

Chief Financial Officer's Report to  
Priorities and Finance Committee  
2021 March 16

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PFC2021-0177  
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## Attainable Homes Calgary Corporation Loan Guarantee

### **RECOMMENDATION(S):**

The Priorities and Finance Committee recommend that Council:

- 1) Give first reading to Bylaw 17M2021 (Attachment 3), being the proposed bylaw to amend Bylaw 41M2014, The City of Calgary authorizing a guarantee of a loan for Attainable Homes Calgary Corporation.
- 2) Give first reading to Bylaw 18M2021 (Attachment 2), being the proposed bylaw to amend Bylaw 31M2011, The City of Calgary authorizing a municipal loan to Attainable Homes Calgary Corporation.
- 3) Withhold second and third reading until the advertising requirements have been met;
- 4) Direct Administration to amend any existing agreements between The City and Attainable Homes Calgary Corporation as applicable and to reflect the Corporation's credit facility renewal with its financial institution in form and content per Credit Documentation – Loans and Loan Guarantees Policy and Procedures; and
- 5) Forward this report to the 2021 March 22 Combined Meeting of Council as an Item of Urgent Business.

### **RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2021 MARCH 16:**

That Council:

- 1) Give first reading to **Proposed Bylaw 17M2021** (Attachment 3), being the proposed bylaw to amend Bylaw 41M2014, The City of Calgary authorizing a guarantee of a loan for Attainable Homes Calgary Corporation.
- 2) Give first reading to **Proposed Bylaw 18M2021** (Attachment 2), being the proposed bylaw to amend Bylaw 31M2011, The City of Calgary authorizing a municipal loan to Attainable Homes Calgary Corporation.
- 3) Withhold second and third reading until the advertising requirements have been met; and
- 4) Direct Administration to amend any existing agreements between The City and Attainable Homes Calgary Corporation as applicable and to reflect the Corporation's credit facility renewal with its financial institution in form and content per Credit Documentation – Loans and Loan Guarantees Policy and Procedures.

## **HIGHLIGHTS**

- This report provides information on the renewal of The City guarantee of a third-party loan and an extension of repayment terms of a municipal loan to Attainable Homes Calgary Corporation.
- The City is authorized to guarantee the repayment of a third-party loan to Attainable Homes Calgary Corporation to a maximum sum of \$10 million under existing Bylaw 41M2014, expiring 2021 June 30 and has requested to amend its existing Loan Guarantee with proposed Bylaw 17M2021 to expire 2024 June 30 in conjunction with the renewed terms of its operating credit facility by their third party financial institution.
- Loan Bylaw 31M2011 provided a municipal Loan from The City of Calgary to Attainable Homes Calgary Corporation by way of a transfer of Lands secured by a vendor take-back mortgage that matures 2021 August 3; Attainable Homes Calgary Corporation has

Approval: **Carla Male** concurs with this report. Author: **Rob Chorley**  
City Clerks: **A. Degrood**

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requested to amend the existing bylaw with proposed Bylaw 18M2021 extending the maturity date to 2023 August 3.

- Once proposed Bylaw 17M2021 receives third reading, the operating loan facility will be extended to 2023 February 28 with a further option to extend.
- This request aligns with The City's objective to provide affordable housing to its citizens.
- Strategic Alignment to Council's Citizen Priorities: A city of safe and inspiring neighbourhoods

### **DISCUSSION**

- Attainable Homes Calgary Corporation is currently the active project manager/developer of the Martindale housing project in the North East quadrant of Calgary and has completed/sold the first six (Phase 1) of twelve buildings representing 46 of 116 total units (approx. 40% complete) in the two phase development.
- Attainable Homes Calgary Corporation is responsible for all costs associated with the Martindale project, including sales and marketing activities, which requires all construction costs be covered while sales proceeds are not received until after completion and transfer of housing units.
- The Operating Credit Facility is required to manage timing differences between cash inflows and outflows during its operating cycle, which involves new home construction, marketing, and purchase diligence. The absence of this type of financing would necessitate significant injection of equity by Attainable Homes Calgary Corporation's shareholder, which is not a feasible option for a non-profit organization.
- Attainable Homes Calgary Corporation's third-party financial institution has agreed to renew/extend existing credit facilities to support ongoing operations and development activity subject to renewal of The City guarantee for the Operating Credit Facility only.
- Outstanding indebtedness on Attainable Homes Calgary Corporation's Operating Credit Facility decreased from \$9.8 million at 2019 May 31 to \$3 million at 2020 December 31, including a \$0.3 million letter of credit in favour of The City.
- Attainable Homes Calgary Corporation's existing Evergreen Loan Facility does not benefit from The City guarantee and has been restructured to permit construction financing for Phase 2 of Martindale with specific security postponed and subordinated in favor of Attainable Homes Calgary Corporation's Lender, which will be released upon successful completion of project milestones.
- Pre-sale and construction work is continuing at Martindale with indications of completion and full occupancy of the project by 2022 December 31 based on current absorption rates of available units.
- Attainable Homes Calgary Corporation has developed 6 of the 8 land parcels transferred in 2011 and the vendor take-back mortgage for two remaining parcels is scheduled to mature 2021 August 3.
- Attainable Homes Calgary Corporation plans to complete its Martindale project and continue to pursue options/designs for developing the two remaining land parcels under 31M2011; however, development is not anticipated to commence prior to the 2021 August 3 maturity.
- Attainable Homes Calgary Corporation considers these remaining parcels as central to its business plan and has requested a two year extension of the current maturity date, to

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2023 August 3, to provide adequate time to finalize design, budget, and construction details.

