

Subject: Affordable Housing Debt Funding Pilot Report

File Number: ACS2026-FCS-FIN-0001

Report to Finance and Corporate Services Committee on 3 February 2026

and Council 11 February 2026

**Submitted on January 23, 2026 by Isabelle Jasmin, Deputy City Treasurer,
Corporate Finance, Finance and Corporate Services Department**

**Contact Person: Stevan Dostanic, Manager, Treasury, Finance and Corporate
Services Department**

613-580-2424 x10566, Stevan.Dostanic@Ottawa.ca.

Ward: Citywide

**Objet : Rapport sur le projet pilote de financement par emprunt lié au
logement abordable**

Numéro de dossier : ACS2026-FCS-FIN-0001

Rapport présenté au Comité des finances et des services organisationnels

Rapport soumis le 3 février 2026

et au Conseil le 11 février 2026

**Soumis le 2026-01-23 par Isabelle Jasmin, Trésorière municipale adjointe,
Finances municipales, Département des finances et des services
organisationnels**

**Personne ressource : Stevan Dostanic, Gestionnaire, Trésorerie, Service des
finances municipales, Direction générale des finances et des services
organisationnels**

613-580-2424 x10566, Stevan.Dostanic@Ottawa.ca

Quartier : À l'échelle de la ville

REPORT RECOMMENDATIONS

That the Finance and Corporate Services Committee recommend that Council:

1. **Approve the Affordable Housing Debenture Framework (Ottawa Community Housing Corporation Pilot) outlined in this report;**
2. **Approve the expansion of permitted uses of the City's Housing Reserve for the Ottawa Community Housing Corporation Pilot to:**
 - a. **service debt issued by the City under the Affordable Housing Debenture Framework; and**
 - b. **assist with servicing federal financing from Build Canada Homes issued to Ottawa Community Housing Corporation for the development of City-approved affordable housing projects, if needed.**
3. **Approve the pre-allocation of up to \$2 million annually for up to 10 years from the City's Housing Reserve for the Ottawa Community Housing Corporation Pilot.**
4. **Delegate the authority to the GM FCSD and Chief Financial Officer of the City of Ottawa to negotiate and enter into the necessary legal agreements with OCHC in support of the Affordable Housing Debenture Framework, as outlined in this report.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et des services organisationnels recommande au Conseil de :

1. **approuver le cadre régissant la débenture relative au logement abordable (projet pilote de la Société de logement communautaire d'Ottawa) décrit dans le présent rapport;**
2. **approuver l'accroissement des utilisations autorisées du fonds de réserve de la Ville destiné au logement abordable pour le projet pilote de la Société de logement communautaire d'Ottawa afin de :**
 - a. **assurer le service de la dette émise par la Ville en vertu du cadre régissant la débenture relative au logement abordable, et de**
 - b. **participer à la gestion du financement fédéral octroyé par Maisons Canada à la Société de logement**

communautaire d'Ottawa (SLCO) pour la réalisation de projets de logements abordables approuvés par la Ville, au besoin;

- 3. approuver l'affectation préalable d'un montant annuel maximal de 2 M\$ pour une période maximale de 10 ans, provenant du fonds de réserve de la Ville destiné au logement abordable, au projet pilote de la Société de logement communautaire d'Ottawa;**
- 4. déléguer au chef des finances de la Ville d'Ottawa le pouvoir de négocier et de conclure les accords juridiques nécessaires avec la SLCO, afin de mettre en place le cadre régissant la débenture relative au logement abordable, comme le décrit le présent rapport.**

EXECUTIVE SUMMARY

In November 2024, Council approved the Housing Services Long Range Financial Plan 2025-2030 Update ([ACS2024-FCS-FIN-0011](#)), and directed staff to explore the feasibility of the City offering debt financing as an alternative to direct equity contributions to support service providers in launching affordable housing projects, and that the debt servicing would be temporarily covered by the City's Affordable Housing annual budget until service providers can use rent revenue to cover these costs. Staff recommended that this alternative financing approach be tested in the form of a pilot to limit the City's financial risk exposure, while testing the feasibility of advancing affordable housing construction with additional debt financing. Ottawa Community Housing Corporation (OCHC) was chosen for the pilot due to the fact that the City is sole shareholder of the Corporation and the financial results and debt of the corporation are consolidated within the City's financial statements for statutory and regulatory reporting purposes.

