Clause embodied in Report No. 11 of the Policy and Finance Committee, as adopted by the Council of the City of Toronto at its meeting held on July 24, 25 and 26, 2001.

9

Beaver Hall Artists' Co-operative Inc.

(City Council on July 24, 25 and 26, 2001, amended this Clause by adding thereto the following:

"It is further recommended that:

(1) the Acting Commissioner of Community and Neighbourhood Services be requested to:

(a) henceforth provide annual reports to the Policy and Finance Committee, through the Community Services Committee, on the condition of the building at 29 McCaul Street and the state of the Co-op's finances, including its reserve fund; and

(b) submit a report to the Policy and Finance Committee, prior to January 1, 2002, outlining an inventory of housing projects for which the Acting Commissioner is of the opinion that existing Capital reserves are inadequate, and the steps undertaken or proposed to ensure adequacy of these Capital reserves; and

(2) the report dated July 19, 2001, from the Acting Commissioner of Community and Neighbourhood Services, embodying the following recommendations, be adopted:

'It is recommended that:

(1) subject to the Province agreeing to release the City from its obligations under the guarantee of a Renterprise mortgage obtained by Beaver Hall Artists' Co-operative Inc. through Ontario Mortgage Corporation and to discharge the Renterprise mortgage, the Acting Commissioner of Community and Neighbourhood Services be authorized to sign an agreement with the Province that the City will seek no additional assistance from the Province with respect to Beaver Hall Artists' Co-operative Inc., provided that such agreement is on terms and conditions satisfactory to the Acting Commissioner of Community and Neighbourhood Services and the City Solicitor; and

(2) the appropriate City officials be authorized and directed to take the necessary action to give effect thereto.' ")

The Policy and Finance Committee recommends the adoption of the report (July 4, 2001) from the Acting Commissioner of Community and Neighbourhood Services.

The Policy and Finance Committee reports, for the information of Council, having requested the Acting Commissioner of Community and Neighbourhood Services, in consultation with the City Solicitor, to submit a report directly to Council for its meeting scheduled to be held on July 24, 2001, on the possibility of re-negotiating the mortgage at a lower rate of interest and the City holding the second mortgage.

The Policy and Finance Committee submits the following report (July 4, 2001) from the Acting Commissioner of Community and Neighbourhood Services:

Purpose:

This report seeks Council approval to increase the amount of the City's guarantee of the first mortgage on the property at 29 McCaul Street for Beaver Hall Artists' Co-operative Inc. (the Co-op) so that the Co-op can increase its first mortgage to provide for major renovations that are required for health and safety reasons.

Financial Implications and Impact Statement:

The City of Toronto is currently providing a mortgage guarantee for Beaver Hall Artists' Co-operative Inc. The outstanding mortgage amount is $1.698 million. This report is requesting that the City's guarantee be increased by $500,000.00 to $2.198 million, so that the mortgage can be increased by the same amount to provide funding for major renovations to the building.

If the City does not provide support to the Co-op by increasing its guarantee, the Co-op will not be able to proceed with urgently needed capital repairs. If the Co-op were to default on its mortgage, the resulting costs to the City would be $2.955 million to pay out the mortgage as guarantor against a possible recovery of $1.25 million from the sale of the property. As well, there would be a risk that the City would lose 24 units of affordable housing.

The Acting Chief Financial Officer and Treasurer has reviewed this report and concurs with the financial impact statement.

Recommendations:

It is recommended that:

(1) the City increase the amount of its guarantee of the first mortgage on the property at 29 McCaul Street by an amount not to exceed $500,000.00 and that Council state that the purpose of granting aid to Beaver Hall Artists' Co-operative Inc., by way of such guarantee, is in the opinion of Council, in the interests of the municipality;

(2) the City obtain security for the increased amount of the guarantee and that all documentation necessary to secure the City's interest in respect of the guarantee referred to in Recommendation No. (1) be in a form and content satisfactory to the City solicitor;

(3) authority be granted to enter into an agreement with Beaver Hall Artists' Co-operative Inc. which will, among other things, establish operating guidelines and compliance requirements, such agreement to be on terms and conditions satisfactory to the Commissioner of Community and Neighbourhood Services and the City Solicitor, and that City approval of the mortgage guarantee be conditional upon the Co-op's signing of the agreement and compliance with the workout solution as proposed in this report; and

(4) the appropriate City officials be authorized and directed to do whatever is necessary to give effect to these recommendations.

