

Attainable Homes Calgary Corporation - Extensions of Loan Guarantee and Loan

RECOMMENDATION(S):

The Executive Committee recommends that Council:

1. Give first reading to Bylaw 5M2023 (Attachment 2), being the proposed bylaw to amend Bylaw 41M2014, as amended by Bylaw 17M2021, of The City of Calgary ("The City") authorizing a guarantee of an operating loan facility for Attainable Homes Calgary Corporation ("Attainable Homes");
2. Give first reading to Bylaw 6M2023 (Attachment 3), being the proposed bylaw to amend Bylaw 31M2011, as amended by Bylaw 18M2021, of The City authorizing a municipal loan to Attainable Homes;
3. Withhold second and third readings until the advertising requirements set out in the Municipal Government Act, RSA 2000, c. M-26, have been met; and
4. Direct Administration to amend any existing agreements between The City and Attainable Homes as applicable and to reflect Attainable Homes' credit facility renewal with its financial institution in form and content per the 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 operating loan facility in conjunction with the renewed terms of that credit facility by Attainable Homes' third-party financial institution and an extension of repayment by three years of a municipal loan to Attainable Homes.
- Moderate income Calgarians seeking affordable home ownership will benefit from the requested renewal and extension as it enables Attainable Homes to increase supply of affordable homes.
- The City's guarantee permits Attainable Homes to obtain financing at a sustainable interest rate and operate under a facility limit that allows it to fulfill its mission. The loan extension enables Attainable Homes to defer payment of the loan until it has received cash following sales of affordable homes as described later in this report.
- Loan Bylaw 31M2011, as amended by Bylaw 18M2021, provided a municipal loan from The City to Attainable Homes by way of a transfer of lands secured by a vendor take-back mortgage that matures 2023 August 3. Attainable Homes has requested to amend the existing bylaw with proposed Bylaw 6M2023 extending the maturity date by three years to 2026 August 3.
- Once proposed Bylaw 5M2023 receives third reading, the operating loan facility provided by the third-party financial institution will be extended to 2026 February 28 with a further option to extend.
- **What does this mean to Calgarians?** The amended bylaws will help Attainable Homes with adequate financial flexibility to achieve its goals of providing attainable home ownership options for moderate-income households.
- **Why does this matter?** Supporting Attainable Homes by approving the extensions of the operating loan facility guarantee and the loan helps it to meet the attainable home ownership objectives of Attainable Homes.
- Background and Previous Council Direction is included as Attachment 1.

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DISCUSSION

- Attainable Homes, as the manager/developer of 116 units in the REACH Martindale housing project, incurred all associated costs and sales proceeds were received after completion and transfer of ownership of the housing units.
- As there are timing differences between cash outflows during operations and development and inflows from home sales, an operating loan facility is required.
- The absence of this type of financing would necessitate significant injection of equity by The City, Attainable Homes' shareholder, which is not a feasible option for a non-profit organization.
- Attainable Homes' third-party financial institution has agreed to renew/extend the existing operating loan facility to support ongoing operations and development activity subject to renewal of The City guarantee for the operating loan facility only. The City does not guarantee all of Attainable Homes' credit facilities.
- Outstanding indebtedness on Attainable Homes' operating loan facility decreased from \$2.5 million at the beginning of 2022 to \$30 thousand at 2022 December 31, representing only a letter of credit in favour of The City. The operating loan facility is fully available and needed to support planned development.
- Attainable Homes has developed 6 of the 8 land parcels transferred in 2011 enabling a portion of the original vendor take-back mortgage in the amount of \$5,188,312 to be repaid leaving an outstanding balance of \$3,278,804 for the two remaining parcels and is scheduled to mature 2023 August 3.
- Attainable Homes has requested a three-year extension to 2026 August 3, to provide adequate time to finalize design, budget, and construction details as well as complete construction and home sales on its two remaining parcels.
- Development Permit approval is imminent on one parcel and construction is expected to begin this summer, followed by the start of construction on the other parcel in early 2024. The first parcel is scheduled for completion and occupancy by the end of 2024 and the second parcel by the end of 2025.
- The intention is for the units on the two parcels to be sold under the Perpetually Affordable Homeownership program whereby homes are sold to Calgarians who earn less than 65 per cent of Area Median Income. The buyer earns equity over time through paying down their mortgage. When the client sells the home, it is sold back to Attainable Homes, and the client retains their equity. Attainable Homes then resells the unit to another client who qualifies below the income threshold.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken | <input type="checkbox"/> Dialogue with interested parties was undertaken |
| <input type="checkbox"/> Public/interested parties were informed | <input checked="" type="checkbox"/> Public communication or engagement was not required |

