

Report to

Rapport au:

Finance and Economic Development Committee

Comité des finances et du développement économique

November 12, 2020 / 12 Novembre, 2020

And Council

Et au Conseil

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Submitted by

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE

File Number: ACS2020-CSS-GEN-011

**SUBJECT: OTTAWA COMMUNITY HOUSING CORPORATION'S
PROPERTY TAX EXEMPTION UPDATE AND CANADA MORTGAGE
AND HOUSING CORPORATION CO-INVESTMENT APPLICATION FOR
CAPITAL REPAIR FUNDING**

**OBJET: MISE À JOUR DE L'EXEMPTION D'IMPÔT FONCIER
ACCORDÉE À LA SOCIÉTÉ DE LOGEMENT COMMUNAUTAIRE
D'OTTAWA ET DEMANDE AU FONDS DE CO-INVESTISSEMENT DE
LA SOCIÉTÉ CANADIENNE D'HYPOTHÈQUES ET DE LOGEMENT
POUR LA RÉFECTION DES IMMOBILISATIONS**

REPORT RECOMMENDATIONS

That Finance and Economic Development Committee recommend that Council approves the following:

1. As it relates to Ottawa Community Housing Corporation's property tax exemption:
 - a. the updated list of designated properties owned by Ottawa Community Housing Corporation which qualify as affordable housing stock and therefore as municipal capital housing facilities as permitted under Section 110 of the Municipal Act, 2001 and as defined in section 2(1)18. of Ontario Regulation 603/06, as amended, to reflect disposals and acquisitions (set out in Document 1) since the last update approved by Council on September 13, 2017 (By-law No. 2017-297);
 - b. the enactment of the By-law (Document 2) to amend By-law No. 2014-431, as amended by By-law No. 2015-119 and By-law No. 2017-297, to include the acquisitions and remove the disposals;
 - c. the delegation of authority to the Chief Financial Officer to conclude and execute the necessary Municipal Housing Facilities Amending Agreement as described in this report and set out in Document 3 to include qualifying properties that have been acquired and disposed by OCHC since the last update;
 - d. the delegation of authority to the Chief Financial Officer to amend the Municipal Housing facilities Agreement and submit the necessary by-law amendments for enactment per the usual administrative by-law process without the need for a report when OCHC acquires or disposes of affordable housing.
2. As it relates to Ottawa Community Housing Corporation's application for capital repair funding from the Canada Mortgage and Housing Corporation Co-Investment Fund:
 - a. provide authority for OCHC to submit a CMHC Co-Investment Loan application under the housing repair and renewal stream, on or by

December 31, 2020, up to a maximum of \$166 million over the 2020-2028 fiscal period;

- b. require OCHC to redirect the savings from the education portion of the property taxes, generated through the property tax exemption recommended by this report, towards capital repairs to its affordable housing stock and/or to meet CMHC Co-Investment Loan capital contribution requirements and service the CMHC Co-Investment Loan debt related to capital repairs funding;
 - c. provide authority for OCHC to meet CMHC Co-Investment Loan capital contribution requirements and service the portion of the CMHC Co-Investment Loan not covered by (i) OCHC's required contribution, (ii) Infrastructure Ontario Refinancing Proceeds, and (iii) the property tax savings, with the annual benchmarked capital reserve funding they receive from the City each year and otherwise apply these benchmarked capital reserve funds to the capital repair reserve as is the current Operating Agreement requirement;
3. Direct OCHC to report on the use of the savings from the education portion of the property taxes and the benchmarked capital reserve funding as part of their annual information return to the City's Housing Services, in its capacity as the Service Manager; and
 4. Provide authority for OCHC to allocate, on an exceptional basis, the 2020 education portion of the property tax savings towards their 2020 operating deficit, and the 2021 education portion of the property tax savings towards their 2021 operating deficit if any, as opposed to servicing the CMHC Co-Investment Loan.

RECOMMANDATIONS DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil d'approuver ce qui suit :

1. Concernant l'exemption d'impôt foncier accordée à la Société de logement communautaire d'Ottawa (SLCO) :
 - a. la liste à jour des propriétés désignées de la Société de logement communautaire d'Ottawa pouvant faire partie du parc de logements abordables et par conséquent de l'ensemble domiciliaire municipal aux fins de l'article 110 de la Loi de 2001 sur les municipalités et au sens défini à l'alinéa 2(1)18 du Règlement de l'Ontario 603/06, dans sa version modifiée pour tenir compte des cessions et acquisitions (document 1) réalisées depuis la dernière mise à jour approuvée par le Conseil le 13 septembre 2017 (Règlement municipal no 2017-297);
 - b. L'adoption d'un règlement (document 2) modifiant le Règlement municipal no 2014-431, dans sa version modifiée par les règlements no 2015-119 et no 2017-297, afin d'inclure dans la liste les propriétés acquises et de supprimer les propriétés cédées;