Staff are seeking Council approval of an Affordable Housing Debenture Framework (Ottawa Community Housing Corporation Pilot) designed to address persistent equity shortfalls that are constraining the delivery of new affordable housing by OCHC. Rising construction costs and interest rates since OCHC's [2021 – 2030 Long Range Financial Plan](#) have resulted in average equity gaps of approximately 30–40 per cent on planned developments, despite significant federal and provincial participation.

The proposed framework introduces an alternative, budget-neutral financing mechanism that leverages the City of Ottawa's strong credit rating, established treasury infrastructure, and access to capital markets to accelerate the delivery of affordable

housing projects without compromising the City's financial position or credit standing. Under this pilot, the City would issue short-term promissory notes during construction and convert these to long-term bullet bonds upon project completion, with debt servicing fully supported by OCHC and backed by a pre-allocation of up to \$2 million annually from the City's Housing Reserve, for up to 10 years. This approach limits fiscal exposure, ensures predictability and preserves the City's flexibility to respond to changing funding conditions.

The pilot would initially apply to three OCHC development projects - Mosaïq Phase 2, Beausoleil, and Geysler Place - supporting the delivery of approximately 550 new affordable homes. By deferring a portion of the City's traditional upfront equity contribution through debt financing, the framework enables projects to proceed sooner with an upfront injection of cash from debt, which would be repaid over the life of the asset, rather than waiting to build up the equity requirement and in alignment with the City's Housing Long Range Financial Plan ([ACS2024-FCS-FIN-0011](#)) and annual affordable housing targets.

The framework also leverages and anticipates the integration of future federal and provincial funding, including Build Canada Homes. If anticipated funding does not fully materialize, alternative sources, including incremental City equity or additional debt issuance, would be evaluated and reported to Council.

RÉSUMÉ

En novembre 2024, le Conseil a approuvé la Mise à jour – Plan financier à long terme pour les services de logement 2025-2030 ([ACS2024-FCS-FIN-0011](#)) et demandé au personnel d'étudier la possibilité que la Ville offre du financement par emprunt, au lieu d'une contribution directe sous forme de capitaux propres, afin d'aider les fournisseurs de services à lancer des projets de construction de logements abordables. Le service de la dette serait financé par le budget annuel de la Ville alloué au logement abordable jusqu'à ce que le fournisseur de services puisse se servir des revenus de location pour couvrir un tel coût. Le personnel a recommandé que cette approche financière soit testée sous la forme d'un projet pilote afin de limiter l'exposition de la Ville aux risques financiers, tout en vérifiant la possibilité de faire progresser la construction de logements abordables grâce à du financement par emprunt supplémentaire. La SLCO a été choisie pour réaliser le projet pilote, parce que la Ville en est l'unique actionnaire et que les résultats financiers et la dette de la Société sont intégrés aux états financiers de la Ville à des fins légales et réglementaires de production de rapports.

Le personnel veut obtenir du Conseil l'approbation d'un cadre régissant la débenture relative au logement abordable (projet pilote de la Société de logement communautaire d'Ottawa), conçu pour régler le problème d'insuffisance chronique de capitaux propres qui empêche la SLCO de construire de nouveaux logements abordables. La hausse des coûts de construction et des taux d'intérêt depuis la publication du [Plan financier à long terme de la SLCO en 2021-2030](#) a entraîné des écarts moyens des capitaux propres d'environ 30 à 40 % par rapport aux aménagements prévus, malgré une participation importante des gouvernements fédéral et provincial.

