



Hamilton

CITY OF HAMILTON

ONTARIO RENOVATES SECONDARY SUITES FORGIVABLE LOAN PROGRAM

Introduction:

The City of Hamilton through the Ontario Priorities Housing Initiative (OPHI) is implementing the Ontario Renovates Secondary Suites Forgivable Loan Program that provides financial assistance to eligible homeowners in form of a 15-year forgivable loan to create affordable secondary suites in existing single-family homes or garden suites on the property lot of a single-family home that is the homeowner's sole and principal residence.

Secondary Suites are also referred to as *Secondary Dwelling Units (SDUs)*, *Second units* and/or *accessory dwelling units* for building permit purposes. They can also be referred as secondary suite(s), granny flat, or in-law suite, basement apartment, accessory unit or garden suite. SDUs are self-contained accessory dwellings within a homeowner's property.

The purpose of the Ontario Renovates Secondary Suites Program is to support homeowners to invest in their property while creating additional modestly priced rental housing within the City. This program will complement existing affordable housing programs available within the City of Hamilton.

This program provides a forgivable loan of up to \$25,000 and an additional grant of \$5,000 if accessible modifications are included in the project, towards the costs associated with developing a second residential unit in an existing single-family home or a garden suite on the property lot of a single home. The above funding will be provided to households who create a secondary suite and commits to providing the unit at an affordable rental rate to eligible households who meet the income eligibility requirements at occupancy for a minimum 15-year affordability period. Eligible expenses also include required municipal fees directly related to the creation of a secondary suite excluding property taxes.

1. Program Terms

- a) SDU must meet current applicable Zoning By-Law and Building Code regulations in order to provide healthy and safe living conditions.
- b) The project must be completed at the homeowners' sole and principal residence and the homeowner's current total annual household income must be less than 60th percentile or \$92,600 as defined and published annually by the Ministry of Municipal Housing and Affairs per Schedule G of COCHI-OPHI Program Guidelines, *Appendix D: Maximum Household Income Level*.

- c) All forgivable loans are subject to the funding availability and at the sole discretion of the City.
- d) The maximum funding available is \$25,000. An additional \$5,000 grant may be provided should the secondary suite include approved accessibility features or enhancements. Project budget, invoices and receipts will be required as proof of expenses.
- e) Submission, of signed occupational therapist Accessible Modification Letter (AML), with accessible modification itemized costing to qualify for the accessibility grant is required. The grant will be approved upon occupancy being granted by City of Hamilton's Building Inspectors, and the confirmation by an occupational therapist that the accessible modifications outlined in the AML have been purchased and installed in the secondary suite.
- f) A contractor licensed to work in the City of Hamilton must complete the work. Information on licensed contractors with the City of Hamilton can be found via: https://open.hamilton.ca/datasets/f48cbeb4be8847c1bd09731663ef696c_1/explore you can contact the Licensing Department at contractorlicensing@hamilton.ca for an updated list.

Some work can be done by the homeowner; however only materials not labour, would be eligible for reimbursement for the work completed by the homeowner. Copies of all permits required for the creation of secondary unit must be provided. In addition, copies of clearance certifications for each permit must also be provided by the authorizing agent; For example, all electrical work must receive ESA permit and clearance.

- g) Relative to the proposed improvements, a building inspector will perform inspections to confirm compliance with the Ontario Building Code while all electrical installations must receive certification from the Ontario Electrical Safety Authority (ESA).
- h) The construction must begin no later than 120 days after the Loan Agreement has been signed by the Homeowner and the City of Hamilton. The expectation is that the construction be completed within six (6) months of the execution of the forgivable loan agreement. An extension may be authorized by the Manager of Investment in Affordable Housing and Neighbourhood Development if an applicant has extenuating circumstances which would warrant an extension. The unit must be occupied no later than 30 days from occupancy approval being granted by the City's building Department
- i) Agreements for funding must be signed with the City of Hamilton before the December 23, 2022
- j) Without limiting the discretion to the terms outlines in this document, the Applicant can be denied access to the Program should the relationship between the City and the Applicant become commercially impaired by the applicant being involved in litigation with the City.
- k) Considerations will be made for works commenced prior to receiving funding approval from the City of Hamilton. Homeowners will be required to provide proof that: (i) a City issued building permit and related certifications were acquired after May 2021 (ii) ESA certifications for all electrical work completed was received; (iii) In cases where a building permit was/is not required, the homeowner must provide confirmation from Chief Building Official (CBO) that a building permit was not required for completion of the secondary unit; and (iv) all work completed passed all inspections

