



**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
**Financial Planning, Administration and Policy Division**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	December 5, 2019
<b>SUBJECT/REPORT NO:</b>	CityHousing Hamilton Corporation (CHH) Redevelopment Financing Request (FCS19090) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Joe Spiler (905) 546-2424 Ext. 4519
<b>SUBMITTED BY:</b>	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
<b>SIGNATURE:</b>	

**RECOMMENDATION(S)**

- (a) That a 10-year, interest-bearing loan of \$9,229,500 for CityHousing Hamilton Corporation from the City of Hamilton for the 500 MacNab North Tower Renewal, be authorized and approved in accordance with the terms and conditions contained in Appendix “B” to Report FCS19090;
- (b) That a loan receivable be established on the City’s balance sheet, not to exceed \$9,229,500, to record the corresponding CityHousing Hamilton Corporation liabilities regarding the long-term financing for the 500 MacNab North Tower Renewal;
- (c) That the Mayor and City Clerk be authorized and directed to execute a loan agreement together with any ancillary documentation in a form satisfactory to the City Solicitor and content satisfactory to the General Manager of Finance and Corporate Services and that the General Manager of Finance and Corporate Services be authorized to approve and execute any loan amending agreements, together with any ancillary amending documentation, if required, provided that the terms and conditions in Appendix “B” to Report FCS19090 are maintained;

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- (d) That a short-term, interest-bearing construction loan of \$29,225,000 for CityHousing Hamilton Corporation for the Roxborough Park Development, be authorized and approved in accordance with the terms and conditions contained in Appendix “C” to Report FCS19090;
- (e) That a loan receivable be established on the City’s balance sheet, not to exceed \$29,225,000, to record the corresponding CityHousing Hamilton Corporation liabilities regarding the financing for the Roxborough Park Development.
- (f) That the City of Hamilton will act as guarantor of any long-term financing not to exceed \$22,491,020 (construction cost less land sale) sought by CityHousing Hamilton Corporation for the Roxborough Park Development and that the General Manager of Finance and Corporate Services and City Clerk be authorized to execute any agreements and ancillary documents relating to the guarantee;
- (g) That the Mayor and City Clerk be authorized and directed to execute a loan agreement together with any ancillary documentation, in a form satisfactory to the City Solicitor and content satisfactory to the General Manager of Finance and Corporate Services and that the General Manager of Finance and Corporate Services be authorized to approve and execute any loan amending agreements relating to the long-term financing, together with any ancillary amending documentation, if required, provided that the terms and conditions in Appendix “C” to Report FCS19090 are maintained;

**EXECUTIVE SUMMARY**

CityHousing Hamilton Corporation (CHH) is the housing corporation owned by the City of Hamilton (City) and operated under *Housing Services Act, 2011* (“HSA”) as a local housing corporation. CHH consists of over 7,000 housing units spread over 1,200 properties with over 14,000 residents. The City is designated under the HSA as the Service Manager (SM) to manage social housing programs within the City.

The purpose of Report FCS19090 is to approve financing for two CHH housing projects. Appendix “A” is a letter dated October 30, 2019 regarding CHH’s request to the City for financing for both projects and any required conversion to external long-term debt net of senior levels of government debentures and / or grants. Appendix “B” is a summary Loan Term Sheet for the 500 MacNab Street North Project and Appendix “C” is a summary Loan Term Sheet for the Roxborough Park Development

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

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The rehabilitation of 500 MacNab Street North (146 units) and the Roxborough Park Development (103 units) are the first projects in the renewal of the CHH portfolio and address deferred maintenance that led to major system failures.

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: CHH Redevelopment of 500 MacNab Street North

CHH has, to date, leveraged \$8.9 M in grants tied to accessibility and low-energy measures. Canada Mortgage and Housing Corporation (CMHC) and Federation of Canadian Municipalities (FCM) have also provided \$10.95 M in long-term financing and CHH has \$3.92 M in equity invested in this project leaving a funding gap of \$9,229,500. CHH is asking the City for a 10-year \$9,229,500 loan under the City's external loan guidelines.

The City will earn interest based on the City's cost of borrowing (10-year serial debenture of 2.38% plus .25% administration = 2.63%) compounded semi-annually. The loan interest will be distributed in accordance with City policies and procedures. The Terms and Conditions of the loan are summarized in Appendix "B". A loan receivable will be established for the 500 MacNab Street North. Construction on this project is underway.

CHH has submitted an application to CMHC for long-term financing for the MacNab project for \$9,229,500. However, it is unknown, at this time, how much, if any, funds will be received. If funding from this application is successful, the funds will be immediately applied towards the outstanding balance of the City's Loan for this project.

