

**Report to
Rapport au:**

**Community and Protective Services Committee
Comité des services communautaires et de protection
18 June 2015 / 18 juin 2015**

**and Council
et au Conseil
24 June 2015 / 24 juin 2015**

**Submitted on June 11, 2015
Soumis le 11 juin 2015**

**Submitted by
Soumis par:
Susan Jones, Acting Deputy City Manager/Directrice municipale adjointe par
intérim, City Operations/Operations municipales**

**Contact Person
Personne ressource:
Aaron Burry, General Manager/Directeur général, Community and Social
Services/Services sociaux et communautaires**

613-580-2424 ext. / poste 23666, Aaron.Burry@ottawa.ca

Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2015-COS-CSS-0011

**SUBJECT: OTTAWA COMMUNITY HOUSING CORPORATION MORTGAGE
REFINANCING**

**OBJET: REFINANCEMENT HYPOTHÉCAIRE DE LA SOCIÉTÉ DE LOGEMENT
COMMUNAUTAIRE D'OTTAWA**

REPORT RECOMMENDATIONS

That the Community and Protective Services Committee recommend Council approve:

- 1. Refinancing three Ottawa Community Housing Corporation project mortgages, as described in this report.**
- 2. That the Administrator of Housing Services be delegated the authority to:**
 - a. Approve refinancing of the Ottawa Community Housing Corporation project mortgages, described in this report, that are due for renewal in 2016, 2017 and 2018; and**
 - b. Proceed with refinancing the mortgages for 2016, 2017 and 2018 as long as 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.**

RECOMMANDATIONS DU RAPPORT

Que le Comité des services communautaires et de protection recommande au Conseil d'approuver :

- 1. le refinancement des hypothèques de trois projets de la Société de logement communautaire d'Ottawa décrits dans le présent rapport;**
- 2. que l'administrateur des Services de logement soit habilité à :**
 - a. approuver le refinancement des hypothèques des projets de la Société de logement communautaire d'Ottawa décrits dans le présent rapport qui doivent être renouvelées en 2016, 2017 et 2018;**
 - b. effectuer le refinancement des hypothèques pour 2016, 2017 et 2018 à condition que le montant ne soit pas supérieur aux subventions actuelles et que le résultat soit sans incidence sur les recettes de la Ville d'Ottawa, comme il est décrit dans le présent rapport.**

EXECUTIVE SUMMARY

Ottawa Community Housing Corporation (OCHC) has identified a need for significant capital repair and deferred maintenance work to be undertaken on many of the social housing projects within their portfolio. The levels of funding from on-going subsidies and

from existing capital repair programs are insufficient to complete the work that is required.

The intention of mortgage refinancing is to leverage the equity in existing assets to generate capital that can be applied toward the repair of the housing stock. This can be accomplished by extending the amortization period to 30 years for these projects at a low, fixed rate of interest for the duration of the loan.

Over the past three years, 2012 to 2014, Council has approved the refinancing of 18 mortgages for 30 year loans that has resulted in over \$33M in additional one time funding for capital repairs and maintenance of OCHC properties.

IO continues to offer long-term, stable borrowing rates (currently about 4.5% for 30 years) eliminating the risk of fluctuations in interest rates over the amortization of the loan. This year, OCHC has applied to IO to refinance three additional Social Housing mortgages that are due for renewal in 2015. By extending the amortization period and maintaining the debt payments at the current level, it is possible to generate approximately \$7M in additional capital in 2015. OCH has other mortgages that will become due for renewal in 2016, 2017 and 2018 whereby they can apply for refinancing with an estimated \$69M generated for repairs (over \$76M in total for years 2015 to 2018) as described in document 1.

RÉSUMÉ

La Société de logement communautaire d'Ottawa (SLCO) éprouve le besoin d'effectuer des rénovations majeures et des travaux d'entretien reportés dans un bon nombre de logements sociaux de son portefeuille. Cependant, le financement provenant des subventions actuelles et des programmes de rénovations majeures ne suffit pas à couvrir le coût des travaux nécessaires.

