



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

Date: January 10, 2018
To: Executive Committee
From: Deputy City Manager, Cluster A
Acting Chief Financial Officer
Wards: Ward 27 Toronto Centre-Rosedale

SUMMARY

This report recommends changes to the terms and conditions of two existing City loans made to the YWCA of Greater Toronto (YWCA) from the Capital Revolving Reserve Fund for Affordable Housing (CRRF). These loans totalling \$7.5M supported the construction of 300 new affordable rental homes for vulnerable women and families, including Indigenous households, at 110 Edward Street, a City-owned property purchased with federal-provincial funds and now leased to the YWCA.

The proposed adjustments to defer principal and interest payments on the City loans until 2034, and to forgive interest payments until June 1, 2034, will alleviate financial pressure on the YWCA created by unanticipated security and electricity costs. By 2034 a loan to the organization from Infrastructure Ontario (in the amount of \$5.2 million) will be fully repaid putting the YWCA in a better position to service the City loans.

In September 2017, Executive Committee referred a March 2017 staff report (deferred from the April 2017 Executive Committee meeting) on the proposed loan adjustments to the Acting Chief Financial Officer and the Deputy City Manager, Cluster A to discuss with the Province potential adjustments to provincial and municipal loans to the YWCA and to report to Executive Committee by the first quarter of 2018.

In December 2017, the Minister of Infrastructure Ontario (IO) wrote to Mayor Tory declining to adjust the repayment terms of its loans to the YWCA citing added costs and inherent risks of a longer repayment period on loans that are in good standing; therefore, this report recommends changes to the City loans with the YWCA.

The Deputy City Manager, Cluster A and Acting Chief Financial Officer have determined that these amendments will support the long-term viability of 110 Edward Street, one of the largest affordable housing developments in Ontario, without unduly compromising the City's financial interests.

RECOMMENDATIONS

The Deputy City Manager, Cluster A, and Acting 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 Reserve 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 table summarizes the terms of the existing loans from the City's Capital Revolving Reserve 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 of \$5,500,000 For capital cost. 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 \$2.4M (NPV 2017\$) including net forgiven value of interest over deferral period estimated at \$0.86M.
Green Loan of \$2,000,000 For energy efficiency capital costs. 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 Reserve Fund for Affordable Housing (CRRF) (XR-1058) is sufficient to support the recommendations in this report.

As noted in the table above, while the two loans are scheduled to be 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 CRRF estimated at \$3.0

million Net Present Value (NPV) 2017\$. Included in this is the NPV impact of interest alone being forgiven over the deferral period, but collected in the future, estimated at \$0.86 million. These are the impacts assuming full repayments on the revised schedule. In addition, the long term deferral also increases the collection risk at the later date.

Notwithstanding, since the funds were lent from a reserve fund and not from a City debt issuance, there is no direct financial loss from the repayment deferral. The opportunity cost reflects the expected repayments back into the CRRF 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. Also protecting the City's interests is the fact that 110 Edward Street is a City owned property leased to the YWCA.

The Acting 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. One hundred and fifty 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 lower income households.

DECISION HISTORY

City Loan: At its meeting of October 26, 27, 28 and 31, 2005 Council approved the Policy and Finance Committee Report 9, Clause 29 "Funding for and Purchase of 110 Edward Street for Affordable and Supportive Housing Purposes". Recommendation 3 allocated up to \$5.5M from the CRRF to the YWCA to be used toward 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 report "Affordable Housing Funding Allocations for 2007-2008 (EX 10.31) which allocated \$2.0M from the CRRF 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>

Executive Committee:

At its meeting of April 19, 2017, Executive Committee deferred consideration of the report "Adjustments to Two Affordable Housing Loans to the YWCA of Greater Toronto" to its meeting of September 26, 2017 and requested that Mayor John Tory discuss with the Ontario Minister of Infrastructure the possibility of the Province adjusting the terms of the Infrastructure Ontario loans to provide the YWCA with sufficient revenue to service the City of Toronto's affordable housing loans.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX24.7>

At its meeting of September 26, 2017 Executive Committee referred the report "Adjustments to Two Affordable Housing Loans to the YWCA of Greater Toronto" to the Acting Chief Financial Officer and the Deputy City Manager, Cluster A to discuss with the Province of Ontario the outstanding provincial and municipal YWCA loans on 110 Edward Street, and to report to the Executive Committee by the first quarter of 2018.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX27.6>

COMMENTS

Since its establishment in 1873, the YWCA has become a leader in the field supporting marginalized and disadvantaged women, girls and women-led-families to transform their lives. The organization focuses on helping women build strong futures with well-paying jobs, safe housing, high quality daycare, leadership development and lives free from violence. These initiatives are aligned with Toronto's Poverty Reduction Strategy.

In 2011, the YWCA completed construction on 110 Edward Street, known as the Elm Centre, providing 300 units of supportive and low end of market rental housing to women and women-led families, including 50 units dedicated to Indigenous families. The Centre was built with support from the three orders of government and through the YWCA's successful fundraising campaign which raised \$15.0M and mortgage financing totaling \$25.2M, including \$5.2M from Infrastructure Ontario. The land for the Elm Centre was purchased by the City for \$8M using federal/provincial funding and is now leased to the YWCA for 50 years at a nominal rate.

Since its opening, the Elm Centre has incurred non-budgeted costs such as 24/7 concierge and extra security and other staffing not originally contemplated in order to secure the safety of all tenants. Projected energy savings from the geothermal heating system have not yet materialized due to escalation of electricity costs to run the system.

In the fall of 2016, the YWCA submitted a business case to the Director of the Affordable Housing Office requesting forgiveness of its \$5.5M CRRF capital loan (City Loan) and a deferral for two years of its \$2M CRRF loan for energy efficiency technology (Green Loan). In 2012, the YWCA did pay the full \$170,496 in interest on construction advances for the \$7.5M loan amounts owing.

Affordable Housing Office staff have reviewed the YWCA's business case for 110 Edward Street, its last two audits and financial statements and concluded that income from operations at this time is insufficient to take on the scheduled loan repayments.

As noted earlier, Executive Committee at its meeting September 26, 2017 requested that the Acting Chief Financial Officer and the Deputy City Manager, Cluster A discuss with the Province of Ontario the outstanding provincial and municipal YWCA loans on 110 Edward Street and to report to Executive Committee by the first quarter of 2018. In response to outreach from Mayor Tory, the Acting Chief Financial Officer and the Deputy City Manager, Cluster A, the Minister of Infrastructure Ontario wrote to Mayor Tory on December 14, 2017 declining to adjust the repayment terms of the provincial loans to the YWCA, citing added costs and inherent risks of a longer repayment term on loans that are in good standing.

As a result, this report recommends that repayments for the City's two loans be deferred until such time in 2034 that the YWCA's loan with Infrastructure Ontario in the amount of \$5.2M has been fully repaid and thus increasing the YWCA's cash flow capacity. If Council should adopt the recommendations in this report, an Amending Agreement to the Municipal Funding Agreement for 110 Edward Street will be signed to put the changes into effect.

From 2001 to 2007 City Council approved 25 CRRF 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 given to non-profit affordable housing providers.

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