- l) A successful applicant must enter into a 15-year forgivable loan agreement with the City including the terms and conditions set out in the program description and such additional terms and conditions as determined by the City
- m) A 15-year affordability period is required for the program unit. This means the Applicant must rent the unit to eligible tenant(s) for a minimum period of 15 years. After the 15-year affordability period, the homeowner has no further obligations to the City.
- n) The Applicant will select their own tenant. At initial occupancy, the tenant will have a maximum household income of no higher than \$62,500 as described by the City and updated annually. The Applicant shall comply with all applicable law, including but not limited to the Human Rights Code, R.S.O. 1990, c. H.19. Without limiting the generality of the foregoing, the Landlord when choosing a tenant shall:
 - (i) not to discriminate against any person by reason or race, national or ethnic origin, colour, religion, age, disability, sex, marital status, sexual orientation or a conviction for which a pardon has been granted; and
 - (ii) comply with Ontario Regulation 290/98 Business Practices Permissible To Landlords In Selecting Prospective Tenants For Residential Accommodation.

Upon occupancy of the unit, the Applicant will be required to provide a copy of the signed Tenant Lease and the tenant household's gross income as indicated on the tenant's most current Notice of Tax Assessment provided by Canada Revenue Agency. On the anniversary of the initial occupancy or upon turnover, the homeowner will be required to submit N3 – Notice of Rent Increase as proof of the monthly rental rate. Tenant information such as contact information, income verification documents and lease agreement will be shared with the City for the purpose of program administration. Income verification documents will also be collected on any new tenant during the 15-year affordability period. Prior to the occupancy of the Unit the Applicant shall provide the City with signed consents by the Tenant and each member of the Tenant's household consenting to the sharing of their personal information collected by the Landlord and provided to the City.

Upon unit turnover, the homeowner will be required to comply with all requirements of the Program in respect of the new tenant.

- o) If a tenant vacates a unit, voluntarily or otherwise, the Applicant has a maximum of 60 days to fill the unit with another tenant. In respect of the new tenant, the Applicant will be required to submit to City a copy of the new Tenant's lease and demonstrate that the new tenant's income eligibility is in accordance with paragraph(n).
- p) After the 15-year affordability period and upon a new tenant taking occupancy, the rental rate could be re-established at an amount agreed upon with the new tenant.
- q) If you sell or transfer ownership or cease to occupy the home as your principal residence during the term of the Loan Agreement, the outstanding balance of the loan together with accrued interest must be repaid to the City of Hamilton. While the outstanding balance remains unpaid, interest will continue to accrue. Interest will continue to accrue on the outstanding balance and

the accrued interest due at a variable rate of 2% per annum above the prime rate established by the Bank of Canada calculated and payable monthly, not in advance.

- r) Failure to adhere to the program terms will make the applicant ineligible for the loan, ineligible for the advances or require repayment for the loan

2. Eligibility Requirements

Residential property owners within the City of Hamilton must meet the following requirements to be eligible to apply for this program;

- a) Own a home and that is their sole and principal residence;
- b) Mortgage payments are current
- c) City property taxes are paid and current
- d) Property insurance coverage is in place for the full value of the home and payments for insurance are current.
- e) Property meets the requirements under the applicable Zoning By-law, design guidelines and site plan approvals (if applicable)
- f) Possess a building permit or proof that an application for a building permit has been submitted or a letter from a Chief Building Official (CBO) confirming that the building permit is not required for the modifications.
- g) Have a combined annual total household income that is less than \$92,600 which the 60th percentile as defined and published annually by the Ministry of Municipal Housing and Affairs per Schedule G of COCHI-OPHI Program Guidelines, *Appendix D: Maximum Household Income Level*.
- h) Completion of due diligence including the following;
 - i. Minimum 2 (two) quotes from contractors outlining project scope and costs. If the work is being completed by the homeowner, an itemized list and costs from Home Depot, Lowes, Rona or other building supplier will be required;
 - ii. Have financial resources to complete the work

If property taxes, mortgages and insurance are in arrears, the homeowner will not be accepted into the program until the all arrears are cleared. To remain eligible for the program upon funding approval, property tax, mortgages and insurance must be paid and in good standing for the duration of the affordability period (this will be verified by Program Staff on an annual basis).