Le cadre proposé introduit un mécanisme financier différent, sans incidence budgétaire, qui tire parti de l'excellente cote de crédit de la Ville d'Ottawa, de son infrastructure de trésorerie reconnue et de son accès à des marchés de capitaux, afin d'accélérer la réalisation de projets de logement abordable sans nuire à la situation financière de la Ville ni à sa solvabilité. Dans le cadre de ce projet pilote, la Ville émettrait des billets à ordre à court terme durant la construction et les convertirait en obligations à long terme sans amortissement à la fin du projet. Le service de la dette serait entièrement assumé par la SLCO et financé par une affectation préalable d'un montant annuel maximal de 2 M\$ pour une période maximale de 10 ans, provenant du fonds de réserve de la Ville destiné au logement abordable. Une telle approche limite l'exposition fiscale, garantit la prévisibilité et laisse à la Ville la flexibilité nécessaire pour répondre à des conditions de financement changeantes.

Le projet pilote viserait d'abord trois projets d'aménagement de la SLCO : Mosaïq (étape 2), Beausoleil et place Geyser; cela favoriserait la construction d'environ 550 nouvelles maisons abordables. En reportant une portion de la contribution en capitaux propres de la Ville habituellement versée d'avance, au moyen du financement par emprunt, le cadre permet de lancer les projets plus tôt tout en respectant le Plan financier à long terme pour les services de logement de la Ville et des cibles annuelles de nouveaux logements abordables.

Le cadre prévoit aussi et exploite l'intégration des financements futurs accordés par les gouvernements fédéral et provincial, notamment par Maisons Canada. Si un financement attendu n'est pas reçu en entier, d'autres sources – dont l'apport progressif de capitaux propres par la Ville ou l'émission de dettes supplémentaires – seraient évaluées et présentées au Conseil.

BACKGROUND

2024 Housing Long Range Financial Plan

In November 2024, Council approved the Housing Services Long Range Financial Plan 2025-2030 Update ([ACS2024-FCS-FIN-0011](#)), and directed staff to explore the feasibility of the City offering debt financing as an alternative to direct equity contributions to support service providers in launching affordable housing projects and that the debt servicing would be temporarily covered by the City's Affordable Housing annual budget until service providers can use rent revenue to cover these costs. Staff recommended that this alternative financing approach be tested in the form of a pilot to limit the City's financial risk exposure, while testing the feasibility of advancing affordable housing construction with additional debt financing. OCHC was chosen for the pilot due to the fact that the City is sole shareholder of the corporation and the financial results and debt of the corporation are consolidated within the City's financial statements for statutory and regulatory reporting purposes.

Affordable Housing Targets

The City's Housing Long Range Financial Plan 2025–2030 Update ([ACS2024-FCS-FIN-0011](#)), approved in 2024, targets the annual delivery of 500 new affordable and supportive units. Between 2020 and 2025, the City has allocated a total of \$127.2 million in municipal capital towards new affordable and supportive housing supply. Although there is no set annual allocation of funding towards OCHC's construction of projects, on average between 2020 and 2025, they have been awarded approximately 31 per cent of municipal capital funds, and have delivered approximately 116 units annually (23 per cent of the City's housing target). This excludes any provincial or federal funding administered by the City to OCHC.

OCHC's 10-Year Redevelopment Plan indicates a capacity to deliver up to 60 per cent of the City's affordable housing target (300 units annually). The Affordable Housing Debenture Framework (OCHC pilot) would offer greater flexibility in leveraging municipal capital funding alongside federal and provincial sources to cover project costs and advance the construction of new affordable housing projects.

OCHC's Need for Alternative Development Financing

In recent years, OCHC's development projects have been primarily funded through the CMHC Affordable Housing Fund (AHF) - formerly National Housing Co-Investment Fund) - and up-front equity contributions from the City of Ottawa and Province of

Ontario. Since the first LRFP in 2021, residential construction costs have risen over 50 per cent in Ottawa, and AHF interest rates have also escalated, creating an average equity shortfall on upcoming OCHC development projects in the range of 30 per cent to 40 per cent.

To close equity shortfalls on upcoming OCHC development projects, an approach to seek an alternative financing structure was approved by the OCHC Finance and Audit Committee, and the Board of Directors in November 2022. OCHC hired Deloitte to develop a financial model, review various delivery scenarios and options to leverage multiple debt financing structures to support OCHC's development plan. Deloitte recommended implementing a funding strategy leveraging bond issuance as the primary vehicle to provide additional funding for development projects. Through the leverage of debt, municipal funds could be utilized to build more homes as a portion of the annual contribution would be repurposed to make principal and interest payments over 10 years. In essence, spreading the contributions over more units. It was determined that the City of Ottawa would be ideally suited to issue the debenture since the infrastructure and Sustainable Bond Program are already in place to obtain optimal rates and significantly reduce the cost to OCHC of administering it themselves.

