

Adjustments to Two Affordable Housing Loans to the YWCA of Greater Toronto

Date: March 29, 2017
To: Executive Committee
From: Deputy City Manager, Cluster A
Deputy City Manager & Chief Financial Officer
Wards: Ward 27 Toronto Centre-Rosedale

SUMMARY

This report provides amendments to the terms and conditions of two existing loans from the City's Capital Revolving Fund for Affordable Housing (CRF) (XR1058) to the YWCA of Greater Toronto (YWCA) made between 2007 and 2008. The loan funds were used for the construction of 300 units of affordable rental housing at 110 Edward Street. The City purchased the land at 110 Edward Street with funds from the federal/provincial affordable housing allocation for the development and then leased it to the YWCA.

The two loans totalling \$7,500,000 contributed to the capital costs and to energy efficient technology for the development. Repayment was to commenced January 1 and February 1, 2017. Based on a staff review of the operation, there is insufficient revenue to begin repayment.

This report recommends changes to the current terms and conditions of the loans such that principal and interest payments be deferred until 2034 when a loan to the YWCA from Infrastructure Ontario (in the amount of \$5.2 million) will have been fully repaid freeing up revenue to commence repayment of the two CRF loans. Additionally, it is recommended that interest payments otherwise payable to the City under these two loans be forgiven until June 1, 2034.

The Deputy City Manager, Cluster A and Deputy City Manager & Chief Financial Officer have determined that these amendments will support the long-term viability of 110 Edward Street without unduly compromising the City's financial interests.

RECOMMENDATIONS

The Deputy City Manager, Cluster A, and Deputy City Manager & Chief Financial Officer recommend that:

1. City Council authorize principal payments of the two City loans, totalling \$7,500,000, to YWCA of Greater Toronto from the City's Capital Revolving Fund for Affordable Housing (XR1058) be deferred until June 1, 2034 and interest payments otherwise payable to the City under these two loans be forgiven until June 1, 2034.
2. City Council authorize the Director, Affordable Housing Office, to negotiate, enter into and execute on behalf of the City an Amending Agreement to the Municipal Funding Agreement for 110 Edward Street between YWCA of Greater Toronto and the City, in accordance with the amendments outlined in Recommendation 1 above, on terms and conditions satisfactory to the Director, Affordable Housing Office, and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The following chart summarizes the terms of the existing loans from the City's Capital Revolving Fund for Affordable Housing (XR1058) to the YWCA of Greater Toronto, recommended actions proposed, and the financial impact to the City.

| Loan Details | Recommended Action | Financial Impact |
|---|--|--|
| City Loan The City Loan of \$5,500,000 for capital costs is currently to be repaid at 3.25% interest over 25 years commencing Jan 1, 2017. | Defer commencement of start of repayment to such time in 2034 that a loan with Infrastructure Ontario is fully repaid. | Loan to be repaid by 2059 instead of 2042. Net foregone payments resulting from deferral estimated at \$2.4 million (NPV 2017\$) including net forgiven value of interest over deferral period estimated at \$0.86 million. |
| Green Loan The Green Loan of \$2,000,000 from CRF for energy efficiency capital cost is currently to be repaid with no interest over 25 years commencing Feb 1, 2017. | Defer commencement of start of repayment to such time in 2034 that a loan with Infrastructure Ontario is fully repaid. | Loan to be repaid by 2059 instead of 2042. Net foregone payments resulting from deferral estimated at \$0.6 million (NPV 2017\$) No interest cost. |

The uncommitted balance in the Capital Revolving Fund for Affordable Housing (XR-1058) is sufficient to support the recommendations in this report.

As noted in the chart above, while the two loans will be fully repaid in nominal terms at a date later than anticipated, in real terms there is a financial impact from the delayed payments in the form of foregone revenue to the CRF estimated at \$3.0 million Net Present Value (NPV) 2017\$. Included in this total is the NPV impact of interest alone being forgiven over the deferral period, but collected later in the future, estimated at \$0.86 million.

Since the funds were lent from a reserve fund and not from a City debt issuance, there is no direct financial impact to the repayment deferral. The opportunity cost reflects the expected repayments back into the CRF that could otherwise have funded other projects. However, as noted in this report if a deferral is not granted, the long-term sustainability of the affordable housing units in this project would be at risk and the City would need to mitigate potentially larger costs.

The Deputy City Manager & Chief Financial Officer has reviewed this report and agrees with the financial impact information.

EQUITY IMPACT

Access to safe, secure, affordable housing in all parts of Toronto is a fundamental goal of the City's Housing Opportunities Toronto Action Plan 2010-2020. Providing affordable housing to low income households is also a goal of the City's Poverty Reduction Strategy.

