

- 2. REDIRECTION OF OTTAWA COMMUNITY HOUSING CORPORATION'S
PROPERTY TAX SAVINGS AND UPDATE ON CANADA MORTGAGE AND
HOUSING CORPORATION CO-INVESTMENT LOAN TO OTTAWA
COMMUNITY HOUSING**
- RÉAFFECTATION DES ÉCONOMIES GÉNÉRÉES PAR L'EXEMPTION
D'IMPÔT FONCIER DE LA SOCIÉTÉ DE LOGEMENT COMMUNAUTAIRE
D'OTTAWA ET MISE À JOUR SUR LE PRÊT DU FONDS DE CO-
INVESTISSEMENT DE LA SOCIÉTÉ CANADIENNE D'HYPOTHÈQUE ET DE
LOGEMENT ACCORDÉ À LA SOCIÉTÉ DE LOGEMENT
COMMUNAUTAIRE D'OTTAWA**

COMMITTEE RECOMMENDATIONS

That Council:

- 1. Approve, Ottawa Community Housing Corporation's (OCHC)
redirection of property tax savings as follows:**
 - a. Provide authority for OCHC to allocate, on an exceptional basis, the
net amount of 2022 education portion of the property tax savings
towards their 2022 operating deficit, if any, after servicing the
Canada Mortgage and Housing Corporation Co-Investment Loan;
and**
 - b. Direct OCHC to report on the use of the savings from the education
portion of the property taxes as part of their annual information
return to the City's Housing Services, in its capacity as the Service
Manager.**
- 2. Receive for information purposes the update on Ottawa Community
Housing Corporation's \$165.6M loan for capital repair funding from the
Canada Mortgage and Housing Corporation Co-Investment Fund.**

RECOMMANDATIONS DU COMITÉ

Que le Conseil :

- 1. Approuve les utilisations suivantes des économies générées par l'exemption d'impôt foncier de la Société de logement communautaire d'Ottawa (SLCO) :**
 - a. autoriser la SLCO à utiliser, à titre exceptionnel, le montant net généré par l'exonération des taxes scolaires de 2022 pour réduire le déficit de fonctionnement de 2022, s'il en est, puis pour rembourser le prêt au Fonds de co-investissement de la Société canadienne d'hypothèques et de logement (SCHL); et**
 - b. demander à la SLCO de rendre compte de l'utilisation des économies générées par l'exonération des taxes scolaires dans sa Déclaration de renseignements annuelle aux Services du logement de la Ville, en tant que gestionnaire de services;**
- 2. Prenne acte de la mise à jour sur la portion du prêt de 165,6 millions de dollars du Fonds de co-investissement de la SCHL destinée à la réfection des immobilisations de la SLCO.**

DOCUMENTATION/DOCUMENTATION

1. Chief Financial Officer and General Manager of Community and Social Services' report, dated April 15, 2022, (ACS2022-CSS-GEN-009)

Rapport de la Cheffe des finances et Directrice générale des services sociaux et communautaires , daté le 15 avril 2022, (ACS2022-CSS-GEN-009)

**Subject: REDIRECTION OF OTTAWA COMMUNITY HOUSING
CORPORATION'S PROPERTY TAX SAVINGS AND UPDATE ON CANADA
MORTGAGE AND HOUSING CORPORATION CO-INVESTMENT LOAN TO
OTTAWA COMMUNITY HOUSING**

File Number: ACS2022-CSS-GEN-009

**Report to Finance and Economic Development Committee on 3 May 2022
and Council 25 May 2022**

**Submitted on April 15, 2022 by Wendy Stephanson, Chief Financial Officer and
Donna Gray, General Manager – Community and Social Services**

**Contact Person: Saide Sayah, Acting Director, Housing Services
613-580-2424 x 43083, Saide.Sayah@ottawa.ca
Ward: Citywide**

**Objet : RÉAFFECTATION DES ÉCONOMIES GÉNÉRÉES PAR L'EXEMPTION
D'IMPÔT FONCIER DE LA SOCIÉTÉ DE LOGEMENT COMMUNAUTAIRE
D'OTTAWA ET MISE À JOUR SUR LE PRÊT DU FONDS DE CO-INVESTISSEMENT
DE LA SOCIÉTÉ CANADIENNE D'HYPOTHÈQUE ET DE LOGEMENT ACCORDÉ À
LA SOCIÉTÉ DE LOGEMENT COMMUNAUTAIRE D'OTTAWA**