- c. La délégation à la cheffe des finances du pouvoir de conclure et de signer l'accord de modification nécessaire relatif aux immobilisations municipales, décrit dans le présent rapport et le document 3, afin de tenir compte des propriétés admissibles acquises et cédées par la SLCO depuis la dernière mise à jour;
 - d. La délégation à la cheffe des finances du pouvoir de modifier l'accord relatif aux immobilisations municipales et de proposer l'adoption des modifications réglementaires nécessaires, selon le processus administratif habituel des règlements municipaux, sans qu'il soit nécessaire de produire un rapport chaque fois que la SLCO acquiert ou cède un logement abordable;
2. Concernant la demande de la Société de logement communautaire d'Ottawa au Fonds de Co-investissement de la Société canadienne d'hypothèques et de logement (SCHL) pour la réfection des immobilisations :
- a. L'autorisation de la SLCO de présenter une demande de prêt au Fonds de Co-investissement de la SCHL, dans le volet de réfection et de renouvellement du logement, au plus tard le 31 décembre 2020, à hauteur maximale de 166 millions de dollars pour les exercices 2020-2028;
 - b. L'obligation pour la SLCO d'affecter les économies générées par l'exonération des taxes scolaires recommandée par le présent rapport à la réfection de son parc de logements abordables ou au financement des immobilisations exigé dans le cadre du prêt du Fonds de Co-investissement de la SCHL, et au remboursement de la portion réservée au financement de la réfection;
 - c. l'autorisation de la SLCO de satisfaire les exigences de financement des immobilisations du prêt de Co-investissement de la SCHL et de rembourser la partie de ce prêt qui n'est pas couverte par i) l'apport obligatoire de la SLCO, ii) les produits générés par le refinancement d'Infrastructure Ontario et iii) les économies d'impôt foncier, au moyen du fonds de réserve étalonné qu'elle reçoit de la Ville chaque année, et d'utiliser autrement ce fonds de réserve à la réfection des immobilisations conformément à l'entente d'exploitation en vigueur;
3. L'obligation pour la SLCO de faire état de l'utilisation des économies générées par l'exonération des taxes scolaires et du fond de réserve étalonné accordé, dans sa Déclaration de renseignements annuelle aux Services du logement de la Ville, en tant que gestionnaire de services; et
4. L'autorisation de la SLCO d'utiliser, à titre exceptionnel, les économies générées par l'exonération des taxes scolaires de 2020 pour réduire le déficit de fonctionnement de 2020 et les économies générées par l'exonération des taxes scolaires de 2021 pour réduire le déficit de fonctionnement de 2021, s'il en est, plutôt que pour rembourser le prêt au fonds de Co-investissement de la SCHL.

EXECUTIVE SUMMARY

The purpose of this report is to address two (2) related initiatives:

1. update the list of Ottawa Community Housing Corporation (OCHC) properties that are designated as municipal capital housing facilities to reflect recent acquisitions and disposals, and obtain approval to expand the allowable uses for the property tax savings resulting from the property tax exemption; and
2. obtain approval for OCHC to apply for a \$166 million CMHC Co-Investment Loan under the capital repair and renewal stream, \$65 million of which is forgivable in equal portions over the initial 10 year term, and obtain approval for the use of existing property tax savings and capital reserve contribution funding sources to service the debt and meet capital contribution requirements of the loan.

1. To OCHC's property tax exemption list of properties:

- a. Staff recommend amending By-law 2014-431 (for a third time) to consolidate and reflect all of OCHC's current properties designated as municipal capital housing facilities. This entails removing those that have been sold and adding those acquired by OCHC since the By-law was last updated in 2017.
- b. With the approval of this Report, the Municipal Housing Facilities Agreement with OCHC will be amended to include recent acquisitions that meet the "affordable housing" criteria under the City's Municipal Housing Facilities By-law No. 2006-1 and delete the properties that have been disposed. The list of the affordable housing properties is also set out in the by-law.
- c. It is recommended that Staff be authorized to amend the agreement's list of properties as may be required from time to time in the future in order to maintain the list of properties up to date on the condition that the properties meet the affordable housing criteria. It is further recommended that Staff have authority to submit the necessary by-law amendments for enactment per the usual administrative by-law process without the need for a report when OCHC acquires or disposes of properties and the agreement and by-law require amendments. Any use of the delegated authority will be reported back to the appropriate committee and council as part of a delegation of authority report.

