
REPORT TITLE: BlackNorth Initiative Homeownership Bridge Program Update

FROM: Sean Baird, Commissioner of Human Services

RECOMMENDATION

- 1. That the BlackNorth Initiative to allocate \$50,000 to \$120,000 per eligible Peel household, from the previously approved grant of \$2.5 million, to assist 20 to 50 Peel households under the BlackNorth Initiative Homeownership Bridge Program be approved; and**
- 2. That the Director of Housing Services be delegated authority to execute amendment(s) to the grant agreement with BlackNorth Initiative, on business terms satisfactory to the Commissioner of Human Services and on legal terms satisfactory to the Regional Solicitor.**

REPORT HIGHLIGHTS

- In Canada, housing is not only home, but a store of wealth. This housing wealth is expected to supplement the social safety net, secure one's retirement, and leave a legacy.
- On October 14, 2021, Regional Council approved a grant in the total amount of \$2.5 million to BlackNorth Initiative (Resolution 2021-977) to provide 50 eligible renter households in Peel with a grant of up to \$50,000 per household, as part of the second mortgage, to purchase a home in Peel under the BlackNorth Initiative (BNI) Homeownership Bridge Program.
- In February 2022, the BNI Homeownership Bridge Program was publicly launched.
- Given the increases in purchase prices and the interest rate increases for borrowing, it has become challenging for BlackNorth to find households that are eligible for the program based on the current funding allocations.
- It is therefore recommended that Council approve BNI the flexibility required to provide grants of \$50,000 - \$120,000 per household under the program to ensure program outcomes are achieved.

DISCUSSION

1. Background

On June 11, 2020, Regional Council recognized anti-Black racism as a crisis in Peel (Resolution 2020-448). Then on May 27, 2021, Regional Council endorsed the BNI pledge that commits to the cultivation of meaningful change in our organization and in broader society (Resolution 2021-540).

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On October 14, 2021, as a concrete action to address systemic discrimination, Regional Council approved a one-time grant in the total amount of \$2.5 million to BNI (Resolution 2021-977) to provide 50 eligible renter households in Peel with a grant of up to \$50,000, as part of the second mortgage, to purchase a home in Peel under the BNI Homeownership Bridge Program.

Since that time, the program has launched, but given the increases in purchase prices and the interest rate increases for borrowing, it has become challenging for BlackNorth to find households that are eligible for the program based on the current funding allocations that make up the second mortgage on the home.

As such, this report provides Regional Council with an update on the BNI Homeownership Bridge Program and recommends a more flexible approach to determining the per household grant amount which reflects the recent changes in the real estate market.

2. Systemic Discrimination in Housing

As reported to Council, in the May 2022 advocacy report, *“Broadening Advocacy Priorities to Improve Housing Affordability in Peel”* (Resolution 2022-486), housing, in Canada is not only home, but a store of wealth. This housing wealth is expected to supplement the social safety net, secure one’s retirement, and leave a legacy. However, this cycle entrenches the problem of housing affordability for aspiring owners and tenants. The Toronto Region Board of Trade, alongside many others, highlight that high housing costs have a negative impact on economic opportunity in addition to community health and well-being. As such, in Peel, there is no longer a viable pathway to traditional home ownership for both moderate- and low-income households. In the Greater Toronto and Hamilton Area however, research indicates that decades of systemic racism have caused black households to be underrepresented among ownership households, and the gap is growing. Generally speaking, low-income racialized households are overrepresented in the rental market.

3. Program Launch and Interest

In February 2022, the Homeownership Bridge Program was publicly launched by BNI. Since that time, extensive promotion of the program has taken place and applications accepted via BNI’s website. To date, a total of 531 applications from residents of Peel have been received.

The program requires households to be existing renters in Peel who want to be first-time homeowners, have at least one member of the household who identifies as Black and at least one child under the age of 16 years old. At least one member of the household must be employed, have a good credit rating and able to secure a first mortgage with a conventional lender. The program involves multi-step approval, including financial literacy education, which is offered to all applicants, whether deemed eligible or not. In addition to the eligibility requirements, the household’s financial capacity is also reviewed as part of the program criteria to assess potential for mortgage qualification. BNI has partnered with Dream Legacy Foundation, an organization that fosters social and economic empowerment of the Black community across Canada. Dream Legacy provides the homeowner education program for participants. BNI is also partnered with Habitat for Humanity GTA to deliver this program.

In addition to promoting the program, BNI is engaging with private developers who have units under construction in Peel region to participate in their program. Developers are asked

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to provide homes to BNI for the program to ensure households approved have available homes to purchase.

To date, seven homes in Peel have been identified for program participants to purchase. Three homes are scheduled for closings in 2023 and the additional four will be available in 2025 through a Habitat for Humanity GTA build that is under development in the City of Brampton. BNI program staff continue to engage local developers to secure additional homes for purchase through the program.

The BNI homeownership bridge program is also being implemented in the City of Toronto, Durham Region and York Region by accessing existing homeownership program funds in these areas. To date, nine purchases have closed in Durham Region and five in the City of Toronto.

4. Program Funding Model

In addition to regional funds of \$2.5 million, approved by Council in October 2021 (Resolution 2021-977), BNI has secured funding for the homeownership bridge program from the federal government. All homeowners will be able to access a CMHC SEMP loan and National Housing Strategy Co-Investment funding. Together with regional funds, these allocations provide a stack of funding that becomes a second mortgage on the home held by BNI which allows approved participants to qualify for a lower first mortgage from a primary lender to enable purchase of a home.

Previously Council approved the \$2.5 million grant to be made available to 50 Black renter households in Peel who were approved for the program. Given the dramatic increases in purchase prices over the last couple of years, some purchasers will require more than \$50,000 of regional funds, to stack with the federal funding, as the second mortgage on a home. BNI holds the second mortgage, and no payments are due on this mortgage, until the homeowner has paid off their first mortgage.

It is recommended that Council approve BNI to provide grants of \$50,000 - \$120,000 per household, as part of the second mortgage, to ensure program outcomes are achieved. Program participants are required to secure a first mortgage from a primary lender for the remaining cost of the home. In most cases, the funding stacked for the second mortgage will equate to approximately \$200,000 - \$225,000 per household.

RISK CONSIDERATIONS

In the Greater Toronto and Hamilton Area, research indicates that decades of systemic racism have caused black households to be underrepresented among ownership households, and the gap is growing. The BNI homeownership program provides an opportunity that allows more households who identify as Black to be able to afford homeownership in the current market. By allowing for a range of grant amount per household as part of the stacking of funds for the second mortgage, more households will be able to afford the costs of a first mortgage from a primary lender. However, as a result of the increased per household funding amount, less than 50 households as previously estimated, will be assisted.

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FINANCIAL IMPLICATIONS

The report does not propose increasing the expenditures previously approved for this program, but rather recommends approving the grant limits per household and therefore has no net financial impact.

CONCLUSION

On October 14, 2021, Regional Council approved a grant in the total amount of \$2.5 million to BlackNorth Initiative (Resolution 2021-977) to provide 50 eligible Peel renter households in Peel with a grant of up to \$50,000, as part of the second mortgage to purchase a home in Peel region under the BlackNorth Initiative Homeownership Bridge Program. It is recommended that Council approve BNI to provide second mortgage grants of \$50,000 - \$120,000 per household under the program to assist 20 to 50 households reflecting the current increases in real estate purchase prices and the increased cost of borrowing based on the interest rate hikes that have occurred over the last year.



Sean Baird, Commissioner of Human Services

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