blue-collar fields. (Interview with TL Housing Solutions) Regarding the geographic scope, purchasers were predominately from Vancouver, and the Tri-City Region (Coquitlam, Port Moody, and Port Coquitlam). Hoy Creek is expected to have a similar purchaser profile to the Strand development as both affordable homeownership programs are located in the Tri-City region.

To gain more specific market data, the CLT has hired consultants to determine the buyer's pool for a SEH model. The results from their findings should give the CLT a stronger idea into who this type of product should be marketed and tailored for.

Tools

With the information gained from this research and review, three tools were created. The tools will be available to use for the CLT and other companies interested in a SEH. Each tool has a different value add that will be spoken about in their respective part of the 'Tools' section in the report. The character matrix and Sensitivity analysis can also be found zipped in the folder with this report.

Characteristic Matrix

The character matrix is a tool that reviews 27 programs. The programs assessed in the matrix were financing options, educational programs, and other affordable homeownership models. For each program, information was gathered regarding where the program took place, info regarding fees & financing, size (# of units), if there was government funding, what types of legal agreements in place, buyer eligibility requirements, and a brief review of its adaptability to BC and the CLT. This model can be used to access different programs on a high level. Specifically for the CLT, some of the applicable pieces that can be used from other programs, involve construction/modest building styles, covenants, housing agreements, resale and the appraisal process, and some administrative practices.

Sensitivity Analysis

The Sensitivity Analysis reviews three models: market, shared equity with a small deposit, and shared equity with a large 5% security deposit, which is the requirement for the CMHC Shared Equity Mortgage Provider (SEMP) fund. This is a fund provided by the CMHC, with two streams, the first is pre construction loan for firms that are building SEH dwellings, while the second is a loan fund for SEH mortgage providers.

The sensitivity for each model works with six market scenarios: base, static, price spike, housing bubble burst, 5-year interest rate increase, and 10-year interest rate increase.

Median Home Price Inflation
With home price's metro Vancouver increasing rapidly over the past ten years, the rate of inflation is a difficult variable to predict. Due to this, this report/model assumes a market shift anywhere from (-)3% to 7.5% annually. At the peak of the Vancouver market, home prices have increased upwards of 10% annually. For a real estate market, these are unsustainable yields.

Median Income Inflation
Generally speaking, in BC income have a 0.5% increase annually, though local incomes have been increasing more rapidly in recent years. Due to this, the model provides a range of values were used for median income inflation, ranging from (-)2% to 2%

Interest Rates
Over the last couple of decades interest rates have been at record lows. In the past five years, interest rates have risen. However this has shifted within the past six months as many countries have chosen to lower their interest rates. With the uncertainty of where the market is headed. The sensitivity model uses different interest rates in all six economic scenarios.

Holding Period
The average hold for a Shared Equity homeowner is 6-7 years. (Wang et al. 2019)

Range of Success and Failure
There is a wide range of economic scenarios where this model would be deemed successful. What's important to note are the situations where this type of model might have its faults. One of the main areas where this model might have its issues are scenarios where housing price inflation increases more rapidly than income inflation. Over the past decade, in Metro Vancouver, this has been an issue at the roots of the affordability crisis. With that being noted, it is important to monitor affordability levels for this type homeownership to ensure its success.

The results from the base scenario in the sensittivity analysis show that the initial affordability of the proposed CLT model is 125-130% AMI which is lower than the initial 150% AMI estimate based off of previous affordable homeownership models in the Tri-City region. With a projected lower level of affordability, this SEH model has the ability to reach more buyers, making it more marketable and equitable.

On-going Administration Toolkit

The information gathered from the toolkit works off of two administration reports, a 4 part Webinar on SEH program design that was led by Grounded Solutions Network, and some of the interviews. The two administration reports that heavily informed the toolkit were:

- Grounded Solutions Network's Stewardship **Standards for Homeownership Program**
- The San Francisco Mayor's Office of Housing and Community Development's (MOHCD) **Inclusionary Affordable Housing Program Monitoring and Procedure Manual** & website resources

Program & Business Planning

Determine what the clear-cut goals are for the program.