2. OCHC's CMHC Co-Investment Loan – Capital Repair and Renewal Stream Application – City approval to apply and OCHC's capital contribution requirements and debt servicing of the loan:

- a. To assist with the ongoing need for capital repair funding, OCHC pre-applied to the Canada Mortgage Housing Corporation for a Co-investment Loan – Capital Repair and Renewal Stream to leverage funding for the purpose of capital repairs within their Equity and Public Housing portfolios. CMHC application approval is conditional on the City, as Service Manager, consent for OCHC to apply for the loan. In addition, the City, as sole shareholder, approval is required as OCHC's debt is included in the consolidated financial statements of the City and in the total debt repayment reporting to the Province of Ontario. The City's Chief Financial Officer has provided a letter in support of OCHC's application for the CMHC Co-Investment Fund which may result in OCHC having access to a loan of approximately \$166 million, \$65 million of which is forgivable in equal portions over the initial 10 year term, for the purpose of much needed capital repairs.
- b. To meet the capital contribution requirement and to service the debt, OCHC has requested permission to redirect both the savings from the education portion of the property taxes, generated through the property tax exemption recommended in this report, and the annual benchmarked capital reserve funding they receive from the City each year pursuant to the 2009 Operating Agreement with the City (2009 Council Report #ACS2009-COS-HOU-0001) of which funding is provided to the Public Housing portfolio consistent with the *Housing Services Act, 2011* funding model. Without this approval, as outlined in the 2009 Operating Agreement and in accordance with the 2014 Property Tax Exemption Report (Council Report #ACS2014-COS-CSS-0010), OCHC is required to apply the benchmarked capital reserve funding and tax exemption savings directly into social housing capital repairs. Allowing them to leverage the unencumbered assets within these portfolios and then to apply these funds to service the new capital repair funding debt and meet CMHC capital contribution requirements results in direct access to a significantly higher amount of funds for the same purpose - capital repairs within the social housing portfolio.
- c. The recommendations proposed within this report include the necessary accountability and reporting requirements to ensure the funds are used as intended and permitted.
- d. As an exception for 2020 and 2021, authority is being sought to allow OCHC to use the savings from the property taxes for the purpose of addressing projected operating deficits in 2020 and 2021. OCHC anticipates a potential deficit in both 2020 and 2021 as a result of unanticipated COVID-19 related expenses, additional utility costs as a result of residents working and spending more time at home, and costs exceeding revenue as a result of the legislated funding model 2021 indices and other recent legislative changes affecting social housing. Of the \$3 million annual tax exemption savings it is anticipated up to \$2.0 million will be used in 2020 to address 2020 COVID-19 related costs

contributing to the operating deficit, Of the \$3 million annual tax exemption savings it is anticipated up to \$2.8 million will be used in 2021 to address this potential deficit, with the remaining balance of \$0.2 million to be used to service the CMHC Co-Investment Loan.

RÉSUMÉ

Le présent rapport porte sur deux (2) objectifs :

1. Mettre à jour liste des propriétés désignées de la Société de logement communautaire d'Ottawa (SLCO) qui font partie de l'ensemble domiciliaire municipal, en fonction des récentes acquisitions et cessions, et faire autoriser de nouvelles utilisations pour les économies générées par l'exemption d'impôt foncier; et
2. autoriser la SLCO à demander un prêt de 166 millions de dollars au Fonds de Co-investissement de la SCHL dans le volet de réfection et de renouvellement du logement, dont 65 millions sont remboursables en parts égales sur la période initiale de 10 ans, et à utiliser les économies actuelles générées par l'exemption d'impôt foncier ainsi que le fonds de réserve pour les immobilisations afin de rembourser sa dette et de satisfaire les exigences du prêt en matière de financement des immobilisations.

