

2. OTTAWA COMMUNITY HOUSING CORPORATION AND CANADA
MORTGAGE AND HOUSING CORPORATION CO-INVESTMENT LOAN
GUARANTEE
GARANTIE DE PRÊT : CO-INVESTISSEMENT DE LA SOCIÉTÉ DE
LOGEMENT COMMUNAUTAIRE D'OTTAWA ET DE LA SOCIÉTÉ
CANADIENNE D'HYPOTHÈQUES ET DE LOGEMENT

COMMITTEE RECOMMENDATIONS

That Council approve the following:

1. That Council, in its capacity as Shareholder and guarantor, direct the Ottawa Community Housing Corporation (OCHC) to obtain the approval of the Chief Financial Officer/Treasurer of the terms and conditions of the Co-Investment Loan Agreement prior to execution;
2. That Council, in its capacity as Shareholder of the OCHC, delegate authority to the Chief Financial Officer/Treasurer or her delegate to execute the City Guarantee and all required documents to implement the OCHC and Canada Mortgage and Housing Corporation (CMHC) Co-Investment Loan, pursuant to the application previously approved by Council on November 25, 2020 (ACS2020-CSS-GEN-011); and
3. That Council authorize the Director, Housing Services to execute any required consents of the City, in its capacity as Service Manager that may be required under the *Housing Services Act, 2011* and all other documents required for the transactions under the Agreements.

RECOMMANDATIONS DU COMITÉ

Que le Conseil approuve ce qui suit :

1. Que le Conseil, en sa qualité d'actionnaire et de garant, demande à

la Société de logement communautaire d'Ottawa (SLCO) d'obtenir l'approbation de la cheffe des finances et trésorière pour les modalités du contrat de prêt lié au co-investissement avant sa signature; et

2. **Que le Conseil, en sa qualité d'actionnaire de la SLCO, confère à la cheffe des finances et trésorière ou à son délégué le pouvoir de signer le cautionnement municipal et tous les documents nécessaires à l'exécution du contrat de prêt lié au co-investissement entre la SLCO et la Société canadienne d'hypothèques et de logement (SCHL), selon la demande approuvée par le Conseil le 25 novembre 2020 (ACS2020-CSS-GEN-011); et**
3. **Que le Conseil autorise le directeur des Services du logement à signer, en sa qualité de gestionnaire de services, les consentements requis de la Ville aux termes de la Loi de 2011 sur les services de logement et tous les autres documents nécessaires aux transactions prévues dans les ententes.**

DOCUMENTATION/DOCUMENTATION

1. Chief Financial Officer's report, Finance Services Department, dated June 24, 2021 (ACS2021-FSD-FIN-0018)

Rapport de la Cheffe des finances, Direction générale des services des finances, daté le 24 juin 2021, (ACS2021-FSD-FIN-0018)
2. Extract of draft Minutes, Finance and Economic Development Committee, 6 July 2021.

Extrait de l'ébauche du procès-verbal, Comité des finances et du développement économique, le 6 juillet 2021.

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
6 July 2021 / 6 juillet 2021**

**and Council
et au Conseil
21 July 2021 / 21 juillet 2021**

**Submitted on June 24, 2021
Soumis le 24 juin 2021**

**Submitted by
Soumis par:**

**Wendy Stephanson, Chief Financial Officer, Finance Services Department / Cheffe
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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2021-FSD-FIN-0018

**SUBJECT: Ottawa Community Housing Corporation and Canada Mortgage and
Housing Corporation Co-Investment Loan Guarantee**

**OBJET: Garantie de prêt : co-investissement de la Société de logement
communautaire d'Ottawa et de la Société canadienne d'hypothèques
et de logement**

REPORT RECOMMENDATIONS

That the Finance and Economic Development Committee recommend that Council approve the following:

1. That Council, in its capacity as Shareholder and guarantor, direct the Ottawa Community Housing Corporation (OCHC) to obtain the approval of the Chief Financial Officer/Treasurer of the terms and conditions of the Co-Investment Loan Agreement prior to execution;
2. That Council, in its capacity as Shareholder of the OCHC, delegate authority to the Chief Financial Officer/Treasurer or her delegate to execute the City Guarantee and all required documents to implement the OCHC and Canada Mortgage and Housing Corporation (CMHC) Co-Investment Loan, pursuant to the application previously approved by Council on November 25, 2020 (ACS2020-CSS-GEN-011); and
3. Authorize the Director, Housing Services to execute any required consents of the City, in its capacity as Service Manager that may be required under the *Housing Services Act, 2011* and all other documents required for the transactions under the Agreements.