Dossier : ACS2022-CSS-GEN-009

**Rapport au Comité des finances et du développement économique le 3 mai 2022
et au Conseil le 25 mai 2022**

**Soumis le 15 avril 2022 par Wendy Stephanson, Cheffe des finances et
Donna Gray, Directrice générale – Services sociaux et communautaires**

**Personne ressource : Saide Sayah, Directeur intérimaire, Services de logement
613-580-2424 poste 43083, Saide.Sayah@ottawa.ca
Quartier : À l'échelle de la ville**

REPORT RECOMMENDATION

**That the Finance and Economic Development Committee recommend that
Council:**

- 1. Approve, Ottawa Community Housing Corporation's (OCHC) redirection of property tax savings as follows:**
 - a. Provide authority for OCHC to allocate, on an exceptional basis, the net amount of 2022 education portion of the property tax savings towards their 2022 operating deficit, if any, after servicing the Canada Mortgage and Housing Corporation Co-Investment Loan; and**
 - b. Direct OCHC to report on the use of the savings from the education portion of the property taxes as part of their annual information return to the City's Housing Services, in its capacity as the Service Manager.**

- 2. Receive for information purposes the update on Ottawa Community Housing Corporation's \$165.6M loan for capital repair funding from the Canada Mortgage and Housing Corporation Co-Investment Fund.**

RECOMMANDATION(S) DU RAPPORT

Que le Comité des finances et du développement économique recommande ce qui suit au Conseil :

- 1. D'approuver les utilisations suivantes des économies générées par l'exemption d'impôt foncier de la Société de logement communautaire d'Ottawa (SLCO) :**
 - a. autoriser la SLCO à utiliser, à titre exceptionnel, le montant net généré par l'exonération des taxes scolaires de 2022 pour réduire le déficit de fonctionnement de 2022, s'il en est, puis pour rembourser le prêt au Fonds de co-investissement de la Société canadienne d'hypothèques et de logement (SCHL); et**
 - b. demander à la SLCO de rendre compte de l'utilisation des économies générées par l'exonération des taxes scolaires dans sa Déclaration de renseignements annuelle aux Services du logement de la Ville, en tant que gestionnaire de services;**

- 2. De prendre acte de la mise à jour sur la portion du prêt de 165,6 millions de**

dollars du Fonds de co-investissement de la SCHL destinée à la réfection des immobilisations de la SLCO.

EXECUTIVE SUMMARY

The purpose of this report is to seek approval and provide an update on two (2) Ottawa Community Housing Corporation matters:

1. As an exception for 2022, authority is being sought to allow OCHC to use the savings from the property taxes for the purpose of addressing projected operating deficits in 2022. OCHC anticipates additional incremental costs in 2022 as a result of continued COVID-19 related expenses as well as inflationary impacts, resulting from increases in commodity pricing and supply chain issues. It is anticipated there will be \$1.9M - \$2.4M of additional incremental costs in 2022 across the entire OCHC portfolio. Of the \$3M annual tax exemption savings, it is anticipated up to \$2.4M will be required in 2022 to address the potential operating deficit, with the remaining balance of \$0.6M to be used to service the CMHC Co-Investment Loan. On November 25, 2020, Council granted this same redirection of savings to OCHC in 2020 and 2021 for similar reasons in report [ACS2020-CSS-GEN-011](#).
2. Since property tax savings are otherwise directed towards the \$165M CMHC Co-Investment Loan, staff wish to provide an update, for information purposes only, on the progress Ottawa Community Housing Corporation is making with capital repairs in the Public Housing and Equity portfolio.

RÉSUMÉ

Le présent rapport vise à faire le point sur les deux (2) dossiers suivants de la SLCO en vue de leur approbation :

1. À titre exceptionnel en 2022, on demande que la SLCO soit autorisée à utiliser les économies générées par les exemptions d'impôt foncier pour réduire le déficit de fonctionnement prévu en 2022. Pour cet exercice, la SLCO prévoit que les coûts différentiels seront plus élevés qu'à la normale en raison des dépenses liées à la pandémie de COVID-19 ainsi qu'à l'inflation causée par la hausse du prix des services et par des problèmes dans la chaîne d'approvisionnement. Ces coûts différentiels supplémentaires devraient représenter de 1,9 à 2,4 millions de

dollars pour l'ensemble du portefeuille de la SLCO. Sur les 3 millions en exemptions d'impôt annuelles, on utiliserait au plus 2,4 millions en 2022 pour réduire ce déficit éventuel, et le 0,6 million restant pour rembourser le prêt du Fonds de co-investissement de la SCHL. Comme indiqué dans le rapport [ACS2020-CSS-GEN-011](#), le 25 novembre 2020, le Conseil a approuvé la même utilisation des économies de la SLCO en 2020 et 2021 pour des raisons semblables.