**CHH Roxborough Park Development**

The Roxborough Park Development has a construction value of \$29,225,000. The development involves a land sale to the developer by CHH to Roxborough Park Inc. (RPI) resulting in net proceeds of \$6,733,980. These proceeds will not be received by CHH until the CHH development is completed (new building is completed) and RPI subsequently gets access to the purchased lands. Hence, CHH's request for the full \$29,225,000 from the City as a loan for interim construction funding.

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CHH has submitted an application to CMHC to the National Housing Co-Investment Fund for this project. Once approved (in whole or in part), CHH will use any funding provided by CMHC to reduce the interim construction loan from the City. If any part of the construction loan is not reimbursed by CMHC funding, then CHH will source third party long-term financing and the City will act as guarantor for CHH's remaining long-term debt requirements.

Funding from the City to CHH would be based on construction draws (percentage of completed work) (refer Loan Term Sheet set out in Appendix "C" and Developer Cash Flow Payments in Appendix "D"). The City will record the amount of the draws as a loan receivable on the City's balance sheet. Due to the relatively short term of the funding requirement, the source of funding would come from the City's short-term cash balances.

The City will earn interest based on the City's cost of borrowing (5-year serial debenture of 2.18% plus .25% administration = 2.43%) compounded monthly. The loan interest will be distributed in accordance with City policies and procedures.

The Development Agreement between CHH and RPI includes a requirement that the developer is responsible for the interim financing interest costs during construction (imbedded in the contingency for the \$29.225 M budget) which will reduce the final required mortgage amount for CHH.

Staffing: Not applicable.

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

## **HISTORICAL BACKGROUND**

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

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CHH is implementing a strategic plan to renew core assets, redevelop low-density sites and develop new sites to maximize social benefit and contribute to the financial sustainability of the organization. The rehabilitation of 500 MacNab North (146 units) and the new Roxborough Park development (103 units) will address deferred maintenance that would otherwise lead to major system failures.

The Board of Directors of CityHousing Hamilton Corporation (CHH) have passed resolutions for debt financing for CityHousing Hamilton Corporation (CHH) projects which included requests to investigate interim loans from the City of Hamilton.

These meetings were as follows:

- CHH Board meeting of June 10, 2019 through Confidential report CHH Report #17029(d) respecting Roxborough Park Development Project
- CHH Board meeting of July 18, 2019 through Confidential report CHH Report #18012(c) respecting 500 MacNab Tower Renewal Update

CHH has applied to the Federal National Housing Co-Investment Fund through Canada Mortgage and Housing Corporation (CMHC) totalling \$31,720,520 for both the MacNab Street North Project (\$9,229,500) and the Roxborough Park Project (\$22,491,020). This funding would be in the form of long-term mortgages and / or grants. The CMHC funding, if the applications are approved, will flow after completion of the agreements between CHH and CMHC. The timing of these is such that construction on both projects will be well underway before any funding from these applications are available. Thus, financing of these redevelopment projects is being requested from the City.

Appendix “A” is a letter dated October 30, 2019 regarding CHH’s request to the City for financing for both projects and any required conversion to external long-term debt net of senior levels of government debentures (CMHC) and / or grants.

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

The recommendations in Report FCS19090 were prepared in accordance with the City’s External Loan Guidelines.

**RELEVANT CONSULTATION**

- Housing Services Division, Healthy and Safe Communities Department
- Legal and Risk Management Services Division, Corporate Services Department

**ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)**

Approval of the recommendations in Report FCS19090 will allow the General Manager, Finance and Corporate Services, to provide financing in the form of two interest-bearing loans totalling \$38,454,500 to finance two CHH projects being 500 MacNab Street North (\$9,229,500) and the Roxborough Park Development (\$29,225,000).

The interest-bearing loan request from CHH meets the requirements of the City’s External Loan Guidelines as reflected in Table 1 of Report FCS19090.

**Table 1**

<b>Eligibility Criteria</b>	<b>Is Condition Met?</b>
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

**ALTERNATIVES FOR CONSIDERATION**

CHH and or the City could seek external private sector / IO loan financing for these two redevelopment projects. However, the financing rate would be significantly higher (3% - 5%) than the 2.43% and 2.63% that the City is charging CHH. The rate of return that the City will be receiving is competitive in comparison to the money market investment rate which these funds would be subject to.

**ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

**Economic Prosperity and Growth**

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

**Clean and Green**

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

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**Built Environment and Infrastructure**

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

**Our People and Performance**

Hamiltonians have a high level of trust and confidence in their City government.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report FCS19090 – Letter dated October 30, 2019

Appendix “B” to Report FCS19090 – 500 MacNab Street North Loan Term Sheet

Appendix “C” to Report FCS19090 – Roxborough Park Development Loan Term Sheet

Appendix “D” to Report FCS19090 – Roxborough Developer Cash Flow

JS/dt