1. Mise à jour de la liste des propriétés de la SLCO exemptées d'impôt foncier

- a. Le personnel recommande de modifier le Règlement municipal n° 2014-431 (une troisième fois) pour tenir compte uniformément de toutes les propriétés de la SLCO qui font actuellement partie de l'ensemble domiciliaire municipal. Pour ce faire, il faudra supprimer de la liste les propriétés vendues et ajouter celles qui ont été acquises par la SLCO depuis la dernière mise à jour du règlement en 2017.
- b. Une fois le présent rapport approuvé, l'accord relatif aux immobilisations municipales avec la SLCO sera modifié pour y inclure les propriétés acquises qui respectent les critères du logement abordable prévus dans le Règlement municipal sur les ensembles domiciliaires (n° 2006-1) et en supprimer les propriétés cédées. La liste des propriétés de logement abordable est aussi comprise dans le règlement municipal.
- c. On recommande d'autoriser le personnel à modifier la liste des propriétés de l'accord au besoin pour la tenir à jour, pourvu que ces propriétés respectent les critères du logement abordable. Il est également recommandé que le personnel soit autorisé à proposer l'adoption des modifications réglementaires nécessaires selon le processus administratif habituel des règlements municipaux sans qu'il soit nécessaire de produire un rapport chaque fois que la SLCO acquiert ou cède une propriété, et que l'accord et le règlement municipal doivent être modifiés. Tout recours à ces pouvoirs délégués devra être signalé au comité compétent et au Conseil dans un rapport sur la délégation de pouvoirs.

2. Prêt demandé par la SLCO au Fonds de Co-investissement de la SCHL (volet de réfection et de renouvellement du logement), approbation de la Ville et exigences en matière de financement des immobilisations et de remboursement

- a. Afin de répondre au besoin constant de financement pour la réfection des immobilisations, la SLCO a fait une demande préalable de prêt au Fonds de Co-investissement de la Société canadienne d'hypothèques et de logement dans le volet de réfection et de renouvellement du logement, argent qui serait appliqué aux portefeuilles de l'équité et du logement public. Pour que cette demande soit approuvée, la Ville doit donner son consentement, en tant que gestionnaire de services. De plus, parce qu'elle est seule actionnaire, la Ville doit approuver le prêt étant donné que la dette de la SLCO figure dans les états financiers consolidés de la municipalité et les rapports sur le remboursement de la dette totale à la province de l'Ontario. Grâce à la lettre d'appui rédigée par la cheffe des finances d'Ottawa à l'intention de la SCHL, la SLCO pourrait décrocher un prêt d'environ 166 millions de dollars, dont 65 millions sont remboursables en parts égales sur la période initiale de 10 ans pour des réfections pressantes.
- b. En vue de satisfaire les exigences en matière de financement des immobilisations et de remboursement du prêt, la SLCO a demandé la permission de réinvestir les économies générées par l'exonération des taxes scolaires recommandée dans le présent rapport ainsi que le fonds de réserve étalonné qu'elle reçoit de la Ville chaque année conformément à l'entente d'exploitation municipale de 2009 (rapport au Conseil de 2009 n° ACS2009-COS-HOU-0001), financement inscrit au portefeuille du logement public conformément au modèle prévu par la Loi de 2011 sur les services de logement. Sans cette permission, selon le contrat d'exploitation de 2009 et le rapport sur l'exemption d'impôt foncier de 2014 (rapport au Conseil n° ACS2014-COS-SSC-0010), la SLCO doit appliquer ces sommes directement aux travaux de réfection des immobilisations de logement social. En lui permettant d'investir les fonds non engagés de ces portefeuilles dans le remboursement de la nouvelle dette et le respect des exigences en matière de financement des immobilisations de la SCHL, la Ville permettrait à la SLCO d'accéder directement à une source de capital beaucoup plus abondante qui remplit la même fonction : financer la réfection du parc de logements sociaux.
- c. Les recommandations du présent rapport s'accompagnent des mesures de responsabilisation et de reddition de comptes nécessaires pour veiller à ce que les fonds soient utilisés aux fins prévues et permises.
- d. À titre exceptionnel pour 2020 et 2021, on demande enfin que la SLCO soit autorisée à utiliser les économies générées par les exemptions d'impôt

foncier pour réduire le déficit de fonctionnement prévu en 2020 et 2021. La SLCO prévoit un déficit possible pour 2020 et 2021, en raison des dépenses inattendues liées à la COVID-19, de l'augmentation des coûts de services publics en raison du fait que les résidents travaillent et passent plus de temps à la maison, et des dépenses excédant les recettes après application des indices du modèle de financement réglementaire de 2021 et d'autres changements réglementaires récents touchant le logement social. Sur les 3 millions de dollars en exemptions d'impôt annuelles, on utiliserait au plus 2,0 millions en 2020 pour réduire les coûts liés à la COVID-19 qui contribuent au déficit de fonctionnement. Sur les 3 millions de dollars en exemptions d'impôt annuelles, on utiliserait au plus 2,8 millions en 2021 pour réduire ce déficit éventuel, et le 0,2 million restant pour rembourser le prêt du Fonds de Co-investissement de la SCHL.

