

Risk Assessment

The following risk areas represent **current** and **important** key risks to the Portfolio success that have been identified in the current financial risk assessment. This reflects a risk assessment at a point in time and will evolve with the types of financing sources and as risk mitigation strategies are employed and certain risks may evolve, emerge or be eliminated.

Each risk area includes related risks that will be assessed for likelihood, impact, and severity. Risks with higher potential likelihood and severity require monitoring in order to drive responses; and development of risk mitigation strategies with the project team.

Risk Area	Risk Area Description	Key Current Risk Response(s)
Capital Budget Overruns	<p>Affordability of the Portfolio could be impacted by scope and schedule changes and cost uncertainty by sequentially executing large contracts before the full Program cost is known.</p> <p>The Portfolio budget is based on a fixed amount of funding to deliver a defined project scope. The City is liable for funding any capital budget overruns or costs associated with material changes to project scope.</p> <p>Material costs (lumber) may have increase due to impacts of the pandemic.</p>	<ul style="list-style-type: none"> • Detailed financial assessment of cost estimation forecasts and project schedule. • Integration of key financial stakeholders into funding and financing discussions, budget development and financial/commercial decisions.
Capital Funding Timing and Shortfalls	<p>The affordability of the Portfolio will depend on the timing and amount of funding and financing, which may be inherently linked to timing of executing agreements, the project expenditure profile and schedule. Delays from current expectations in timing or amount of committed funding received could result in additional City of Calgary debt financing.</p> <p>If funding or financing is not forthcoming when anticipated, The City could experience project schedule delays and impact the revenue service date or scope. Full funding must be aligned before a project can be undertaken.</p>	<ul style="list-style-type: none"> • Routine assessments of the impact of changes to the funding profile. • Ongoing engagement with the funding partners to ensure the terms do not inhibit The City from delivering the Program and attracting quality proponents • Work collaboratively with the funding partners to ensure terms and commitments of the funding agreements are met and final federal Treasury Board approval is received to release funding commitments
Financing Costs	<p>City debt issuance is over multiple construction periods for a Portfolio of affordable housing projects, which may impact the affordability of the Portfolio given the exposure to interest rate fluctuations.</p>	<ul style="list-style-type: none"> • Maintain and update detailed forecasts of The City and third-party debt issuance through the planning and execution process. • Monitor market interest rates, market conditions and available financing structures. • Maximize the use of available fixed rate financing structures where possible.

Risk Area	Risk Area Description	Key Current Risk Response(s)
		<ul style="list-style-type: none"> Assess the different funding streams (i.e. the National Housing Strategy, Canada Mortgage and Housing Corporation such as the National Housing Co-Investment Fund for both new construction and repair and renewals, the Affordable Housing Innovation Fund, Rental Construction Financing, and Rapid Housing Initiative, etc). These programs offer grants, low-cost loans, forgivable loans or a combination to advance the National Housing Strategy's federal initiatives
Calgary Housing Company's capacity to meet obligations	Insufficient revenues from affordable housing to repay the loans or adhere to the terms and conditions (e.g. reserve requirements) associated with financing sources.	<ul style="list-style-type: none"> Execution of a credit agreement. The Credit Agreement to service the debt between The City and Calhome Properties Ltd. if applicable, will provide legal and financial mitigation measures in relation to the liability and administration of the loan. Ongoing assessment of the operational forecasts for these affordable housing to ensure the revenues support the financing. Calgary Housing will need to modify the existing Corporate Housing Reserve or create new housing reserve to ensure funds are clearly accounted for. The reserve would need to be established prior to completion of the projects and start generation of revenue.
Canada Mortgage and Housing Corporation Funding	The City is unable to meet the terms and conditions of Canada Mortgage and Housing Corporation funding, including but not limited to accessibility, environment, affordability, debt service or reserve requirements during the term of the funding.	<ul style="list-style-type: none"> Ongoing engagement with the Canada Mortgage and Housing Corporation to ensure the terms do not inhibit The City from delivering the Portfolio. Work collaboratively with the Canada Mortgage and Housing Corporation to ensure the mutually agreement upon terms and commitments are achievable prior to executing definitive agreements. Agreements will be executed between Calhome Properties Ltd. to perform The City's operational obligations with respect to the Portfolio pursuant to the terms and operational obligations and conditions of the loans. In the event of prepayment, source financing through the Province.

Risk Area	Risk Area Description	Key Current Risk Response(s)
Financing Availability	The City's ability to borrow from the Province, Canada Mortgage and Housing Corporation or other federal crown corporations and access their available financing structures could change during the design and construction period of the Portfolio.	<ul style="list-style-type: none">• Ongoing engagement with the funding partners to assess the availability of various funding or financing sources.