Background:

Beaver Hall Artists' Co-operative Inc., "the Co-op", is a 7-storey, 24 unit apartment building located at 29 McCaul Street. It contains a combination of 15 loft-type, open units (artist live/work space) and 9 units that have a more traditional partitioned layout. The ground floor also contains a 390 square foot area leased to a bookstore and a 1,446 square foot gallery area.

The Co-op was developed in 1987/88 outside of the existing non-profit housing programs. The Co-op therefore does not fall within the social housing portfolio to be downloaded from the Province to the City. The Co-op was developed as part of a density rights agreement with the former City of Toronto. As part of this agreement, the land was made available for the development of affordable housing. The residents are a mix of working artists and non-artists, the majority of whom qualify for rent geared-to-income assistance under provincial guidelines.

A first mortgage, obtained by the Co-op from Canada Life Mortgage Services in 1988, has a 35-year term, a maturity date of May 1, 2023, and an interest rate of 13.54 percent, with current annual payments of $236,780.00. This mortgage had an initial rate of 9.5 percent, escalating at 0.5 percent yearly until it reached 13.54 percent, which rate was then fixed for the remainder of the term.

A 15-year, interest free second mortgage, in the amount of $216,000.00, was obtained by the Co-op from the Ontario Mortgage Corporation under the provincial Renterprise program. No monthly payments are required. Upon maturity, on January 1, 2004, the full amount is payable. The provincial Renterprise program is not part of the social housing portfolio to be downloaded from the Province to the City.

The current value of the property, estimated through an independent appraisal by the Morassutti Group in August 2000, is approximately $1.525 million, while the amount remaining on the mortgage, as of November 1, 2000, is $1.7 million.

A key aspect of this co-operative, which distinguishes it from other co-operatives, is that both mortgages are guaranteed by the City only. The guarantees were approved by the former City of Toronto Council in 1987 (first and second mortgage guarantee - Executive Committee Clause No. 48, Report No. 15, May 19, 1987) and in 1993 (increase in first mortgage guarantee - Executive Committee Clause No. 5, Report No. 4, February 9, 1993). If the Co-op were to default on the mortgage payments, or cease to function as a legal entity, the City would have the right to foreclose on the project and would assume the existing mortgages and mortgage payments on the property.

There are no prepayment options for the mortgage. The total cost for an early discharge of the mortgage, including the interest premium for early discharge, is estimated at $2.955 million. If the building were to be sold, the City would be unlikely to realize more than $1.25 million from the sale.

A rent supplement agreement with the then Metro Toronto Housing Authority (now MTHC) covers all 24 units. This currently provides a subsidy to the Co-op of the difference between geared-to-income rents and market rents as established by MTHC. As a condition of the Renterprise mortgage, 40 percent of the households have been placed from the MTHC waiting list (now placed through Toronto Social Housing Connections) and 60 percent are working artists placed through the waiting list of the Co-op.

Rent caps imposed by MTHC since 1993 have prevented the Co-op from increasing their market rents on a yearly basis, as had been envisaged in the original proposed budget. The Co-op does not appear to have pursued this issue with MTHC. As a result, the Co-op now finds itself in a deficit position in its operating budget. They have not been able to put aside sufficient funds to contribute to a capital reserve, as planned, or to accumulate enough funds to pay out the second mortgage in 2004.

There has been little contact between the Co-op Board and the City since the mortgage documents were signed in 1993. No formal agreement, allowing the City to monitor the Co-op's operations, had been put in place. The Co-op Board approached the City in early 2000 concerning their financial problems.

Comments:

Due to substandard construction, the east and west external wall systems of the building are crumbling. Further deterioration is being caused by the resultant water penetration. In 2000, the Co-op retained Morrison Hershfield as engineering consultants to assess the state of the building, advise on the remedial work to be undertaken, and provide a reserve fund study. The study authors concluded that the walls may pose a safety hazard if pieces of the exterior cladding should fall on passers-by. In a letter dated April 18, 2001, Morrison Hershfield advised the Board that "the remedial work must be considered urgent and not be delayed any further. Morrison Hershfield will assume no liability for injury or damages caused by failure of any part of the exterior wall assembly."

In addition to the costs associated with repair of the exterior walls, the capital budget submitted by the Co-op, as stated below, includes items that are identified in the reserve fund study as in need of immediate repair. It is economically advantageous to complete this work in the same contract with the wall repairs.

