



CITY OF HAMILTON
HEALTHY AND SAFE COMMUNITIES DEPARTMENT
Housing Services Division

TO:	Chair and Members Emergency and Community Services Committee
COMMITTEE DATE:	May 6, 2021
SUBJECT/REPORT NO:	Accessing Capital Repair Funds from the National Housing Strategy - Co-Investment Fund for CityHousing Hamilton (HSC19048(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Jennifer Hohol (905) 546-2424 Ext. 7857
SUBMITTED BY:	Edward John Director, Housing Services Division Healthy and Safe Communities Department
SIGNATURE:	

RECOMMENDATION

- (a) That the General Manager of Healthy and Safe Communities Department, as the Service Manager, be authorized to enter into and execute the Letter of Intent with the Canadian Mortgage and Housing Corporation for funding through the National Housing Strategy Co-Investment Fund – Repair and Renewal Stream to support CityHousing Hamilton;
- (b) That staff report back to the Emergency and Community Services Committee with any Service Manager consents or other approvals required to execute CityHousing Hamilton’s Credit Agreement with the Canadian Mortgage and Housing Corporation for the National Housing Strategy Co-Investment – Repair and Renewal Stream; and,
- (c) That the City of Hamilton will act as guarantor of the long-term financing and performance obligations identified in the Letter of Intent, not to exceed \$87,413,328 in repayable loans and \$58,275,552 in forgivable loans and that the General Manager, Finance and Corporate Services, and City Clerk be authorized to execute any agreements and ancillary documents relating to the guarantee.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

EXECUTIVE SUMMARY

On March 11, 2021, CityHousing Hamilton (CHH) and the City of Hamilton received confirmation through a Letter of Intent from the Canada Mortgage and Housing Corporation (CMHC) for \$145,688,880 in funding over eight years. This funding is delivered through the National Housing Co-Investment Fund – Repair and Renewal Stream and will support \$194,251,800 in repair and renewal projects impacting 6,290 CHH units. As this funding from CMHC requires a co-investment approach, CHH will contribute the remainder of the \$48,562,920 in funding from its capital budget to complete these projects across the portfolio. This includes investment of CHH’s annual capital allocation from the Service Manager.

The \$145,688,880 in funding from CMHC consists of \$87,413,328 in repayable loans and \$58,275,552 in forgivable loans. In order for CHH to receive the funding, CMHC is requesting the City of Hamilton guarantee payment and performance obligations for CHH. The risk associated with this broad unlimited guarantee is unknown until further details are acquired.

The 6,290 units from CHH that will benefit from this funding are just a portion of the 14,000 social/affordable housing units across the city. The total estimated need alone for CHH capital repairs over the next 20 years is \$400 M. The National Housing Co-Investment Fund – Repair and Renewal Stream also has a primary goal to fund projects that will achieve improved outcomes related to affordability, energy efficiency and accessibility. As this funding has a defined scope, money cannot be used to address all types of repair needs. The funding from the National Housing Co-Investment Fund will help to extend the lifespan of some, but not all, of CHH’s housing stock.

If the Letter of Intent is successfully executed by CHH and the City of Hamilton, the next step in securing funding will be to understand the detailed terms of the funding and performance outcomes through a Credit Agreement with CMHC. Further reports will come forward to attain required financial and Service Manager consents.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The City of Hamilton is being asked to act as guarantor of the long-term financing and performance obligations for funding from the Canada Mortgage and Housing Corporation to CityHousing Hamilton, not to exceed \$87,413,328 in repayable loans and \$58,275,552 in forgivable loans. At this time, Report HSC19048(a) is only seeking authority for the City of Hamilton

to act as a guarantor. Once loan terms and conditions including issues of interest rate, security, and loan amortization are known and included in an agreement, a further report will come forward to the Audit, Finance and Administration Committee seeking appropriate authority to enter into the agreement.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

On November 22, 2017, the federal government released Canada's National Housing Strategy: A Place to Call Home. The goal of the National Housing Strategy is to, over ten years, deliver a range of housing program initiatives.

One of the National Housing Strategy programs, the National Housing Co-investment Fund (NHCF), was launched on May 2, 2018. The NHCF is a \$16.6 B federal investment, \$5 B of which is new funding, with two funding streams: new construction of affordable housing and repair and renewal of social housing.

On August 15, 2019, Report HSC19048 was brought forward to the Emergency and Community Services Committee which sought permission for staff to engage in discussion with the Canada Mortgage and Housing Corporation (CMHC) alongside CityHousing Hamilton (CHH) to negotiate funding principles and to determine the extent of the municipal contribution needed under the NHCF. Since 2019, staff have been working with CHH and CMHC to negotiate funding principles to support repair and renewal projects across CHH's housing portfolio.

On March 11, 2021, CHH and the City of Hamilton received confirmation through a Letter of Intent from CMHC for \$145,688,880 in funding over eight years to support \$194,251,800 in repair and renewal projects impacting 6,290 CHH units. This information was communicated to CHH's Board of Directors on March 30, 2021 through CHH Report #21009 (attached as Appendix "A" to Report HSC19048(a)). If the Letter of Intent is successfully executed by CHH and the City of Hamilton, the next step in securing funding would be to understand the detailed terms of the funding and performance outcomes through a credit agreement with CMHC.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Under the *Housing Services Act, 2011* the City of Hamilton is legally obligated to maintain a minimum number of Rent-Geared-to-Income units. Hamilton's Service Level

Standard of 9,257 is composed of units from 38 housing providers including CityHousing Hamilton. There is no expiration date on Hamilton's obligation to continue calculating and paying subsidy to these providers according to provincial regulations.

