

Bridge Attainable Housing Society - Loan Extension Bylaw

RECOMMENDATION(S):

The Executive Committee recommend that Council:

1. Give first reading to Bylaw 48M2022 on 2022 December 6, being a bylaw of The City of Calgary (“The City”) authorizing a 5-year extension of a \$6.3 million municipal loan (the “Loan”) that was granted to Bridge Attainable Housing Society (“The Society”) in accordance with a credit agreement between The City, as lender, and The Society, as borrower, dated effective 2010 September 30, which Loan, was authorized pursuant to Bylaw 45M2010;
2. Withhold second and third reading of Bylaw 48M2022 until the advertising requirements set out in the *Municipal Government Act*, RSA 2000, c. M-26, have been met;
3. Direct Administration to enter into and execute all necessary amendments to the existing credit agreement(s), security documents and inter-creditor agreements, together with all documents and agreements required to support the extension of the Loan for a period of 5 years;
4. Direct Administration to ensure that all such amendments, documents and agreements are executed in accordance with the Credit Documentation – Loans and Loan Guarantees Policy as applicable; and
5. Direct that Attachment 2 remains confidential pursuant to Sections 16, 24, and 25 of the *Freedom of Information and Protection of Privacy Act*, RSA 2000, c. F-25, and that it be reviewed by no later than 2028 September 30.

RECOMMENDATIONS OF THE EXECUTIVE COMMITTEE, 2022 NOVEMBER 15:

That Council:

1. Give first reading to Bylaw 48M2022 (**Revised Attachment 3**) on 2022 December 6, being a bylaw of The City of Calgary (“The City”) authorizing a 5-year extension of a \$6.3 million municipal loan (the “Loan”) that was granted to Bridge Attainable Housing Society (“The Society”) in accordance with a credit agreement between The City, as lender, and The Society, as borrower, dated effective 2010 September 30, which Loan, was authorized pursuant to Bylaw 45M2010;
2. Withhold second and third reading of Bylaw 48M2022 (**Revised Attachment 3**) until the advertising requirements set out in the *Municipal Government Act*, RSA 2000, c. M-26, have been met;
3. Direct Administration to enter into and execute all necessary amendments to the existing credit agreement(s), security documents and inter-creditor agreements, together with all documents and agreements required to support the extension of the Loan for a period of 5 years;
4. Direct Administration to ensure that all such amendments, documents and agreements are executed in accordance with the Credit Documentation – Loans and Loan Guarantees Policy as applicable; and
5. Direct that Attachment 2 remains confidential pursuant to Sections 16, 24, and 25 of the *Freedom of Information and Protection of Privacy Act*, RSA 2000, c. F-25, and that it be reviewed by no later than 2028 September 30.

HIGHLIGHTS

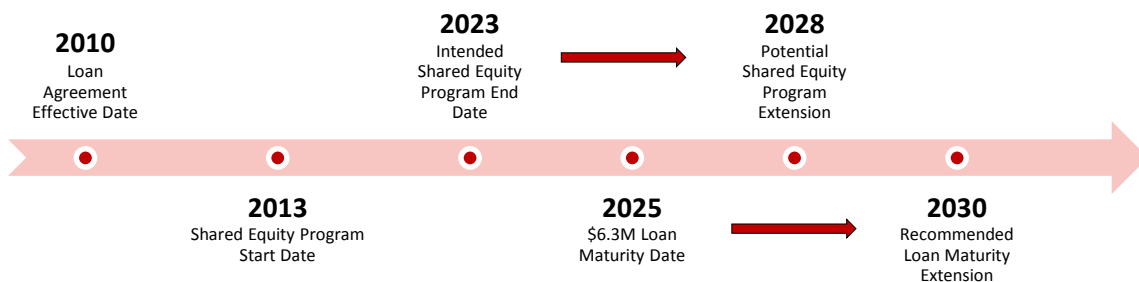
- In 2010, The City of Calgary entered a land sale and loan arrangement with the Bridge Attainable Housing Society (The Society) for the purpose of supporting qualified purchasers to attain home ownership, supporting a shared equity program and the

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development of McPherson Place. The City loan of \$6.3 million was the value of the land and not a cash loan.

