



Date: February 9, 2023

Report to: Board of Directors
CityHousing Hamilton Corporation

Submitted by: Adam Sweedland
Chief Executive
Officer/Secretary

Prepared by: Sean Botham
Manager, Development

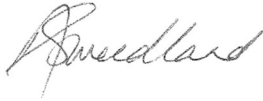
Samantha Blackley
Development Coordinator

Subject: 8 Roxanne Drive Funding Update (Report #17029(f))

RECOMMENDATION:

That the Board of Directors approve the following resolutions:

- (a) To enter into agreements with CMHC for grant funding, and with FCM for grant and loan funding, with terms and conditions to the satisfaction of CityHousing Hamilton legal counsel;
- (b) To negotiate with the City of Hamilton the terms for debt for 8 Roxanne Dr in the amount of \$19,396,979 as per Report 17029(f) with terms and conditions that ensure that CHH is responsible for all debt or loan payments, and to the satisfaction of CityHousing Hamilton legal counsel;
- (c) That the Report be forwarded to the City of Hamilton in their role as Service Manager for any consents required;
- (d) That the City of Hamilton as Sole Shareholder be requested to:
 - i) Approve development plans including the debt outlined in Report 17029(f); and the debt financing to the upset limit of \$19,396,979;
 - ii) That Report 17021(f) be presented to the next Shareholder's meeting for approval of development/redevelopment projects and approval of debt in accordance with the Shareholder Direction.



Adam Sweedland
Chief Executive Officer/Secretary

EXECUTIVE SUMMARY:

CHH co-developed, with the consortium Roxborough Park Incorporated (RPI), a mixed income, mixed tenure housing demonstration project in the McQuesten neighbourhood which substantially rebuilds the existing affordable housing and is intended to stimulate neighbourhood renewal.

The deal structure set out in a Master Development Agreement (MDA) signed November 2019 between the parties includes two key processes that are conjoined, a real estate transaction and a design-build contract. The land sale transacted in October, 2022, while the design-build project reached substantial completion in December 2022. Lease up for the new CHH building addressed as 8 Roxanne Dr is currently underway, with tenant occupancy to begin in mid-February 2023.

This report sets out recommendations specific to the financial structure of the 8 Roxanne Dr project given that funding partner allocations are now confirmed.

Recommendations are given for agreements to be entered with Canadian Mortgage and Housing Corporation (CMHC) and the Federation of Canadian Municipalities (FCM) to receive significant grant and loan funding. In addition, a recommendation is made for CHH to enter into a loan agreement with the City of Hamilton for the remaining financing of the project.

BACKGROUND:

Project History

The Roxborough development is a demonstration project for neighbourhood revitalization that is the result of a comprehensive and coordinated effort to deliver community redevelopment in a meaningful and equitable manner.

Following extensive engagement beginning in 2016 with the adjacent landowner of the former Roxborough Park School, RPI, the CHH Board of Directors approved the draft Master Development Agreement between the parties, for a land sale of \$6.7M and a building purchase for \$29,225,000 on June 10, 2019. On September 2020 demolition began on site, and construction commenced July

2021. The 8 Roxanne Dr building received substantial completion in December 2022, and lease up is currently underway with tenant occupancy to begin in mid-February 2023.

Financing History

Essential for CHH to commit to the Roxborough community revitalization project was confirmation of significant City of Hamilton support. To enable this demonstration project for community revitalization, in June 2019 the City of Hamilton committed to contributing \$400,000 annually for 35 years as per HSC19034 for support in servicing debt.

On October 2020, in accordance with the terms of Master Development Agreement between CHH and RPI, CHH secured construction financing for the Roxborough project through the City of Hamilton, with RPI responsible for all associated costs.

Additionally, parcels of land were conveyed to RPI as needed to facilitate demolition and construction of the CHH building, related storm water management, new roads, and eventually for new private market rental and ownership units. Mortgages were held in favour of CHH against these lands, and became due on October 31, 2022. In October 2022, the land sale transaction closed providing CHH with \$6.7M in proceeds.

CHH pursued funding partners for the project, including CMHC and FCM. With applications beginning in 2019 for CMHC's Co-Investment Fund, in July 2022, CHH was notified 8 Roxanne Dr was successful in securing a \$7.16M grant. And from FCM's Sustainable Affordable Housing fund, CHH received confirmation in October 2022 it was successful in securing a an additional \$2.86M investment of equal parts grant and loan.

DISCUSSION:

Due to the expected cost of the Roxborough community revitalization project, the City of Hamilton agreed to provide annual funding of \$400,000 for 35 years to be utilized for the repayment of debt on the project in order to keep this project's proforma financially viable.

CHH received the land value of \$6.7M set at the time of agreement in 2019, which was established through an impartial process via a third-party through the assistance of the City of Hamilton's Real Estate Department. Additionally, CHH has benefitted immensely from the fixed price design-build contract of \$29,225,000 for the construction of 8 Roxanne Dr established at the same time and similarly independently vetted. During the project construction the project

scope expanded to better accommodate tenants and funding requirements, increasing the project cost to \$29,424,219.

CHH has received confirmation that both CMHC and FCM have committed grant funding for the outstanding achievements in energy and accessibility, totalling \$8.58M. FCM has also provided \$1.4M in loan as well.

It is recommended that the following updated funding arrangement be approved that optimally retains a balance of equity and debt without the need for the application of land sale proceeds, which may be transferred into a Development Reserve should it be established.

Table A – Summary of Funding

CMHC-Grant	FCM-Grant	FCM-Loan	City Loan	Total
7,166,020	1,430,610	1,430,610	19,396,979	29,424,219

CMHC: Canada Mortgage and Housing Corporation provides top up funding for secured funding for new affordable housing

FCM: The Federation of Canadian Municipalities funding supports measures to install physical infrastructure, to create new housing units that are designed to achieve net-zero-ready building energy performance.

CONCLUSION:

The Roxborough redevelopment is demonstrating the effectiveness of broad scale community renewal, including through neighbourhood and affordable housing revitalization. To finalize funding arrangements for the new 8 Roxanne Dr building, staff is recommending Board authorization to enter into agreements with CMHC, FCM, and the City of Hamilton, based on an updated funding arrangement.

ALIGNMENT TO THE 2023-2027 STRATEGIC PLAN:

This report implements:

FLOURISHING COMMUNITIES:

Empower tenants with the support and services they need to thrive.

NEIGHBOURHOOD REVITALIZATION:

Develop new and inclusive affordable mixed housing that builds strong and successful multi-generational communities.

AS/sb

Mission: We provide affordable housing that is safe, well maintained and cost effective and that supports the diverse needs of our many communities.