

**Subject: Ottawa Community Housing Corporation Mortgage Refinancing
2023-24**

File Number: ACS2023-CSS-GEN-012

**Report to Community Services Committee on 26 September 2023
and Council 11 October 2023**

**Submitted on August 25, 2023 by Clara Freire, General Manager – Community and
Social Services**

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Ward: Citywide

**Objet : Refinancement hypothécaire 2023-2024 de la Société de logement
communautaire d'Ottawa**

Numéro de dossier : ACS2023-CSS-GEN-012

Rapport présenté au Comité des services communautaires

Rapport soumis le 26 septembre 2023

et au Conseil le 11 octobre 2023

**Soumis le 2023-08-25 par Clara Freire, Directrice générale – Services sociaux et
communautaires**

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION(S)

That the Community Services Committee recommend that Council:

- 1. Approve the refinancing of two Ottawa Community Housing Corporation projects described in this report for which the mortgages are due for renewal in 2023, and**
- 2. That the Director of Housing Services be delegated the authority to approve the refinancing of three Ottawa Community Housing Corporation projects, described in this report, for which the mortgages are due for renewal in 2024 provided the amount is not greater than the current subsidy and the outcome is revenue-neutral to the City of Ottawa, as described in this report.**

RECOMMANDATION(S) DU RAPPORT

Que le Comité des services communautaires recommande au Conseil :

- 1. d'approuver le refinancement des deux projets de la Société de logement communautaire d'Ottawa décrits dans le présent rapport dont les hypothèques doivent être renouvelées en 2023;**
- 2. de déléguer à la direction des Services du logement le pouvoir d'approuver le refinancement des trois projets de la Société de logement communautaire d'Ottawa décrits dans le présent rapport dont les hypothèques doivent être renouvelées en 2024, pourvu que le montant ne soit pas supérieur à la subvention actuelle et que le résultat soit sans incidence sur les recettes pour la Ville d'Ottawa, comme il est indiqué aux présentes.**

EXECUTIVE SUMMARY

Assumption and Analysis

Ottawa Community Housing Corporation (OCHC) has an ongoing need for significant capital repair and anticipated deferred maintenance work on many of the social housing projects within their portfolio. The level of funding from subsidies and existing capital repair programs has historically been insufficient to fund the completion of all required work. Council has proactively supported initiatives that provide OCHC the opportunity to obtain much needed capital repair funds.

Since 2012, Council has approved the refinancing of fifty-five (55) OCHC mortgages through Infrastructure Ontario as they offer fixed long-term rates, currently at 4.67% for 30 years, which eliminates the interest rate risk over the entire term of the loan. This

has generated net proceeds in excess of \$168 million. These proceeds have been re-invested in the social housing capital reserves for social housing repairs and retrofits. In leveraging equity from its existing assets and applying it towards repairing the social housing stock, OCHC has been able to reduce the deferred maintenance at a significantly faster pace. The 2023 and 2024 tranches of renewed mortgages through Infrastructure Ontario will generate an additional \$41.3M of capital repairs and energy efficiency improvements for OCHC which will ensure the long-term preservation of the assets and safety of OCHC residents.

The City of Ottawa guarantees payments for 30 years, aligning with Infrastructure Ontario's amortization period. This ensures that OCHC can keep the units affordable for low-income households and households on the centralized wait list for rent-geared-to-income housing. Each property to be remortgaged is assessed by OCHC and Infrastructure Ontario for its long-term viability and value.

Financial Implications

City staff have concluded that refinancing the current mortgages under consideration through Infrastructure Ontario is revenue neutral for the City, while providing OCHC with access to much needed capital. The City of Ottawa will be required to maintain the current level of mortgage subsidy until the end of the 30-year loan and pay equal monthly installments directly to the lender. City staff met on several occasions with OCHC staff to review and finalize details and possible implications for the refinancing proposal.

RÉSUMÉ

Hypothèses et analyse

La Société de logement communautaire d'Ottawa (SLCO) doit sans cesse faire des réparations majeures à ses immobilisations et entreprendre des travaux d'entretien reportés pour beaucoup de logements sociaux de son portefeuille. Mais le financement venant des subventions et des programmes de réfection des immobilisations en vigueur a toujours été insuffisant pour ce faire. Le Conseil a proactivement financé des initiatives pour que la SLCO obtienne les fonds dont elle a cruellement besoin pour réparer ses immobilisations.

