

## Affordable Housing Development Financing

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### **RECOMMENDATIONS:**

That the Priorities and Finance Committee recommend that Council;

1. Give first reading of Proposed Bylaw 7B2020 for \$10.0 million for city owned units and Bylaw 8B2021 for \$5.5 million for Rundle, a Calhome Properties Ltd. (operating as Calgary Housing Company (CHC)) owned units, authorizing The City to incur indebtedness for financing the construction of new affordable rental housing projects;
2. Give first reading of Proposed Bylaw 39M2021, being a bylaw authorizing a loan in the amount of \$5.5 million to CHC;
3. Direct Administration to negotiate and execute all definitive documents and agreements and take all actions required to conclude the agreements, arrangements and transactions contemplated in Report PFC2021-0445, such definitive agreements and documents to be in content satisfactory to the GM of Community Services and Chief Financial Officer;
4. Direct Administration to negotiate and enter into agreement(s) with CHC to appoint CHC to perform The City's operational obligations with respect to the Portfolio pursuant to the terms and operational obligations and conditions of the loans;
5. Direct Administration to transfer ownership of the Rundle affordable housing to CHC upon completion of construction;
6. Direct Administration to amend any existing loan agreement(s) between The City and CHC as applicable and in accordance with the Credit Documentation – Loans and Loan Guarantees Policy and Procedures;
7. Withhold second and third reading until the advertising requirements have been met; and
8. Direct that Attachment 6 remain confidential under Sections 24 (Advice from officials) and 25 (Disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act* to be reviewed by 2026 January 1.

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### RECOMMENDATION OF PRIORITIES AND FINANCE COMMITTEE, 2021 MAY 18:

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### HIGHLIGHTS

- Through Council's approval of the Corporate Affordable Housing Strategy and the Affordable Housing 10 Year Capital Development Program, Calgary Housing has been given the authority to secure additional capital funding to construct new units from other orders of government. This report seeks to secure authority to borrow through two borrowing bylaws a **total** of up to **\$15.5** million to leverage **\$58.3** million in previously secured City and provincial investment and proceed with the creation of **285 new homes**.
- Proposed Bylaw 7B2020 (Attachment 1) authorizes The City to incur indebtedness of up to **\$10.0** million and, in combination with **\$26.9** million of other City and provincial funding, apply these funds to construct an affordable housing portfolio of projects (the "Portfolio"). The Portfolio includes, but is not limited to, the following affordable housing projects: Varsity, Symons Valley, Mount Pleasant, Marda Loop, Mission and Rundle. The Portfolio will be amended as development proceeds to meet affordable housing needs.

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- Proposed Bylaw 8B2021 (Attachment 2) authorizes The City to incur indebtedness of up to **\$5.5 million** and, in combination with **\$31.4 million** of other City and provincial funding, for The City (Calgary Housing) to construct the redevelopment of 135 units on the Rundle land owned by CHC. Upon construction completion, the building and loan will transfer to CHC with updates to the existing Credit Agreement.
- Proposed Bylaw 39M2021 (Attachment 3) authorizes The City to lend up to \$5.5 million to CHC for the redevelopment of 135 Rundle units.
- Per Council direction (PFC2020-1247) Administration was to continue to advocate for support from other orders of government, including building on existing opportunities to access Government of Canada financing.
- **What does this mean to Calgarians?** The funding will support a **\$73.8 million** total investment in the construction of 285 new affordable housing rental units for the benefit of Calgarians in housing need.
- **Why does this matter?** Approving the authority to borrow provides Calgary Housing with a responsible business approach to leverage alternative funding sources at low interest rates.
- Flexibility in accessing government funding opportunities allows The City to continue to build new affordable housing units to support the future sustainability of Calgary Housing Company through portfolio growth enabling a mixed-income operational model.
- Administration is recommending the adoption of the Bylaw 7B2020, Bylaw 8B2021 and Bylaw 39M2021, as per Sections 251 and 258 of the *Municipal Government Act (MGA)* R.S.A. 2000 c. M-26, to authorize The City to incur indebtedness.
- These recommendations support Affordable Housing's 10 Year Capital Development Program approved in principle by Council May 2018 (Attachment 4).
- Strategic Alignment for Council's Citizen Priorities: A prosperous city. The approval of the borrowing and loan bylaws help to increase the supply of affordable housing to ensure people at all income levels can live and work in our city and in turn build a prosperous city.

## **DISCUSSION**

The MGA section 254 states "No municipality may acquire, remove or start the construction or improvement of a capital property that is to be financed in whole or in part through a borrowing unless the borrowing bylaw that authorizes the borrowing is passed." Therefore, if the project is going to be partially financed by borrowing, The City is required to have the bylaw approved prior to the start of construction of a capital property. The Rundle redevelopment is planned to proceed with demolition of the existing units in Q3 2021 and construction will begin in Q4 2021.

