



**CITY OF HAMILTON**  
**HEALTHY AND SAFE COMMUNITIES DEPARTMENT**  
**Housing Services Division**

<b>TO:</b>	Chair and Members Emergency and Community Services Committee
<b>COMMITTEE DATE:</b>	October 7, 2021
<b>SUBJECT/REPORT NO:</b>	Accessing Capital Repair Funds from the National Housing Strategy Co-Investment Fund for CityHousing Hamilton (HSC19048(b)) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Jennifer Hohol (905) 546-2424 Ext. 7857
<b>SUBMITTED BY:</b>	Edward John Director, Housing Services Division Healthy and Safe Communities Department
<b>SIGNATURE:</b>	

**RECOMMENDATION(S)**

- (a) That the General Manager, Healthy and Safe Communities Department, as the Service Manager, be authorized to enter into and execute the Credit Agreement, and all ancillary documents, 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 in a form satisfactory to the City Solicitor;
- (b) That the General Manager, Healthy and Safe Communities Department be authorized and directed to enter into, execute and administer an Agreement with CityHousing Hamilton, on terms satisfactory to the General Manager of the Healthy and Safe Communities Department and in a form satisfactory to the City Solicitor, including:
- (i) Expectations as the guarantor of long-term financing and performance obligations in the Credit Agreement for CityHousing Hamilton;
  - (ii) Provision of funds to CityHousing Hamilton to meet the annual obligations of debt repayment by CityHousing Hamilton to the Canadian Mortgage

---

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.

and Housing Corporation, net of any utility savings as committed by CityHousing Hamilton towards this project, as per the Credit Agreement; and,

- (iii) The provision of security in the form of a mortgage(s) over such CityHousing Hamilton properties deemed appropriate by the General Manager, Healthy and Safe Communities Department, which can include but is not limited to those listed in Appendix “A” to Report HSC19048(b), on behalf of the City;
- (c) That the Housing Services Division as Service Manager give consent to CityHousing Hamilton to mortgage the existing social housing properties identified in Appendix “A” to Report HSC19048(b) to meet the requirements of the Credit Agreement with the Canadian Mortgage and Housing Corporation and the Agreement with the City of Hamilton subject to verification that the identified properties are eligible to be mortgaged;
- (d) That a National Housing Strategy Co-Investment Fund Reserve be established utilizing the equivalent to the annual mortgage payments for CityHousing Hamilton’s provincial projects from the Housing Services Division’s net levy budget to be disbursed to CityHousing Hamilton to service the repayable portion of the debt as outlined in Appendix “B” to Report HSC19048(b); and,
- (e) That beginning with the 2022 budget process, annual increases to the levy based on the amount of the prescribed principle and interest associated with the Credit Agreement be referred to the annual budget process for Council deliberation.

## **EXECUTIVE SUMMARY**

In May 2021, CityHousing Hamilton (CHH) and the City of Hamilton signed a Letter of Intent from the Canadian Mortgage and Housing Corporation (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. The funding is being delivered as part of the National Housing Strategy Co-Investment Fund – Repair and Renewal Stream with the \$145,688,880 comprised of \$87,413,328 in repayable loans and \$58,275,552 in forgivable loans.

Report HSC19048(a), provided approval for the City of Hamilton to act as the guarantor of the long-term finance and performance obligations of CHH under the National Housing Strategy Co-Investment Fund. 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. To reduce the risk to the City in the guarantor role, the City is

recommending that an Agreement be put in place between the City and CHH to outline the City's expectations as the guarantor.

To help improve the quality of CHH units through this project, the City is recommending redirecting potential savings from funds currently being levied for mortgage payments for CHH's provincial projects that will expire over the term of the debt to service the debt associated with the repayable loan. A new National Housing Strategy Co-Investment Fund Reserve will be established utilizing the equivalent to the annual mortgage payments for CHH's provincial projects from the Housing Services Division's net levy budget to be disbursed to CityHousing Hamilton to service the repayable portion of the debt. More details on the net levy impacts are noted in Appendix "B" to Report HSC19048(b). Details on provision of funds from the City to CHH to support the repayment of debt to CMHC will be outlined in the City's Agreement with CHH. This agreement will also include security for the City on CHH properties up to the amount of the forgivable loan as outlined in Appendix "A" to Report HSC19048(b).

