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## Equity Building Program – Recommendation to Discontinue Operations

### Recommendation

That the Standing Policy Committee on Planning, Development and Community Services recommend to City Council:

1. That the Equity Building Program discontinue issuing equity loans; and
2. That the Partnership Agreement between the City of Saskatoon and Affinity Credit Union be terminated effective February 28, 2019.

### Topic and Purpose

The purpose of this report is to recommend that the Equity Building Program discontinue operations, due to a significant decrease in the number of home buyers accessing the program.

### Report Highlights

1. The Equity Building Program was successful from 2011 – 2016.
2. The Equity Building Program is no longer filling a significant housing need.
3. City funds that have been loaned out will be paid back within five years.
4. Unused City funds will generate a larger return outside of the Equity Building Program.
5. The Equity Building Program could be re-introduced in the future if markets change and entry level buyers need assistance.

### Strategic Goal

This report supports the City of Saskatoon's (City) Strategic Goal of Asset and Financial Sustainability by investing in what matters and ensuring that public funds are utilized efficiently and effectively.

### Background

At its February 7, 2011 meeting, City Council instructed the Administration to proceed with the implementation of the Equity Building Program (Program) to assist moderate income households with the purchase of an entry level home. City Council further instructed the Administration to enter into a Partnership Agreement with Affinity Credit Union (Credit Union) to administer the Program.

At its March 7, 2011 meeting, City Council revised Policy No. C12-009, Portfolio Management Policy, to approve the Program as an eligible investment for civic funds. City Council allocated \$3.0 million to the Program in the form of a long-term investment to support a target of 50 new home buyers per year.

At its January 25, 2016 meeting, City Council resolved to withdraw \$1.5 million of the \$3.0 million investment due to a reduced number of homebuyers accessing the Program, and reduced the target for the Program to 25 new home buyers per year.

**Report**

Equity Building Program Successful from 2011 to 2016

The Program was launched during a time of rapidly increasing housing prices when first time buyers were having trouble saving the required down payment to enter the ownership market. During the same period, Saskatoon’s vacancy rate was very low and people new to the work force had few housing options that they could afford.

The Program provides modest income households with a low interest equity loan to be used as a down payment for the purchase of an entry level home. The City provides the funds for the equity loans and the Credit Union screens the applicants and administers the Program.

From 2011 to 2016, the Program filled an important need in the attainable housing continuum with an average of 21 equity loans issued annually, as shown in the table below. Over 50% of all equity loans issued have now been fully re-paid and only one equity loan has gone into default attesting to the success of the applicants in achieving home ownership. The Credit Union’s screening process has been very effective at selecting applicants that are likely to succeed.

Table 1: Equity Loans by Year

2011	2012	2013	2014	2015	2016	2017	2018	Total
30	20	28	18	9	24	3	3	135

Program No Longer Fills Significant Housing Needs

In 2017 and 2018 the number of new equity loans dropped to only three per year. The Administration and the Credit Union conducted a review of the Program in November 2018, and concluded that there is no longer a significant need for equity loans. The reduced demand is due to economic changes in the housing and mortgage markets. Entry level home buyers now have more housing options than they did in the 2011 to 2016 period.

The Administration, with the support of the Credit Union, is recommending that the Partnership Agreement be terminated and that no new equity loans be issued after February 28, 2019.

City Funds Loaned Out to be Paid Back within Five Years

Approximately \$400,000 of the City’s investment is currently loaned out to homebuyers and is earning a competitive rate of between 3% and 4%. Principle and interest payments will be returned to the City twice a year, according to the terms of the Partnership Agreement as the equity loans are paid back by the homebuyers. The last of the equity loans will be fully re-paid by 2023.

**Unused City Funds to Generate a Larger Return Outside of the Program**

On termination of the Agreement with the Credit Union, the balance of the City investment which is not loaned out will be immediately returned to the City. This balance of approximately \$1.1 million has been held in a current account so as to be available for equity loans and has been earning very little interest. Once returned to the City, it can be invested at a better rate of return.

**Program could be Re-introduced in the Future if Markets Change**

The Program could be re-introduced in the future should conditions in the entry level housing market warrant it. An analysis of the entry level housing market is presented to City Council each year as part of the Annual Status Report on the Housing Business Plan 2013 – 2022 and could recommend re-introducing the Program if warranted.

**Options to the Recommendation**

City Council could choose to retain the Equity Building Program with a reduced target and a reduced investment.

**Public and/or Stakeholder Involvement**

The Administration consulted with the Credit Union on the recommendations in this report.

**Financial Implications**

Approximately \$1.1 million of the City's investment is being held in a current account and is earning very little interest. Approving the recommendations in this report would allow the City to generate a higher rate of return on these funds.

**Other Considerations/Implications**

There are no environmental, policy, privacy, or CPTED implications or considerations; a communications plan is not required. As part of the Agreement with the Credit Union, the Credit Union has been responsible for communications and marketing of this Program and will communicate this change as per the regular course of their business.

**Due Date for Follow-up and/or Project Completion**

The annual status report on the Housing Business Plan 2013 – 2022 will be presented to City Council in April 2019 and will provide an analysis of the entry level housing market.

**Public Notice**

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

**Report Approval**

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