Affordable Housing's 10 Year Capital Development Program sets out a plan to develop 1,000 City units by 2026. The City's affordable housing projects rely on funding from the municipal, provincial and federal sources. The Portfolio is intended to operate on a mixed-income basis with the opportunity for revenue from rent to support debt financing. The Portfolio is in various stages of readiness with access to some funding sources dependent on all funding being in place. Administration is exploring various options to secure funding and financing with Canada Mortgage and Housing Corporation, the Province of Alberta (the "Province") or other federal crown corporations.

## **Next Steps**

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Following Council approval and the readings of the bylaws, The City will continue to advocate for and seek funding from the federal and provincial governments to complete each project. Administration will monitor the requirements of each loan agreement to ensure reporting and compliance over the term of the loan.

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

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

Public communication and engagement was not required as part of this Council report, however through the Bylaw Approval Process set out in the MGA, and the City of Calgary, the Bylaw 7B2020, Bylaw 8B2021 and Bylaw 39M2021 will be included in a public hearing and receive three readings by Council. Moreover, each affordable housing project will undergo a public engagement process, guided by the Engage Policy, Engage Framework and Process that aligns with its individual planning timelines. Stakeholder engagement with The City, CHC, the Province, and federal government has been ongoing since August 2019.

### **IMPLICATIONS**

#### **Social**

Adequate housing enables Calgarians to maximize their contributions to the wider community, removes barriers to access and inclusion for vulnerable low to moderate income Calgarians, and creates better outcomes for safe and affordable housing solutions (Attachment 5).

#### **Environmental**

No environmental impacts to the borrowing bylaws.

#### **Economic**

Affordable housing supports economic resilience by providing homes in close proximity to employment areas and transportation networks. Affordable housing is an important consideration for businesses looking to locate in Calgary and seeking local talent pools. Affordable housing developments contribute to a prosperous City through the creation of jobs. The current 10-year Affordable Housing Capital Development Program leverages multiple funders and funding sources for a total planned investment of \$75.5 million. This investment would generate \$98.3 million in regional GDP and approximately 983 regional jobs.

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

#### **Other: \$0**

Calgary Housing Company Board of Directors reviewed and approved the financial proforma scenario including debt financing for the Rundle redevelopment project (Attachment 6). This report is not seeking any capital budget approvals; the capital budget was approved within the One Calgary council approval in 2018 November (Report C2018-1158). However, the loan

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liability will be outstanding and amortized up to a 30-year period in full and in accordance with one or more of the following repayment structures:

- a) in one installment of principal on the maturity date of the borrowing, and a series of installments of interest, as and when due, throughout the term of the borrowing (such installments being no less often than semi-annual);
- b) in installments of principal and interest, as and when due, throughout the term of the borrowing (such installments being no less often than semi-annual); and
- c) interest-only installment payments followed by installments of principal and interest, as and when due, under the terms of the borrowing (such installments being no less often than semi-annual).

In the event of default, The City would be obligated to repay loans with interest and any additional fees. In this case, the amount to be repaid would be determined by the Province or CMHC. Repayment of the \$5.5 million loan for Rundle affordable housing, owned by CHC will be the obligation of CHC. Repayment of the \$10.0 million loan for City-owned affordable housing will be the obligation of The City. The City will seek opportunities to recover funds through generated revenue from rents received for city owned units by CHC.

### **RISK**

Potential risk of project delays and not meeting the objectives of the Corporate Affordable Housing Strategy if the financing cannot be secured. This is mitigated through continued advocacy to the provincial and federal governments to secure funding to fully fund projects.

Calgary Housing is not a revenue generating business unit within the City of Calgary. Therefore, Calgary Housing will work with CHC to identify available revenue from City-owned affordable housing properties to repay the loan agreements. City Finance has assessed the cashflow of CHC and have confirmed the cashflow is adequate to support CHC paying the principle and interest of loans entered into through Bylaw 7B2020 and Bylaw 8B2021.

In addition, the existing Credit Agreement between The City and CHC will be amended to reflect additional loans contemplated under this Bylaw, in accordance with The City's Credit Documentation - Loans and Loan Guarantees Policy and Procedures. The City will finance and construct the new Rundle redevelopment project through a construction license of occupation.

Detailed risks and mitigations are included in Attachment 7.

### **ATTACHMENTS**

1. **Proposed Bylaw 7B2020**
2. **Proposed Bylaw 8B2021**
3. **Proposed Bylaw 39M2021**
4. Affordable Housing 10 Year Capital Development Program
5. Benefits of Affordable Housing
6. CONFIDENTIAL CHC Direction for Borrowing Bylaw
7. Risk Assessment

### **Department Circulation**

Les Tochor	Director of Finance, City Treasurer	Consult
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