BACKGROUND

Subsections 110(1), (6) and (7) of the Municipal Act, 2001, along with Ontario Regulation 603/06 authorize a municipal council to enter into Municipal Capital Facilities Agreements (MCFA) with certain types of organizations to exempt the property from municipal and education taxes, as applicable, in exchange for the provision of services outlined in the agreement.

In order to enter into a municipal capital facility agreement in respect of municipal housing project facilities, the City must enact a municipal housing facilities by-law. In January 2006, the City enacted By-law No. 2006-1.

On December 10, 2014, the City enacted By-law No. 2014-431. The By-law included a comprehensive list of properties owned by OCHC and designated as municipal capital housing facilities, which are exempt from taxes for municipal and school purposes. To implement By-law 2014-431, the City entered into a MCFA with OCHC on December 31, 2014.

Since 2014, By-law No. 2014-431 has been amended on two occasions in order to amend the list of properties as a result of acquisitions and disposals by OCHC. These by-law amendments were enacted on April 15, 2015 (By-law No. 2015-119) and September 13, 2017 (By-law No. 2017-297).

Pursuant to the 2014 Report (Council Report #ACS2014-COS-CSS-0010), OCHC has been required to direct the savings from the education portion of the property taxes, generated through the property tax exemption, towards capital repairs to its social/affordable housing stock. In addition to this annual allocation of funds towards capital repairs, pursuant to the 2009 Report (Council Report #ACS2009-COS-HOU-0001) the City also provides OCHC with annual benchmarked capital reserve funding as part of its Operating Agreement, in a manner consistent with the funding model under the Housing Services Act, 2011.

Earlier this year, OCHC pre-applied to the Canada Mortgage and Housing Corporation Co-Investment Fund under the Housing Repair and Renewal Stream which is a loan intended to support priority social housing capital repair projects within the unencumbered Equity Program and Public Housing Program portfolio over the next 8 – 9 years. OCHC applied for approximately a \$166 million loan, \$65 million of which is forgivable in equal portions over the initial 10-year term, for the purpose of funding much needed capital repairs to these aging equity and public housing assets.

As the City is both the sole shareholder of OCHC and the Service Manager under the Housing Services Act, 2011, OCHC requires the City's consent to apply for the loan and their debt must be included in the consolidated financial statements of the City and in the total debt repayment reporting to the Province of Ontario. The City's Chief Financial Officer provided a letter in support of OCHC's application to the CMHC Co-Investment Fund for both the New Construction Stream and the Housing Repair and Renewal Stream of the fund.

Council was supportive of OCHC applying under the New Construction Stream. Earlier this year OCHC received approval from CMHC for \$167.9 million in funding under the New Construction Stream (\$157.1 million repayable loan, \$10.8 million forgivable loan) to develop approximately 698 affordable housing units. OCHC is now applying under the Capital Repair and Renewal Stream to address capital repair needs within the social housing portfolio.

In order to access these CMHC capital repair funds, and to benefit from the historically low interest rates and favorable loan terms currently being offered, OCHC must demonstrate they meet CMHC debt servicing, and capital contribution requirements of the loan fund. This report proposes that Council provide consent for OCHC to use pre-existing funding sources currently provided by the City to OCHC to support these loan requirements, at no additional cost to the City's operating budget.

It is proposed that Council provide authority for OCHC to redirect the savings from the education portion of the property taxes, generated through the property tax exemption, as outlined within this report, towards both the previously Council approved capital repairs within the social/affordable housing stock, and to now expand the allowable use to meet the CMHC Co-Investment Loan capital contribution requirements and to service the loan.

In addition, it is proposed that Council provide authority for OCHC to expand the allowable use of annual benchmarked capital reserve funding they receive from the City each year under the Council approved 2009 Operating Agreement for the Public Housing portfolio to meet the CMHC Co-Investment Loan capital contribution requirements and to service the loan.

OCHC has also reported they anticipate an operating deficit in 2020 and 2021 as a result of unanticipated costs associated with the current COVID-19 pandemic and other legislative changes and regulatory requirements affecting social housing.

Costs include, but are not limited to, additional cleaning, personal protective equipment (PPE), staffing, higher utility costs as a result of residents being required to remain in their homes and work from home. Regulatory requirements include the prescribed 2021 funding model revenue and cost indices, of which four (4) cost indices are negative in 2021. This creates increased costs with reduced revenue and operating subsidy. Legislative changes include the recent Bill 204 'Helping Tenants and Small Businesses Act, 2020' which freezes rent for all Ontario renters for the entire 2021 calendar year. These regulatory and legislative changes create the potential for expenses to exceed annual revenue.