OCHC and the City of Ottawa formed a working group to collaborate on the development and finalization of the alternative financing solution to be implemented on a pilot basis, leveraging the City's promissory note and debenture program and providing interim debt servicing funding from budgeted affordable housing capital reserves that would otherwise have been distributed as an equity contribution. As per the direction from Council, this would be interim funding to accelerate the construction of more housing units, but only for those projects where the cost of financing can eventually be covered by the revenue from the units built, within ten years of construction.

Short-Term and Long-Term Borrowing

Promissory Note Program

The Treasury Branch uses short-term borrowing strategies to manage cash flow volatility and meet debt servicing obligations while maintaining a prudent investment approach. Short-term borrowing strategies are critical to ensuring there are sufficient funds to cover operating and capital spending, when required. The City uses promissory notes and debentures (bonds) as tools to borrow money for different financial needs. A promissory note is a short-term agreement where the City promises to repay a lender a

certain amount plus interest by a set date, often used for immediate funding needs.

Council approved the Temporary Borrowing By-law 2023-355 authorizing short-term borrowing which enables staff to better manage the volatility of these cashflow requirements. To keep a market presence, staff issue promissory notes on a weekly basis with maturities ranging from one to three months and offset the cost by investing the proceeds in short-term conservative investments. There was \$160 million of outstanding Promissory Notes at December 31, 2024, all of which matured and were paid back in January 2025. The City maintains approximately a \$1.0 billion Promissory Note facility in accordance with Short-Term Borrowing By-law 2023-355.

Grant by Way of a Loan

Pursuant to section 107 of the [Municipal Act, 2001](#) (the “**Act**”) , subject to section 106, a municipality is authorized to make grants, on such terms as to security and otherwise as the council considers appropriate, to any person, group or body for any purpose that the council considers to be in the interests of the municipality. The power to make a grant under section 107 specifically includes the power to make a grant by way of loan and to charge interest on the loan.

Section 106 of the Act prohibits the provision of assistance or “bonusing” to any “manufacturing business or other industrial or commercial enterprise” by way of, among other things, the lending of money. Subsection 26 (a) of the [Housing Services Act, 2011](#) expressly provides that a local housing corporation is deemed not to be a commercial enterprise for the purposes of subsection 106 (1) of the Act. It follows from this that, provided that Council considers the making of a grant by way of loan to OCHC in respect of a social housing project to be in the interests of the City, the City can make a grant by way of loan to OCHC, charge interest on the loan and provide that the loan will be made subject to “such terms as to security and otherwise as the Council considers appropriate”. Any other non-profit housing service provider would not be eligible under subsection 26 (a) and would likely require a municipal capital facilities agreement arrangement.

Issuing Debentures

Section 401 of the Act authorizes a municipality to incur debt for municipal purposes and to issue debentures for or in relation to the debt. Subsection 408 (3) of the Act provides that the term of any debenture shall not extend beyond the lifetime of the capital work for which the debt was incurred and shall not exceed 40 years. To ensure compliance with subsection 408 (3) of the Act, the City would need to make the grant to

OCHC conditional on it being used only for the construction/capital costs in connection with the social housing project and the project must have a useful economic life that is at least equal to the term of the debentures issued, provided that the term does not exceed 40 years.

Because of the statutory requirements necessary for a valid issue of debentures, any financial assistance that is funded by the issue of debentures is limited in terms of its application to the provision of the social housing project; and debentures cannot be issued, for example, for the lease, operation or maintenance of the project.

It is implicit that the City is entitled to take security for its grant/loan and a credit arrangement will need to be negotiated between the City and OCHC. A contractual obligation would be set with OCHC on a project-by-project basis, with security being taken on a grant-by-grant basis (loan), immediately callable if funds are misapplied, or if payment default were to occur.