The capital repair budget is as follows:

Wall remedial work including engineering fees	$360,000.00
Windows	43,000.00
Balcony exterior doors	19,000.00
Roof Repair	7,500.00
Safety Anchors	15,000.00
Balcony Slabs	5,000.00
Elevator battery powered lowering system	10,000.00
Contingency for inflation and unbudgeted items	40,500.00
Total	$500,000.00

With a reserve fund balance of approximately $70,000.00, funds are not available within the Co-op's current funding envelope. In order to fund the repairs, the Co-op requires an infusion of funds. Without an infusion of funds, the Co-op will likely go into default as they attempt to deal with their urgent construction problems.

A review of the group's operating budget suggests that there may be possible savings in operational costs. These savings may not be substantial, but any savings would allow the Co-op to contribute higher amounts to their underfunded capital reserves.

A consultant's report was commissioned to report on options for addressing the Co-op's difficulties. As a result of discussions with the consultant and the Co-op's Board of Directors, the following solution is proposed:

(1) Canada Life Mortgage Services has agreed to increase the mortgage by $500,000.00, extend the term to 35 years from the remaining 23, and charge a blended interest rate of 11.50 percent. Adding $500,000.00 at current market interest rates to the existing first mortgage at 13.54 percent produces the blended rate. The City would be required to sign as guarantor. If $500,000.00 is added to the mortgage, the Co-op's mortgage payments will increase by $14,765.00 per year to $251,545.00;

(2) the Ministry of Municipal Affairs and Housing is prepared to arrange the full discharge of the Renterprise mortgage provided that the City agrees that no additional contributions would be required by the Ministry and that the City completely discharge the Province of any ongoing responsibility or liability for this project. The City will then be released from its guarantee to Ontario Mortgage Corporation for the full amount of the mortgage;

(3) a commitment has been received from Peter Schafft, CEO of MTHC, dated June 22, 2001, to provide rent supplement assistance for the difference between the new full economic costs and the RGI rents, beginning concurrently with the increase in mortgage funding;

(4) the Co-op will transfer the balance of their special reserve fund, which was $74, 974.00 on May 31, 2000, to their capital reserve fund (this had been set aside for payment of the Renterprise mortgage). The allocation to the capital reserve fund will increase from the

current \$2,500.00 per year to \$25,000.00 per year for the current year, beginning concurrently with the increase in mortgage funding; and

(5) as a condition of the City agreeing to increase the amount of its guarantee of the first mortgage and to ensure the continuing viability of the co-operative, the City will require that the Co-op enter into an agreement with the City, to the satisfaction of the Commissioner of Community and Neighbourhood Services and the City Solicitor, containing, among other things, the following terms:

(a) the final capital budget for the repairs will be subject to City approval;

(b) the Co-op's revised operating budget, for the current fiscal year, will be subject to City approval;

(c) the Co-operative agrees to contribute on a regular monthly basis, for the full term of the mortgage, to a capital reserve fund in the amount set out in the revised operating budget and escalating yearly by the CPI thereafter;

(d) the Co-operative agrees to work with the City in developing operating cost saving measures; and

(e) the Co-operative agrees to provide audited financial statements on an annual basis to the Shelter Housing and Support Division so that the financial position of the group can be monitored.

The agreement terms will ensure that the Co-op fulfils its obligation to set aside sufficient funds, as has been established in the capital reserve study, to cover all costs arising from future capital repairs. In addition, the agreement will set out guidelines, per (b), (c), and (d) and (e), to ensure that costs are properly contained.

The Acting Treasurer certifies that the financial obligations resulting from the current mortgage guarantee and the increase in the mortgage guarantee are within the City's updated debt and financial obligation limits.

Conclusions:

Beaver Hall Artists' Co-operative Inc. is not viable without an infusion of funds. Funds are needed immediately to undertake urgently needed capital repairs. The operating budget of the Co-op needs to be adjusted to allow for the accumulation of an adequate capital reserve. If the City does not provide support to this project, the mortgage will likely go into default. As guarantor, the resulting costs to the City would be substantial. In addition, there would be a risk that the City would lose 24 units of affordable housing.

The proposed workout is the simplest and least expensive method of providing the Co-op with the funds they need to repair their building and operate for the next 35 years.

Contact:

Phil Brown, General Manager, Shelter Housing and Support, Phone: 392-7885, Fax: 392-0548; Email: pbrown1@city.toronto.on.ca

---

The following Members of Council appeared before the Policy and Finance Committee in connection with the foregoing matter:

- Councillor Olivia Chow, Trinity-Spadina; and

- Councillor Doug Holyday, Etobicoke Centre.