- The Society then passed the loan through to qualified purchasers to assist them to purchase units in McPherson Place. Effectively, each unit owner would repay their portion of the municipal loan upon their unit’s sale or refinancing in the future, and in the meantime a second mortgage secured the commitment for the municipal loan repayment.
- Since 2010, anticipated increases in the value of the attainable residential condominium units sold by The Society has not occurred. Therefore, The Society requires a 5-year extension of the existing Loan with The City which matures on 2025 September 30. The Loan extension will help ensure the attainable home ownership objectives of The Society’s shared equity program are met.
- The Loan extension does not require a cash injection by The City. Given the different parties arrangements, the order of loan extensions means that The City’s extension must occur first in order to provide an extension beyond 2025. The Society can then extend the maturity date of mortgage obligations with unit owners from 2023 March 31 up to 2028 March 31 within the existing mortgage agreements.
- **What does this mean to Calgarians?** One in five Calgary households finds it difficult to pay for housing. The City is committed to working with federal and provincial levels of government and local organizations to make housing more readily available to individuals and families living on lower incomes.
- **Why does this matter?** Extending the municipal loan granted to The Society provides time for the attainable home ownership objectives of The Society’s shared equity program to be met.
- Strategic Alignment to Council’s Citizen Priorities: A well-run city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION



- In 2010, The City entered into a land sale and loan arrangement with The Society for the purpose of supporting qualified purchasers to attain home ownership, supporting a shared equity program and the development of McPherson Place. The Loan was created by The City transferring legal ownership of a parcel of land (955 McPherson RD NE) valued at \$6.3 million to The Society. The City loan was the value of the land and not a cash loan. The Society then lent this \$6.3 million to qualified purchasers and

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securing these loans through a series of second mortgages registered against 102 of the attainable residential condominium units within McPherson Place.

- Unit owners were expected to leverage the anticipated increase in market value of their property plus earned equity from the payment of principle on their first mortgage, to refinance and consolidate all outstanding mortgages by 2023 March 31.
- The success of this model was contingent upon the market value of the condominium units appreciating over time. In order to address a situation where owners could not qualify for refinancing, an option to extend mortgage obligations up to 2028 March 31 was included in the registered mortgages. Approval of this request is at the sole discretion of The Society.
- Market value of the condominium units in the program have been declining, and as a result, an extension is required in order to realize program objectives.
- An internal review indicates that The Society's current ability to extend mortgage terms until The City loan maturity date in 2025 is likely an insufficient period of time for unit owners to establish enough equity to qualify for refinancing.
- In an analysis completed in 2022 February, Administration considered a range of options to mitigate risks for the attainable home ownership objectives of The Society's shared equity program, and risk to The City's ability to fully collect on its Loan (Attachment 2 - Confidential).
- The shared equity program was intended to end and the second mortgages are to mature on, 2023 March 31.
- To approve an extension to mortgage obligations with owners, The Society requires an extension of its Loan with The City which is currently set to mature on 2025 September 30.
- The extension of loan obligations with The Society does not expose The City to any new or additional financial risk.
- Administration is recommending an extension of The City's Loan to The Society for 5 years to help ensure the home ownership objectives of The Society's shared equity program are met while also mitigating the risk of additional financial loss to The City.
- Administration will continue to monitor external factors (condominium market values, interest rates) to identify any additional emerging risks and required actions.

ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Interested parties were informed
- Dialogue/relations were undertaken

Public Engagement was undertaken

On 2022 May 25, members of Administration, attended an information session for unit owners who are part of the shared equity financing program (Attachment 1). The purpose of the meeting was for all involved parties to address any questions unit owners may have regarding the end of the shared equity financing program.

