

**Report to
Rapport au:**

**Community and Protective Services Committee
Comité des services communautaires et de protection
18 April 2019 / 18 avril 2019**

**and Council
et au Conseil
24 April 2019 / 24 avril 2019**

**Submitted on April 9, 2019
Soumis le 9 avril 2019**

**Submitted by
Soumis par:
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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE

File Number: ACS2019-CSS-GEN-0005

**SUBJECT: OTTAWA COMMUNITY HOUSING CORPORATION MORTGAGE
REFINANCING**

**OBJET: LE POINT SUR LE REFINANCEMENT HYPOTHÉCAIRE À LA
SOCIÉTÉ DE LOGEMENT COMMUNAUTAIRE**

REPORT RECOMMENDATIONS

1. That the Community and Protective Services Committee recommend Council approve the refinancing of the four Ottawa Community Housing Corporation projects described in this report for which the mortgages are due for renewal in 2019
2. That the Director of Housing Services be delegated the authority to approve the refinancing of the seven Ottawa Community Housing Corporation projects, described in this report, for which the mortgages are due for renewal in 2020 and 2021 so long as the amount is not greater than the current subsidy and the outcome is revenue neutral to the City of Ottawa, as described in this report.

RECOMMANDATIONS DU RAPPORT

1. Que le Comité des services communautaires et de protection recommande au Conseil d'approuver le refinancement des quatre ensembles domiciliaires de la Société de logement communautaire d'Ottawa décrits dans le présent rapport dont l'hypothèque arrive à échéance en 2019;
2. Que soit délégué à la directrice des Services de logement de pouvoir de approuver le refinancement des sept ensembles domiciliaires de la Société de logement communautaire d'Ottawa décrits dans le présent rapport dont l'hypothèque arrive à échéance en 2020 et 2021 pourvu que le montant ne soit pas supérieur à la subvention actuelle et que le résultat n'ait pas d'incidence sur les recettes de la Ville d'Ottawa, comme décrit dans le présent rapport.

EXECUTIVE SUMMARY

Ottawa Community Housing Corporation (OCHC) has a continuing need for significant capital repair and anticipated deferred maintenance work on many of the social housing projects within the portfolio. The level of funding from subsidies and existing capital repair programs has traditionally been insufficient to complete all required work. Since 2010, Council has proactively supported initiatives that provide opportunities for OCHC to obtain much needed capital repair funds.

Since June 2010, Council has approved the refinancing of forty-four (44) OCHC mortgages through Infrastructure Ontario, generating net proceeds in excess of \$133 million. These proceeds have been re-invested in the social housing capital reserves for

social housing repairs and retrofits. In leveraging equity from its existing assets and applying it towards the repair of the social housing stock, OCHC has been in a position to reduce the deferred maintenance at a significantly faster pace than if the funds generated were not available.

To further support this positive momentum, mortgage refinancing with Infrastructure Ontario is recommended to provide much needed funding for capital repairs and energy efficiency improvements. There are a number of benefits associated with choosing Infrastructure Ontario as the lender for the refinancing. Infrastructure Ontario continues to offer fixed long-term rates (currently 3.8% for 30 years), which eliminates the interest rate risk over the entire term of the loan. The City of Ottawa payment guarantee matches this 30 year horizon, allowing OCHC to maintain the affordability of these units for the benefit of low income households and households on the centralized wait list for rent-geared-income housing. Each property that is to be remortgaged has been assessed by both OCHC and Infrastructure Ontario as to its long term viability and value.

If approved by City Council, OCHC will be able to refinance, upon renewal, four additional mortgages in 2019 through Infrastructure Ontario, generating approximately \$15.2 million to be contributed to social housing capital reserves. OCHC's upcoming renewals in 2020 and 2021, have the potential to generate an additional estimated \$20.4 million for social housing capital repairs (a total of over \$35.6M for years 2019 to 2021) as described in Document 1.