L'objectif du refinancement hypothécaire est de tirer profit de la valeur des biens existants afin de générer des fonds qui serviront à la réparation du parc de logements. Pour ce faire, il est possible de prolonger la période d'amortissement sur 30 ans, pour chacun de ces projets de logement, à un taux d'intérêt faible et fixe pour toute la durée du prêt.

Au cours des trois dernières années, de 2012 à 2014, le Conseil a approuvé le refinancement de 18 hypothèques pour une période de 30 ans, ce qui a permis de dégager 33 millions de dollars en financement ponctuel supplémentaire pour des rénovations majeures et de l'entretien sur les propriétés de la SLCO.

Investissement Ontario continue d'offrir des taux d'emprunt stables à long terme (actuellement 4,5 % sur 30 ans), ce qui élimine les risques de fluctuation des taux d'intérêt au cours de la période d'amortissement du prêt. Cette année, la SLCO a présenté une demande à Investissement Ontario pour le refinancement de trois hypothèques de logements sociaux arrivant à échéance en 2015. En prolongeant la période d'amortissement tout en maintenant le paiement de la dette au niveau actuel, il est possible de générer environ 7 millions de dollars de plus en capital en 2015. D'autres hypothèques arriveront à échéance en 2016, 2017 et 2018 et la SLCO, en demandant leur refinancement, générerait un montant d'environ 69 millions de dollars qui pourrait être utilisé pour des réparations (plus de 76 millions au total de 2015 à 2018), comme le décrit le document 1.

BACKGROUND

Ottawa Community Housing Corporation (OCHC) is Ottawa's largest non-profit housing Corporation with approximately two thirds of the total social housing stock. The City of Ottawa is the sole shareholder of the Corporation that manages the over 2 billion dollar asset. As a non-profit corporation that is owned by the City of Ottawa, OCHC is governed by a Board of Directors composed of community volunteers and members of City Council.

OCHC tenants include some of Ottawa's most vulnerable citizens. Families fleeing domestic violence have first priority for placement. Over 4,700 households are seniors; almost 3,000 households are tenants who qualify for the Ontario Disability Support Program; and over 6,600 children, 12 years old and under, live in OCHC communities. The quality and security of OCHC housing has a direct impact on the quality of life of over 32,000 tenants.

The City of Ottawa, the Province of Ontario and the Federal government have all invested in the construction, acquisition and maintenance of the social housing stock that constitutes OCHC. Within their portfolio is some of the oldest social housing stock in the province with the buildings being more than 35 years old on average. Each property that is to be remortgaged has been assessed by both OCHC and Infrastructure Ontario (IO) as to its long term viability and value.

OCHC completed a Building Condition Assessment Study (BCA) in 2008 which was updated in 2013. This information has now been down loaded into asset management software that will provide a comprehensive assessment on the state of the entire housing portfolio based on site inspections and the expected life cycle. This will project the capital funding requirements for all providers over the next 30 years.

OCHC has been proactive in reviewing and planning for these projected capital needs, and in December 2013, the Board approved a Long Range Financial Strategy to address the need to acquire sufficient funds to sustain operations, address current capital repair needs, and support further housing development. As part of this ongoing process, they continue to leverage their assets' equity to finance some of the much needed capital work.

DISCUSSION

Despite the significant deferred maintenance and the annual shortfall in funding for repairs that was identified through the BCA's, progress has been made in recent years with the undertaking of major capital works programs to repair the housing portfolio. OCHC continues to be proactive by identifying funding, leveraging assets and pursuing opportunities to increase revenue and reduce expenses. There have been visible improvements in OCHC communities as a result of major programs of maintenance and capital repair and energy retrofits that have been completed.

Reducing expenses has allowed OCHC to reinvest those savings into continued improvements. The water retrofit program, as an example, which included the replacement of all the toilets with energy efficient toilets resulted in an annual savings of \$5M in 2014. The OCHC Green Plan calls for the further implementation of energy saving measures that will result in savings. City Council approved a property tax exemption for OCHC, which has resulted in an additional \$3.1M available for capital repairs that previously would have been paid to the province as the educational component of the property tax.