(City Council on July 24, 25 and 26, 2001, had before it, during consideration of the foregoing Clause, the following report (July 19, 2001) from the Acting Commissioner of Community and Neighbourhood Services:

Purpose:

To respond to the request of the Policy and Finance Committee for a report directly to Council regarding the possibility of renegotiating the mortgage for Beaver Hall Artists' Co-operative Inc. at a lower rate of interest and the possibility of the City holding the second mortgage.

Financial Implications and Impact Statement:

The adoption of the recommendations in this report, and the entering into of the acknowledgement described in the body of this report, will result in the release of the City from its obligations under a guarantee of a mortgage given by Ontario Mortgage Corporation to Beaver Artists' Co-operative Inc. in the original principal amount of $216,000.

The Acting Chief Financial Officer and Treasurer concurs with this statement.

Recommendations:

It is recommended that:

(1) Subject to the Province agreeing to release the City from its obligations under the guarantee of a Renterprise mortgage obtained by Beaver Hall Artists' Co-operative Inc. through Ontario Mortgage Corporation and to discharge the Renterprise mortgage, the Acting Commissioner of Community and Neighbourhood Services be authorized to sign an agreement with the Province that the City will seek no additional assistance from the Province with respect to Beaver Hall Artists' Co-operative Inc., provided that such agreement is on terms and conditions satisfactory to the Commissioner of Community and Neighbourhood Services and the City Solicitor.

(2) The appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Background:

The Policy and Finance Committee at its meeting held on July 12, 2001, had before it a report (July 4, 2001) from the Acting Commissioner of Community and Neighbourhood Services regarding, among other things, the increase of the City's mortgage guarantee for Beaver Hall Artists' Co-operative Inc. (the "Co-op"). The Policy and Finance Committee:

(1) recommended to Council the adoption of the aforementioned report (July 4, 2001) from the Acting Commissioner of Community and Neighbourhood Services; and

(2) requested the Acting Commissioner of Community and Neighbourhood Services, in consultation with the City Solicitor, to submit a report directly to Council for its meeting scheduled to be held on July 24, 2001, on the possibility of renegotiating the mortgage at a lower rate of interest and the City holding the second mortgage.

This supplementary report provides some background on the existing mortgage and answers the questions of the Policy and Finance Committee.

Rationale for Existing Mortgage

The Co-op negotiated a mortgage commitment with Canada Life Assurance Company ("CL") for a 35 year mortgage (the "CL Mortgage") that allowed them to lower their mortgage payments in the early years of the mortgage and make larger payments in the later years of the mortgage. The interest rate for the first few years of the mortgage was well below market (9% in 1988-89, 9.5% in 1989-90, 10% in 1990-91, rising by approximately .5% per year until it stabilized in the 10^{th} year at 13.54%). The overall yield for CL under the CL Mortgage approximated the yield that would have been obtained had the current interest rate at the time of commitment been applied.

The interest rate schedule changed slightly when additions to the mortgage principal were negotiated in 1990 and 1993.

The unique financing solution provided by CL made the Beaver Hall project viable under the conditions in effect at the time. In addition, with CMHC mortgage insurance not available to Beaver Hall, CL agreed to facilitate this project by accepting the City's guarantee of the CL Mortgage. With the lower mortgage payments in the first few years, the Co-op expected to cover their operating costs, assuming revenue equal to current market rents. The Co-op expected, and the former City of Toronto concurred with this expectation, that the market rents would continue to escalate at the current (1988) rate of about 5% per year. It was anticipated that, as market rents escalated, the Co-op would be able to make larger mortgage payments.

Unfortunately, within a few years, the housing market tumbled and market rents declined by somewhere between 15 and 30%. As a result, the Co-op was not in a position to raise market rents to keep up with rising costs.

Lower rates and lower mortgage payments at the start of the CL Mortgage provided a significant economic benefit to the Co-op. In order to recoup the loss that CL would have experienced by *offering a lower-than-market rate for the first years of the term of the CL Mortgage (relative to the prevailing interest rates), CL needed a long term (35 year) commitment at the higher rate. This produced an effective interest rate of approximately 12% over the life of the mortgage. This rate was equivalent to the market rate at the time.*

A search of Bank of Canada historical data indicates that in May 1988, the conventional mortgage rate was 11.25% , rising to 12.25% by year end, for a five year mortgage. Records regarding mortgages for non-profit housing projects were reviewed and show that long-term mortgages of 20-35 years were used, though less frequently than shorter term mortgages. Interest rates in 1988 on a small sample of non-profit mortgages were between 11.37% and 11.5% for 15 to 20 years. The 1999 rates were more than a point higher.