- Ensuring that units stay affordable in perpetuity at a specific AMI
- Providing Tenure at an affordable price
- Buyers are able to build equity

Determine the Initial Sales Price and Resale Formula

- The initial sales price and resale formula should be done together as they work hand in hand with each other.

Important to start talks early with Business Partners

- Provincial Organizations
    - » BC Housing
    - » CMHC
- Lending Institutions
    - » Vancity
- Realtors

Verifying housing costs and the dictating ratio

- What is the AMI for our buyers and what is the housing cost ratio
- Verifying the affordable price with discounts.

Suggestion

- For each program, maintain a written statement of program goals and objectives for the community served and geographic area covered
- Periodically review and update program design (rules, policies, and procedure) every 2-3 years.
    - » Coordinate support from knowledgeable legal counsel during the review process
- Maintain a written program and admin manual with information all program components.
    - » Pricing
    - » Marketing and outreach
    - » Application
    - » Homebuyer selection
    - » Refinance provisions
    - » Monitoring and enforcement
    - » Resales
    - » Record maintenance
    - » Conflict of interest policy

Fees

Application fee

- This fee would cover the cost to review the T1, T4, first time homeowner, and the asset testing to ensure that the applicant is eligible.

Options

- Hire a 3rd party to review T1, T4, and for asset testing
- The review is done by in-house property management

Suggestion

- Suggested that this is done by in-house property management

Closing Fees

Fees for appraisal, and administrative cost of sale

Suggestion

- Done by a third party appraiser
    - » Important to build relationship with appraisal company

Administration Fees

- This will cover the ongoing administration costs. It's also important to note what the status of mortgage or housing payments is
    - » By adding an administration fee it would help get a better grasp of whether the homeowner is keeping up with his monthly payments
- This would cover the cost of the administering the lease or housing agreement
    - » Price: ~$30 per month
- CLT will have the eligibility to charge interest on late fees. When the home is sold, they should be able to collect unpaid fees

Options

- 3rd party Company
- In-house property management

Suggestion

- In-house property management

Homeowner Corporation Dues

- Price: ~$300-$400 per month
- Homeowner's corporation dues would be similar to those of a strata fee.
- Setting initial sales price which incorporates HOC dues
- Specify rules for HOC/strata fees in the affordability agreements.

Options

- Equal share (price)
- Pro-rated based on sq. ft.
- Pro rate shared based on value

Suggestion

- Pro-rated based on sq. ft. is relatively fair and easy to administer

Mortgage Financing

Determine what loan types will be allowed in the program

- Interest rate and terms
- Preferable LTVs (Loan-to-Value Ratio)

Suggestion

- Try to identify 2 lenders/mortgage products that could work
  - » Better to give the buyer options

Options

- Maintain written procedures for first mortgage loan review and approval
  - » Applicants must submit a loan pre-approval letter
- Review subordinate loans, and refinances
  - » In house management would need to review this
  - » Implement legal safeguards that would require program approval for refinancing loans
- Create mechanism with lender to ensure notice is given if owner misses mortgage payments, or defaults

Suggestion

- Include legal Safeguard to include
  - » **First Right of Refusal**
  - » **Approval for refinancing**
- Build relationship with lender
  - » Try and create a specialized loan product for this type of homeownership
  - » Create mechanism with lender to provide notice if default or missed payment occurs

Affordable Pricing

Pricing Strategy Design

Suggestion

- Maintain a written statement of income and affordability restrictions imposed by funding sources
  - » Funders/lenders might have defined restrictions
- Maintain a written statement of the program target market (which may be lower than that imposed by funding sources)
  - » This may change depending on the market

Market comparison

Suggestion

- Prices needs to be much lower than market price of unit
  - » Discount of 20% to new units, but also compared to resale market unit
  - » Periodically review and update pricing formula based off this

Back up strategy

Suggestion

- Need to have written procedure to review pricing and marketing strategies and steps to move unsold homes (lowering price, offering incentives, increase marketing)
- Allowing units to sell to non-income eligible buyers or sell at market rate