Under the proposed refinancing, the existing mortgages will be paid off in full on their respective renewal dates and will be replaced by new 30 year debts arranged through Infrastructure Ontario (IO). IO offers long-term, stable borrowing rates (currently about 4.5% for 30 years) allowing for the elimination of the risk of fluctuations in interest rates. The extended obligation is consistent with the City's obligation as Service Manager under the *Housing Services Act, 2011* (HSA) to provide and maintain over 16,500 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 the RGI units with the balance of the RGI units spread across the 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 2015 to 2018. The Ministry of Municipal Affairs and Housing have confirmed in writing that the CMHC

funding associated with mortgages will continue until the end of the original maturation date 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 IO that would generate funds of about \$7M in 2015 and an additional \$69.3M from 2016 to 2018. The loans will be used to fully payout the existing mortgages, while the balance of the funds generated will be used toward priority capital repair work.

The HSA 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:

1. The City must maintain at least 16,502 units of RGI housing;
2. The City owns the housing stock as the sole shareholder and therefore has a fiduciary obligation to maintain the housing assets in good condition;
3. The City has an ongoing requirement to ensure that current tenants living in the RGI housing in question 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 in 2009 with OCHC. Further, staff has concluded that this approach is revenue neutral from the Service Manager's perspective while providing an opportunity to have OCHC access much needed capital.

This may not be the case with all mortgage renewals; therefore, all renewals will be evaluated on their own merits. The City will require that the monthly payments for new loans remain the same as what the City currently contributes to the mortgages.

To meet IO's security requirements, the City of Ottawa is asked to commit to continue the current level of the mortgage subsidy until the end of the 30 year loan and to accept a direction from OCHC that the City pay the 360 equal monthly instalments directly to the lender. OCHC is in agreement with this approach. A portion of OCHC's monthly subsidy would be provided directly to IO 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 so as to generate capital for much needed repairs.

City staff recommends the refinancing of the mortgages which are identified in Document 1, subject to some variance, to align with OCHC's multi-faceted approach to address the significant need for capital repairs. By maintaining the current level of mortgage subsidy funding based on the existing mortgage payments and extending the term of the debt, additional funding for capital repairs can be generated without any requirement for the City to increase its present level of mortgage subsidy funding, only extending it for 30 years. This capital infusion will go toward priority repair work at the discretion of OCHC and as with all previous funding; OCHC will ensure the funds have the maximum positive impact on the aging stock. OCHC agrees to report on the use of the capital generated through mortgage refinancing toward repairs and maintenance to its affordable housing stock as part of their annual information return to the City's Housing Services Branch, in its capacity as the Service Manager.

RURAL IMPLICATIONS

There are no specific rural implications associated with this report.

CONSULTATION

City staff has met on several occasions with staff from OCHC to work out details for refinancing proposals.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a City-Wide report.

ADVISORY COMMITTEE(S) COMMENTS

No consultations with advisory committees were required as this report is administrative in nature.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications associated with this report.

ASSET MANAGEMENT IMPLICATIONS

Ottawa Community Housing Corporation (OCHC) is Ottawa's largest non-profit housing Corporation with approximately two thirds of the total social housing stock. The City of

Ottawa is the sole shareholder of the Corporation that manages the over 2 billion dollar asset.

The recommendations in the report would result in an additional \$76.3M from 2015-2018 to be used toward priority capital work.

FINANCIAL IMPLICATIONS

With the approval of the report recommendations the current annual funding OCHC receives for the existing mortgages would remain constant until the end of the loan. The annual funding is currently included in Housing's operating budget. Based on OCHC's direction to pay, the City will issue a portion of OCHC's monthly subsidy directly to Infrastructure Ontario for the debt servicing costs. Since the level of annual debt servicing is expected to remain the same under the proposed refinancing there will be no impact on the Provincial Annual Repayment Limit for the City; however, on a consolidated basis, this will increase the City's amount of outstanding debt on the financial statements by approximately \$76M by 2018.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

TERM OF COUNCIL PRIORITIES

The recommendation in this report aligns with the Term of Council Priorities as it targets the Health & Caring Communities strategic priority by addressing the strategic objective to improve social and affordable housing.