2. Comme les économies générées par l'exemption d'impôt foncier servent normalement à rembourser le prêt de 165 millions de dollars du Fonds de co-investissement de la SCHL, le personnel souhaite faire état, à titre informatif seulement, du progrès réalisé par la SLCO en ce qui a trait à la réfection des immobilisations appartenant à son portefeuille de l'équité et du logement social.

BACKGROUND

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 MCFA with OCHC on December 31, 2014.

Pursuant to the 2014 Report (Council 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 also 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 (Council Report [ACS2009-COS-HOU-0001](#)).

Since 2014, when the property tax exemption was first introduced, OCHC has saved approximately \$24 million dollars (\$3 million annually) from the education portion of the property taxes for municipal purposes.

As outlined in the Ottawa Community Housing Corporation's Property Tax Exemption Update and Canada Mortgage and Housing Corporation Co-Investment Application for Capital Repair Funding report (Council Report [ACS2020-CSS-GEN-011](#)) dated

November 25, 2020, OCHC received Council's consent to apply for a CMHC Co-Investment Loan under the Capital Repair and Renewal Stream. OCHC entered into a \$165.6M credit agreement under this stream with \$65M being forgivable and the balance being low interest loans. The report on November 25, 2020 (Council Report [ACS2020-CSS-GEN-011](#)), provided authority for OCHC to redirect the savings from the education portion of the property taxes, generated through the property tax exemption towards both the previously Council approved capital repairs within the social/affordable housing stock, and to expand the allowable use to service the CMHC Co-Investment Loan.

The recommended approval to redirect the property tax savings from the CMHC Loan to the operational deficit does not have an impact on the allocation of funding by the City to OCHC. The exception is being sought as a result of a projected deficit due primarily to ongoing costs associated with the current COVID-19 pandemic. This would be the third year that OCHC is seeking this exception. Council previously approved the redirection on November 25, 2020 (Council Report [ACS2020-CSS-GEN-011](#)). In 2020 and 2021, OCHC used \$1.1M and \$2.8M of the property tax savings towards the operating deficit in their Public Housing portfolio.

The CMHC loan is a low interest rate loan, with the \$165.6 million pre-approved loan funding, \$65 million of which is forgivable in equal portions over the initial 10-year term, accessed and released as required over the 2020-2028 period to support capital work as it is completed. The loan has a 40-year amortization period. The interest rate is set at the 10-year Canada Bond yield plus 30 basis points. At the time of each year's funding tranche release (draw) the interest rate is modelled to increase by an additional 20 basis points. The rate is then set for 10 years, renewable for an additional 10 years and the interest rate is set again. As sole shareholder, the City has an ongoing requirement to fund the public housing portfolio, and support of the 40-year loan is aligned with those requirements.

OCHC fully executed the credit agreement with CMHC in October 2021. Of the \$165M loan, OCHC accessed \$8.5M in December 2021 and projects to receive approximately \$34M in 2022 to fund major capital repairs. Debt servicing on the repayable loan received to date began in January 2022.

DISCUSSION

2022 Projected Operating Deficit

OCHC is projecting a 2022 operating deficit primarily due to costs associated with the current COVID-19 pandemic. These anticipated costs include additional cleaning, personal protective equipment (PPE), staffing, higher utility costs as a result of residents spending more time at home due to the pandemic and the requirement to work from home. There have also been increased pest management and security costs related to the COVID-19 pandemic. In addition, significant inflationary impacts, particularly on utilities and services are expected to impact operating expenses.

OCHC is projecting \$1.9M-\$2.4M of additional incremental costs across its entire portfolio due to the COVID-19 related pressures described above. Additional federal and provincial funding, if subsequently confirmed, may mitigate some of these COVID-19 pressures.

As the pandemic continues to have an impact on operating expenses, staff recommend a third and final exception to redirect the savings in 2022. As such, the report proposes to provide authority to OCHC to use the education portion of the property tax savings towards their 2022 operating deficits, if any occurs. It is anticipated that in 2022, of the annual \$3 million property tax savings, approximately \$2.4 million would be required to offset COVID-19 related costs contributing to the 2022 operating deficit and \$0.6 million will be used to service the CMHC Co-Investment Loan.

CMHC Co-Investment Loan Update – Capital Repair and Renewal Stream

The OCHC portfolio is one of the largest and oldest social housing portfolios in the province. The Public Housing Program portfolio is the largest portfolio owned by OCHC, comprised of 59 communities, representing 8,622 units. Many of these units have been in service for over 55 years.