Post issuance, the debenture by-law will identify OCH as the source of funds. An OCHC sinking fund would be set, with corresponding annual levy contributions.

Sustainable Bond Program

In December 2023, the City developed a new updated Sustainable Bond Framework that will govern the issuance of Sustainable Debentures. These are debt instruments where proceeds are to be exclusively applied to finance new or existing green and social capital projects. The Sustainable Bond Framework supports the City's commitment to Environmental, Social, and Governance (ESG) – an industry-wide framework used by investors and stakeholders to evaluate a company's sustainability and ethical impact beyond just financial performance. The City issued its first Sustainable Debenture in October 2024 in the amount of \$225 million to finance the LRT project, the new Ottawa Public Library and Ottawa Police South facility, primarily due to the green aspects of these investments. The City has not had many opportunities to fund purely social investments with a sustainable bond. The City's framework includes a category of eligible projects specifically for social and affordable Housing. The proposed Affordable Housing Debenture Framework is a good opportunity for the City to expand its use of the Sustainable Bond Framework, which is becoming increasingly popular with investors.

Housing Reserve

The Housing Reserve was established to fund new affordable and supportive housing development. Funds are contributed from the citywide operating budget as a contribution to capital, and from the vacant unit tax revenue, the disposition of any annual housing services budget year-end surplus, as well as 25 per cent of surplus land sales and sale of air rights and cash in lieu of affordable housing. Funds are distributed from the Housing Reserve to the Affordable Housing capital program per the capital budget approved by Council each year. Between 2020 and 2025, the Reserve has received an average annual top-up of approximately \$18.9 million, which staff have allocated to proponents with either successful RFP submissions or active projects facing funding gaps.

Managed by the Affordable Housing Branch, the Affordable Housing capital program has traditionally been used to fund affordable housing projects from pre-development through to construction completion. These projects are typically selected through a competitive Request for Proposal (RFP) process, with each project being assessed against criteria such as financial viability, depth and duration of affordability, and construction timelines.

The proposed Debenture Framework, which would use Housing Reserve funds to service debt, represents a shift from the current traditional upfront equity funding distribution model.

DISCUSSION

As part of the implementation of OCHC's 10-Year Redevelopment Plan, Deloitte was commissioned by OCHC to develop an alternative financing strategy that could leverage bullet bond issuance by OCHC as the primary vehicle to provide the additional funding required for planned development projects. After reviewing the strategy with the City of Ottawa Treasury Department, it was determined that it would be cost effective and efficient for OCHC to leverage the City's existing financial vehicles and debt infrastructure to provide the funding. The City of Ottawa's Treasury involvement is based on its ability to:

- Access capital markets at lower rates due to the City's strong credit rating (Moody's AAA, S&P AA+). Savings are evaluated to be 30 to 50 basis points in all-in yield;
- Issue debt in sufficient volumes to meet market minimums (typically \$100 million

plus);

- Strong investor engagement, with market familiarity and comfort with City of Ottawa's debt; and
- Avoid the need for OCHC to build in-house debt issuance capacity or engage external advisors.

The City Treasury's role would be limited to issuing and administering debt instruments, while OCHC remains responsible for servicing the debt.

To service this debt, the report is recommending approval to expand the permitted uses of the City's Housing Reserve to include servicing debt issued by the City Treasury under the Affordable Housing Debenture Framework and potentially federal financing for Build Canada Homes, if required, until affordable housing projects are self-sustaining. The equity shortfall of these projects cannot be solely addressed through the Debenture Framework and may also require municipal capital, while staying within annual budgeted allocations for affordable housing.

This proposed structure and size of the pilot program (i.e. potential debt issued) ensures that the City's credit rating and financial commitments remain protected, while assisting in closing equity gaps to help OCHC with proceeding with development projects and aligns with Council's direction to explore the feasibility of the use of debt financing to support the delivery of affordable housing ([ACS2024-FCS-FIN-0011](#)). The financing available for the proposed pilot projects is not confirmed yet and advancement on these projects will be dependent on receiving sufficient funding from all sources. This report is not intended to be an approval mechanism for the three projects, staff and OCHC are only seeking approval to expand the use of the Housing Reserve for debt servicing to provide OCHC with additional financing tools and flexibility and to test the model of leveraging additional debt to advance development of affordable housing.