#### **Alternatives for Consideration – Not Applicable**

#### **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: As per Recommendation (d), the City of Hamilton will levy funds to support CHH in the repayment of \$87,413,328 in repayable loans provided by CMHC under the National Housing Strategy Co-Investment Fund – Repair and Renewal Stream. The amount to be transferred from the City to CHH to meet their repayment obligations will be net of any utility savings realized by CHH as a result of capital works completed within the scope of this funding.

Funds currently being levied for mortgage payments for CHH's provincial projects that will expire over the term of debt will be used to offset the net levy requirement for the transfer payments to CHH.

The current cashflow projections for CHH under the National Housing Strategy Co-Investment Fund – Repair and Renewal Stream are provided in Table 1.

**TABLE 1**  
**CityHousing Hamilton**  
**Projected Project Cashflows**  
**2021-2029**

Year	Total Project Costs	CityHousing Hamilton Contribution	CMHC Forgivable Loan	CMHC Repayable Loan
2021	41,134,422	4,306,649	16,827,773	20,000,000
2022	24,983,237	4,835,771	10,147,466	10,000,000
2023	22,517,676	5,016,487	7,501,189	10,000,000
2024	21,296,265	5,200,817	6,095,448	10,000,000
2025	19,311,545	5,388,834	3,922,711	10,000,000
2026	20,174,136	5,580,610	5,637,322	8,956,204
2027	17,566,564	5,776,222	2,619,473	9,170,869
2028	20,786,172	5,975,747	5,524,170	9,286,255
2029	6,481,823	6,481,823	-	-
<b>Total</b>	<b>194,251,840</b>	<b>48,562,960</b>	<b>58,275,552</b>	<b>87,413,328</b>

Note: Cashflow assumptions are based on current estimates. CMHC will advance funds based on the conditions set out in the loan agreement.

Based on the current drawdown schedule of the CMHC repayable loan (Table 1), the City will be required to begin transfer payments to CHH in 2022 to meet their annual obligations to CMHC. Each advance from CMHC to CHH will be subject to the conditions set out in the Credit Agreement between CHH and CMHC. The advances will be made subject to the project requirements under the agreement between CMHC and CHH and CMHC will determine the interest rate when the advances are made. For the purposes of the financial analysis in this report, cashflow and interest rate assumptions have been made but will be subject to change based on actual project timelines. Table 2 outlines the debt summary for the \$87,413,328 repayable loan between CHH and CMHC based on the projected cashflows in Table 1.

**SUBJECT: Accessing Capital Repair Funds from the National Housing Strategy Co-Investment Fund for CityHousing Hamilton (HSC19048(b)) (City Wide) - Page 5 of 9**

---

**TABLE 2**  
**CityHousing Hamilton**  
**Debt Summary**  
**2022-2048**

Advances**	Term (Years)	Interest Rate*	Year of Issuance**	Year of Maturity	Annual Repayment
20,000,000	35	3.00%	2021	2056	\$930,786
10,000,000	35	3.00%	2022	2057	\$465,393
10,000,000	35	3.00%	2023	2058	\$465,393
10,000,000	35	3.00%	2024	2059	\$465,393
10,000,000	35	3.00%	2025	2060	\$465,393
8,956,204	35	4.00%	2026	2061	\$479,849
9,170,869	35	4.00%	2027	2062	\$491,351
9,286,255	35	4.00%	2028	2063	\$497,533

\* Interest rate assumption - the interest rate will be determined by CMHC at time of issuance per the agreement

\*\* Advances and year of issuance are based on the current projections for the project cashflows. This will be subject to change based on actual cashflow requirements for the project(s).

The loans from CMHC to CHH will be for 35-year terms; however, staff recommend that the City levies funds in order to repay the debt over a term of 20 years. The renovations and rehabilitations being made to capital assets held by CHH are determined to be more in line with a 20-year amortization period and so it is recommended, through Recommendation (e) and Appendix “B” to Report HSC19048(b), that the levy requirements for funding these assets not exceed their useful life in accordance with asset management best practices.