To better assess the current state and future capital need of their entire social housing portfolio, in late 2018 OCHC updated their Building Condition Assessments and inputted the information into a City funded Asset Planner software. As a result of this initiative, significant updates have been made to identify the current condition of these assets, based on site inspections and the expected life cycle of individual capital components. Refinements have been made to individual property and community capital requirements within the Asset Planner capital planning tool. This has created an up to

date and comprehensive assessment of both the short and long-term capital needs of OCHC's social housing portfolio.

Despite the significant deferred maintenance and the annual funding shortfall for repairs identified through the Building Condition Assessments, progress has been made with the completion of major capital repair programs in recent years. Significant capital improvements, energy efficiencies and operational cost savings have occurred within OCHC communities as a result of these major maintenance, capital repair and energy retrofit programs.

On November 25, 2020 (Council Report [ACS2020-CSS-GEN-011](#)), OCHC received Council's consent to apply for a CMHC Co-Investment Loan under the Capital Repair and Renewal Stream. OCHC entered into a \$165.6M credit agreement under this stream with \$65M being forgivable and the balance being low interest loan.

OCHC fully executed the credit agreement with CMHC in October 2021. A first draw in the amount of \$8.5M was received in December 2021, which included a \$5.1M repayable loan portion and a \$3.4M forgivable loan portion. Debt servicing on the repayable loan began in January 2022. In 2022, OCHC projects \$36M of eligible capital spending across its Public Housing and Equity portfolios. Approximately \$34M of CMHC Co-Investment funding is anticipated in 2022. Projects scheduled for 2022 include cladding retrofits, elevator modernizations, mechanical upgrades, window replacements, roof replacements, generator replacements, and fire alarm replacements.

During the 2020-2028 period, OCHC identified \$301 million in capital need requirements for the Public Housing and Equity portfolios. Annual City benchmarked capital reserve funding of \$93.1 million, property tax exemption savings of \$20.7 million, OCHC equity contribution of \$8.0 million from operations, Infrastructure Ontario refinancing proceeds of \$13.5 million, along with the \$165.6 million CMHC Co-Investment loan have been identified to support and fund these \$301 million in capital needs.

Housing Services will continue to provide an annual update to Committee and Council on the progress of the CMHC Co-Investment loan and the capital repairs being completed.

FINANCIAL IMPLICATIONS

There are no financial implications to the City's overall operating budget associated with the report recommendations. In the event OCHC experiences a 2022 operating deficit due to COVID-19 related expenses and inflationary impacts, the net amount of 2022 education portion of the property tax savings will be used to offset the shortfall after servicing the Canada Mortgage and Housing Corporation Co-Investment Loan. It is anticipated that in 2022, of the annual \$3M property tax savings, approximately \$2.4M would be required to offset COVID-19 related costs contributing to the 2022 operating deficit and \$0.6M will be used to service the CMHC Co-Investment Loan. The Social Services Relief Funding (SSRF) may mitigate some of these COVID-19 pressures.

LEGAL IMPLICATIONS

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

COMMENTS BY THE WARD COUNCILLOR(S)

N/A

ADVISORY COMMITTEE(S) COMMENTS

N/A

CONSULTATION

There was discussion and consultation with OCHC, as well as internally with Legal Services and the Finance Department.

ACCESSIBILITY IMPACTS

There are no accessibility impacts.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications associated with the recommendations of the report.

CLIMATE IMPLICATIONS

There are no climate implications, associated with the recommendation of the report.

ECONOMIC IMPLICATIONS

There are no economic implications in the recommendations of the report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications in the recommendations of the report.

INDIGENOUS GENDER AND EQUITY IMPLICATIONS

There are no indigenous gender and equity implications in the recommendations of the report.

RISK MANAGEMENT IMPLICATIONS

There are no risk implications in the recommendations of the report.

RURAL IMPLICATIONS

There are no rural implications in the recommendations of the report.

TECHNOLOGY IMPLICATIONS

There are no technology implications in the recommendations of the report.

TERM OF COUNCIL PRIORITIES

The recommendations of this report support the 2019-2022 Strategic Plan: Thriving Communities priority. The City is committed to ensuring that Ottawa residents have access to safe, adequate and affordable housing.

SUPPORTING DOCUMENTATION

Document 1 – Amendment to By-law No. 2014-431

DISPOSITION

OCHC will be required to report back on the use of the savings from the education portion of the property taxes and the benchmarked capital reserve funding as part of their annual information return to the City's Housing Services.