



March 25, 2024

Dear Erin,

I am writing on behalf of Habitat for Humanity Victoria (Habitat Victoria). Thank you for your letter of March 22, 2024, regarding Habitat Victoria's Affordable Homeownership Program. We appreciate the opportunity to better understand your questions and concerns, and to respond.

As you noted in your open letter, it was with pleasure that we issued a Homeownership Program Letter of Intent to you in April 2020. As noted in the Letter of Intent, its purpose was to outline program commitments and obligations, however, it is not a binding contract, nor an agreement for purchase and sale. The Letter of Intent and the Program itself is subject to Habitat Victoria's policies (which are subject to change).

As set out in the Letter of Intent, the structure of the Program is one of dual mortgages. You must qualify for a conventional mortgage with our partner lender (we refer to this as the Retail Mortgage). The other mortgage is one that Habitat Victoria provides, interest free. The Letter of Intent states explicitly that "Successful Homeownership Program families will need to qualify for a Retail Mortgage of what we believe will be roughly **25% of the fair market value of the home for purchase.**" As the new Mortgage policy was developed, we have subsequently adjusted this so that families can qualify for up to 50% of the home value with the Retail Mortgage.

The Habitat Victoria mortgage is structured as the difference between the Retail Mortgage and the purchase price, while taking into account any credit from net early occupancy payments and down payment from the homeowner, if any (note: Habitat Victoria does not require a down payment. Our charitable registration requires one depending on the purchasers' assets). The purchase price is subject to Habitat Victoria policies. It was not detailed in the Letter of Intent. Instead, the Letter of Intent noted that details about Purchase Price were to be determined in future.

You are right that we have been developing our Mortgage Policy over time and as noted above, it is subject to further changes. It was initially approved on February 23, 2023. Per the current Mortgage Policy, Purchase Price is determined in accordance with Section 4.1. It states:

*The Purchase Price of a Habitat Home (at any point in time as such price is required) **will be equal to the Adjusted Value in most cases**, both when the Habitat Home is being sold to a Homeownership Program Participant by Habitat Victoria as well as when the Habitat Home is being sold by a Homeownership Program Participant.*

The Policy contemplates the role of additional covenants and how that may impact Purchase Price but, for a variety of reasons, it is not a requirement for Habitat Victoria to seek the additional covenants you have referenced in your letter. This section of the Policy states:

*To preserve housing inventory for this purpose, Habitat Victoria **may** work with local government to determine the Adjusted Value of Habitat Homes when they are initially sold and the Adjusted Value for each subsequent transaction, and Habitat Victoria **may** register an Affordable Housing Agreement against title to properties that have been acquired by Habitat Victoria from Homeowners or a right of first refusal or option to purchase which contain a right by Habitat Victoria to repurchase the Habitat Home for the Adjusted Value.*

*As of 2022 the Adjusted Value of Habitat Homes **may** be determined by the terms and conditions detailed in the restrictive covenants or Affordable Housing Agreements registered by municipal or provincial governments as third parties that will stipulate the Adjusted Value of the first sale of the Habitat Home, the rate of any change in value of the Habitat Home, and the Adjusted Value of any subsequent sale of the Habitat Home*

Although we secured this additional covenant with the North Saanich homes, as you noted in your letter, we did not explore this in Central Saanich. Habitat Victoria reserves the right to pursue this only as we deem necessary, in our sole discretion.

While the Policy offers a prescriptive calculation for both non-strata and strata lots, which you have referenced in your letter, the Policy also clearly indicates that this calculation does not apply for Homeowners who purchased prior to 2022 or if no Affordable Housing Agreement or other charge has been registered on title.

Without the additional covenant, your home will be subject to the following Policy:

*For Homeowners who purchased the Habitat Home prior to 2022, or if no Affordable Housing Agreement or other charge has been registered on the title of the Habitat Home which restricts the value of the Habitat Home, the Adjusted Value of the Habitat home was **determined by the agreements or conditions set out in the Habitat Loan and Habitat Mortgage documents and any Option to Purchase and Right of First Refusal (if the latter is applicable) registered with the Land Title Office.** Habitat Victoria, upon repurchase of a Habitat Home without a restrictive value covenant, may choose to grant a restrictive value covenant prior to selling the Habitat Home to a future homeowner. In cases where a restrictive covenant is placed on the property, the Adjusted Value of the property will be determined by Habitat Victoria working with the municipality or other government authority and may be different than the methods described above.*

The Mortgage Policy, as with all Habitat Victoria policies, is subject to change. For additional transparency, I have copied below a draft, not yet approved, update to the Policy with respect to Purchase Price where no additional covenant is in place:

For Homeowners who purchased the Habitat Home prior to 2022, or where no Affordable Housing Agreement has been registered on the title of the Habitat Home which restricts the value of the Habitat Home, the Adjusted Value of the Habitat Home was/will be determined by Habitat Victoria

and set out in the Habitat Loan and Habitat Mortgage documents and the Option to Purchase and Right of First Refusal (if the latter is applicable) registered with the Land Title Office. Habitat Victoria, upon repurchase of a Habitat Home without an Affordable Housing Agreement, may choose to grant an Option to Purchase and Right of First Refusal, Affordable Housing Agreement, or other charge that restricts the value of the Habitat Home prior to selling the Habitat Home to a future homeowner. In cases where such charge is registered on title to the Habitat Home, the Adjusted Value of the Habitat Home will be determined by Habitat Victoria and may be different than the methods described above.

Please note that this is not binding until approved by the Habitat Victoria Board.

It is important to note that within Habitat Victoria's homeownership program "affordability" is not determined by the home's price, but by ensuring that your housing payments are capped at 30% of your gross income. It may be your personal goal to pay off your mortgage, but that is not the basis upon which we set policy or make program decisions.

Given that Habitat Victoria has not yet reached an Option to Purchase or Right of First Refusal with you, it is very likely the above draft Policy (or similar) will dictate the terms of our agreement with respect to Purchase Price. It is on this basis that we have indicated an expected Purchase Price of \$553,000.00 for your home.

For clarity, the final Purchase Price will be determined in accordance with Habitat Victoria policy in place at the time of purchase, based on policy applicable to all homes in a similar situation (with no additional covenant), and not solely to your home or for your family.

Per the draft Policy set out above, Habitat Victoria is responsible for determining the Adjusted Value of the Homes in this category (upon which the Purchase Price is based). Habitat Victoria is calculating this for homes where there was not a pre-determined purchase price or additional covenant, using the following process: *appraised fair market value at the time of building completion less 20%*. The 20% below market is based on generally accepted "affordable" definitions from the Province of BC.

You moved into the home pursuant to an Early Occupancy Agreement dated November 26, 2020, which was subsequently amended on May 23, 2022. Like the Letter of Intent, the Early Occupancy Agreement does not create a right to purchase the home – that will require a contract for purchase and sale (Option to Purchase and Right of First Refusal) – instead, it sets out the terms of your early occupancy.

In accordance with the Early Occupancy Agreement, Habitat Victoria has set aside your Monthly Payments, less property taxes, municipal utility fees, house insurance and strata fees, as agreed. If and when we enter into a contract for purchase and sale (Option to Purchase and Right of First Refusal), these funds set aside can be used as a credit towards the purchase of your home in respect to your Habitat Victoria mortgage.

Habitat Victoria is committed to the success of families entering our program and as such we make our best efforts to extend temporary relief when families encounter financial hardship. While not intended to be accessed annually, you may recall that Habitat Victoria has provided you with relief during your early occupancy and has accommodated reduced or skipped payments on three separate occasions over the past four years. A total of \$7,042.55 has been missed due to your reduced ability to pay.

If you feel that this Program is no longer meeting your needs in terms of affordability, and despite the fact that the net Monthly Payments are noted as being “non-refundable”, Habitat Victoria would be willing to discuss a transition for you to alternative housing outside of our program.

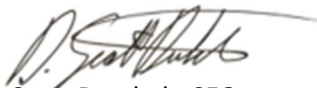
We trust that the above helps answer some of your questions and concerns. I understand from your letter that you are interested in staying in the Program, however, please note that this will require you to continue to meet the requirements of the Program, such as the ability to pay. You are currently unemployed, and we have extended the grace period to secure adequate employment to May 15, 2024. If successful in securing adequate employment, you will also need to be successful in obtaining approval for a Retail Mortgage, and execution of the purchase and sale agreement with Habitat Victoria (Option to Purchase and Right of First Refusal. Otherwise, the Early Occupancy Agreement expires on May 23, 2024.

In prior communications you have asked for the lowest qualifying income to remain in the program. Income impacts both your ability to get a Retail Mortgage, as well as the commitment from Habitat Victoria for our mortgage. In 2020 the minimum annual income requirement for entering into Habitat Victoria’s Homeownership Program for a three-bedroom home was \$50,000. Your application to participate in the program however was approved at an income level of \$70,000+. It is our expectation that you would find employment in a similar income range \$65,000-\$80,000. We extend our best wishes for your success in securing adequate employment.

As previously mentioned, we have been working on the revised Mortgage Policy and the Right of First Refusal. We would aim to share these with you by early next week in draft form.

If you have any further questions please continue to connect with Family Services Director, Tiffany Gates.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Scott Dutchak", with a stylized flourish extending to the right.

Scott Dutchak, CEO
Habitat Victoria