



Hamilton

REVISED SECONDARY SUITES (ACCESSORY DWELLING UNITS) FORGIVABLE LOAN PROGRAM

Introduction:

The City of Hamilton is updating the Ontario Renovates Secondary Suite Forgivable Loan Program to provide financial assistance to eligible homeowners in the form of a 15-year forgivable loan to create affordable housing units on residential properties where zoning currently permits and where the homeowner must reside for the duration of the forgivable loan period.

Secondary Suites are also referred to as *Secondary Dwelling Units (SDUs)*, *Second units* and/or *additional dwelling units* for building permit purposes. They can also be referred to as accessory dwelling units (ADU's), granny flats, in-law suites, basement apartments, accessory units, or garden suites (detached or attached to the principal dwelling unit). 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 may complement other existing affordable housing programs available within the City of Hamilton.

The program provides a forgivable loan of up to a maximum amount of \$50,000 for city approved Program Unit. A Program Unit with accessible modifications may receive an additional grant of up to \$5,000 for modifications are included in the Program Unit. The loan is intended to cover some of the costs associated with renovations that support the creation of a Program Unit. The funding will be provided to households who create a secondary suite and commit 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 ("Program Unit"). Eligible expenses also include required municipal fees directly related to the creation of a secondary suite, excluding property taxes.

1. Program Terms

- a) SDU/ADU must meet current applicable Zoning By-Law and Building Code regulations to provide healthy and safe living conditions.

- b) The Program Unit must be completed at the homeowner's sole and primary residence and the homeowner must keep the residence as their sole and primary residence for the duration of the forgivable loan period. No investment properties that are currently rented out can qualify for this funding program.
- c) The homeowner's current total annual household income must be less than 70th percentile or \$142,000.00 as defined and published annually by the Ministry of Municipal Housing and Affairs.
- d) All forgivable loans are subject to funding availability and are at the sole discretion of the City through the General Manager of Healthy and Safe Communities Department.
- e) The maximum funding available is \$50,000 per Program Unit. The funding excludes a \$5,000 grant that may be provided should the secondary suite include approved accessibility features or enhancements. See section 3 for accessibility modifications.
- f) The forgivable loan will be issued in two (2) advances with each requiring the homeowner to meet specific project milestones. See details in section 8 of this document.
- g) Project budget, invoices and receipts will be required as proof of expenses for the Program Unit.
- h) A mortgage will be registered on title in favour of the City for program funding over \$25,000.00 on the property title in advance and will not exceed the maximum amount (\$50,000.00) of program funding for secondary suites renovation.
- i) To qualify for the accessibility grant, submission of paid invoices, itemizing accessible modifications, is required. The accessibility grant will be approved upon occupancy being granted by City of Hamilton's Building Inspectors.
- j) 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 on the City's website. Applicants 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.

- k) Relative to the proposed improvements, a building inspector will perform inspections to confirm compliance with the Ontario Building Code. At the same

time, all electrical installations must receive certification from the Ontario Electrical Safety Authority (ESA).

- l) 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 construction is expected to be completed within six (6) months of the execution of the forgivable loan agreement. An extension may be authorized by the Manager of Capital Repair and Maintenance & Contracts, 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.
- m) Without limiting the discretion to the terms outlined 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.
- n) 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.
- o) 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.
- p) The Homeowner will select their own tenant. The Homeowner 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.

- q) If a tenant vacates a unit, voluntarily or otherwise, the Applicant has a maximum of 60 days to fill the unit with another tenant, unless otherwise agreed to by Housing Services Division staff. In respect of the new tenant, the Homeowner 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 program requirements.
- r) 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.
- s) If the Homeowner sell or transfer ownership, 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.
- t) 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 in the City of Hamilton;
- b) Title is clear of unpermitted encumbrances;
- c) Mortgage payments are current, if applicable
- d) City property taxes are paid and current
- e) Property insurance coverage is in place for the full value of the home and payments for insurance are current.
- f) Property meets the requirements under the applicable by-laws of the City including Zoning By-law, design guidelines and site plan approvals (if applicable)
- g) 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.
- h) Have a combined annual total household income that is less than \$142,000 which the 70th percentile as defined and published annually by the Ministry of Municipal Housing and Affairs for Homeowners.
- i) 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 or 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 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;
- renovations that include site and service extension such as sewer, water and power extension usually required for the development of a detached ADU
- 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 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 an accessory 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.

- c) Accessibility Modifications:

- Ramps
- Handrails
- Chair and bath lifts
- Height adjustments to countertops
- Cues for doorbells/fire alarms
- Other modifications may be considered, with supporting documentation,
- the discretion of the Service Manager

4. How to Apply for Funding

- a) Confirm that you meet the program eligibility requirement in Section 2 above;
- b) Complete application [[LINK](#)] including provision of all required supporting documents;

and

c) Submit the Completed Application online via: affordablehousing@hamilton.ca.

5. Available Funding

The Ontario Renovates Secondary Suites Forgivable Loan Program is based on funding availability from the City. Therefore, funding will be provided based on first-come, first-served.

The maximum funding for each project is \$50,000 of the City-approved project costs. As provided in *Section 3* above, the renovation 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 \$50,000 in funding.