Value For Money

The alternative equity financing solution increases the potential for OCHC to proceed to development sooner. Leveraging the City of Ottawa's Treasury infrastructure represents the most efficient and cost-effective approach for the issuance of debt while reducing the risk profile for OCHC.

The use of promissory notes and bullet bonds have been used in the United Kingdom to fund affordable housing projects for many years.

Recommendation 1 - Affordable Housing Debenture Framework

Staff are seeking Council approval of the Affordable Housing Debenture Framework, as outlined in this report.

Traditionally, OCHC has been recognized as a municipality for CMHC Affordable Housing Fund applications which have a maximum loan-to-value (LTV), a combined repayable loan and forgivable loan, of 75 per cent. On average, given net operating income, upcoming OCHC development projects qualify for approximately 55-65 per cent LTV. With the implementation of Build Canada Homes, the debt pilot will assist the City of Ottawa to increase its co-investment contributions for eligible projects, with less cash upfront.

To assist in covering a portion of the remaining equity shortfalls on development projects, OCHC would evaluate and potentially leverage the proceeds from City issued promissory notes. The City of Ottawa Treasury branch has confirmed that the issuance of promissory notes for OCHC development projects will not impact the City's credit rating. Promissory notes provide OCHC with the flexibility to access liquidity at lower interest rates than typically would be available from commercial lenders. For example, Treasury can issue 30-day promissory notes that can be rolled over every 30 days until project completion, for below 3 per cent, while commercial market ranges from 3.5 - 4 per cent. A portion of the Housing Reserve would be used to service the interest payments of promissory notes until project construction completion, where promissory notes and construction loans will be converted to longer-term financing, such as municipal bonds and mortgages.

Once short-term financing is converted, a portion of the Housing Reserve funds may be used to service City issued debt and potentially federal financing for BCH, if required within the parameters of the OCHC Pilot.

Recommendation 2 - Housing Reserve Expansion of Permitted Uses

Staff are seeking authority to expand the use and type of allocation of the reserve to service debt issued by the City and potentially, federal financing for Build Canada Homes issued to OCHC for the development of affordable housing projects.

The proposed Debenture Framework represents a shift from the reserve's traditional upfront equity funding distribution model. While the Housing Reserve is a predictable funding source that allows for quick responses to funding gaps compared to other funding sources, the proposed framework offers OCHC greater flexibility in leveraging

municipal capital funding alongside federal and provincial sources to cover project costs. To explore the effectiveness of this framework, staff are recommending a pilot with the parameters outlined in Recommendation 3 below.

Recommendation 3 – Pre-allocation of up to \$2 million per year for up to 10 years

Staff are seeking approval for the pre-allocation of up to \$2 million annually for up to 10 years from the City’s Housing Reserve for the Ottawa Community Housing Corporation Pilot. Based on these parameters OCHC has identified and completed financial modelling for City supported projects under or nearing construction. Table 1 below outlines the financial details of the projects subject to the pilot.