On a one-time basis for both 2020 and 2021, it is proposed that Council provide authority to OCHC to also use the education portion of the property tax savings towards their 2020 and 2021 operating deficit. It is anticipated that in 2020, of the annual \$3 million property tax savings, approximately \$2.0 million will be used to offset COVID-19 related costs contributing to the operating deficit. It is anticipated that in 2021, of the annual \$3 million property tax savings, approximately \$2.8 million will be used to offset both COVID-19 related and regulatory change costs contributing to the 2021 operating deficit and \$0.2 million will be used to service the CMHC Co-Investment Loan.

DISCUSSION

Property Tax Exemption Update

By-law 2014-031 identifies OCHC properties designated as municipal capital housing facilities, and has been updated twice, once in 2015 and again in 2017 to reflect acquisitions and disposals. This current report will update the list of OCHC properties for a third time. The update to the list of social and affordable housing properties is a housekeeping matter to ensure the by-law is up to date.

Since 2014, when the property tax exemption was first introduced, OCHC has saved approximately \$18 million dollars (\$3 million annually) from the education portion of the property taxes for municipal purposes.

Also, since 2014, over 72 properties have been acquired or disposed of, thereby making the By-law's schedule, as amended, and the Municipal Capital Facilities Agreements (MCFA's) appendix out of date and cumbersome to consult. Staff are recommending consolidating the amendments such that all properties are up to date.

As it relates to future updates, staff are recommending that delegated authority be provided to the Chief Financial Officer to update the properties in both the agreement and the by-law as OCHC acquires and disposes of real property without the requirement for a report to Committee and Council on the condition that all conditions to qualify for the exemption remain unamended. The Chief Financial Officer will report on the use of the delegated authority as required in the annual report to the appropriate Committee and Council.

With the approval of this Report, the MCFA shall continue to apply to all of OCHC's housing units that meet the "affordable housing" criteria under the City's Municipal Housing Facilities By-law No. 2006-1. The list of the affordable housing properties and portions of the properties is set out in the by-law and will be maintained up to date.

As a result of Council having made these properties tax exempt under the Municipal Capital Facilities By-law, OCHC has experienced a total net savings of approximately \$18 million since 2014. There has been no net impact on the City's Operating Budget since the decrease in municipal tax revenue has been offset by a corresponding reduction in the annual subsidy which the City provides to OCHC pursuant to the Council Approved 2009 Operating Agreement and by the resumption of property tax revenue collection for the previously exempt OCHC properties sold since the last report.

OCHC has redirected these savings from the education portion of the property taxes towards repairs within the social housing portfolio, consistent with direction from Council. On August 9, 2019, Ottawa Community Housing Corporation Capital Funding Investment Update (Report #ACS2019-CSS-GEN-009) was presented by Housing Services staff to the Community and Protective Services Committee, which reported back on the use and investment of these funds within the OCHC portfolio.

CMHC Co-Investment Loan Application – Capital Repair and Renewal Stream

The OCHC portfolio is one of the largest and oldest social housing portfolios in the province. The Public Housing Program portfolio is the largest portfolio owned by OCHC, comprised of 59 communities, representing 8,622 units. Many of these units have been in service for over 55 years.

To better assess the current state and future capital need of their entire social housing portfolio, in late 2018 OCHC updated their Building Condition Assessments and inputted the information into a City funded Asset Planner software. As a result of this initiative, significant updates have been made to identify the current condition of these assets, based on site inspections and the expected life cycle of individual capital components. Refinements have been made to individual property and community capital requirements within the Asset Planner capital planning tool. This has created an up to date and comprehensive assessment of both the short- and long-term capital needs of OCHC's social housing portfolio.

Despite the significant deferred maintenance and the annual funding shortfall for repairs identified through the Building Condition Assessments, progress has been made with the completion of major capital repair programs in recent years. Significant capital improvements, energy efficiencies and operational cost savings have occurred within OCHC communities as a result of these major maintenance, capital repair and energy retrofit programs.

As reported in the August 9, 2019 Ottawa Community Housing Corporation Capital Funding Investment Update (Report #ACS2019-CSS-GEN-009) property tax savings,

mortgage refinancing with Infrastructure Ontario, annual City benchmarked capital reserve funding, and one-time capital repair programs from all levels of government have provided funding to support capital repair and retrofit initiatives to address identified capital needs. These capital investment initiatives have been effective to support longer term viability of these social housing assets. Findings suggest future long-term capital repair requirements are approximately 20% lower than previously projected as a result of these capital initiatives. This clearly demonstrates timely completion of capital repairs creates exponential benefits and cost savings in the future.

