



Date: September 28, 2021

Report to: Board of Directors
CityHousing Hamilton Corporation

Submitted by: Tom Hunter, Chief Executive Officer/Secretary **Prepared by:** Samantha Blackley Development Coordinator

Subject: **National Housing Co-Investment Fund – Repair and Renewal Stream Letter of Intent (Report #21009(b))**

RECOMMENDATION:

That the Board of Directors approve the following resolution:

- (i) That the CEO of CityHousing Hamilton be authorized to negotiate, enter into and execute the Loan Agreement with the Canada Mortgage and Housing Corporation for funding through the National Housing Co-investment Fund – Repair and Renewal Stream, in a form satisfactory to the CityHousing Hamilton legal support.
- (ii) That the CEO of CityHousing Hamilton be authorized to enter into and execute a sub-agreement to secure the additional assets and items outlined in the Loan Agreement.
- (iii) Approve the additional 6 FTE required for the administration of the loan program, to be funded through the loan.
- (iv) That the City of Hamilton as Sole Shareholder be requested to:
 - a) Approve the loan agreement outlined in Report #21009(b); and
 - b) Approve CityHousing Hamilton in taking on debt to the upset limit of \$87.4M of which repayment of the repayable loan to CMHC will be supported by the City of Hamilton; and
 - c) Approve CHH into a security agreement with CMHC a collateral on the properties for the purpose of accessing loan programs
 - d) Approved CHH into a security agreement with City of Hamilton a collateral on the properties for the purpose of guarantee loan
- (v) That Report #21009(b) be forwarded to the City of Hamilton in its capacity as Service Manager and guarantor for approval of all necessary consents.



(vi) That Report #21009(b) be presented to the next Shareholder's meeting for approval of development/redevelopment projects and approval of debt in accordance with the Shareholder Direction.

A handwritten signature in blue ink that reads 'Tom Hunter'. Below the signature is a solid black horizontal line.

Tom Hunter

Chief Executive Officer/Secretary

EXECUTIVE SUMMARY:

In partnership, CityHousing Hamilton (CHH) and the City of Hamilton have created an eight-year CHH portfolio-wide application to the Canada Mortgage and Housing Corporation (CMHC) under the National Housing Co-Investment Fund (NHCF) – Repair and Renewal Stream. The CHH portfolio-wide application consists of \$194,251,800 in projects over eight years for repair and renewal that will impact 6,290 units.

On March 11th, CHH and the City of Hamilton received confirmation through a Letter of Intent (LOI) from CMHC for \$145,688,880 in funding to support the proposed CHH portfolio-wide projects. This funding consists of \$87,413,328 in repayable loans and \$58,275,552 in forgivable loans.

The board approved on March 30th, to negotiate, enter into and execute the Letter of Intent with CMHC.

On August 10th, CHH and the City of Hamilton received confirmation of the draft loan agreement from CMHC. This loan agreement included the drawdown schedule for the 8-year period beginning in 2021. CMHC has confirmed there is flexibility on which projects are allocated to each funding year.

The City of Hamilton is required to act as guarantor for NHCF- Repair and Renewal loan on behalf of CityHousing Hamilton.

Both City Finance and Legal staff have reviewed the loan agreement to determine if any amendments are required to the current terms and conditions. Due to the administration of the program CHH has requested 6 additional FTE consisting of 3 Contract Administrators, 1 Project Coordinator, 1 Financial Assistant I, and 1 Procurement position, which will be funded through the program. These positions will help to ensure the additional projects as part of the repair and renewal project can be completed within the allotted year, and the required documentation is provided to CMHC as part of the draw down schedule.

CHH is requesting board approval to negotiate and execute the terms and conditions of the loan agreement to reflect changes to the requested insurance, mortgage policies, and amortization payments.

Upon approval of the loan agreement it is expected that this funding will help to expand the lifespan of CHH's housing stock through the program's affordability,

energy efficiency and accessibility targets while helping to address the \$400M that is needed for capital repairs over the next 20 years.

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 (NHS) is to, over ten years, deliver a range of housing program initiatives.

One NHS program, 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/Renewal of social housing. In August 2019, Report HSC19048 was brought forward to the City of Hamilton’s Emergency and Community Services Committee which granted approval to engage in discussions with CMHC to negotiate funding principles and to determine the extent of the municipal contribution with respect to the CHH application under the NHCF.