3. Eligible Items and Costs/fees

- a) Eligible items include but are not limited to: heating systems; chimney repairs or installations; doors and windows; foundations; roofs; walls; floors; ceilings; vents and louvers; electrical systems; entrance/exits (egress/ingress); plumbing systems; septic systems; fire safety and other items with supporting documentation at the discretion of the Service Manager

Ineligible items will include;

- renovations for cosmetic purposes or for the purpose of aesthetic makeovers, driveway paving; mobility equipment such as scooters or wheel-chairs;
- and cost of supportive care; and any accessibility modifications unless approved by the General Manager of Community and Emergency Services (“GM”)

b) Eligible Costs/Fees may include;

- Labour costs related to creation of the secondary suite including contractor costs;
- Applicable planning application Fees (including but not limited to building permit Fees, legal Fees, inspection fees) and architectural drawing costs;
- Costs related to demolition of Accessory Structures to a residential use for the purpose of creating a 2nd unit;
- Costs/Fees related to Repair/rehabilitation to an existing secondary suite to make it a legal unit;
- Costs/Fees related to repair/rehabilitation to an existing secondary suite to make it accessible; and,
- Any other costs that the Service Manager deems reasonable.

4. How to Apply for Funding

- Confirm that you meet the program eligibility requirement in *Section 2* above;
- Complete application form on www.hamilton.ca/SecondarySuitesLoan including provision of all required supporting documents
- Submit the Completed Application online via: affordablehousing@hamilton.ca

Work that begun prior May 2021 will be eligible for funding if they meet the conditions stated in *Paragraph (j)* or if costs incurred were part of meeting program eligibility requirements such as costs incurred on acquiring a Building permit and drawings.

5. Available Funding

The Ontario Renovates Secondary Suites Program is based on funding availability and the terms provided in the Canada-Ontario Community Housing initiative (COCHI) & Ontario Priorities Initiative (OPHI) – 2022/23: *Schedule G – Program Guidelines*. The funding will be provided on the basis of first-come, first-served.

The maximum funding for each project is \$25,000 per project or 75% of the City-approved project costs. As provided in *Section 3* above, project costs may include building materials, construction costs and costs of building permit as well as applicable drawings. These documents must be submitted with your application and may be refunded as part of the maximum \$25,000 in funding.

The sum of mortgages or encumbrances registered on title and program funding combined cannot exceed the market value of the home as most recently assessed by the Municipal Property Assessment Corporation (MPAC) or the most recent Property Appraisal.

The funding is provided in form of a 15-year interest-free forgivable loan and does not require monthly re-payments. Forgiveness of loan is earned at an equal rate of 1/15 per year for the minimum 15-year period.

6. Unit Occupancy Criteria

The key objective of the program is to increase the supply of affordable housing units in Hamilton, while creating an opportunity for homeowners to generate additional income. With that in mind, the following criteria will apply during the 15-year term of the agreement.

The maximum allowable rent may not exceed the Average Market Rent (AMR), as surveyed annually by CMHC. Annual rent increases in accordance with the Residential Tenancies Act, 2006 (RTA) are allowed.

The Table below provides the maximum rent levels for the incoming tenants for the Year 2022. The City will publish updated applicable AMR each year at the beginning of the Month of October. The Table below provides the City of Hamilton's Average Market Rent (AMR) for 2022

City of Hamilton 2022 Average Market Rent (AMR)

Bedroom Type	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom
Average Rents	\$914.00	\$1,095.00	\$1,270.00	\$1,497.00

Homeowners may select any tenant, as long as; (i) they have status in Canada; (ii) have gross household income* not exceeding **\$62,500** (the income limit under the program at move-in); (iii) do not own a property in Canada.

*Gross household income is the total of the incomes of all members of the household as established before tax income as stated on the previous year's Canadian Revenue Agency Notice of Assessment (Line 150).

Upon a new tenancy occurring during the affordability period, confirmation of the tenant's income is required to be provided to the City in accordance with *Paragraph 1(n)*.

Homeowners must notify the City of Hamilton when the second unit becomes vacant within 15 business days during the 15-year term of the loan agreement. Homeowners will be required to complete occupancy report annually for the entire affordability period.