RELEVANT CONSULTATION

Consultation and comment on Report HSC19048(a) has been provided by CityHousing Hamilton, Corporate Services – Financial Planning, Administration, and Policy and Legal Services.

Legal Services has recommended that a request be made to CMHC to adjust the language in the Letter of Intent so that the City of Hamilton has to guarantee only the payment, and not the performance obligations of CHH. CMHC is not agreeable to this change as this approach would differ from NHCF agreements already in place with other organizations.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

There are approximately 14,000 social/affordable housing units in Hamilton, of which CHH has just over 7,000 which constitute an important part of Hamilton's service level standard. These units were built post-war and continue to provide critical affordable housing for thousands of Hamilton residents. Many of the major systems in these CHH units are at the end of their life cycle, and the state of repair and quality of these units have been in decline due to a lack of reinvestment and deferred maintenance as a result of limited financial resources. Due to this, CHH saw value in applying to the NHCF – Repair and Renewal Stream to support repair and renewal across the portfolio.

National Housing Co-Investment Funding for CityHousing Hamilton

A Letter of Intent received from CMHC outlines \$145,688,880 in funding over eight years to support \$194,251,800 in repair and renewal projects that will impact 6,290 CHH units. As this funding from CMHC requires a co-investment approach, CHH will contribute the remainder of the \$48,562,920 in funding from its capital budget to complete these projects across the portfolio. This includes investment of CHH's annual capital allocation from the Service Manager.

The primary goal of the NHCF – Repair and Renewal Stream is to fund projects that will achieve improved outcomes related to affordability, energy efficiency and accessibility. As a condition of this funding, CHH will be expected to regularly report outcomes and achieve performance targets in each of these three areas. Under these performance targets, CHH will aim to:

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- Maintain affordability for at least 20 years beyond the project such that rents for a minimum of 50% of the units will be on average below 69.9% of the median market rental rate;
- Reduce energy consumption and greenhouse gas emissions by at least 25% relative to pre-repair levels; and,
- Meet accessibility criteria in 20% of units, addressing in-unit accessibility needs customized to tenants.

Further details on performance obligations will be outlined in the Credit Agreement with CMHC. CHH will be expected to ensure they meet all performance obligations identified in future agreements with CMHC under the NHCF and regularly report progress to the City of Hamilton.

City of Hamilton Contribution

The \$145,688,880 in funding from CMHC consists of \$87,413,328 in repayable loans and \$58,275,552 in forgivable loans. In order to receive funding, CMHC is asking the City of Hamilton to guarantee payment and performance obligations for CHH.

Continued Need for Social Housing Repair and Renewal in Hamilton

The total estimated need for CHH capital repairs over the next 20 years is \$400 M. The funding from the NHCF will help to extend the lifespan of some, but not all, of CityHousing Hamilton's housing stock. For example, the scope of the NHCF funding will not apply to singles, semis and new development projects across CHH's portfolio. Capital investment needs for repair and renewals for semis and singles will still remain.

As this funding has a defined scope focused on projects that will improve outcomes related to affordability, energy efficiency and accessibility, money cannot be used to address all types of repair needs in buildings. CHH has confirmed with CMHC that within annual funding allotments, there is some flexibility on which projects from the portfolio are being addressed when over the eight-year project timeframe. This will help to best meet the housing unit needs in the event of emergency repairs.

The 6,290 units from CHH that will benefit from this funding are just a portion of the 14,000 social/affordable housing units across the city. Many housing providers also struggle with aging housing stocks in need of capital investment. The City of Hamilton will continue to explore ways to better support all housing providers in securing capital to extend the lifespan of their housing stock.

Matters Requiring Further Review and Evaluation

What is understood about the extent of the guarantee at this time is that it is quite broad asking for an unlimited payment and performance guarantee and indemnity agreement (including, but not limited to, indemnification for environmental matters). If approval to sign-off on the Letter of Intent is given, there is risk to the City in acting as a guarantor in this broad capacity should CHH not be able to achieve financial or performance obligations. The City of Hamilton has asked CMHC to narrow the language of the guarantee required, however, CMHC is not agreeable to this.

To pay back the repayable loan portion of the funding, CHH will apply anticipated utility savings that will be realized as a result of completed energy efficiency projects. CHH will also be requesting City of Hamilton contribution to the balance of the repayment of the principle and interest of the loan. The details related to how this is proposed to be structured, including any future levy impacts will be addressed in a report to the Audit, Finance and Administration Committee that will be prepared once a Credit Agreement with CMHC is available.

Next Steps

Many details must still be understood with CMHC including the interest rate for the loan, the amortization period, reporting expectations and other terms. Report HSC19048(a) only seeks permission to sign the Letter of Intent and act as guarantor for CHH so that funding discussions may continue. If the Letter of Intent is successfully executed by CHH and the City of Hamilton, the next step in securing funding would be to understand the detailed terms of the funding and performance outcomes through a Credit Agreement with CMHC. A report will be brought to Council to approve the Credit Agreement and its associated terms. The report will spell out the details of the arrangements and the implications for the City of Hamilton including any additional reporting requirements that may need to be put in place between CHH and the City to ensure ongoing monitoring of performance obligations. It will also include any further financial and Service Manager consents that may be appropriate.

ALTERNATIVES FOR CONSIDERATION

None.

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.

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Healthy and Safe Communities

Hamilton is a safe and supportive City where people are active, healthy, and have a high quality of life.

Built Environment and Infrastructure

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

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report HSC19048(a): CityHousing Hamilton Corporation Report #21009 - National Housing Co-Investment Fund – Repair and Renewal Stream Letter of Intent