

CITY OF HAMILTON

MOTION

Council: February 12, 2020

MOVED BY COUNCILLOR C. COLLINS.....

SECONDED BY MAYOR / COUNCILLOR

Amendment to Item 16 of the Audit, Finance & Administration Committee Report 19-022, respecting Report FCS19090 - CityHousing Hamilton Corporation (CHH) Redevelopment Financing Request (City Wide), as amended.

WHEREAS, at its meeting of January 22, 2020, Council approved Item 16 of the Audit, Finance & Administration Committee Report (AF&A) 19-022, respecting Report FCS19090 - CityHousing Hamilton Corporation (CHH) Redevelopment Financing Request as amended; thereby, approving two loans to CHH, subject to the terms and conditions contained in the amended Appendices “C” and “D”;

WHEREAS, for these affordable housing projects, the value of the property prior to project completion and perhaps after project completion may not equal the value of the loans; and

WHEREAS, loans secured by mortgages have collection remedies unique to them and it is desirable to have loan default remedy procedures consistent with other City loans secured by mortgages;

THEREFORE, BE IT RESOLVED:

- (a) That Item 16 of the Audit, Finance and Administration Committee Report 19-022, respecting Report FCS19090 - CityHousing Hamilton Corporation (CHH) Redevelopment Financing Request, as amended, be ***amended*** by adding recommendation (h) as follows:

- (h) ***That Council, in its capacity as Service Manager for social housing, approve the request from CityHousing Hamilton for Service Manager consent, as required by the Housing Services Act, 2011, to mortgage its housing assets at 20-30 Congress Crescent, Hamilton as collateral security to obtain the required financing to support CityHousing Hamilton's Tower Renewal at 500 MacNab Street North, Hamilton;***

(b) That Appendix “C” - External Loan Guidelines for 500 MacNab North Tower Renewal to Report FCS19090 - CityHousing Hamilton Corporation (CHH) Redevelopment Financing Request, be **amended** as follows:

- (i) Type of Loan: **Interest-Bearing** loan for \$9,229,500; 10-year Amortization
- (ii) 1. Payment Provisions and Schedule; The City will advance the \$9,229,500 to CHH (electronically) on or about February **15**, 2020. The loan is repayable, together with interest, in 10 annual equal installments by CHH to the City beginning February **15**, 2021.

500 MacNab Street North
\$9,229,500 Loan Repayment Schedule
10-Year Amortization; interest rate of 2.63% per Annum

No.	Date	Payment
1	February 15, 2021	1,063,000
2	February 15, 2022	1,063,000
3	February 15, 2023	1,063,000
4	February 15, 2024	1,063,000
5	February 15, 2025	1,063,000
6	February 15, 2026	1,063,000
7	February 15, 2027	1,063,000
8	February 15, 2028	1,063,000
9	February 15, 2029	1,063,000
10	February 15, 2030	1,063,000
Total Payments (P&I)		\$ 10,630,000
Principal Amount		<u>(9,229,500)</u>
Total Interest and Administration		\$ 1,400,500
Breakdown of Interest and Administration		
Interest		\$ 1,267,373
Administration Fee		\$ 133,127

- (iii) 4. Security: ***The City requires a security in the form of a collateral mortgage registered on title to 500 MacNab St or an alternate location. CHH properties at 20-30 Congress Drive with an assessed value of over \$21 million is granted Service Manager consent and been deemed acceptable as the alternate location.***

(c) That Appendix “D” - External Loan Guidelines for Roxborough Park Development to Report FCS19090 - CityHousing Hamilton Corporation (CHH) Redevelopment Financing Request Amended Loan Term Sheet Roxborough Park Development, Hamilton, be **amended** as follows:

- (i) 2. Payment Provisions: ***CHH will receive invoices from the developer (Roxborough Park Inc.) based on the***

percentage of work completed. The City will advance the funds to CHH only upon written request and only after CHH's project manager and City of Hamilton's Director of Housing Services or designate have approved the invoice for payment and verified that the work stated on the invoice has been completed. Invoices will contain a 10% holdback provision. Requests for advances may be made on a monthly basis.