SUPPORTING DOCUMENTATION

Document 1 – Tables 1 to 4: "OCHC 2015 to 2018 Mortgage Renewals"

DISPOSITION

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

Document 1

Table 1: OCHC 2015 Mortgage Renewals

Site	Renewal Date	Outstanding Principal	Current Annual Payment	Additional Capital Funds
Thornccliffe Court	2015/Aug/01	\$3,144,500	\$336,288	\$2.5M
Spadina Place	2015/Oct/01	\$337,229	\$82,254	\$1.0M
Nepean Place	2015/Oct/01	\$1,192,100	\$276,850	\$3.5M
2015 Total		\$4,673,829	\$695,392	\$7.0M

Table 2: OCHC 2016 Mortgage Renewals

Site	Renewal Date	Outstanding Principal	Current Annual Payment	Additional Capital Funds
Cahill Place	2016/Feb/01	\$1,548,733	\$366,890	\$4.6M
Strathcona: Wiggins, 301-427	2016/Feb/01	\$2,378,419	\$298,894	\$2.6M
Cairine Court	2016/Apr/01	\$593,775	\$217,332	\$3.1M
Dubeau Court	2016/Apr/01	\$255,787	\$93,623	\$1.3M
Strathcona: Goulburn, 300	2016/Apr/01	\$2,908,783	\$294,834	\$2.0M
Bronson Terrace	2016/May/01	\$749,882	\$107,808	\$1.1M
Mayview, 1433	2016/May/01	\$1,308,949	\$188,184	\$1.8M
Lexington	2016/May/01	\$2,005,401	\$288,300	\$2.8M
Bathgate Court	2016/Jun/01	\$374,220	\$209,249	\$3.1M
Lebreton 2	2016/Jun/01	\$0	\$100,009	\$1.7M
St. Laurent Place	2016/Aug/01	\$5,408,082	\$683,352	\$6.1M
2016 Total		\$17,532,031	\$2,848,475	\$30.2M

Table 3: OCHC 2017 Mortgage Renewals

Site	Renewal Date	Outstanding Principal	Current Annual Payment	Additional Capital Funds
Cumberland/ George	2017/Jan/01	\$1,714,559	\$284,328	\$3.0M
Strathcona: Wiggins, 310 & 320	2017/Mar/01	\$6,657,514	\$828,143	\$7.2M
Karsh Court	2017/Jun/01	\$1,378,998	\$309,768	\$3.8M
McCartin Place	2017/Jun/01	\$2,685,569	\$336,588	\$3.0M
Loretta/ Young	2017/Jun/01	\$0	\$128,411	\$2.1M
Shearwater Court	2017/Jun/01	\$0	\$237,281	\$4.0M

Site	Renewal Date	Outstanding Principal	Current Annual Payment	Additional Capital Funds
Lebreton 3	2017/Aug/01	\$0	\$114,090	\$1.9M
St. Peter's Court	2017/Sep/01	\$1,312,390	\$296,352	\$3.7M
2-50 Jessica	2017/Nov/01	\$3,519,654	\$446,172	\$4.0M
2017 Total		\$ 17,268,684	\$2,981,133	\$32.7M

Table 4: OCHC 2018 Mortgage Renewals

Site	Renewal Date	Outstanding Principal	Current Annual Payment	Additional Capital Funds
Strathcona: Renovations 2	2018/Mar/01	\$140,347	\$17,318	\$0.2M
Woodland Place	2018/Sep/01	\$500,748	\$183,276	\$2.6M
Winthrop Court	2018/Sep/01	\$1,273,850	\$293,052	\$3.6M
2018 Total		\$1,914,945	\$493,646	\$6.4M