RECOMMANDATIONS DU RAPPORT

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

1. Que le Conseil, en sa qualité d'actionnaire et de garant, demande à la Société de logement communautaire d'Ottawa (SLCO) d'obtenir l'approbation de la cheffe des finances et trésorière pour les modalités du contrat de prêt lié au co-investissement avant sa signature; et
2. Que le Conseil, en sa qualité d'actionnaire de la SLCO, confère à la cheffe des finances et trésorière ou à son délégué le pouvoir de signer le cautionnement municipal et tous les documents nécessaires à l'exécution du contrat de prêt lié au co-investissement entre la SLCO et la Société canadienne d'hypothèques et de logement (SCHL), selon la demande approuvée par le Conseil le 25 novembre 2020 (ACS2020-CSS-GEN-011); et

- 3. Que le Conseil autorise le directeur des Services du logement à signer, en sa qualité de gestionnaire de services, les consentements requis de la Ville aux termes de la Loi de 2011 sur les services de logement et tous les autres documents nécessaires aux transactions prévues dans les ententes.**

BACKGROUND

On November 25, 2020, Council approved authority for the Ottawa Community Housing Corporation (OCHC) to submit a Canada Mortgage and Housing Corporation (CMHC) Co-Investment Loan application under the housing repair and renewal stream up to a maximum of \$166 million over the 2020-2028 fiscal period ([ACS2020-CSS-GEN-011](#)). The CMHC reviewed the OCHC's application and on May 13, 2021 and provided a Letter of Intent to the OCHC, as borrower, and to the City, as guarantor, conditionally allocating a maximum of \$165,557,000 for the purpose of repairing/updating a portfolio of approximately 11,060 community housing units over a nine-year period, ending no later than December 31, 2028. A condition of the Letter of Intent (LOI) is that the City must provide guarantee of the payment and performance obligations of OCHC pursuant to the Loan.

The Chief Financial Officer/Treasurer signed the "non-binding" LOI to confirm the City's intention to guarantee the Loan and supports moving forward with the Loan. As such, staff recommend that Council provide the required authority for the Chief Financial Officer/Treasurer to execute any binding financial documents including, but not limited to, any term sheets, letter of agreement or guarantees to facilitate OCHC obtaining the Loan and the Director, Housing Services to execute any required consents since the housing portfolio is subject to the *Housing Services Act, 2011*.

Furthermore, to ensure the City is adequately protected in providing the guarantee, staff are seeking delegated authority to enter into any required side agreements with OCHC to secure the guarantee being provided by the City, as deemed appropriate by the Chief Financial Officer/Treasurer in consultation with both Legal Services and Housing Services. Draft terms and conditions for the Guarantee Agreement were received on June 11, 2021 and reviewed by City Finance and Legal Services staff. If Council approves the recommendation to guarantee the OCHC Co-Investment Loan with CMHC, the Chief Financial Officer/Treasurer and City Solicitor will negotiate, finalize and execute the necessary agreements and documents to implement the Loan.

DISCUSSION

OCHC Capital Repair Needs

The OCHC portfolio is one of the largest and oldest social/community housing portfolios in the province. The Public Housing Program portfolio is the largest portfolio owned by OCHC, comprised of 59 communities, representing 8,625 units. In addition, the Equity portfolio has over 2,435 units. Many of these units have been in service for over 55 years. Both the Public Housing and Equity portfolios will benefit from the CMHC loan funding to complete necessary capital repairs and retrofits.

A 2018 Building Conditions Assessment has identified significant deferred maintenance and annual funding shortfalls for repairs leading to the major capital repair program in recent years. These capital investment initiatives have been effective to support longer term viability of these social housing assets. Findings suggest future long-term capital repair requirements are approximately 20% lower than previously projected as a result of these capital initiatives. This clearly demonstrates timely completion of capital repairs creates exponential benefits and cost savings in the future.

As the OCHC portfolio is estimated to have a \$3 billion asset valuation, even with these capital initiatives, significant capital repairs and retrofits will be required over the next 10 to 20 years. Timing of these repairs is critical, as the sooner these repairs and retrofits can occur, the greater the long-term benefit and cost savings for the OCHC portfolio. New funding sources are required to support this capital work.

Staff identified the CMHC's Co-Investment Loan Fund - Capital Repair and Renewal Stream program as a financial tool to leverage assets within the Public and Equity portfolios to generate funding for the purpose of capital repairs.

National Housing Co-Investment Fund

In November 22, 2017, the federal government released "Canada's National Housing Strategy: A Place to Call Home". The primary goal of the National Housing Strategy is to deliver \$40 billion over ten years through a range of programs to make safe and affordable housing accessible for the most vulnerable Canadians.

