



CITY OF HAMILTON
HEALTHY AND SAFE COMMUNITIES DEPARTMENT
Housing Services Division

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	November 20, 2024
SUBJECT/REPORT NO:	Service Manager Consent for Hamilton East Kiwanis Non-Profit Homes Inc. – East Ave & Fullerton (HSC24041) (Ward 3)
WARD(S) AFFECTED:	Ward 3
PREPARED BY:	George Gambioli (905)977-8123 Pilar Homerston (905) 973-1129
SUBMITTED BY:	Michelle Baird Director, Housing Services Division Healthy and Safe Communities Department
SIGNATURE:	

RECOMMENDATION

- (a) That the City in its capacity as Service Manager under the *Housing Services Act, 2011* consent to Hamilton East Kiwanis Non-Profit Homes Incorporated encumbering the properties municipally known as 12, 14 & 16 East Ave North and 68 to 74 Fullerton Ave. North to secure the line of credit for \$5M from the Hamilton Community Foundation; and,
- (b) That the General Manager of Healthy and Safe Communities be directed and authorized to prepare, enter and execute any ancillary agreements and documents necessary to give effect to the Service Manager consent for Hamilton East Kiwanis Non-Profit Homes Inc.

EXECUTIVE SUMMARY

Hamilton East Kiwanis Non-Profit Homes Inc. was approved by the Hamilton Community Foundation Impact Investment Committee to access up to \$5M in temporary low-interest line of credit to facilitate the creation of new affordable housing units in the City of Hamilton. The line of credit will be used for temporary cash flow purposes to assist in bridging the demands of multiple concurrent affordable housing development or acquisition projects. This lower interest line of credit will allow for access to cash flow without incurring the higher interest and financing charges incurred through commercial lenders. This will allow for more equity to be invested in housing creation rather than debt servicing.

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.

To access this funding, a new mortgage will be registered on 12, 14 & 16 East Avenue North and 68 – 74 Fullerton Avenue North. Under the *Housing Services Act, 2011*, Service Manager consent is required to encumber housing projects transferred as social housing by the Province to municipalities, giving rise to the recommendations in report HSC24041.

While cashflow management could be mitigated by slowing down development activities, this would delay a number of current projects underway.

Alternatives for Consideration – See Page 4

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: There are no financial implications with Report HSC24041

Staffing: There are no staffing implications with Report HSC24041

Legal: The *Housing Services Act, 2011* requires the consent of the Service Manager before Hamilton East Kiwanis Non-Profit Homes Inc. can encumber the assets.

HISTORICAL BACKGROUND

Hamilton East Kiwanis Non-Profit Homes Inc. has been a registered charitable, not-for-profit organization since 1982. and have approximately 1,100 units in the region.

In 2018, Hamilton East Kiwanis Non-Profit Homes Inc has set an aspirational goal to create or preserve 1,000 affordable housing units in the City of Hamilton. Committing to maintain the current number of existing rent geared units or increasing as a result of this process. To date they are pursuing the following projects:

- construction of a new 60-unit apartment building at 6 Acorn St.,
- preserving 50 units of seniors housing through acquisition at 1880 Main St. West,
- in process of establishing a 20-unit affordable homeownership initiative,
- commenced construction of a 124 unit building at 1518 (formally 1540) Upper Wentworth Street,
- acquired land to build a 60-unit apartment building at 1362 to 1374 Barton Street East,
- finalizing fourplex design to create up to 200 units of housing,
- supported creation of 20 units of tenant-led cooperative housing,
- created 16 units of supportive housing for persons with developmental disabilities and in process of building an additional 10 units. These units will provide homes for up to 50 vulnerable residents.

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To support the cash flow of these acquisition and preservation projects, Hamilton East Kiwanis Non-Profit Homes Inc. secured an \$11M line of credit. This existing line of credit has substantial administration fees and high interest rate.

Hamilton Community Foundation offered this alternative loan with a better interest rate and no transaction fees which in turn can substantially increase savings for new development or acquisition projects due to lower debt servicing costs.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Under the *Housing Services Act, 2011*, Service Manager consent is required to encumber housing projects transferred as part of the devolution of social housing by the Province to Municipalities.

On July 14, 2023, City Council approved to delegate to the General Manager of the Healthy and Safe Communities Department or designate, the authority to provide consent pursuant to section 161 of the *Housing Services Act, 2011* for housing projects designated under the *Housing Services Act, 2011* to mortgage or develop a designated housing project or the land when the following circumstances are met:

- (i) The encumbrance does not relate to additional debt for the project in question, except for debt owed to the City of Hamilton through a loan or grant; and;
- (ii) For any proposed development of the property it does not temporarily or permanently reduce the overall number of units in the project.

As this encumbrance request will relate to additional debt for their project, Council approval is required.

RELEVANT CONSULTATION

Hamilton East Kiwanis Non-Profit Homes Inc. has provided a business case, as well as all the relevant supporting documentation from the Hamilton Community Foundation.

Legal Services has reviewed this report.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Hamilton East Kiwanis Non-Profit Homes Inc. has been a consistent partner in affordable housing for many years with a strong mission and vision.

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Service Manager consent for Hamilton East Kiwanis Non-Profit Homes Inc. is requested to encumber these two properties, of which both have reached end of mortgage to secure up to a \$5M line of credit from the Hamilton Community Foundation Impact Investment Committee and with a term ending on December 31, 2028

The properties identified have reached the end of their mortgage term, however Hamilton East Kiwanis Non-Profit Homes Inc. has not signed a new end of mortgage service agreement with the City of Hamilton. Until a new service agreement is signed, the properties continue under the *Housing Services Act, 2011*.

While the Hamilton Community Foundation line of credit is secured by the properties, as presented in the business case, it will have no impact on the current end of mortgage discussions, there will be no additional funding required by the City of Hamilton, and this will not impact or inconvenience any current residents. Once the projects are completed, there will be no line of credit needed as it will all have been incorporated in the mortgage financing for the various projects as planned.

The annual projected savings would derived from effectively fully utilizing the line of credit would result in a debt service savings of approximately \$145,000 per year plus savings in transaction and administration fees. Hamilton East Kiwanis Non-Profit Homes Inc. intends on maintaining both line of credits and but only utilize the higher interest line of credit in select instances.

ALTERNATIVES FOR CONSIDERATION

The alternative would be not to provide consent. This would result in Hamilton East Kiwanis Non-Profit Homes not being able to utilize the \$5M loan from the Hamilton Community Foundation and realize potential savings on debt service costs.

APPENDICES AND SCHEDULES ATTACHED

None