Table 1: OCHC Projects Included in Pilot

OCHC New Development Pipeline (in \$000's)	Mosaic Ottawa Phase 2	Beausoleil	Geysier Place	Alternative Debt Funding Pilot
Projected Construction Completion	2026	2028	2028	
Total units	273	159	118	550
Development Costs (Excl Land & Exempt Dev Fees)				
Total development cost	142,476	82,138	63,719	288,332
Total development cost/unit	522	517	540	524
Sources of Funds (Excl Land equity & Dev Breaks)				
OCH equity contribution (up to 3%)	4,274	2,458	1,918	8,651
City Capital Contribution	39,095			39,095
City CA's OPHI & BFF & HAF	5,326			5,326
Equity shortfall before AHF/HAF/Seed/City/Financing	93,781	79,680	61,800	235,261
Equity shortfall/Unit before AHF/HAF/Seed/City/Financing	344	501	524	428
Housing Accelerator Fund Round 1 (2024) Actuals	3,795	2,681		6,476
Remaining Funding Required before CMHC Financing	89,985	76,999	61,800	228,785
Affordable Housing Fund (AHF formerly NHCF) Forgivable Loan	4,232	19,743	14,335	38,309
Affordable Housing Fund (AHF formerly NHCF) Repayable Loan	79,577	27,992	25,476	133,045
CMHC Seed Forgivable Loan		80		80
Total Estimated CMHC Funding/Financing	83,809	47,815	39,811	171,434
Incremental Equity Required	6,177	29,185	21,989	57,350
Build Canada Homes (BCH) Forgivable Loan		18,218	13,389	31,607
City Issued Bullet Bond	6,177	10,967	8,600	25,744
Promissory Note Interest During Construction	0	662	704	1,366
Bullet Bond Financing Post Construction				
Mortgage bond servicing requirement (months)	13	112	120	
Mortgage bond servicing requirement (years)	1.1	9.3	10.0	
Monthly bond servicing subsidy required	29	51	40	
Annual bond servicing subsidy required	344	612	480	
Accumulated bond servicing subsidy required	373	5,712	4,800	10,885
Total Required Allocation of City Affordable Housing Budget	373	6,374	5,504	12,251

Key Assumptions

3.53% interest AHF rate (November 2025)

BCH has no stacking limitations

Bond and AHF Mortgage take out happens 2-3 months post construction completion

Usage of Bullet Bond Financing reduced by any incremental funding received prior to construction completion

STATUS OF FINANCING	
	AHF Credit Agreement
	Application Pending Prioritization
	Application in Review
	Pending Application Submission

The projects consist of mid-rise, high-rise and townhomes with rents geared to low- and moderate-income individuals and families. The unit mix ranges from bachelors to four-bedroom homes and service a broad spectrum of housing needs. Rents are based on

CMHC Affordable Housing parameters with 30-40 per cent of the homes at 70-80 per cent of median market rent (MMR) and the remainder are at 100% average market rent (AMR), meeting the City of Ottawa's affordable housing guidelines.

The projects are majority funded through the CMHC Affordable Housing Program (60 per cent) with the remainder funded through expected allocations of Housing Accelerator Funds, Build Canada Homes forgivable loans, and incremental upfront contributions from the City. By leveraging a bond issuance, the City will defer \$13.5 million of the required contribution over an average of ten years until the projects are self-sustaining and OCHC can service the debt.

It should be noted that this financial modelling for the pilot projects assumes that approximately \$32 million in Build Canada Home funding will be secured to support these projects over the next 3 years. Should this funding not be fully secured, incremental upfront equity contributions from the City, or additional debt issuance, will be required.

It is also important to note that \$2 million in annual debt servicing could pay for approximately \$40 million in additional debt funding. The proposed three pilots only require \$26 million of that amount, giving staff flexibility to allocate more to other OCHC projects as the pilot progresses and shows positive returns.

Recommendation 4 – Delegate the authority to the GM FCSD and Chief Financial Officer of the City of Ottawa to negotiate and enter into the necessary credit and legal agreements with OCHC

A third party credit arrangement needs to be negotiated between the City and OCHC and put in place, in support of the Affordable Housing Debt Funding Pilot. In addition to the credit arrangement, a contractual obligation will need to be negotiated on a project-by-project basis.

Staff are seeking approval to delegate the authority to the CFO of the City of Ottawa to negotiate and enter into the necessary credit and legal agreements with OCHC in support of the Affordable Housing Debenture Framework.

Next Steps

If authority is granted, staff will explore how to formalize this pre-allocation in an agreement with OCHC, whether through an existing or new affordable housing contribution agreement.

The necessary legal agreements, in support of the City issuing debt on behalf of OCHC, will also be drafted and in place before coming to Council for approval on the associated debt authority.

Administration for the bond issuance and debt servicing for the OCHC Pilot will be developed through ongoing coordination between Corporate Finance and the Affordable Housing Branch.

Staff will report back to Council on the progress of the pilot as part of the updated Housing LRFP expected in the next term of Council.

Treasury Oversight and Governance

All debt issued under this proposed strategy would be governed by the [Delegation of Authority \(By-law No. 2025-69\)](#), and administered by the City's Treasury branch in accordance with the Municipal Act of Ontario and the City's Investment and Debt Management Policies.