7. Steps from start to finish

(i) Select your Contractor

All construction completed or renovations must comply with the Ontario Building Code/Building Permit, if you are not doing the work yourself, you must select a contractor who is licensed to work in the City of Hamilton. For an up to date list of contractors who hold a valid City of Hamilton Trade license, please visit:

http://open.hamilton.ca/datasets/f48cbeb4be8847c1bd09731663ef696c_1

The selection of the contractor should be based on your good judgement of the quotes they have supplied you.

Before hiring a contractor, please refer to the Ontario Ministry of Consumer Affairs

<https://www.ontario.ca/page/your-rights-when-starting-home-renovations-or-repairs>

(ii) Obtain your Building Permit and associated planning approvals if required

A Building Permit legally authorizes you to start construction of a building project in accordance with approved drawings and specifications or the demolition of an existing structure to create a secondary unit. To complete this process, please visit www.hamilton.ca/build-invest-grow/construction-renovation/residential-building-renovation/apply-building-permit

If your project does not require a building permit, you must present a letter from the Chief Building Official (CBO) affirming so. In addition, please ensure that you attain all planning approvals as needed.

(iii) Complete the online Application for the Ontario Renovates Secondary Unit Forgivable Loan Program on the Link below;

[Apply online](#)

The application may be deemed eligible, ineligible for stated reason(s), or further information will be requested.

Upon completion and submission of the application form, the applicant will be contacted within 4 weeks via email to receive a Notice of Eligibility for the program and or a **conditional offer** and **Loan Agreement**.

The Conditional Offer must be signed and returned to the City, to the attention of the Housing Loans Officer within 2 weeks.

The Loan Agreement must be taken to your lawyer, (signed in the presence of your lawyer) and returned to the City within 2 weeks along with the Letter of Commitment.

The construction must begin no later than **120 days after the Loan Agreement has been signed by the Homeowner and the City of Hamilton**. The expectation is that the construction will be completed within six months of the execution of the loan agreement. Unit **must be occupied no later than 30 days** from occupancy approval being granted by the City's building Department.

Program staff and the applicant will maintain a biweekly communication to discuss progress during this time.

Adequate home insurance: we require that you notify your insurance company or broker about the addition of a second suite to your house. You should adjust your policy after construction, to reflect the changes in liability exposure and value of the house. Expect an average increase of 15% to 50% on your annual premiums (increase may be tax-deductible). Also ask contractors about adequate coverage during construction.

For more information, visit <http://www.ibc.ca/on/home>.

You will need to maintain adequate insurance after project completion when tenant moves in. We recommend that you require your ingoing tenants to acquire content insurance on their own.

8. Payments for Eligible construction Costs and Fees

Homeowners will be pre-approved to receive up to \$25,000 for the creation of a Secondary Suite in their primary residence. The total amount provided in any case will not exceed \$25,000. Upon completion of the project, the Homeowner will submit the documents and satisfy the listed below in order to receive the advance.

- Copy of the Building Permit or a letter from the CBO
- Clearance from the Building Inspector for completion framing, plumbing and heating
- Confirmation of initial and final ESA inspection
- Copy of ESA certification
- All paid invoices for all the work completed
- Full Occupancy Permit
- Signed Tenant Lease Agreement
- A copy of a Tenant Income Declaration documents
- Verification of Adequate home insurance
- Letter from an Occupational Therapist confirming that Accessible Modification were completed. This is applicable to Homeowners who included accessibility modification in the project.
- Such other documents and conditions as determined by the GM or City Solicitor.

Note:

- For Homeowner using a **Contractor** in the creation of the SDU, all invoices that demonstrates the actual cost injected into the development of the unit must be provided.
- For **homeowner completing the project themselves**, they are required to keep all receipts for building materials, contractors, permits and other cost directly related to development of the SDU excluding your own labour costs.

The City of Hamilton will conduct an annual compliance review as per terms and conditions set out in the Loan Agreement.

9. Reporting obligations during the 15-Year affordability Period

The following reporting will be mandatory reporting;

- Proof of Tenants income at initial occupancy and Upon unit turnover
- Post Repair Report – required at Project Completion and Occupancy of the unit
- Annual Occupancy Report – Submitted to the City annually on February 1st for the entire 15-year affordability period
- Notice of Rent Increase (N-3) submitted to City
- Copy of Certificate of Home Insurance

10. All Questions Related to this program can be directed to:

Via Email to	affordablehousing@hamilton.ca
Via Telephone Number	(905) 546-2424 Extension 2758

This document is available in alternate formats upon request.