

To:	Warden Hicks and Members of Grey County Council
Committee Date:	March 28, 2019
Subject / Report No:	HDR-CW-05-19
Title:	Policy for Short Term Loans for Affordable Builds by Non Profits
Prepared by:	Anne Marie Shaw, Director of Housing
Reviewed by:	Kim Wingrove
Lower Tier(s) Affected:	
Status:	Recommendation adopted by the Committee as presented as per Resolution CW82-19; Endorsed by County Council on April 11, 2019 as per Resolution CC30-19.

Recommendation

- 1. That Report HDR-CW-05-19 be received and that the short-term loan policy be endorsed.**

Executive Summary

There is a great need for affordable housing in Grey County. Non-Profit housing providers are likely partners to develop affordable housing. A short-term loan program for non-profits assists in keeping the cost of construction low enough to be able to offer low rents. This report proposes a Non-Profit Short-Term Loan Program and Policy.

Background

There is a great need for affordable housing in Grey County. Non-profit housing providers are likely partners in developing rental stock as most Boards and staff have many years' experience in providing safe and affordable housing. Working with non-profits to increase the number of affordable housing units in Grey County is part of our 10 Year Housing and Homelessness Plan.

A barrier to developing affordable housing for a non-profit is keeping the cost of construction and operations low enough to be able to offer low rents. One area in which the County can assist is providing a short-term loan during the construction phase. Provincial and Federal programs that provide funding on a unit basis, for affordable

units only, will fund up to 75% of the amount of the build or often less depending on funds available. The funds are released at certain points of the project: 50% at construction start, 40% at structural completion and 10% at occupancy. Construction financing is required to cover the gap between construction costs and permanent financing.

Pursuing construction financing requires items that require extra costs such as energy audits, land surveys and a capital cost verification program. This process will add extra financial costs and could hold up construction. A short-term loan for a non-profit housing provider is an opportunity to save funding and provide timely access to funds for construction.

Under the proposed non-profit short-term loan process, eligibility is limited to non-profits building affordable units through a Grey County initiated program, such as the Rental Build program. The loan would be a maximum of \$500,000, the loan term is a maximum of one year and the interest rate is based on the interest rate of Infrastructure Ontario.

The Board of Directors for the non-profit and the Clerk and Warden for the County will sign an agreement. Loans greater than \$250,000 require Committee of the Whole approval consistent with the requirements in Grey County's purchasing policy.

The non-profit would register the loan on title as a second mortgage to be removed when the loan is paid back.

Legal and Legislated Requirements

A registrable charge/mortgage of land to secure the loaned amount.

An agreement with the Non Profit outlining the details of the loan

Financial and Resource Implications

Funded from the Housing Capital Reserve.

Relevant Consultation

Internal: Finance, Clerks

External:

Appendices and Attachments

MS-HOU-008 Short Term Loan Policy



Corporate Policy

Non-Profit Short-Term Loan Policy

Approved by: County Council

Date Approved:

Last Revision Date:

Replaces: N/A

Scheduled for Review by: 2024

Policy Number: MS-HOU-008

Section: Municipal Services

Sub Section: Housing

Policy Statement

This policy provides the parameters for a Non-Profit Short-Term Loan for Affordable Housing Development.

Purpose

To provide a short-term loan to non-profit housing providers during the construction phase of development to bridge the gap between construction costs and permanent funding.

Background

There is a great need for affordable housing in Grey County. Non-Profit housing providers are likely partners to develop affordable housing. A short-term loan program for non-profits assists in keeping the cost of construction low enough to be able to offer low rents.

Pursuing construction financing requires items that require extra costs such as energy audits, land surveys and a capital cost verification program. This process will add extra financial costs and could hold up construction. A short-term loan for a non-profit housing provider is an opportunity to save funding and provide timely access to funds for construction

Application of Policy

Eligibility is limited to non-profit housing providers building affordable units through a Grey County initiated program, such as the Rental Build program.

The loan would be a maximum of \$500,000, the loan term is a maximum of one year and the interest rate is based on the interest rate of Infrastructure Ontario.

The Board of Directors for the non-profit and the Clerk and Warden for the County will sign an agreement. Loans greater than \$250,000 require Committee of the Whole approval as per the Grey County Delegation of Duties Policy.

The non-profit would register the loan on title as a second mortgage to be removed when the loan is paid back.