Treasury will provide annual reporting to Council on the status of any debt issued under this program, including outstanding balances, interest costs, and sinking fund performance. This ensures transparency and accountability while maintaining alignment with the City's Long Range Financial Plan (LRFP).

FINANCIAL IMPLICATIONS

By implementing this strategy, OCHC and the City will enable the delivery of 558 new homes at Mosaiq Phase 2, Beausoleil, and Geyser Place through the pilot program, supported by the issuance of \$25.7 million in promissory notes and debentures.

Over the next ten years, approximately \$12.32 million in cumulative funding will be required to service the associated debt. In accordance with the pilot parameters, annual debt-service costs will not exceed \$2 million. This amount will be funded within existing affordable housing budget allocations and will not create additional budget pressure for the City.

The financial model assumes that approximately \$32 million in Build Canada Home funding will be secured over the next three years to support these projects. If this funding is not fully secured, additional upfront equity contributions from the City or further debt issuance will be required.

To enable this approach, pre-allocation of up to \$2 million from the City's Housing Reserve is required to support project-specific debt-servicing obligations, including:

- Interest on short-term promissory notes
- Interest and sinking-fund payments on long-term bullet debentures
- Potential interest costs associated with Build Canada Home financing, if required

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a citywide report.

CONSULTATION

OCHC's Finance and Audit Committee approved the approach on June 3, 2025, and the OCHC Board of Director's approved on June 19, 2025.

OCHC and the City of Ottawa have formed both a working group and a steering group that meet regularly to refine and finalize the financing methodology.

Ongoing collaboration will ensure alignment with the City's LRFP and affordable housing goals.

ACCESSIBILITY IMPACTS

The Finance and Corporate Services department is committed to ensuring accessibility for persons with disabilities. While this report is administrative in nature, it is guided by and adheres to a legislated accessibility framework that includes the City's Accessibility Policy and the *Integrated Accessibility Standards Regulation*, O.Reg. 191/1 of the *Accessibility for Ontarians with Disabilities Act, 2005*.

DELEGATION OF AUTHORITY IMPLICATIONS

Delegation of authority to the CFO of the City of Ottawa to negotiate and enter into the necessary legal agreements with OCHC in support of the Affordable Housing Debenture Framework.

ENVIRONMENTAL IMPACTS

The Affordable Housing Debenture Framework outlined in this report supports the City's Sustainable Debenture Framework, which supports the City's commitment to a more sustainable, inclusive and resilient future, enabling the financing and refinancing of eligible green and social projects. This also aligns with the City's 2023-2026 Strategic

plan, to help support social infrastructure, affordable housing and projects that advance socioeconomic empowerment.

RISK MANAGEMENT IMPLICATIONS

Interest rate risks and shifting economic/market conditions could impact the total costs associated with borrowing, which would directly impact the period required for a project to reach self-sufficiency. Mitigation strategies involve continuous monitoring of financing options, and proactive interest rate management. The approach ensures flexibility to adjust financing strategies as conditions evolve. The City of Ottawa Treasury Department actively monitors market conditions and interest rate trends to mitigate financial risk. Interest rate assumptions used in this strategy are conservative and reflect current market conditions.

Treasury maintains flexibility in issuance timing and structure to respond to changing economic conditions. Should interest rates rise significantly or project timelines shift, Treasury will adjust the financing strategy accordingly to minimize cost and exposure.

It should be noted that this financial modelling for the pilot projects assumes that approximately \$32 million in Build Canada Home funding will be secured by OCHC to support these projects over the next three years. Should this funding not be fully secured, incremental upfront equity contributions from the City or additional debt issuance, will be required.

TERM OF COUNCIL PRIORITIES

This report supports the City's ongoing commitments the current 2023 - 2026 Term of Council Priorities of: a city that has affordable housing and is more livable for all and a city with a diversified and prosperous economy. The report also promotes the City's commitment to financial sustainability and transparency.

DISPOSITION

Following Council's approval, Finance and Corporate Services Department staff, and Strategic Initiatives staff will carry out the recommendations as presented in this report.