



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning and Policy Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	August 10, 2016
SUBJECT/REPORT NO:	CityHousing Hamilton (CHH) Loan Request (FCS16062) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	John Savoia (905) 546-2424 Ext. 7298
SUBMITTED BY:	Brian McMullen Director Financial Planning and Policy Division
SIGNATURE:	

RECOMMENDATIONS

- (a) That the City of Hamilton (City) provide an interest bearing loan to CityHousing Hamilton (CHH) for the implementation of a water conservation project affecting approximately 3,000 units, in an amount not to exceed \$1,000,000 with interest at 2.50% annually, to be repaid in full within ten years from the date of the loan advance;
- (b) That the loan be repaid with annual principal and interest payments on the anniversary dates of the loan advance as reflected in the repayment schedule attached as Appendix "B" to Report FCS16062;
- (c) That a Long Term Receivable account be established to record the Loan Receivable to CHH on the City's balance sheet;
- (d) That the City Solicitor and the General Manager, Finance and Corporate Services be authorized to draft the loan agreement for execution by the Mayor and City Clerk.

EXECUTIVE SUMMARY

CityHousing Hamilton (CHH) is the Housing Corporation owned by the City of Hamilton (City) and operated under Housing Services Act as a corporation. CHH consists of over 7,000 housing units spread over 1,200 properties with over 14,000 residents, 20% of

which are children, speaking more than 30 first languages. CHH is the third largest housing provider in Ontario.

CHH's mission is to "provide affordable housing that is safe, well maintained, cost effective and that supports the diverse needs of our many communities" and as such, CHH has requested a ten year \$1 M interest bearing loan to assist with financing a water conservation project (refer to Appendix "A" to Report FCS16062 for details) to ease CHH's \$11 M annual utility expenditure budget. CHH's proposed water conservation project will affect approximately 3,000 units and is estimated to reduce annual water utility costs by approximately \$211 K. This type of water conservation project has been undertaken by other social housing providers and many larger private sector multi-residential landlords.

The \$1 M loan amount would be advanced once a Loan Agreement between the City and CHH is executed. The City will earn interest income of \$142,587.63 over the ten year amortization period with the applicable interest rate set at a ten year serial debenture rate plus an administration fee.

The City's External Loan Guidelines provides for interest bearing loans to organizations for capital upgrades or enhancements to various community groups and not-for-profit organizations. CHH as a not-for-profit housing provider under the *Housing Services Act, 2011* qualifies as an eligible City loan recipient.

Over the past few years, CHH has been the City's fourth largest potable water user and in 2015, total water and wastewater billings amounted to approximately \$3.4 M. Therefore, the aforementioned annual reduction of \$211 K would reduce CHH's water and wastewater/storm utility costs by roughly 6%. To the City's Rate Supported Budget, the annual impact of the reduced CHH water demand would be less than a fraction of 1% of the City's annual metered water and wastewater/storm revenues of approximately \$178 M.

The City's Housing Services division has confirmed that there will be no impact on the tax levy with regards to the subsidy provided to CHH from the City. The net savings realized through the implementation of the proposed water conservation project will remain within CHH.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The City will earn interest income of \$142,587.63 over the ten year amortization period with the applicable interest rate set at a ten year serial debenture rate plus an administration fee. The City's year to date average ten year serial debenture rate is 2.25% plus 0.25% administration fee for a combined rate of 2.50%; fixed for the ten year term as prescribed in the City's External Loan Guidelines.

The loan will be set up on the City's balance sheet as a Long Term Receivable, therefore the funding source is not required to be identified. The Loan Agreement expires ten years from the date of the loan advancement to CHH, albeit there is provision within the Agreement that permits CHH to repay the loan without penalty before the ten year expiration date.

The City is designated under the *Housing Services Act, 2011* as the Service Manager (SM) to manage social housing programs within the city of Hamilton. As the SM, the City acts as the flow-through agency for provincial funding to social housing providers such as CHH. The City's Housing Services division has confirmed that there will be no impact on the tax levy with regards to the subsidy provided to CHH from the City. The net savings realized through the implementation of the proposed water conservation project will remain within CHH.

In recent years, CHH represents the City's fourth largest potable water user and in 2015, total water and wastewater billings amounted to approximately \$3.4 M. Therefore, the aforementioned annual reduction of \$211 K would reduce CHH's water and wastewater/storm utility costs by roughly 6%. To the City's Rate Supported Budget, the annual impact of the reduced CHH water demand would be less than a fraction of 1% of the City's annual metered water and wastewater/storm revenues of approximately \$178 M.