Fair Housing & Buyer Selection

Suggestion

- Goal is to reach out to target market, have open and fair process to sell to qualified buyers, inform buyers, and clearly educate buyers on resale process to seller and to prospective buyers
- Use plain language in documentation
- Don't only market to English speakers
- Require education
- No co-signers

Managing Applicant Pool

Options

- First come first served
- Lottery
  - » All lottery numbers are randomly sorted
  - » Each applicant is assigned an "unfiltered ranking # between 1 and the total # of applicants. (new sales)
  - » For physical lottery (resales): a list of lottery ticket numbers will be displayed before the lottery begins Placed into a bin and pulled at random in ranking order
- Giving preference to specific demographic groups
  - » Lottery report is filtered by preference category (residents of current city, or number of children)
  - » "Example: Julie has an "unfiltered" ranking of 11, and Bob has an "unfiltered" ranking of 15. They are both in the Displaced Tenant Housing Preference. Julie and Bob have the highest "unfiltered" rankings of all other applicants in that preference. So, Julie would have a ranking of 1 and Bob would have a ranking of 2 in the Displaced Tenant Housing Preference." (https://sfmohcd.org/lottery-preference-programs)

Suggestions

- For the first sale, sales should be done on a first come first serve basis
- At resale, administer an eligible buyer's list or a lottery for each dwelling

Resales & Taxation

Adopt a resale formula that preserves affordability under a wide range of economic and also provides an equity building opportunity for homeowners.

Suggestions

- Have provisions in place for home maintenance and repair requirements upon resale
    - » Degradation of affordable housing stock can negatively impact the neighbourhood
    - » Written criteria must show acceptable conditions of home upon resale
    - » Responsibility of making required repairs prior to resale
    - » Process for inspecting homes prior to transfer to ensure required repairs are made
    - » A list of buyers should be managed by property/admin manager. When an owner chooses to sell. They can notify management and eligible buyers on the list will be allowed to give offers or be placed into a lottery
- At resale or when CLT is notified of resale (a formal inspection will take place)
    - » Include deductions for damages or needed repairs in resale formula

Capital Improvements Credit Policy

Suggestions

- Determine what are eligible and ineligible replacements and repairs
- Approval process for eligible credits
- Procedure for claiming credit
- Formula for calculating value of improvement and its time value/depreciation

Tax

Suggestions

- CLT will pass on any tax bills it receives to homeowner
- If homeowner fails to pay taxes, CLT may increase admin/lease fees to offset tax
- Must show proof of tax fees
    - » CLT will request proof of payment
- Property Transfer Tax is paid by owners (CLT would administer the sale of the units)

Sale of Dwelling

Options

- Work with realtor to administer the sale
- CLT staff is an eligible realtor/broker of the sale

Suggestion

- Easiest option and most streamlined option for realtor to administer sale. Important to have strong relationships with realtors who understand the ownership model

Support, Monitoring & Enforcement

Primary Steward

Suggestions

- Clearly identify the agency that will serve as the primary point of contact for homeowners over the long term and will coordinate ongoing monitoring, support, and enforcement
  - » Ensure homeowners know who to contact
- Providing property management, or providing them with list of trade for repairs

Post purchase policy and requirements

Suggestions

- Provide program rules and policy manual
  - » In accord with all legal agreements between the homeowner and the program, detailing program policies or requirements
- Manual should cover all topics including but not limited to
  - » Occupancy and occupancy changes
  - » Subletting
  - » Required intervention for homeowners late on mortgage (financial counseling)
  - » Mortgage and refinancing
  - » Maintenance and capital improvements
  - » Fees

Communication

Suggestions

- Send annual newsletter to homeowners explaining responsibilities related to program restrictions and requirements
- Verify evidence of owner occupancy annually
  - » Having owner sign a letter annually stating that the owner is still occupying his resident
  - » Owner sends in utility bill