On March 30th, CHH’s Board provided authorization for CHH to negotiate and enter into the letter of intent from CMHC for \$145,688,880 in funding to support the proposed CHH portfolio-wide projects. This funding consists of \$87,413,328 in repayable loans and \$58,275,552 in forgivable loans.

There are approximately 14,000 social housing units in Hamilton, of which CHH has just over 7,000. 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 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.

The CHH and the City of Hamilton have submitted an eight-year CHH portfolio-wide application to CMHC under the NHCF – Repair and Renewal Stream. The CHH portfolio-wide application consists of \$194,251,800 in projects over eight years for repair and renewal that will impact 6,290 units.

DISCUSSION:

In partnership, CityHousing Hamilton (CHH) and the City of Hamilton have created an eight-year CHH portfolio-wide application to the Canada Mortgage and Housing Corporation (CMHC) under the National Housing Co-Investment Fund (NHCF) – Repair and Renewal Stream. The CHH portfolio-wide application consists of \$194,251,800 in projects over eight years for repair and renewal that will impact 6,290 units.

On August 10th, 2021, CHH and the City of Hamilton received confirmation of the draft loan agreement. This loan agreement included the drawdown schedule for the 8-year period beginning in 2021. CMHC has confirmed there is flexibility on which projects are allocated to each funding year.

The City of Hamilton is required to act as guarantor for NHCF- Repair and Renewal loan on behalf of CityHousing Hamilton.

Both City Finance and Legal staff have reviewed the loan agreement to determine if any amendments are required to the current terms and conditions.

Upon review, there are three areas in which CHH is looking to receive authorization to negotiate and execute with CMHC on the loan agreement which included the insurance, mortgage requirements and amortization payment.

Insurance

CMHC is requesting evidence of adequate insurance policies for each of the Initial Designated Properties which meets the requirements in Schedule G of the Credit Agreement.

CHH would need to investigate the insurance policies for each property and approach its broker to update these policies to the Schedule G standard. CHH must ensure compliance with all terms and conditions required by CMHC and obtain the Certificates of Insurance.

As part of the insurance policy, each property will require a title insurance policy. This process will require both the zoning to be confirmed and a legal opinion letter. To meet these requirements CHH will hire a risk insurance consultant to review all insurance certificates and ensure adequate coverage is provided.



First Position Mortgage

CMHC is requesting each of the Initial Designated Properties, receive a first priority mortgage along with a first priority General Security Agreement and Notice of Assignment of Rents.

Currently, CHH has identified properties which do not have any debentures or mortgages to prevent any additional legal expenses. If for some reason, the list is not sufficient as collateral, some existing lenders who hold mortgages over each of the property would have to be notified and agree to postpone their position on title. There is a possibility that lenders may refuse to subordinate. CHH has recommended the Designated Properties as highlighted in Appendix "A" to receive a first position mortgage.

Amortization Period

The current amortization period for the Repair and Renewal project is 35 years. To align with the useful life of the project it has been recommended by the City of Hamilton that this funding be paid off within 20 years. This change would result in less interest being charged to the City. CMHC has confirmed at 20 years, CHH can pay the remaining balance of the loan as a balloon payment loan to reduce the amortization period.

CHH will be providing their annual contribution over the 8 years to pay the debt with the payments being 10% from CHH energy savings, 45% from Retired Mortgages and 45% from New Levy.

A new National Housing Strategy Co-Investment Fund Reserve will be established, utilizing the annual mortgage payments for CHH's provincial projects from the Housing Services' net levy budget to be disbursed to CHH to service the repayable portion of the debt.

Appendix "B" outlines the debt summary for the \$87,413,328 repayable loan between CHH and CMHC based on the projected cashflows

Staffing- FTE

Due to the administration of the program, CHH has requested 6 additional FTE consisting of 3 Contract Administrators, 1 Project Coordinator, 1 Financial



Assistant I and 1 Procurement position, which will be funded through the program. Table 1 estimates the annual cost of the additional FTE.