BACKGROUND

Ottawa Community Housing Corporation (OCHC) is Ottawa's largest non-profit housing Corporation with approximately two thirds of the total social housing stock under the administration of the City of Ottawa, as Service Manager. OCHC operates and manages over \$2.5 billion in assets. As a non-profit corporation, OCHC is governed by a Board of Directors composed of community volunteers and members of City Council. The City of Ottawa is the sole shareholder of OCHC.

OCHC tenants include some of Ottawa's most vulnerable citizens including families fleeing domestic violence. The quality, security and long term viability of OCHC housing stock has a direct impact on the quality of life of over 32,000 tenants. Over 4,700 households are seniors; almost 3,000 households are tenants who qualify for the Ontario Disability Support Program; and over 6,600 children, 12 years old and under, live in OCHC communities. The most efficient, effective and timely way to provide

affordable housing to these and all residents of Ottawa in need of safe and affordable housing is to preserve and maintain the existing social housing stock.

Within the OCHC portfolio is some of the oldest social housing stock in the province with the buildings being more than 40 years old on average. Each property that is to be remortgaged has been assessed by both OCHC and Infrastructure Ontario as to its long term viability and value and it has been determined these properties are appropriate for long term refinancing.

To date, funds generated from Infrastructure Ontario refinancing have been utilized for critical structural, life safety repairs and retrofits, all of which are fundamental to ensure the long term preservation of the asset and the safety of residents. This has helped to reduce both the deferred maintenance of the OCHC social housing portfolio and their future capital needs, further supporting long term viability. Funds generated from this current refinancing initiative will also be used for structural, building envelope, mechanical, elevator, life safety repairs and energy efficiency retrofits of the social housing portfolio.

OCHC updated their Building Condition Assessments in late 2018 and input the information into a City funded Asset Planner software that provides a comprehensive assessment of the state of the entire housing portfolio based on site inspections and the expected life cycle. City staff have undertaken a social housing capital needs assessment for the entire social housing portfolio under the administration of the City. The results of the OCHC Building Condition Assessment, their initiatives, as well as the projected 30 year future capital funding requirements, along with those of all social housing providers will be the subject of a separate report to Council in 2019/2020.

OCHC has also proactively reviewed and planned for their projected capital needs over the long term and have implemented strategies to sustain operations, address current capital needs, and support further housing development. As part of this ongoing process, where appropriate, they continue to leverage their assets' equity to finance some of the much needed capital work.

City Council, with the recommendation of Community and Protective Services Committee, has approved initiatives for OCHC to refinance their mortgages on four (4) previous occasions; March 15, 2012 (2012 mortgage refinancing), February 14, 2013 (2013 mortgage refinancing), May 8, 2014 (2014 mortgage refinancing), and June 24, 2015 (2015 to 2018 mortgage refinancing).

DISCUSSION

Despite the significant deferred maintenance and the annual funding shortfall for repairs that were identified through OCHC's various Building Condition Assessments, significant progress has been made in recent years with major capital works programs undertaken. Housing Services and OCHC continue to identify funding, leverage assets and pursue opportunities to increase revenue and reduce expenses. There have been visible improvements in OCHC communities as a result of major maintenance, capital repair and energy retrofit programs that have been completed. Significant operating efficiencies and lower operating expenditures have also occurred. Reducing operating expenses has allowed OCHC to reinvest those savings into continued long-term improvements, all while demonstrating environmental stewardship and reducing costs for tenants.

To further support this positive momentum, mortgage refinancing with Infrastructure Ontario would continue to provide much needed funding for capital repairs and energy efficiency improvements. Under the proposed refinancing, the existing mortgages will be paid in full on their respective renewal dates and will be replaced by new 30 year debts arranged through Infrastructure Ontario. Infrastructure Ontario offers long-term, stable borrowing rates (currently about 3.8% for 30 years) eliminating the risk of fluctuations in interest rates. The extended obligation is consistent with the City's obligation as the Service Manager under the *Housing Services Act, 2011* to provide and maintain 16,502 units of rent-geared-to-income housing on an ongoing basis (Rent-Geared-to-Income Service Level Standards). OCHC is responsible to provide 12,272 of these rent-geared-to-income housing units with the balance of the units spread across other housing providers in the City.