Compliance Montiroing

Suggestion

- Maintain written monitoring and enforcement plan that includes all of the following concepts
  - » Identification of method and frequency of monitoring
  - » Statement of required homeowner compliance documentation
  - » Procedure for following up to those who don't respond initially
  - » Identify of potential program violations (non-owner occupancy, unauthorized renting, unauthorized liens, over encumbrance, unauthorized title transfer)
  - » Identify conditions that would trigger a site/individual unit visit
  - » Process for responding to violations
  - » Statement of possible repercussions for violations
  - » Procedure for following up to violations.
- Important to be prepared for owners that will be outside of compliance, with our legal team we should get an understanding of what we will do if a resident isn't owner occupied (x amount of days to comply) etc

Post Purchase support

Suggestion
- If homeowner is in financial troubles, work with them to determine a plan if possible, for financial support (would need a financial counselor in house)

Information Tracking

Information tracking is important as it aids the program administration in understanding the market, affordability levels, and the records for each unit
- Maintain info (loans, affordability control)
- Need a system that can track sales, purchases, and capital updates to homes

Options
- Able to do this manually in-house
- My homekeeper is a software from ground solutions that used for tracking and evaluating the program
    - Myhomekeeper ($3500 onboarding cost; $3000-3250 annually)

Suggestion
- Myhomekeeper is a specialized product for SEH information tracking. CLT should reach out to Grounded Solutions Network for more infomraiton

To-do and Admin Recommendations

Creation of Policy and Procedural Manual
- Along with a housing agreement (covenant or ground lease), an organization can use a Procedure and Policy Manual
- This manual acts as a detailed version of the agreement
    - The goal of this type of manual would be to assist the organization for the compliance and operational aspects of a SEH building.
    - This manual speaks to, affordable pricing, mortgage financing, fair housing and buyer selection, resales, ownership support, compliance and enforcement, and stewardship. Grounded Solutions will have a sample manual available by the end of 2019

Create an Operating Budget
- Should gain an understanding of whether there is a gap between costs and running the program
- This should be done for the first 2 years

Ensure Adequate Staffing
- Difficult to assess until the program has started

Conclusion and Recommendation

Overall, Shared Equity has been a successful mechanism to support new and ongoing affordable housing initiatives. There are many factors that would make a program successful, the main factors being:

- a stable market
- a strong legal mechanism in place
- an effective administrative team
- Strong relationships with:
  - » Lenders
  - » Real estate agents
  - » Property tax accessors

Some of the barriers to successfully implemented a model in BC/Canada would be getting mortgage providers onboard and creating a strong legal mechanism that not only secures and gives administrative power to the CLT, but also does not limit the marketability of the dwelling/product.

Moving forward the recommendations to the CLT would be:

- Create an administration operating budget
- Create a strong legal mechanism for this model/product with a law firm
- Work with the CMHC and their SEMP fund
  - » To do this, the CLT would want to create a business plan or package, explaining their goals and the project (This would include a construction budget/proforma, as well is anticipated restrictions for resale and buyer eligibility
- Educate lenders on the product by providing them with a business plan or package
  - » In order for this model to be successful, lenders would need to create a specialized mortgage product for potential buyers
- Educate reatlors and potential buyer's on this type of ownership product/model
  - » Create an educational program for potential homeowners

Limitations

The research captures a preliminary understanding of some of the characteristics of a successful shared equity program. It also speaks to the barriers that impede its success and reviews its adaptability in a BC/Canadian context.

Although having interviewed lawyers about its legal logistics, it is suggested that the CLT develop the legal framework/mechanism for this model before moving forward.

The CLT should work with Miller Thomson (their law firm) to review some of the legal logistics behind a SEH program, as conversations were short during the interview process. More in-depth conversation with a legal team should take place to determine all of the options regarding mechanisms and housing agreements.

In regard to the buyer profile, many of the buyer assumptions were based off previous affordable housing programs. The CLT has hired consultants to gain a further understanding of the buyer's profile which has an expected deliverable date by the end of 2019. When all of the information is gathered, a suggestion for the CLT moving forward would be to work with the sensitivity analysis tool to ensure that the model is still affordable based on the results of the buyer's profile.