The sum of mortgages or encumbrances registered on title and program funding combined cannot exceed the current market value of the home 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 must not exceed 100% of 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 2024. The Table below provides the City of Hamilton’s Average Market Rent (AMR) for 2024. Contact the City for the most recently approved rental rates.

City of Hamilton 2024 Average Market Rent (AMR)

Bedroom Type	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom
Average Rents	\$1,017.00	\$1,326.00	\$1,543.00	\$1,668.00

Homeowners may select any tenant, if they meet the following criteria;

- (i) have status in Canada;
- (ii) annual household income is not to exceed the 60th percentile (2024 is \$72,500.00) as posted by the Ministry for renter households, contact the City for annual updates.

*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).

The \$72,500.00, represents the 60th income percentile for renters in the Province of Ontario per *Table 3 of Provincial Policy Statement – Housing Table for 2024*

Homeowners must notify the City of Hamilton when the SDU 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 the City's website.

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 website.

(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.

You can apply for the building permit both in-person or online as follows:

- a) In person by visiting the Building Departments Office at:
City Hall, 3rd Floor
71 Main Street West, Hamilton
Call **(905) 546-2424** – ask for Extension 5117
Email: aduteam@hamilton.ca
- b) Online by creating an account on the following link:
<https://eplans.hamilton.ca/EPlansPortal/sfjsp?interviewID=Welcome>

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 Application for the Ontario Renovates Secondary Unit Forgivable Loan Program either in-person or online as follows:

- a) **Apply online by completing this following application [Online Application]** and email to Affordablehousing@hamilton.ca
OR
- b) In-person by visiting out offices located at:
Housing Services Division
350 King Street East, Suite 110
Hamilton ON L8N 3Y3
Call (905) 546-2424 – Ask for Extension 2758
Email: Affordablehousing@hamilton.ca

The application may be deemed eligible, ineligible for stated reason(s), or further information may 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 60 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. Post-occupancy, homeowners will be required to maintain annual reporting throughout the forgiveness period. See details provided in section 9 below.

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 on your annual premiums. Also ask contractors about adequate coverage during construction. For more information, check with your insurance provider.

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 \$50,000 of City approved project cost for the creation of a Secondary Suite. The total amount provided in any case will not exceed \$50,000.

Two (2) advances will be made by the City to the Homeowner at the sole discretion of the General Manager Healthy and Safe Communities Department upon fulfilling the following conditions;

8.1 First Advance:

An advance of up to 50 percent (50%) minus statutory holdbacks, of the total of the

approved Secondary Suites Forgivable Loan, unless the City determines in its sole discretion that a greater amount may be advanced to the homeowner upon:

- Full execution of the Secondary Suite Forgivable Loan Agreement;
- Receipt of a copy of a City approved Building Permit, or a letter from the CBO;
- Registration of a mortgage on title in favor of the City of Hamilton (loan security documentation)
- Receipt by the City of all invoices, receipts and all documentation and information pertaining to the request in form and content acceptable to the City.

8.2 Final Advance:

The final advance amount shall be the lesser of the amount that represents the remaining City of Hamilton Secondary Suite Forgivable Loan amount after the First and Second advances and the amount required to pay for the remaining Eligible Costs of the project. The City of Hamilton shall make the final advance to the Homeowner for Eligible Costs that were paid or that remain payable pertaining to the request for the final advance subject to and conditional upon the receipt by the City of Hamilton of a written request from the Homeowner for the final advance, and;

- Copies of all invoices, receipts, all documentation and information the City of Hamilton requires or may require, in its sole discretion, from the Homeowner including authorization to occupy the second unit (Full Occupancy Permit)
- Copy of Electrical Safety Authority (ESA) certification
- An inspection of the Project by the City of Hamilton that confirms that the Project has been completed as approved in the Application and in a satisfactory manner;
- Signed Tenant Lease Agreement with the incoming tenant household (indicating the rent charged);
- A copy of a Tenant(s) Income Declaration documents
- Verification of Adequate home insurance (indicating coverage for liabilities related to renting the SDU)
- Submission, of paid invoice of itemizing accessible modifications to qualify for the accessibility grant is required;
- Confirmation that no Default of the Forgivable Loan Agreement terms has occurred;
- Title is clear on unpermitted encumbrances;
- Such other documents and conditions as determined by the GM of Healthy and Safe Communities or City Solicitor;

Notes:

- For Homeowner using a **Contractor** in the creation of the ADU/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
- A copy of a Notice of Rent Increase (N-3), and any other LTB Notices issued to the Tenant must be submitted to the City
- Copy of Certificate of Home Insurance

10. Becoming a Landlord:

Many homeowners have never been a Landlord before; therefore, the City encourages anyone considering taking on the role and responsibilities of a Landlord to do their due diligence to ensure they can fulfill the obligations of a Landlord. The [Landlord Tenant Board \(LTB\)](#) website and the [Housing Help Centre Hamilton & Area: Landlord Supports](#) webpage are great resources and should be referenced before taking on the role of a Landlord.

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

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

This document is available in alternate formats upon request.