The Ministry of Municipal Affairs and Housing (MMAH) has confirmed that there will be no prepayment penalties incurred as a result of refinancing at the time of renewal. Document 1 identifies the details of the mortgages renewing from 2019 to 2021. MMAH has confirmed in writing that the Canada Mortgage and Housing Corporation funding associated with these mortgages will continue until the end of the original maturation dates of the mortgages.

Continuing the same annual mortgage funding that the City currently provides to OCHC for the listed mortgages would accommodate new 30 year loans with Infrastructure Ontario that would generate funds of about \$15.2 million in 2019 and an additional \$20.4 million from 2020 to 2021. The loans will be used to fully payout the existing

mortgages, while the balance of the funds generated will be used toward priority capital repair work.

The *Housing Services Act, 2011* stipulates that there is an ongoing requirement for the Service Manager to continue to administer and fund transferred designated housing projects, and this obligation continues even when the mortgages are fully paid and discharged as long as the projects remain listed in schedule 24 of the Ontario regulation (O.Reg.368/11). Upon full payment and discharge of the mortgages, the City could apply to the Province to have the projects delisted, however it would not be advisable as:

1. The City must nevertheless maintain at least 16,502 units of rent-geared-to-income housing;
2. The City owns the OCHC housing stock as the sole shareholder and therefore has some obligation to maintain the housing assets in good condition;
3. The City has an ongoing requirement to ensure that current tenants living in rent-geared-to-income housing are not displaced without an alternative being provided; and
4. OCHC must meet the service level standards as set out in regulation 368/11 and in the operating agreement which the City entered into with OCHC in 2009.

Further, City staff have concluded that for the current mortgages under consideration for Infrastructure Ontario refinancing, this approach is revenue neutral for the City while providing an opportunity for OCHC to access much needed capital. This is based on the requirement that the monthly payments for the new loans remain the same as what the City currently contributes to OCHC in subsidies for the mortgages.

To meet Infrastructure Ontario's security requirements, the City of Ottawa must commit to continue the current level of mortgage subsidy until the end of the 30 year loan and to accept a direction from OCHC that the City pay the 360 equal monthly instalments directly to Infrastructure Ontario, as the lender. OCHC is in agreement with this approach. A portion of OCHC's monthly subsidy would be withheld and provided directly to Infrastructure Ontario by the City for the duration of the loan for the debt servicing costs. The security afforded by this commitment is an opportunity to access attractive, long term interest rates, and to leverage the equity in these buildings to generate capital for much needed repairs.

City staff recommends the refinancing of the mortgages which are identified in Document 1. By maintaining the current level of mortgage subsidy funding based on the

existing mortgage payments and extending the term of the debt, additional funding for capital repairs can be generated without any requirement for the City to increase its present level of mortgage subsidy funding, instead extending it for 30 years. This capital infusion will go toward priority repair work at the discretion of OCHC and as with all previous funding, OCHC will ensure the funds have the maximum positive impact on the aging stock. OCHC agrees to report on the use of the capital generated through mortgage refinancing toward repairs and maintenance to its social housing stock as part of their annual information return to the City's Housing Services, as the Service Manager.

RURAL IMPLICATIONS

There are no specific rural implications associated with this report.

CONSULTATION

City staff met on several occasions with OCHC staff to review and finalize details and possible implications for the refinancing proposal.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a City-Wide report.

ADVISORY COMMITTEE(S) COMMENTS

No consultations with advisory committees were required as this report is administrative in nature.

LEGAL IMPLICATIONS

There are no legal impediments to the implementation of the report recommendations.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications associated with this report.

ASSET MANAGEMENT IMPLICATIONS

Ottawa Community Housing Corporation (OCHC) is Ottawa's largest non-profit housing Corporation with approximately two thirds of the total social housing stock under the administration of the City. The City of Ottawa is the sole shareholder of OCHC, which owns and operates over \$2.5 billion in housing assets.