Based on a 20-year repayment schedule for the eight advances anticipated between 2021 and 2028, CHH will require payment transfers from the City starting in 2022 and ending in 2048 with a lump sum payment of the remaining principle. Appendix “B” to Report HSC19048(b) outlines the projected net levy requirement and municipal tax impacts by year over the 27-year period. Amounts levied over and above the required annual repayments to CMHC will be contributed to a reserve to earn interest and repay the lump sum balance in 2048.

Staff will revisit the net levy requirements on an annual basis and adjust based on the actual advances provided from CMCH to CHH and refer the changes to the budget process for consideration.

Staffing: N/A

Legal: The extent of the guarantee required by the City is quite broad asking for an unlimited payment and performance guarantee and indemnity agreement (including, but not limited to, indemnification for environmental matters). 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. During the execution of the Letter of Intent (Report HSC19048(a)), the City had asked CMHC to narrow the language of the guarantee required, however, CMHC was not agreeable to this. Recommendation (b) aims to reduce the risk to the City in the guarantor role.

## **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. At the Emergency and Community Services Committee on May 6, 2021, through Report HSC19048(a), approval was received to execute the Letter of Intent with CMHC. Approval was also provided for the City of Hamilton to 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. Staff were directed to 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 CMHC.

CityHousing Hamilton brought forward a report to their board to seek permission to enter into the Credit Agreement with CMHC at the board meeting held on September 28, 2021 (CityHousing Hamilton Corporation Report #21009(b) - National Housing Co-Investment Fund – Repair and Renewal Stream Letter of Intent). This report and the supporting recommendations will move forward for approval at the next Shareholders meeting.

## **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.

The *Housing Services Act, 2011* (“Act”) designates the City of Hamilton as the Service Manager for Community Housing within the City boundaries. It also specifies that certain changes to any of the Designated Housing Projects under the Act require the consent of the City as Service Manager. This includes the following:

- transfers of certain housing projects and Local Housing Corporations (LHCs);
- mortgaging of housing projects;
- redevelopment of housing projects; and,
- Service Level Standard changes (both increase or decrease to the targeted number of Rent-Geared-to-income units).

## **RELEVANT CONSULTATION**

Consultation and comment on this report has been provided by CityHousing Hamilton, Corporate Services – Financial Planning, Administration, and Policy and Legal Services.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

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 over eight years. 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.

Of the \$194,251,800, \$145,688,880 in funding will be provided by CMHC consisting of \$87,413,328 in repayable loans and \$58,275,552 in forgivable loans. 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.

### **Utilization of Mortgage Debt to Finance New Debt**

The *Housing Services Act, 2011* outlines the funding Service Managers must provide to transferred housing projects from the municipal tax levy. Mortgage debt is one of the items that must be funded. Once mortgages have been paid off, however, Service Managers are no longer obligated to provide this funding. The end of this obligation creates a potential cost saving to the municipality.

These housing programs were designed with the premise that social housing projects would be self-sustaining once their mortgages are paid off. For most projects, mortgage debt is their largest expense. Analyses have shown, however, that many housing projects require some form of capital or operating subsidy or both to sustainably continue to provide the same number of deeply affordable units. Without additional subsidy, providers would need to increase rents in order to be financially viable.

CHH has 14 mortgages ending between 2022 and 2028. Under the *Housing Services Act* funding formula, the City could realize savings in the amount of \$3,545,006 annually by December 31, 2028. To help improve the quality of CHH's units, it is recommended that the City redirect this potential savings to service the debt associated with the repayable loan under CMHC's co-investment program.

### **Continued Need for Social Housing Repair and Renewal in Hamilton**

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.

### **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.



**SUBJECT: Accessing Capital Repair Funds from the National Housing Strategy Co-Investment Fund for CityHousing Hamilton (HSC19048(b)) (City Wide) - Page 9 of 9**

---

**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(b): Service Manager Consent to CityHousing Hamilton to Mortgage Existing Social Housing Properties

Appendix “B” to Report HSC19048(b): City of Hamilton – Net Levy Requirement Summary