Table 1

Position	FTE
Contract Administrator	3
Project Coordinator	1
Financial Assistant	1
Procurement	1
Total	6

These positions will help to ensure that the additional 192 projects as part of the repair and renewal portfolio can be completed within the allotted year, and the required documentation is provided to CMHC as part of the drawdown schedule. This includes preparing the Energy Efficiency Report and back up for the Repair Program Costs completed.

The total impact of the NHCR will help to expand the lifespan of CHH's housing stock through the program's affordability, energy efficiency and accessibility targets while helping to address the \$400M that is needed for capital repairs over the next 20 years. Most importantly, residents will experience increased quality of life, safety, health and accessibility.

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.

CONCLUSION:

The funding from the NHCF will help to address the needed capital repairs and provide opportunities to maintain affordability and increase energy efficiency and accessibility in 6,290 CHH units increasing the quality of life for tenants. Staff are seeking authorization from the Board to execute the loan agreement to allow CHH to enter and negotiate the final terms of the agreement.



ALIGNMENT TO THE 2017-2021 STRATEGIC PLAN:

This report implements:

Clean and Green

CityHousing Hamilton strives to be an environmental steward by minimizing our environmental footprint by implementing sustainable water and energy efficiencies in our housing stock.

Built Environment and Social Infrastructure

CityHousing Hamilton is committed to finding new ways to be innovative that will contribute to a dynamic City characterized by unique infrastructure, buildings, and public spaces. The maintenance, renewal and new development of our housing stock will ensure that the quality of life, well-being and enjoyment of our residents', influences the design and planning of our homes.

APPENDICES:

Appendix "A"- Designated Properties and Mortgage Existing Social Housing Properties

Appendix "B"- Debt Annual Repayment Summary

TH/sb

Mission: We provide affordable housing that is safe, well maintained and cost effective and that supports the diverse needs of our many communities.

Appendix "A" - Designated Properties and Mortgage Existing Social Housing Properties

CityHousing Hamilton Securities for Canada Mortgage and Housing Corporation			
Site	Debenture / Mortgage	Maturity Date	MPAC Value
155 Park St S	N/A		\$ 27,312,000
95 Hess St S	N/A		\$ 17,974,000
181 Jackson St W	N/A		\$ 16,705,000
555 Queenston Rd	N/A		\$ 18,841,000
226 Rebecca St	N/A		\$ 13,275,000
5 Maple Ave	Debenture	2021	\$ 2,872,000
60 and 92 Macassa Ave	N/A		\$ 2,985,000
245 Kenora Ave	N/A		\$ 14,694,000
1 & 2 Oriole Cres	N/A		\$ 13,231,000
77 Purnell Dr	N/A		\$ 12,400,000
10 St Andrews Dr	N/A		\$ 8,805,000
45 Montcalm Dr	N/A		\$ 6,968,000
Bingham Ave, Martha St, Roxborough Ave	N/A		\$ 6,229,000
4 Millwood Place/ 101 Bobolink Rd	N/A		\$ 4,372,000
249 Governor's Rd	Debenture	2021	\$ 2,914,000
499-525 James St N and 4-10 Picton	N/A		\$ 1,556,000
89 King St E	N/A		\$ 1,768,000
95 King St E	N/A		\$ 1,713,000
211 King St E	Mortgage	December 31, 2039	\$ 971,000
280/300 Fiddlers Green Rd	N/A		\$ 1,411,000
		Total	\$ 176,996,000

CityHousing Hamilton Securities for City of Hamilton			
Site	Debenture / Mortgage	Maturity Date	MPAC Value
30 Sanford Ave S	Debenture	2022	\$23,351,000
191 Main St W	Debenture	2022	\$34,567,000
801 Upper Gage Ave	Debenture	2022	\$16,602,000
20 Congress Crescent	N/A		\$21,830,000*
60 and 92 Macassa Ave	N/A		\$ 2,985,000
		Total	\$99,335,000
			- \$10,000,000*
		Total	\$89,335,000

*\$10M of 20 Congress Crescent is currently secured by the City of Hamilton as part of the financing plan for the redevelopment of 500 MacNab Street so full value cannot be used in support of the National Co-Investment Fund Project.

Subject: Report #21009(b) – National Housing Co-Investment Fund – Repair and Renewal Stream Letter of Intent

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Appendix “B”- Debt Annual Repayment Summary

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).*

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