Depuis 2012, le Conseil a approuvé le refinancement de cinquante-cinq (55) hypothèques de la SLCO par le truchement d'Infrastructure Ontario, qui offre des taux

fixes à long terme. Ce taux se chiffre actuellement à 4,67 % sur 30 ans, ce qui élimine le risque de taux d'intérêt pendant toute la durée du prêt. Un produit net de plus de 168 millions de dollars a ainsi été généré, somme qui a été réinvestie dans le fonds de réserve pour réparer et rénover les logements sociaux. En utilisant la valeur acquise sur ses biens existants pour financer la réparation du parc de logements sociaux, la SLCO a pu entreprendre certains travaux d'entretien reportés beaucoup plus vite. Les renouvellements d'hypothèques en 2023 et 2024 par le biais d'Infrastructure Ontario généreront 41,3 M\$ de plus pour réparer les immobilisations et améliorer l'efficacité énergétique des biens de la SLCO, ce qui assurera leur préservation à long terme et la sécurité des résidents des immeubles de la SLCO.

La Ville d'Ottawa garantit le paiement pendant 30 ans, ce qui cadre avec la période d'amortissement d'Infrastructure Ontario. La SLCO pourra ainsi continuer à offrir des logements abordables aux ménages à faible revenu et à ceux inscrits sur la liste d'attente centralisée des logements à loyer indexé sur le revenu. La viabilité et la valeur à long terme de chaque propriété à réhypothéquer sont évaluées par la SLCO et Infrastructure Ontario.

Répercussions financières

Le personnel municipal a conclu que le refinancement des hypothèques à renouveler par le truchement d'Infrastructure Ontario est sans incidence sur les recettes pour la Ville et permettra à la SLCO d'accéder aux capitaux dont elle a cruellement besoin. La Ville d'Ottawa devra maintenir le niveau actuel de la subvention pour prêt hypothécaire jusqu'à la fin du prêt sur 30 ans et faire des versements égaux mensuels au prêteur. Le personnel municipal a rencontré à plusieurs reprises la SLCO pour analyser la situation et les répercussions possibles du refinancement et régler les derniers détails.

BACKGROUND

Ottawa Community Housing Corporation (OCHC) is Ottawa's largest non-profit housing Corporation with approximately two thirds of the total social housing stock under the administration of the City of Ottawa, as Service Manager. OCHC operates and manages approximately \$3.5 billion in assets. As a non-profit corporation, OCHC is governed by a Board of Directors composed of community volunteers and members of City Council. The City of Ottawa is the sole shareholder of OCHC.

OCHC tenants include some of Ottawa's most vulnerable citizens including families fleeing domestic violence. The quality, security and long-term viability of OCHC housing stock has a direct impact on the quality of life of approximately 32,000 tenants. Over 7,000 households are seniors over 60 years old; almost 6,000 households are tenants who qualify for the Ontario Disability Support Program and Ontario Works Program; and almost 5,800 children, 12 years old and under, live in OCHC communities. The most efficient, effective, and timely way to provide affordable housing to these and all residents of Ottawa is to preserve and maintain the existing social housing stock.

Within the OCHC portfolio is some of the oldest social housing stock in the province with the buildings being more than 40 years old on average. Each property that is to be remortgaged has been assessed by both OCHC and Infrastructure Ontario as to its long-term viability and value and it has been determined these properties are appropriate for long term refinancing.

To date, funds generated from Infrastructure Ontario refinancing have been utilized for critical structural, life safety repairs and retrofits, all of which are fundamental to ensure the long-term preservation of the asset and the safety of residents. This has helped to reduce both the deferred maintenance of the OCHC social housing portfolio and their future capital needs, further supporting long term viability. Funds generated from this current refinancing initiative will also be used for structural, building envelope, mechanical, elevator, life safety repairs and energy efficiency retrofits of the OCHC social housing portfolio.

OCHC has proactively reviewed and planned for their projected capital needs over the long term and have implemented strategies to sustain operations, address current capital needs, and support further housing development. As part of this ongoing process, where appropriate, they continue to leverage their assets' equity to finance some of the much-needed capital work.

City Council approved initiatives for OCHC to refinance their mortgages on five (5) previous occasions; March 28, 2012 ([ACS2012-COS-CSS-0005](#)), February 27, 2013 ([ACS2013-COS-CSS-0002](#)), May 28, 2014 ([ACS2014-COS-CSS-0005](#)), June 24, 2015 ([ACS2015-COS-CSS-0011](#)) and April 24, 2019 ([ACS2019-CSS-GEN-0005](#)).