### **STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)**

- ☐ Public Engagement was undertaken
- ☒ Public Communication or Engagement was not required
- ☐ Public/Stakeholders were informed
- ☐ Stakeholder or customer dialogue/relations were undertaken

Attainable Homes Calgary Corporation has reviewed and concurs with this report and Attachments. Treasury has engaged the City's Law Department with respect to content of the report and attachments.

### **IMPLICATIONS**

#### **Social**

Attainable Homes Calgary Corporation was created in 2009 with a mandate to build 1,000 well-made, entry-level homes for moderate-income Calgarians.

#### **Environmental**

Homebuyers carefully consider their purchases in the context of affordability. Attainable Homes Calgary Corporation applies modern day construction practices and products to its projects with an emphasis on energy efficiency and lowering its environmental footprint while helping moderate income Calgarians to achieve home ownership.

#### **Economic**

Research conducted in 2019 indicated the majority of moderate-income Calgarians aspire to home ownership. Barriers to owning a home include the down payment, purchase price, monthly costs, and credit availability. Attainable Home Calgary Corporation's mandate is to provide affordable homeownership options for Calgarians and help individuals achieve their dream of homeownership.

#### **Service and Financial Implications**

There is no anticipated financial impact associated with this report

#### ***Current and Future Operating Budget:***

The City, as guarantor, is obligated to pay the debts and liabilities of the Corporation under the Operating Credit Facility up to a maximum sum of \$10 million should its third party financial institution decide to call on the City Guarantee.

#### ***Current and Future Capital Budget:***

There are no current and future capital budget impacts as a result of the recommendations in this report.

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### **RISK**

#### ***Attainable Homes Calgary Corporation's Lender Approval***

The Lender has approved an extension of existing credit facilities subject to The City's approval of proposed Bylaw 17M2021.

The Corporation requires credit facilities to assist with construction projects, acquire/develop additional inventory, and manage day-to-day operations.

#### ***The City's Security***

Any postponement and subordination of The City's charge in favour of the third-party Lender or assignment of any assets to the Lender would result in less coverage of indebtedness and increase the risk of a less than full recovery of obligations.

The Evergreen facility does not benefit from The City guarantee, as such the Lender intends to secure any advances under this facility with assets it will be used to finance (i.e. Martindale). The Lender may require further postponement, subordination, and assignment related to specific projects financed with the Evergreen facility.

Attainable Homes Calgary Corporation is unable to advance construction at Martindale without adequate financing, as such granting specific security in favor of this facility is deemed appropriate given it's being used to create incremental asset value/security beyond what currently exists.

#### ***Liquidity***

Availability under the existing Revolving Debt Facility improved from \$Nil at 2019 May 31 to \$7 million at 2020 December 31 (net of \$0.3 million letter of credit) and provides sufficient flexibility to meet ongoing operating requirements.

Access to the \$10 million Evergreen Loan Facility (non-guaranteed) is subject to construction financing terms and conditions to mitigate associated risks while limiting availability to what is supported by market demand under the Attainable Homes Program. The Evergreen facility can still be used for other inventory purchases subject to separate approval from the Lender.

#### ***Repayment***

Repayment of outstanding indebtedness is dependent on: 1) completion of housing units at Martindale; 2) removal of all conditions to closing under purchase and sale agreements; and 3) turnover of properties held in existing inventory.

The Martindale project continues to experience healthy traffic/interest through available channels (i.e. show homes, online). Construction of remaining buildings in Phase 2 is subject to achieving a pre-sale target of 50% per building and will be funded on a building-by-building basis.

#### **Vendor Take-Back Mortgage**

With resources currently directed towards successful completion of the Martindale project, Attainable Homes Calgary Corporation anticipates development of the two remaining parcels to commence after the current 2021 August 3 maturity date and has negotiated a two-year

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extension with The City to position for continued delivery of affordable housing for Calgarians once Martindale is completed.

**ATTACHMENT(S)**

1. Background and Previous Council Direction
2. **Proposed Bylaw 18M2021**
3. **Proposed Bylaw 17M2021**

Department Circulation

<b>General Manager</b>	<b>Department</b>	<b>Approve/Consult/Inform</b>
Carla Male	Chief Financial Office	Approve
Jill Floen	Law	Inform