110 Edward Street provides affordable homes to 300 households of low to moderate income women and their families and is one of the largest affordable housing developments in Ontario. 150 of the units are for women with concurrent issues of mental health and substance abuse and 50 units are for Indigenous households. Maintaining the long-term financial stability of the development is essential to the continued provision of affordable housing for these lower income households.

DECISION HISTORY

City Loan

At its meeting of October 26, 27, 28 and 31, 2005 Council approved Recommendation 3 in the Policy and Finance Committee Report 9 Clause 29 "Funding for and Purchase of 110 Edward Street for Affordable and Supportive Housing Purposes". The recommendation allocated up to \$5,500,000 from the CRF to the YWCA to be used towards the capital costs of developing affordable rental housing at 110 Edward Street on terms and conditions approved by the Deputy City Manager responsible for the Affordable Housing Office.

<http://www.toronto.ca/legdocs/2005/agendas/council/cc051026/cofa.pdf>

Green Loan

At its meeting of July 16, 17, 18 and 19, 2007 Council approved the recommendations in the Executive Committee report "Affordable Housing Funding Allocations for 2007-2008 (EX 10.31) which allocated \$2,000,000 from the CRF to the YWCA for the installation of geothermal/in-slab radiant heating and cooling system to be principal and interest free for the first five years at which time the terms and conditions were to be renegotiated pending the securing of alternative financing. Authority was granted to enter into a Contribution Agreement with the YWCA on terms and conditions satisfactory to the Director of the Affordable Housing Office.

<http://www.toronto.ca/legdocs/mmis/2007/ex/reports/2007-06-25-ex10-cr.pdf>

COMMENTS

The YWCA is well known for its leadership position towards helping marginalized and disadvantaged women, girls and women-led-families to transform their lives since it began in 1873. They focus on helping women build strong futures with well-paying jobs, safe housing, high quality daycare, leadership development and lives free from violence. They have 32 programs serving more than 12,000 women and families in 12 sites across Toronto in the inner suburbs and local neighbourhood improvement areas which are characterized by low income, poverty, violence, high immigration and single parent families. The YWCA works with the City of Toronto through housing, shelter, employment and childcare programs.

In 2011, the YWCA completed construction of 110 Edward Street known as the Elm Centre. The Elm Centre provides 300 units of supportive and low end of market housing to women and women-led families, including 50 units dedicated to Indigenous families. The development was built with support from all three levels of government and through a successful fundraising campaign of \$15,000,000 and mortgage financing totaling \$25,200,000 including \$5,200,000 from Infrastructure Ontario. The land for the Elm Centre was purchased by the City for \$8,000,000 out of the federal/provincial funding allocation for the development and is now leased to the YWCA for 50 years at a nominal rate.

In the fall of 2016, the YWCA submitted a business case to the Director of the Affordable Housing Office requesting the forgiveness of their \$5,500,000 CRF capital loan (City Loan) and a deferral for two years of their \$2,000,000 CRF loan for energy efficiency technology (Green Loan). This was based on the current state of the financial operations of the property. In 2012, the YWCA did pay the \$170,496 in interest on construction advances for the \$7,500,000 loan amounts owing.

Since the development opened, the YWCA has incurred non-budgeted costs such as 24/7 concierge and extra security and other staffing that were not originally contemplated in order to secure the safety of all tenants. As well, the projected energy cost savings from the geothermal heating system have not materialized as the electricity costs to run the system pumps have escalated well beyond inflation. To commence repayment of the loans would put the operation in a deficit position.

Based on a review of the business case, the YWCA's last two audits and financial statements of 110 Edward Street by AHO staff, it has been determined that income from operations at this time is insufficient to take on the scheduled loan repayments.

As a result, it is being recommended that loan repayments for the City Loan and the Green Loan be deferred until such time in 2034 that the YWCA's loan with Infrastructure Ontario in the amount of \$5,200,000 has been fully repaid and cash flow capacity has increased sufficiently to repay both loans on the current terms and conditions. If Council should adopt the recommendations in this report, City Legal will draw up an Amending Agreement to the Municipal Funding Agreement for 110 Edward Street for the YWCA to sign to put the recommendations into effect.

From 2001 to 2007 City Council approved 25 CRF loans for affordable rental housing. The City has renegotiated loan terms and conditions with two affordable housing loan recipients and signed amending agreements to defer the commencement of their loan repayments. Commencement was deferred in these two cases until the first mortgages are fully paid off and the organizations are in a position to pay without putting their operations in a deficit position and defaulting on the loans.

The recommendations in this report are in keeping with the two prior cases of adjustments to the commencement date of loan repayments and assist in mitigating the risk to the City as would occur under a potential loan default event.

CONTACT

Sean Gadon, Director
Affordable Housing Office
Phone: 416-338-1143
Fax: 416-338-1143
E-mail: sean.gadon@toronto.ca

SIGNATURE

Giuliana Carbone, Deputy City Manager, Cluster A

Roberto Rossini, Deputy City Manager & Chief Financial Officer