Possibility of Discharge of the CL Mortgage

The City Solicitor has advised that the CL Mortgage has no provisions allowing for prepayment or early discharge. While the Canada Interest Act requires mortgage lenders to extend prepayment privileges to individual borrowers after five years, no such privileges are required to be made available to corporate borrowers under closed mortgage contracts. In 1988, long term mortgages with no prepayment options were not uncommon practice in the commercial lending world.

CL will consider an early prepayment of the CL Mortgage provided that a penalty based on "yield maintenance" is paid. The standard calculation for "yield maintenance" assumes that, if the principal outstanding under the mortgage were repaid, and the mortgage were discharged, the lender would invest the proceeds in long-term Government of Canada bonds at the current rates. The "yield maintenance" penalty is intended to approximate the difference between the yield on the mortgage over the term and the yield on the bonds. As Government of Canada bond yields for a term similar to the term of the CL Mortgage are well below the current mortgage rate, the prepayment penalty would be substantial.

As of November 1, 2000, the prepayment penalty was estimated at $1.257 million. Including repayment of the outstanding principal, the total amount to be paid to obtain a discharge of the CL Mortgage would be $2.955 million. As Government of Canada bond yields are almost the same today as they were last November, the penalty today would be reduced only to account for the reduced number of months remaining on the CL Mortgage.

Possibilities for renegotiation of the CL Mortgage at a lower rate of interest

The balance remaining on the CL Mortgage is $1.698 million, with an interest rate of 13.54% applying to years 11 to 35 of the remaining term. For years 1 to 10 of the CL Mortgage term, the interest rate escalated by .5% per year from a starting interest rate of 9%.

As discussed in the Report to Policy and Finance Committee, CL has agreed to advance an additional $500,000 to the Co-op and to "blend and extend" the interest rate and term under the CL Mortgage. In order to bring the yearly mortgage payments down to a realistic level, the extension of the existing CL Mortgage by a further 13 years has been proposed.

When the CL Mortgage was renegotiated in November 2000, the rate of interest proposed on the 13 year extension as well as on the new funds was approximately 7%. This rate was 100 basis points greater than the rate paid by the Government of Canada on its long-term bonds. As such, it is considered to be an acceptable mortgage rate. Current rates are roughly the same as the rates were last November, so no change in rate is foreseen.

The three components of the proposed blended and extended CL Mortgage ($1.698 million at 13.54% for 22 years, $1.698 million at approximately 7% for a further 13 years, and an additional $500,000 at approximately 7% for 35 years), when taken together, produced a blended interest rate of 11.5%. The additional debt service costs to the Co-op, as a consequence of obtaining an additional loan of $500,000 and extending the term of the CL Mortgage, would be approximately $15,000 per year.

CL will reconsider the interest rate based on current market conditions, but is expected to maintain a target yield based on the current Government of Canada bond rate plus 1%. This is not likely to result in any change in the interest rate offered.

Possibility of the City loaning $500,000 to the Co-op, to be secured by a second mortgage

The City Solicitor has advised that, unless Council chooses to make a grant by way of loan to the Co-op in the amount of $500,000 and, as security for the loan, takes back a collateral second mortgage, there is no legal authority which would permit the City to hold a second mortgage on the property.

The City's main interest in taking on a collateral second mortgage for the Co-op would be in the mitigation of the City's risk associated with a possible extension of the CL Mortgage guarantee for a further 13 years. On this basis, the term of the collateral second mortgage should run no longer than the remaining term on the CL Mortgage, which is about 22 years, so that the City's risk under the guarantee of the CL Mortgage and in respect to the loan of $500,000 would end at the same time.

Part of the Co-op's costs will be covered by a rent supplement agreement between Metro Toronto Housing Corporation ("MTHC") and the Co-op. The Co-op will receive the difference between economic rent (equal to the full costs, including operating costs and a reserve for capital repairs) and geared-to-income rent for its 24 units. MTHC has committed to providing this funding to the Co-op as indicated in the Report to Policy and Finance Committee. As the mortgage payments increase, so does the amount to be covered by MTHC. The following chart shows the costs associated with the various financing options.