As the OCHC portfolio is estimated to have a \$2.5 billion asset valuation, even with these capital initiatives, significant capital repairs and retrofits will be required over the next 10 – 20 years. Timing of these repairs is critical, as the sooner these repairs and retrofits can occur, the greater the long-term benefit and cost savings for the OCHC portfolio. New funding sources are required to support this capital work.

Housing Services and OCHC have worked collaboratively to identify appropriate funding opportunities and strategies to both sustain operations and to address current and future capital needs within a timely manner. Within the Public Housing and Equity portfolios this includes leveraging unencumbered assets' equity to finance needed capital work.

CMHC's Co-Investment Loan Fund - Capital Repair and Renewal Stream has been identified as a timely and appropriate financial tool to leverage assets within the Public and Equity portfolios to generate funding for the purpose of capital repairs. As there is an immediate and ongoing need for capital repair funding, earlier this year OCHC pre-applied to the Canada Mortgage Housing Corporation for a Co-investment Loan under the Capital Repair and Renewal Stream to initiate discussions with CMHC. At the time of the submission to CMHC it was recognized that City approval would be required as part of the application process.

Utilizing existing OCHC social housing assets to leverage loans for significant capital repair funding is an approach previously recognized and supported by Council. As outlined in the April 24, 2019 Ottawa Community Housing Corporation Mortgage Refinancing Report (Council Report #ACS2019-CSS-GEN-0005), since June 2010 Council has approved the refinancing of fifty-five (55) OCHC mortgages through Infrastructure Ontario, generating approximate net proceeds in excess of \$169 million for social housing repairs and retrofits.

As set out in the OCHC Capital Repair CMHC Co-Investment Loan Analysis (Document 4 of this report), OCHC is requesting authority from the City to submit a CMHC Co-Investment Loan – Capital Repair and Renewal Stream application for a maximum of \$166 million in funding between 2020-2028 to address capital repair needs within the Public Housing and Equity portfolio. During this 2020-2028 period, OCHC identified \$301 million in capital need requirements for these two (2) portfolios. Annual City benchmarked capital reserve funding of \$90.6 million, property tax exemption savings of \$24.1 million, OCHC equity contribution of \$7.2 million from operations,

Infrastructure Ontario refinancing proceeds of \$13.4 million, along with the \$166 million CMCH Co-Investment loan have been identified to support and fund these capital needs.

The CMHC loan would be a low interest rate loan, with the \$166 million pre-approved loan funding, \$65 million of which is forgivable in equal portions over the initial 10-year term, accessed and released as required over the 2020-2028 period to support capital work as it is completed. The loan will have a 40-year amortization period. The interest rate is set at the 10-year Canada Bond yield plus 30 basis points. At the time of each years funding tranche release (draw) the interest rate is modelled to increase by an additional 20 basis point. The sooner the funds are accessed, the lower the overall interest rate. The rate is then set for 10 years, renewable for an additional 10 years and the interest rate is set again. As sole shareholder, the City has an ongoing requirement to fund the public housing portfolio, and support of this 40-year loan would be aligned with those requirements.

As previously identified, to service the debt and to meet capital contribution requirements of the loan, OCHC has requested permission to redirect both the savings from the education portion of the property taxes (generated through the property tax exemption recommended in this report) and the annual benchmarked capital reserve funding received from the City each year pursuant to the Council approved 2009 Operating Agreement. Without this approval, OCHC is required to apply the savings and the funding from the City directly into capital repairs. Allowing them to use these funds to support and service the CMHC loan results in significantly higher amount of funds being available for the same capital repair purpose

The reallocation of these funds, as set out in this report, does not have an impact on the allocation of funding by the City to OCHC, but rather it is expanding and redirecting the allowable uses of the existing funding to support OCHC's current social housing operations and capital repair needs.

The annual property tax savings is fixed at \$3 million annually, and it will remain consistent over the 2020-2028 period. The annual benchmarked capital reserve funding is calculated in the same manner that the City is currently required pursuant to the funding model under the *Housing Services Act, 2011*. This benchmarked capital reserve funding is inflated each year using the annual cost inflator prescribed by the Province, which is determined using the May over May *Ontario Consumer Price Index All-Items*. The 10- year average (2010-2020) of the capital reserve cost index is 1.8%. This 1.8% average cost index has been used to inflate and estimate the projected City capital reserve contribution over the 2020-2028 period.