As part of the National Housing Strategy, the National Housing Co-Investment Fund was established and includes two streams being: 1) Housing Construction (\$7.45 billion) and; 2) Housing Repair and Renewal (\$5.72 billion).

On November 25, 2020, Council approved authority for OCHC to submit a CMHC Co-Investment Loan application under the housing repair and renewal stream up to a maximum of \$166 million over the 2020-2028 fiscal period ([ACS2020-CSS-GEN-011](#)). The CMHC has reviewed the OCHC's submission and provided a Letter of Intent to the OCHC, as borrower, and to the City, as guarantor, conditionally allocating approximately \$165,557,000 in funding for the Portfolio over a nine-year period, ending no later than December 31, 2028. The funding consists of \$100,145,000 in repayable loans (33.3% of Total Portfolio Cost ("TPC")) and \$65,412,000 in forgivable loans (21.7% TPC). The Maximum Aggregate Funding allocated for the Portfolio shall not exceed 55.0% of the total overall Portfolio budget of \$301,013,000. A condition of the LOI is that the City must provide a guarantee of the loan for the payment and performance obligations of OCHC pursuant to the Loan.

- In addition to the financial requirements, OCHC is required to achieve and maintain certain performance standards in the areas of affordability, energy efficiency, and accessibility as outlined below: Affordability will be maintained for at least 20 years such that rents for a minimum of 50% of the units will be on average below 50% of the median market rental rate;
- Energy consumption and greenhouse gas emission are reduced by at least 25% relative to the pre-repair levels; and
- At least 20% of the units will meet or exceed accessibility criteria acceptable to CMHC, based on OCHC's accessibility plan to meeting client needs.

OCHC has provided the City with a business case confirming that it is able to achieve the requirement set out above.

To protect the financial interest of the City in the event of a default by OCHC, staff will enter into a side agreement with OCHC and consider whether mortgages on certain real property within the Portfolio is appropriate to secure the financial obligations.

This report recommends that the Chief Financial Officer/Treasurer be given delegated authority to negotiate, finalize and execute the Loan Guarantee and all required

documents to implement the Co-Investment Loan between OCHC and CMHC under the Repair and Renewal stream.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Not applicable.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a city-wide report.

ADVISORY COMMITTEE(S) COMMENTS

Not applicable.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

The risk is that OCH will default and the City will be called upon to execute its role as guarantor to assume the debt obligations of OCHC to CMHC. Staff considers the probability of an event of default requiring the guarantee being acted on by CHMC as minimal.

FINANCIAL IMPLICATIONS

Under an event of a default as defined in the agreements, the City, as guarantor would be required to assume the loan for the payment and performance obligations of OCHC pursuant to the application.

ACCESSIBILITY IMPACTS

The Loan requires at least 20% of the units within the Public and Equity Portfolio to meet or exceed accessibility criteria acceptable to CMHC, based on OCHC's accessibility plan to meeting client needs and as agreed by CMHC.

ENVIRONMENTAL IMPLICATIONS

The Loan specifically requires the Public and Equity Portfolio reduce energy consumption and greenhouse gas emissions by at least 25% relative to the pre-repair levels which shall be demonstrable using modelling acceptable to CMHC.

TERM OF COUNCIL PRIORITIES

The initiatives outlined within the report will advance the objectives of the Legislated Five-Year Review of the 10-Year Housing and Homelessness Plan, as approved by Council on July 15, 2020. The Plan includes the Goal “Everyone has a home” and the associated Objective: Preserve the existing affordable housing stock.

The OCHC contributes to the provisions of social/community and affordable housing for residents in need. The savings generated from the education portion of the property taxes through the exemption and the funds from the City annual benchmarked capital reserve contribution will be used to meet capital contribution and debt servicing requirements of the CMHC loan, and will continue to be used towards their intended uses, to maintain their social and affordable housing stock in a state of good repair and to ensure long-term viability.

SUPPORTING DOCUMENTATION

Any confidential information obtained as part of the negotiation of the loan agreement will be held on file by Legal Services.

DISPOSITION

The Chief Financial Officer/Treasurer will work with Legal Services to review the terms of the loan, the required guarantee and any other required agreements to facilitate the obtaining of the loan by OCHC.

The Chief Financial Officer/Treasurer will work with Legal Services and Housing Services on any required Service Manager consent, under the *Housing Services Act, 2011*, and consider what terms and conditions are appropriate for the side agreement directly between the City and OCHC, including whether any mortgages should be granted by OCHC in favour of the City to secure the guarantee.