Option	***Financing Details***	***Annual Mortgage Costs***
1. CL blend and extend (as proposed in Policy and Finance Committee Report)	*$2.198 million at 11.5% for 35 years*	*$251,940*
2. Continue with existing CL Mortgage and City loan secured by a collateral second mortgage	*$1.698 million at 13.54% for the remaining 22 years plus $.5 million at 7% for 22 years*	*$281,316*
3. Prepay existing CL Mortgage and secure new mortgage	*$1.257 million penalty plus $1.698 million principal on existing mortgage plus $.5 million for a total mortgage of $3.455 million at 8% for 25 years*	*$316,428*

Since the City provides the funding for MTHC, mortgage payment increases have a direct effect on City costs. Option one will result in the lowest cost for the City.

The cost to the Co-op of option two is $30,000 more per year than the cost of option one; however, the City's risk as guarantor of the CL Mortgage is limited to 22 years. The immediate cost to the City would be $500,000 for the loan to the Co-op. In addition, over a period of 22 years, the City will lose the interest rate differential between its average rate of return on invested funds and the 7% interest rate which it would receive from the loan.

The cost to the Co-op of option three is $64,488 more per year than option one. It is unlikely that the Co-op would be able to secure a new first mortgage in the amount of $3.455 million, as this amount is substantially greater than the appraised value of the building.

Discharge of the second mortgage (Renterprise) by the Province of Ontario

As discussed in the report to Policy and Finance Committee, the Province is prepared to discharge the Renterprise second mortgage obtained by the Co-op through Ontario Mortgage Corporation. The Province will release the City from its mortgage guarantee obligations with regard to the Renterprise mortgage, provided that the City agrees with the condition that no additional assistance would be required from the Province with respect to the Co-op.

Comments:

Compared to the mortgage rates available at the time when the CL Mortgage was entered into, the interest rates obtained in 1988 by the Co-op under the CL Mortgage, starting at 9%, rising in annual increments to 13.54%, and fixed thereafter for the last 25 years of the 35 year term, are both explainable as a reasonable strategy in a period of escalating inflation and interest rates and a good deal compared to the market of the day.

With a prepayment penalty of $1.257 million, which would be added to the outstanding principal, together with the additional funds required to effect needed capital repairs, the total amount required for a new first mortgage would be far in excess of the value of the building. It is unlikely that any lender would provide funding under these circumstances. With the largest annual payments under this option, it would appear that early termination of the existing first mortgage would provide no economic advantage.

Since CL required a commitment of 35 years in order to recoup the losses (relative to the prevailing interest rates) that it incurred by offering a lower than market rate for the first few years of the term of the CL Mortgage, the possibility of renegotiating the interest rate on the CL Mortgage is slight. If $500,000 of additional funds are advanced by CL, the final mortgage interest rate will be set based on the current yield for long-term Government of Canada bonds, plus 1%. As the current yield is very similar to the yield when the mortgage was renegotiated last October, the interest rate to be offered by CL is likely to remain the same.

Option one (obtain an additional loan of $500,000 from CL and "blend and extend" the CL Mortgage for 35 years at 11.5%) provides the least expensive way for the Co-op to obtain the funds necessary to complete needed capital repairs. Option one is also the least costly and least risky for the City. Minimizing the debt service expense provides the greatest assurance that the Co-op will be able to fulfil its payment obligations with regard to the CL Mortgage. The extension of the CL Mortgage guarantee does not require the City to expend additional funds. With the monitoring that will be put in place through the Social Housing Unit, as a consequence of the agreement to be signed with the Co-op, as discussed in the Report to Policy and Finance Committee, the City's risk associated with the extension of the guarantee should be minimized.

The original agreement for the Renterprise mortgage did not mention any obligation on the part of the Province to provide any funding other than the mortgage advance. The agreement required of the City by the Province to secure a discharge of the Renterprise mortgage will not, therefore, diminish the obligations of the Province to the City.

Conclusions:

Mortgage option one is the least expensive method for the Co-op and for the City of providing the Co-op with the funds they need to repair their building and operate for the next 35 years.

The Province has agreed to fully discharge the Renterprise second mortgage of the Co-op. The Province will release the City from its mortgage guarantee obligations with regard to the Renterprise mortgage provided that the City agrees with the condition that no additional assistance would be required from the Province with respect to the Co-op.

Contact:

Phil Brown
General Manager, Shelter Housing and Support
Phone: 392-7885 Fax: 392-0548
Email: pbrown1@city.toronto.on.ca)