On December 10, 2014, the City enacted By-law No. 2014-431. The By-law included a comprehensive list of affordable housing properties owned by OCHC and designated these municipal capital housing facilities, exempt from taxes for municipal and school

purposes. To implement By-law 2014-431, the City entered into a Municipal Capital Facilities Agreement (MCFA) with OCHC on December 31, 2014.

Pursuant to the 2014 Report ([ACS2014-COS-CSS-0010](#)), OCHC was required to direct the savings from the education portion of the property taxes, generated through the property tax exemption, towards capital repairs to its social/affordable housing stock. In addition to this annual allocation of funds towards capital repairs, the City provides OCHC with annual benchmarked capital reserve funding as part of its Operating Agreement, in a manner consistent with the funding model under the Housing Services Act, 2011, details of which are available in the 2009 Report ([ACS2009-COS-HOU-0001](#)).

On November 25, 2020, City Council ([ACS2020-CSS-GEN-011](#)) granted authority to OCHC to redirect savings from the education portion of the property taxes to service a \$165M CMHC Co-Investment Loan for capital repairs.

An update on this \$165M CMHC Co-Investment loan was provided to Council on May 25, 2022 ([ACS2022-CSS-GEN-009](#))

DISCUSSION

Housing Services and OCHC continue to identify funding, leverage assets and pursue opportunities to increase revenue and reduce expenses. There have been visible improvements in OCHC communities as a result of major maintenance, capital repair and energy retrofit programs that have been completed.

Mortgage refinancing with Infrastructure Ontario would provide additional and much needed funding for capital repairs and energy efficiency improvements. Under the proposed refinancing, the existing mortgages will be paid in full on their respective renewal dates and will be replaced by new 30-year debts arranged through Infrastructure Ontario. Infrastructure Ontario offers long-term, stable borrowing rates (currently about 4.67% for 30 years) eliminating the risk of fluctuations in interest rates. This proposed refinancing would enable the City to uphold its obligations as the Service Manager under the Housing Services Act, 2011 to provide and maintain 16,502 units of rent-geared-to-income housing on an ongoing basis (Rent-Geared-to-Income Service Level Standards). OCHC is responsible to provide 12,272 of these rent-geared-to-income housing units with the balance of the units spread across other housing providers in the City.

The Ministry of Municipal Affairs and Housing (MMAH) has confirmed that there will be no prepayment penalties incurred as a result of refinancing at the time of renewal. Document 1 identifies the details of the mortgages renewing from 2023 to 2024. MMAH has confirmed in writing that the Canada Mortgage and Housing Corporation funding associated with these mortgages will continue until the end of the original maturation dates of the mortgages.

Continuing the same annual mortgage funding that the City currently provides to OCHC for the listed mortgages would accommodate new 30-year loans with Infrastructure Ontario that would generate funds of approximately \$13.6 million in 2023 and \$38.2 million in 2024. The loans will be used to fully payout the existing mortgages of \$10.5 million, while the balance of \$41.3 million of the funds generated will be used toward priority capital repair work.

The Housing Services Act, 2011 stipulates that there is an ongoing requirement for the Service Manager to continue to administer and fund transferred designated housing projects, and this obligation continues even when the mortgages are fully paid and discharged as long as the projects remain listed in schedule 24 of the Ontario regulation (O.Reg.368/11). Upon full payment and discharge of the mortgages, the City could apply to the Province to have the projects delisted, however it would not be advisable as:

1. The City must nevertheless maintain at least 16,502 units of rent-geared-to-income housing;
2. The City owns the OCHC housing stock as the sole shareholder and therefore has some obligation to maintain the housing assets in good condition;
3. The City has an ongoing requirement to ensure that current tenants living in rent-geared-to-income housing are not displaced without an alternative being provided; and
4. OCHC must meet the service level standards as set out in regulation 368/11 and in the operating agreement which the City entered into with OCHC in 2009.

Further, City staff have concluded that refinancing the current mortgages under consideration with Infrastructure Ontario would be a revenue neutral approach for the City, while providing an opportunity for OCHC to access much needed capital. The City will be required to contribute the same monthly payments for the new loans as it currently contributes to OCHC in subsidies for the mortgages.