- (ii) 8. Security: The City will be next in priority only to a CMHC registered mortgage or a long-term (greater than 20 years) third party financing. ***The General Manager of Finance and Corporate Services has the authority to request collateral security in other assets owned by CHH.***

Main Motion ***as amended*** to read as follows:

16. CityHousing Hamilton Corporation (CHH) Redevelopment Financing Request (FCS19090) (City Wide) (Item 10.8)

- (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 "C", ***as amended, attached hereto***;
- (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 "C" ***as amended, attached hereto***, are maintained;
- (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 in Appendix "D" ***as amended, attached hereto***;
- (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 "D" **as amended, attached hereto**, are maintained; **and**
- (h) ***That Council, in its capacity as Service Manager for social housing, approve the request from CityHousing Hamilton for Service Manager consent, as required by the Housing Services Act, 2011, to mortgage its housing assets at 20-30 Congress Crescent, Hamilton as collateral security to obtain the required financing to support CityHousing Hamilton's Tower Renewal at 500 MacNab Street North, Hamilton.***

Loan Term Sheet

500 MacNab Street North (Rehabilitation of 146 Unit Apartment Building)

Borrower: CityHousing Hamilton Corporation ("CHH")

Lender: City of Hamilton ("City")

Type of Loan: ***Interest-Bearing*** loan for \$9,229,500; 10-year Amortization

1. Payment Provisions and Schedule; The City will advance the \$9,229,500 to CHH (electronically) on or about February **15**, 2020. The loan is repayable, together with interest, in 10 annual equal installments by CHH to the City beginning February **15**, 2021.

**500 MacNab Street North
\$9,229,500 Loan Repayment Schedule
10-Year Amortization; interest rate of 2.63% per Annum**

No.	Date	Payment
1	February 15, 2021	1,063,000
2	February 15, 2022	1,063,000
3	February 15, 2023	1,063,000
4	February 15, 2024	1,063,000
5	February 15, 2025	1,063,000
6	February 15, 2026	1,063,000
7	February 15, 2027	1,063,000
8	February 15, 2028	1,063,000
9	February 15, 2029	1,063,000
10	February 15, 2030	1,063,000

Total Payments (P&I)	\$ 10,630,000
Principal Amount	<u>(9,229,500)</u>
Total Interest and Administration	\$ 1,400,500

Breakdown of Interest and Administration

Interest	\$ 1,267,373
Administration Fee	\$ 133,127

2. Any additional mortgage amounts and / or contributions received by CHH from CMHC or any other senior levels of government regarding this project will be forwarded to the City immediately to reduce the loan amount outstanding.
3. Interest Rate: 2.63% per annum (2.38% plus .25% administrative fee), compounded semi-annually.
4. Security: ***The City requires a security interest in CHH assets at 500 MacNab St or alternative location. CHH properties at 20-30 Congress Drive with an assessed value of over \$21 million is granted Service Manager consent and been deemed acceptable as the alternate location.***
5. Title Insurance Policy in favour of the City.

TERMS OF LOAN AGREEMENT

(Based on City of Hamilton’s external loan guidelines FCS06078(a) with amendments)

If funding is approved, the legal loan agreement will include the necessary terms as agreed upon by both parties. The following must be included and / or considered during the development of the loan agreement. The list is not exhaustive and can be added to at any time.

- a) The interest rate will be based upon the current serial debenture rate, as provided by the investments section, for the time period that corresponds with the term of the loan. This reflects the equivalent capital cost of the loan. For example, the interest rate for a 10-year loan should be based on the 10-year serial debenture rate.
- b) A 0.25% administration fee will be added to the interest rate.
- c) The term of the loan must not exceed the useful life of the asset.
- d) At a minimum, interest should accrue annually.
- e) Terms of draws and a schedule of draws against the loan.
- f) The City of Hamilton must be recognized on project marketing and promotional material (e.g. City of Hamilton logo).
- g) Any out-of-pocket expenses, such as appraisal costs, incurred for the preparation of the loan agreement, over and above staff costs, will be added to the principal of the loan.
- h) The organization must provide full disclosure, at all times, with respect to issues that will or may affect the completion of the project or the organization’s ability to repay the loan.
- i) Follow-up procedures will also be included in the terms of the agreement. These include:
 - i. The organization must provide a final cost of the project
 - ii. The organization must provide the following annually:
 - 1) Annual financial statements (audited, if available)
 - 2) Budgets and cash flow projections
 - 3) Confirmation of insurance on the asset used as collateral
 - iii. The organization should agree to be available, at the request of the City, to an on-site visit to review the capital expenditure and the applicable financial records.
- j) Any other terms deemed appropriate by City Council, the City Solicitor or City staff.