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At the meeting, unit owners voiced their concerns about being able to refinance the existing mortgages registered against their units, the value of their units declining and how that value could further decline if several unit owners were selling in the same timeframe. Owners also voiced their concerns about how this program was initially explained to them as a risk-free way to attain home ownership, and many were surprised to learn that the equity they had earned was at risk. While these concerns were the most common, and most heard, some owners did compliment the program, indicating that it had been successful for them personally by helping them to acquire a home.

The main messages provided by The City at the meeting were:

1. The objectives and outcomes of the shared equity financing program continue to be a priority for The City;
2. The City is interested in ensuring that the shared equity financing program is successfully concluded;
3. All parties need to be treated fairly in accordance with the agreements executed and the intention of the program.

IMPLICATIONS

Social

Adequate attainable housing for Calgary's citizens removes barriers to safe and affordable housing solutions and facilitates inclusiveness for Calgarians with low to moderate income. Also, by assisting people who qualify to attain home ownership, affordable housing is freed up and made available to people who qualify for affordable housing.

Environmental

No environmental impacts to the proposed Loan extension.

Economic

Attainable housing supports economic resilience and is an important consideration for Calgarians who wish to own a home in Calgary.

Service and Financial Implications

Existing capital funding - one-time

\$6.3 million

The City and The Society signed a credit agreement and various other security documents for the purpose of financing the development of McPherson Place. The City transferred legal ownership of a parcel of land to The Society valued at \$6.3 million and obtained a vendor-take-back mortgage from The Society. Once McPherson Place was completed and the residential condominium units sold to qualified Calgarians the vendor-take-back mortgage was discharged and the unit purchasers granted second mortgages to The Society for a proportionate share of the \$6.3 million land value. As a result, The Society received second mortgages registered against 102 of the residential units within McPherson Place. The City holds security over the assets of The Society, which includes the Society's interest in the second-ranked mortgages. The maturity date of The City's Loan is 2025 September 30.

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RISKS

1. Unit owners who are unable to refinance or sell their units before 2023 March 31.

This risk is the primary risk identified and could result in a loss of home ownership for these low to moderate income Calgarians.

Mitigated by:

Extension of The City's Loan to The Society. Extending The City's Loan beyond 2025, coupled with loan extensions from the other lenders, provides qualified unit owners the ability to pay more of their first mortgage to the bank and potentially earn more equity through any increases to the value of Calgary's residential condominium market. This would make it possible for unit owners to refinance their units through the bank.

2. Unit owners are unable to refinance in 2028 due to market conditions.

This risk is due to the potential for Calgary's residential condominium market to continue to decline. If this were to occur, many owners would be facing similar challenges to those they are facing now with respect to refinancing in 2028.

Mitigated by:

This risk will be mitigated by The City monitoring external factors such as the Calgary residential condominium market and rising interest rates. If the situation does not improve, Administration will bring forth alternate recommendations taking into account the impact from the external factors.

3. The City is unable to recover the full \$6.3 million in loan obligations.

The risk is that unit owners who do not have sufficient equity to refinance and are unable to sell their units at a value to fully repay all mortgage obligations. The Society will not be able to recuperate outstanding mortgage obligations to fulfill its loan obligation to The City.

Mitigated by:

Extending the program will enable unit owners to build additional equity through any market value increases and paying down their primary mortgage obligations. Extending the program will, however, result in additional administrative costs.

ATTACHMENT(S)

1. Attachment 1 - Previous Council Direction, Background
2. Attachment 2 - Real Estate Strategy #1 (Confidential)
3. Attachment 3 - Proposed Loan Bylaw 48M2022
4. Attachment 4 - Bridge Attainable Housing Society - Loan Extension Bylaw Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
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Carla Male	Corporate Planning & Financial Services	Approve
Katie Black	Community Services	Consult
Campbell Berry	Real Estate & Development Services	Informed