To meet Infrastructure Ontario's security requirements, the City of Ottawa must commit to continuing the current level of mortgage subsidy until the end of the 30-year loan and accept a direction from OCHC that the City pay the 360 equal monthly instalments directly to Infrastructure Ontario, as the lender. OCHC is in agreement with this approach. A portion of OCHC's monthly subsidy would be withheld and provided directly to Infrastructure Ontario by the City for the duration of the loan for the debt servicing costs. The security afforded by this commitment is an opportunity to access attractive, long term interest rates, and to leverage the equity in these buildings to generate capital for much needed repairs.

City staff recommend the refinancing of the mortgages identified in Document 1. By extending the current level of mortgage payments for 30 years, additional funding for capital repairs can be generated. This would not require the City to increase its current level of mortgage subsidy funding. This capital infusion will go toward priority repair work at the discretion of OCHC. OCHC will ensure the funds have the maximum positive impact on the aging stock. OCHC, agrees to report on all capital repairs funded through mortgage refinancing as part of their annual information return to the City's Housing Services.

FINANCIAL IMPLICATIONS

With the approval of this report, the current mortgages due for renewal in 2023 from Infrastructure Ontario will be refinanced. Based on the requirement that the monthly payments for the new loans remain the same as what the City currently contributes to OCHC in subsidies for the mortgages, the City will maintain the current level of mortgage subsidy until the end of the 30-year loan. Since the level of debt servicing is expected to remain the same under the proposed refinancing, there will be no impact on the City's Annual Repayment Limit other than to extend the period during which the mortgage payments are to be made.

LEGAL IMPLICATIONS

There are no legal impediments to the implementation of the report recommendations.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a City-wide report.

CONSULTATION

City staff met on several occasions with OCHC staff to review and finalize details and possible implications for the refinancing proposal.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with the recommendations of the report.

DELEGATION OF AUTHORITY IMPLICATIONS

This report seeks delegated authority for the Director, Housing Services, to approve the refinancing of 2 OCHC properties in 2023 and 3 OCHC properties in 2024.

The following existing authorities, as set out under the Delegation of Authority By-law No. 2023-67, will be exercised to implement the report recommendations:

Schedule D: Community and Social Services Department – Section 8 and 9 – Housing Services

This exercise of delegated authority shall be reported to the appropriate Standing Committee at least once in the calendar year.

TERM OF COUNCIL PRIORITIES

The recommendations of this report support the 2023-2026 Term of Council Priority, “A city that has affordable housing and is more livable for all.” The City is committed to ensuring that Ottawa residents have access to safe, adequate and affordable housing. The recommendations in this report will specifically support the long-term goal of sustaining existing social housing within our community housing portfolio, while ensuring that residents experience a good quality of life and live in neighbourhoods that are diverse, inclusive, safe, connected, accessible and affordable.

SUPPORTING DOCUMENTATION

Document 1 – Tables 1 to 2: “OCHC 2023 -2024 Mortgage Renewals – Total”

DISPOSITION

Staff will action any direction received as part of consideration of this report.

Document 1

Document 1

Table 1: OCHC 2023 Mortgage Renewals

Site	Renewal Date	Outstanding Principal	Current Annual Payment	Additional Capital Funds
Lady Stanley Place	2023/Aug/01	\$0	\$508,675	\$8,201,750
Vachon Place	2023/Nov/01	\$1,190,104	\$335,242	\$4,215,255
2023 Total		\$1,190,104	\$843,918	\$12,417,004

Table 2: OCHC 2024 Mortgage Renewals

Site	Renewal Date	Outstanding Principal	Current Annual Payment	Additional Capital Funds
Marion Dewar Place	2024/May/01	\$4,119,289	\$690,021	\$7,006,436
McAuley Place	2024/Jun/01	\$3,181,705	\$897,088	\$11,282,716
Scotthill	2024/Dec/01	\$2,009,652	\$781,000	\$10,582,994
2024 Total		\$9,310,646	\$2,368,110	\$28,872,146

Summary of Table 1 & 2: OCHC 2023 - 2024 Mortgage Renewals – TOTAL

Sites: All sites identified in Tables 1 & 2	Renewal Dates: Aug 1, 2023 to Dec 1, 2024	Total Outstanding Principal	Total Current Annual Payment	Total Additional Capital Funds
TOTAL 2023-2024		\$10,500,750	\$3,212,028	\$41,289,150