Attainable Homes and representatives from Real Estate & Development Services have reviewed and concur with this report and Attachments. Treasury has engaged the City's Law Department with respect to content of the report and Attachments.

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IMPLICATIONS

Social

Attainable Homes was created in 2009 with a mandate to build 1,000 well-made, entry-level homes for moderate-income Calgarians. The extension of the guarantee and the loan will provide the financial capacity required to develop affordable housing on Attainable Homes' remaining two parcels.

Environmental

Attainable Homes 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. Homebuyers carefully consider their purchases in the context of affordability. Barriers to owning a home include the down payment, purchase price, monthly costs, and credit availability. Attainable Homes' mandate is to provide affordable homeownership options for Calgarians and help individuals achieve their dream of homeownership. If the recommendation for extension of the loan is approved Attainable Homes will be able to provide affordable homes on the two parcels.

Service and Financial Implications

Other:

If the recommendation for extension of the loan is approved, Attainable Homes and The City have agreed The City will charge Attainable Homes a one-time extension fee of \$5,000 and an annual standby fee of 0.25 per cent per annum based on the outstanding mortgage balance. To provide the loan guarantee The City will charge the standard Administration Fee of 0.10 per cent per annum on the outstanding operating loan balance guaranteed per the Credit Documentation – Loans and Loan Guarantees Policy and Procedures.

Current and Future Operating Budget:

The City, as guarantor, is obligated to pay the debts and liabilities of Attainable Homes under the Operating Loan 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:

If the recommendation for extension of the loan is approved, this will result in delayed repayments to the Revolving Fund Reserve for general land purchases and potentially impact the availability of these funds for future municipal land acquisitions. However, the impact is low given the outstanding mortgage balance and the balance in the reserve at 2022 December 31 and Real Estate & Development Services will accept this risk given the low impact.

RISK

Attainable Homes Calgary Corporation's Lender Approval

The third-party bank lender has approved an extension of existing credit facilities subject to The

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City's approval of proposed Bylaw 5M2023.

Attainable Homes 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 risk of default by Attainable Homes on its debt obligations is mitigated by prudent debt management, adequate liquidity and experience executing successful projects.

Liquidity

Availability under the existing operating loan facility improved from fully drawn at \$10 million on 2019 May 31 to \$30 thousand for a letter of credit at 2022 December 31. \$10 million provides sufficient flexibility to meet ongoing and future operating requirements.

Repayment

Repayment of outstanding indebtedness is dependent on: 1) removal of all conditions to closing under purchase and sale agreements, 2) turnover of properties held in existing inventory; and 3) completion and sufficient occupancy of the affordable housing units to be constructed on the two remaining parcels.

Vendor Take-Back Mortgage

With resources directed towards successful completion of the Martindale project, Attainable Homes now anticipates development of the two remaining parcels to commence just before the current 2023 August 3 maturity date and is requesting a three-year extension with The City to position for continued delivery of affordable housing for Calgarians as Martindale is completed.

ATTACHMENT(S)

1. Attachment 1 – Background and Previous Council Direction
2. Attachment 2 – Proposed Bylaw 5M2023
3. Attachment 3 – Proposed Bylaw 6M2023
4. Attachment 4 – Attainable Homes Calgary Corporation - Extensions of Loan Guarantee and Loan Presentation

Department Circulation

| General Manager/Director | Department | Approve/Consult/Inform |
|--------------------------|---|------------------------|
| Carla Male | Corporate Planning and Financial Services | Approve |
| Michael Thompson | Infrastructure Services | Inform |
| Campbell Berry | Real Estate & Development Services | Consult |