If approved, refinancing with Infrastructure Ontario would result in an additional \$35.6 million in available funds from 2019-2021 to be used toward priority capital work. This mortgage refinancing initiative has been a successful part of OCHC's long-range financial strategy to reduce its annualized capital repair needs shortfall and is part of both the City's and OCHC's asset management plans.

FINANCIAL IMPLICATIONS

With the approval of the report recommendations the current annual funding OCHC receives of \$2.51 Million for these existing mortgages would remain constant for the duration of the 30 years loans, with the last loan expiring in 2051. The annual funding is included in Housing's 2019 operating budget and would remain constant until the end of the loans. Based on OCHC's direction to pay, the City will issue a portion of OCHC's monthly subsidy directly to Infrastructure Ontario for the debt servicing costs. Since the level of debt servicing is expected to remain the same under the proposed refinancing there will be no impact on the City's Annual Repayment Limit other than to extend the period during which the mortgage payments are to be made.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

TERM OF COUNCIL PRIORITIES

The recommendations in this report align with the Term of Council Priorities as it targets the Health & Caring Communities strategic priority by addressing the strategic objective to improve social and affordable housing.

SUPPORTING DOCUMENTATION

Document 1 – Tables 1 to 3: "OCHC 2019 to 2021 Mortgage Renewals"

DISPOSITION

Staff will action any direction received as part of consideration of this report.

Document 1

Table 1: OCHC 2019 Mortgage Renewals

| Site | Renewal Date | Outstanding Principal | Current Annual Payment | Additional Capital Funds |
|--------------------|--------------|-----------------------|------------------------|--------------------------|
| Tapiola Court | 2019/Aug/01 | \$0 | \$381,245 | \$6,270,245 |
| Woodland Place | 2019/Aug/01 | \$492,594 | \$276,769 | \$4,059,353 |
| Brian Bourns Place | 2019/Aug/01 | \$955,185 | \$149,928 | \$1,510,645 |
| Lavigne Court | 2019/Sep/01 | \$1,245,961 | \$280,041 | \$3,359,811 |
| 2019 Total | | \$2,693,741 | \$1,087,983 | \$15,200,054 |

Table 2: OCHC 2020 Mortgage Renewals

| Site | Renewal Date | Outstanding Principal | Current Annual Payment | Additional Capital Funds |
|-------------------|--------------|-----------------------|------------------------|--------------------------|
| Cumberland/George | 2020/Jan/01 | \$1,028,818 | \$245,270 | \$3,498,481 |
| Beausejour 4 | 2020/Jun/01 | \$0 | \$21,400 | \$351,956 |
| 2020 Total | | \$1,028,818 | \$296,670 | \$3,850,437 |

Table 3: OCHC 2021 Mortgage Renewals

| Site | Renewal Date | Outstanding Principal | Current Annual Payment | Additional Capital Funds |
|---------------------------------|--------------|-----------------------|------------------------|--------------------------|
| Strathcona: 300 Wiggins Private | 2021/Mar/01 | \$893,279 | \$200,696 | \$2,407,517 |
| Haley Court | 2021/Apr/01 | \$0 | \$60,271 | \$991,266 |
| Christie Place | 2021/Jun/01 | \$0 | \$244,549 | \$4,022,033 |
| Cameron Court | 2021/Jun/01 | \$626,235 | \$323,358 | \$4,691,964 |
| Esson Place | 2021/Jun/01 | \$592,126 | \$305,746 | \$4,436,412 |
| 2021 Total | | \$2,111,639 | \$1,134,620 | \$16,549,192 |

Summary of Table 1, 2 & 3: OCHC 2019 - 2021 Mortgage Renewals - TOTAL

| Sites: All sites identified in Tables 1, 2 & 3 | Renewal Dates: Aug 1, 2019 to | Total Outstanding Principal | Total Current Annual Payment | Total Additional Capital Funds |
|--|-------------------------------------|--------------------------------|------------------------------------|---|
| | | | | |

| | Jun 1, 2021 | | | |
|------------------------|--------------------|--------------------|--------------------|---------------------|
| TOTAL 2019-2021 | | \$5,834,198 | \$2,519,273 | \$35,599,683 |