Staffing: N/A

Legal: Legal Services will be required to draft a Loan Agreement between the City and CHH for execution by the Mayor and City Clerk.

HISTORICAL BACKGROUND

CityHousing Hamilton (CHH) is the Housing Corporation owned by the City of Hamilton (City) and operated under Housing Services Act as a corporation. CHH consists of over 7,000 housing units spread over 1,200 properties with over 14,000 residents, 20% of which are children, speaking more than 30 first languages. CHH is the third largest housing provider in Ontario.

CHH's mission is to "provide affordable housing that is safe, well maintained, cost effective and that supports the diverse needs of our many communities" and as such, CHH has requested a ten year \$1 M interest bearing loan to assist with financing a water conservation project (refer to Appendix "A" to Report FCS16062 for details) to ease CHH's \$11 M annual utility expenditure budget. CHH's proposed water conservation project will affect approximately 3,000 units and is estimated to reduce annual water utility costs by approximately \$211 K.

Report FCS16062 seeks Council's approval for the City to provide CHH the requested \$1 M loan.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The recommendations in Report FCS16062 were prepared in accordance with the City's External Loan Guidelines.

RELEVANT CONSULTATION

Community and Emergency Services Department - Housing Services Division was consulted to determine any impacts to the City in its role as the Service Manager to CHH.

CHH provided details to City Finance of the proposed water conservation project to jointly develop a conservative estimate of the annual water and wastewater/storm cost savings.

Horizon Utilities provided CHH water and wastewater/storm historical billing information for the CHH sites targeted for the proposed water conservation project.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

CHH provides housing to families, seniors, couples, single people and people with special needs in a variety of housing forms including townhouses, apartments, single and semi-detached dwellings. CHH has requested a ten year \$1 M interest bearing loan to finance a water conservation project (refer to Appendix "A" to Report FCS16062 for details) to ease CHH's \$11 M annual utility expenditure budget. CHH's proposed water conservation project will affect approximately 3,000 units and is estimated to reduce annual water utility costs by approximately \$211 K. CHH has reviewed similar water conservation projects undertaken by both other municipal social housing providers (Ottawa and Sudbury) and private market landlords (Effort Trust and Timbercreek) to validate the expected cost savings from the proposed water conservation project.

The aforementioned annual savings would exceed the annual loan repayment amounts providing assurance that CHH can repay the requested loan. Early repayment of the loan would be permitted should CHH elect to do so. The City will earn interest income of \$142,587.63 over the ten year amortization period with the applicable interest rate set at a ten year serial debenture rate plus an administration fee.

The interest bearing loan request from CHH is considered to be eligible as it meets the requirements of the City's External Loan Guidelines as reflected in Table 1 of Report FCS16062.

Table 1

Eligibility Criteria	Is Condition Met?
a) Applicant is incorporated as a Not-For-Profit Organization	Yes
b) Applicant's Board of Directors will assume responsibility for administration of the funding	Yes
c) Applicant's loan request will fund one-time capital expenditure	Yes
d) Applicant's capital expenditure provides benefits within City boundaries	Yes
e) Applicant is in good financial standing with the City	Yes
f) Applicant provides equal access to programs	Yes
g) Applicant demonstrates clear boundaries between religious activities and project being funded	Yes

Over the past few years, CHH has been the City's fourth largest water user and in 2015, total water and wastewater billings amounted to approximately \$3.4 M. Therefore, an annual reduction of \$211 K would reduce CHH's water and wastewater/storm utility costs by roughly 6%. To the City's Rate Supported Budget, the annual impact of the reduced CHH water demand would be less than a fraction of 1% of the City's annual metered water and wastewater/storm revenues of approximately \$178 M. This reduction in CHH water demand reflects the ongoing conservation efforts of the broader multi-residential sector which over the past few years has been largely offset by new residential customers' growth.

ALTERNATIVES FOR CONSIDERATION

N/A

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #1

A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

Strategic Objective

- 1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

2.3 Enhance customer service satisfaction.

Strategic Priority #3

Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

Strategic Objective

3.1 Engage in a range of inter-governmental relations (IGR) work that will advance partnerships and projects that benefit the City of Hamilton.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report FCS16062 – Copy of the loan request from CityHousing Hamilton dated May 30, 2016

Appendix "B" to Report FCS16062 - Loan Repayment Schedule