Loan Term Sheet

Roxborough Park Development - 103 Unit Apartment Building (the "Project")

Borrower: CityHousing Hamilton Corporation ("CHH")

Lender: City of Hamilton ("City")

Type of Loan: \$29,225,000 Construction Financing Loan

1. The upset limit on the term of this loan will not exceed 4 years from the date of the first advance to CHH.
2. Payment Provisions: ***CHH will receive invoices from the developer (Roxborough Park Inc.) based on the percentage of work completed. The City will advance the funds to CHH only after CHH's project manager and City of Hamilton's Director of Housing Services or designate have approved the invoice for payment and verified that the work stated on the invoice has been completed. Invoices will contain a 10% holdback provision. Requests for advances may be made on a monthly-basis.***
3. When CHH receives payment of \$6,733,980 for the remnant Roxborough land it is selling to the developer (upon Project completion), this amount will be paid to the City immediately to reduce the Construction Loan Amount.
4. Any mortgage amounts and / or contributions received by CHH from CMHC regarding this Project will be forwarded to the City immediately to reduce the Construction Loan Amount outstanding.
5. After terms #3 and #4 have been applied to the outstanding balance of the Construction Financing Loan and within the term limit of this loan (four years), any outstanding City Construction Loan Amount will be converted by CHH to a conventional 30 or 35-year mortgage with the City acting as guarantor for CHH to obtain third party financing.
6. Construction Loan Interest Rate: 2.43% per annum compounded monthly (2.18% plus .25% administration). Interest will be paid to the City by CHH on a quarter-yearly basis commencing three months after the first advance of funds by the City.
7. Section 4.05 of the Master Development Agreement between CHH and the developer provides that CHH is responsible to obtain financing to fund the full cost of construction of the new CHH building. However, the developer agrees to be responsible for and pay to CHH as and when such costs become due, all costs (i.e. interest and other costs) in connection with the construction financing which are incurred up to the later of:
 - i) the CHH building completion date; and
 - ii) the date that the developer pays the purchase price for the lands being sold by CHH to the developer.
8. Security: The City will be next in priority only to a CMHC registered mortgage or a long-term (greater than 20 years) third party financing. ***The General Manager of Finance and Corporate Services has the authority to request collateral security in other assets owned by CHH.***
9. Title Insurance Policy in favour of the City.

TERMS OF LOAN AGREEMENT

(Based on City of Hamilton’s external loan guidelines FCS06078(a) with amendments)

If funding is approved, the legal loan agreement will include the necessary terms as agreed upon by both parties. The following must be included and / or considered during the development of the loan agreement. The list is not exhaustive and can be added to at any time.

- a) The interest rate will be based upon the current serial debenture rate, as provided by the investments section, for the time period that corresponds with the term of the loan. This reflects the equivalent capital cost of the loan. For example, the interest rate for a 10-year loan should be based on the 10-year serial debenture rate.
- b) A 0.25% administration fee will be added to the interest rate.
- c) The term of the loan must not exceed the useful life of the asset.
- d) At a minimum, interest should accrue annually.
- e) Terms of draws and a schedule of draws against the loan.
- f) The City of Hamilton must be recognized on project marketing and promotional material (e.g. City of Hamilton logo).
- g) Any out-of-pocket expenses, such as appraisal costs, incurred for the preparation of the loan agreement, over and above staff costs, will be added to the principal of the loan.
- h) The organization must provide full disclosure, at all times, with respect to issues that will or may affect the completion of the project or the organization’s ability to repay the loan.
- i) Follow-up procedures will also be included in the terms of the agreement. These include:
 - i. The organization must provide a final cost of the project
 - ii. The organization must provide the following annually:
 - 1) Annual financial statements (audited, if available)
 - 2) Budgets and cash flow projections
 - 3) Confirmation of insurance on the asset used as collateral
 - iii. The organization should agree to be available, at the request of the City, to an on-site visit to review the capital expenditure and the applicable financial records.
- j) Any other terms deemed appropriate by City Council, the City Solicitor or City staff.