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Appendices

Letter of Intial Contact

School of Community and Regional Planning
1933 West Mall
Vancouver, B.C., Canada V6T 1Z2
https://scarp.ubc.ca/

Dear _______________,

My name is Sean Reisman and I am a Research Associate in the School of Community and Regional Planning at the University of British Columbia in Canada. I am currently working in collaboration with the Community Land Trust (CLT) to review and determine an applicable model for Shared Equity Homeownership (SEH) for the Hoy Creek Lands in Coquitlam, BC.

Your information was provided by Lilian Chau at Vancity, as I was told that you have an expertise in this area. I am wondering whether you would be interested in chatting with me for about an hour about your knowledge in SEH and the affordable housing industry.

The interview would last anywhere from 30-60 minutes and would be audio recorded with your permission. My goal is to produce a final paper on this topic that would help the Community Land Trust implement SEH in perpetuity for the Hoy Creek Project.

If you are interested in being interviewed, you can choose to be identified – or not –it's entirely up to you. I will also send you a copy of the paper once a draft has been completed so you can confirm its final content and how you've been quoted before I submit the paper. At that point, you would be able to make changes – or withdraw your comments completely if you decide you'd prefer not to be quoted at all in the final paper.

If you have any questions or need more information about this study, you may contact me by email at Reisman.sean@gmail.com or by telephone at 647-966-4414. You may also contact Penny Gurstein, the Principle Investigator for the study, at 604-822-6065.

I look forward to speaking with you soon.

Regards,

Sean Reisman

May 7, 2019

School of Community and Regional Planning
1933 West Mall
Vancouver, B.C., Canada V6T 1Z2
https://scarp.ubc.ca/

Consent Form: ______________________________ **Date:** __________________

Project Title: Hoy Creek

Principal Investigator: Dr. Penny Gurstein, Founding Director of Housing Research Collaborative, University of British Columbia, Vancouver, B.C. Canada V6T 1Z2
Email: penny.gurstein@ubc.ca

Co-investigator: Sean Reisman BSc., MCRP Candidate; School of Community and Regional Planning, University of British Columbia, Vancouver, B.C. Canada V6T 1Z2
Telephone: 647-966-4414
Email: Reisman.sean@gmail.com

Purpose: The purpose of this project is to conduct a thorough review of the existing affordable/shared-equity homeownership models and evaluate their applicability to a Canadian context. This project is being conducted as part of a graduate degree and will focus on structured decision-making processes to identify best practices for the Community Land Trust to implement and administer a SEH project. This project is intended to specifically support the development of the Hoy Creek lands in Coquitlam, BC, but is also aimed to support the scaling-up of SEH options in BC and Canada. You have been contacted because we believe that your expertise regarding the Shared Equity Home Ownership and its applicability will make a valuable contribution to our understanding of the model and its implementation.

Study Procedures: Participants involved in this study will be invited to a semi-structured interview, lasting between 30-60 minutes. Interview questions will be based around themes of affordable housing, real estate development, land economics, and SEH homeownership.

Potential Risks: This study presents no foreseen risks.

Potential Benefits: There are no explicit potential benefits for participants.

Confidentiality: The content of the interviews will be kept confidential and individuals will never be identified by name in any reports resulting from the study. With the permission of the participants, interviews will be recorded so as to ensure faithful reproduction. Audio recordings will be transcribed by the Co-Investigator. Only the researchers listed above will have access to the recordings and written transcripts from the interview after the interview has been transcribed. All hard copies of the transcript will be locked in a filing cabinet and shredded after the final report is completed. Electronic copies of the raw data and transcript of each interview will be kept on a USB flash drive which will be locked in a cabinet in Dr. Penny Gurstein's (principal investigator) office at UBC for 5 years. All documentation will be securely stored for five years and then destroyed.

Remuneration/Compensation: No financial compensation will be offered for your participation in this study

Contact for information about the study: If you have any questions or need more information about this study, you may contact Sean Reisman by email at reisman.sean@gmail.com or by telephone at 647-966-4414. You may also contact Penny Gurstein at the University of British Columbia at 604-822-6065.