For OCHC to meet CMHC Co-Investment Loan capital contribution requirements and service the portion of the CMHC Co-Investment Loan not covered by (i) OCHC's required contribution and (ii) Infrastructure Ontario Refinancing Proceeds, OCHC requires authority from the City to allocate the property tax savings and the annual benchmarked capital reserve funding towards the CMHC loan. Staff recommend that

OCHC be provided with the authority to allocate the funds if their required contributions and the IO Refinancing proceeds are insufficient to meet capital contribution requirements and service the debt but must otherwise apply the benchmarked capital reserve funds to the capital repair reserve as is the current Operating Agreement requirement.

OCHC will be required to report back on the use of the savings from the education portion of the property taxes and the benchmarked capital reserve funding as part of their annual information return to the City's Housing Services.

2020 and 2021 Projected Operating Deficit

As previously identified within this report OCHC is projecting both a 2020 and 2021 operating deficit primarily due to unanticipated costs associated with the current COVID-19 pandemic. These costs include additional cleaning, personal protective equipment (PPE), staffing, higher utility costs as a result of residents spending more time at home due to the pandemic and the requirement to work from home. The projected deficit is also a result of costs exceeding revenue as a result of the legislated funding model 2021 indices and other recent legislative changes affecting social housing, including the recent *Bill 204 'Helping Tenants and Small Businesses Act, 2020'* which freezes rent for all Ontario renters, including rent-geared-to-income (RGI) households for the full 2021 calendar year.

As a one-time exception for 2020 and 2021, the report proposes to provide authority to OCHC to use the education portion of the property tax savings towards their 2020 and 2021 operating deficits, if any occurs. It is anticipated that in 2020, of the annual \$3 million property tax savings, approximately \$2.0 million will be used to offset COVID-19 related costs contributing to the operating deficit. It is anticipated that in 2021, of the annual \$3 million property tax savings, approximately \$2.8 million will be used to offset both COVID-19 related and regulatory change costs contributing to the 2021 operating deficit and \$0.2 million will be used to service the CMHC Co-Investment Loan.

RURAL IMPLICATIONS

There are no rural implications.

CONSULTATION

There was discussion and consultation with OCHC, as well as internally with Legal Services and the Finance Department.

LEGAL IMPLICATIONS

There are no legal impediments to implementing the report recommendations.

RISK MANAGEMENT IMPLICATIONS

There are no risk implications.

FINANCIAL IMPLICATIONS

There would be no net impact on the City's Operating Budget resulting from the update to the property tax exemption list as any reduction in municipal tax revenue will be offset by both a corresponding reduction in the annual subsidy provided by the City to OCHC and by the resumption of property tax revenue collection for the previously exempt OCHC properties sold since the last report.

There would be no net impact on the City's Operating Budget resulting from the expanded allowable use of both the annual benchmarked public housing program capital reserve contribution and the property tax exemption savings, as both are already funded by the City and accounted for within the annual base budget for OCHC, with no additional City funds required. The defined use of the funds has been expanded; the funding amount has not changed.

OCHC's debt resulting from the Social Housing Capital Repair CMHC Co-Investment Loan is included in the consolidated financial statements of the City and in the total debt repayment reporting to the Province of Ontario.

ACCESSIBILITY IMPACTS

There are no accessibility impacts.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications.

TERM OF COUNCIL PRIORITIES

The initiatives outlined within the report will advance the objectives of the *Legislated Five-Year Review of the 10-Year Housing and Homelessness Plan*, as approved by Council on July 15, 2020. The Plan includes the Goal "Everyone has a home" and the associated Objective: Preserve the existing affordable housing stock.

OCHC contributes to the provisions of social and affordable housing for residents in need. The savings generated from the education portion of the property taxes through the exemption and the funds from the City annual benchmarked capital reserve contribution will continue to be used towards their intended uses, to maintain their social and affordable housing stock in a state of good repair and to ensure long-term viability .

SUPPORTING DOCUMENTATION

Document 1 – Properties acquired or disposed since 2017

Document 2 – Draft Amendment to Municipal Capital Facilities Agreement

Document 3 - Amendment to By-law No. 2014-431

Document 4 – OCHC Capital Repair CMHC Co-Investment Loan Analysis

DISPOSITION

Place the amendment to By-law No. 2014-431 on the agenda of Council for enactment.

Legal Services to finalize the amendment to the Municipal Capital Facilities Agreement for execution by the Chief Financial Officer.

The Chief Financial Officer will amend the Municipal Capital Facilities Agreement and submit the necessary by-law amendments for enactment per the usual administrative by-law process without the need for a report as required to maintain the list of affordable housing properties up to date and report on the use of delegated authority as part of the delegation of authority report to the appropriate Committee and Council.