Contact for concerns about the rights of research subjects: If you have any concerns or complaints about your rights as a research participant and/or your experiences while participating in this study, contact the Research Participant Complaint Line in the UBC Office of Research Ethics at 604-822-8598 or if long distance e-mail RSIL@ors.ubc.ca or call toll free 1-877-822-8598.

Consent: Your signature on this form and your participation in this interview imply that you consent to take part in the research and have read and understood the information in this form. Your participation is entirely voluntary, and you may refuse to participate or withdraw at any time. Furthermore, you do not have to answer any questions you do not want to answer. Please retain a copy of this consent form for your records.

Print Name: ______________________________

Signature: ______________________________

Date: ______________________________

Sample Informant Interview Guide

Background: This study is looking to get an understanding of the Shared Equity Homeownership model by

1. Identifying the most applicable affordable home ownership/shared equity models for the proposed project at Hoy Creek in Coquitlam

2. Outlining best practices and other requirements for the administration of this model to ensure affordability in perpetuity.

Ideal Proposed Shared Equity Model

- Provide a X% discount to market
  - Use this discount as the down payment, so the buyer only has to pay mortgage payments
- At resale, there is a split on land lift/appreciation
  - Buyer receives all of his capital improvements back at resale + X% of land lift
- E.g of this model (Referenced from CHT in Vermont & Vivacite in Quebec)
  - Buyer receives a 20% discount to market which is used as the down payment
  - At resale the buyer receives 25% of land lift, and CLT retains 75% of land lift to help maintain the affordability of the home

The purpose of the interview and chat is to gain knowledge in:

- The legality of proposed model
- Suggestions for implementing an affordable housing model in BC
- The reasoning for why we should pursue a shared equity ownership model

This meeting will be recorded if you permit that. The notes will be transcribed by Sean Reisman(co-investigator) from the recordings. This interview will take about 30-60 mins. If you have additional information you would like to share with us for the study, we would appreciate receiving this by email.

A. Background Information
Type of Organization: Law Firm

B. Model and the CLT
B1. Is the CLT (a non-profit society) legally restricted to hold the land, or would they have the ability to sell the units freehold?
B2. Have you ever worked with any developments with resale restrictions?
B3. If so, what type of agreement or legal mechanism was used to ensure this?

- Housing Agreement through a covenant
- Ground Lease
- Section 219 covenant of LTA

- Section 483 of LGA
- Section 905 of LGA

B4. If we were to use one of these types of mechanisms, would we able to restrict

- What the land can be used for (Homeowner restrictions. E.g. used as primary residence)
- Fees
- Taxes
- Homeowner improvements
- Types of Financing options (e.g. permitted lenders)
- Liability, insurance, damage
- Transfer of the home (new buyer eligibility/pool & resale restrictions)

B5. For the discount to market CLT would offer (recognized as a down payment), would it be possible to register this on title as a 2^{nd} mortgage?

- Would we be able to take out money at resale for capital repairs?
- Would this be possible without purchasing the home back from the buyer?

B6. If we were to purchase the units back from the buyers and resell to new eligible buyers, is there any possible way to not pay property transfer tax twice?

B7. If the owner were to foreclose, how would we set up the right of first refusal so we have the option to purchase the unit back?

B8. What type of fund could we set up to give us the option to purchase back the units?

C. Administration

C1. If the CLT is unable to apply the discount to market as a down payment, what would you use as an effective approach of having purchasers have some "skin in the game"

- 5% Down Payment
- A large application fee

C2. Would we have any issues with the strata property act for management purposes

e.g. The Strata board determines the strata fees

e.g Could we set any requirements to build up a capital reserve (or would the board have to agree on this?

C3. If the homes are resale restricted, what would the property tax be on the site? Would the homeowner have to pay the full amount?

C4. What should be identified under the Real Estate Development Marketing Act (REDMA) and the Disclosure Statement for the administration of the sale?

D. Challenges and risks

D1. Legally speaking, do you see any issues or problems with the proposed Shared Equity model?

D2. What types of challenges or risks do you see with the proposed model?

E. Next Steps

E1. Do you have any suggestions for CLT for next steps to pursue the Shared Equity Model?