



Committee Report

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| To: | Warden Hicks and Members of Grey County Council |
| Committee Date: | January 28, 2021 |
| Subject / Report No: | HDR-CW-02-21 |
| Title: | Short Term Loan Owen Sound Housing Company Update |
| Prepared by: | Anne Marie Shaw, Director of Housing |
| Reviewed by: | |
| Lower Tier(s) Affected: | |
| Status: | Recommendation adopted by Committee as presented per Resolution CW31-21; Endorsed by Council as amended per Resolution CC16-21. See Council minutes of February 11, 2021 for the resolution. |

Recommendation

1. That Report HDR-CW-02-21 be received and that financial assistance be granted to Owen Sound Housing Company for the further development of the “Odawa Heights” units located at 2239 9th Avenue East, Owen Sound by way of a short term loan in the amount of \$4,000,000 for a two-year term with an interest payable at an annual rate of 2.00%; and
2. That resolution CW101-20 be rescinded due to a change in loan amount of \$3,250,000 for a maximum of a one-year term with an interest payable at an annual rate of 2.00% resulting from an increase in construction costs; and
3. That an agreement be prepared between the Owen Sound Housing Company Limited and Grey County in respect of this loan, which agreement shall include the registration of a charge against the project and the provision of other security to the County to secure its repayment; and
4. That a by-law be brought forward for County Council’s consideration.

Executive Summary

Council approved a short-term loan in the amount of \$3,250,000 to Owen Sound Housing Company for the development of a 60-unit apartment building with a mix of

affordable and market units. The lowest tender bid submitted was over the estimated construction cost. Owen Sound Housing Company Board is asking for an increase in the short-term loan to \$4,000,000.

Background

On June 11, 2020, Grey County Council approved a short-term loan to Owen Sound Housing Company in the amount of \$3,250,000 for a 60-unit apartment building called Odawa Heights with mixed affordable and market units. The recommended interest rate of 2.00% and the loan is due upon the receipt of take out financing. The interest rate is based on a May 19, 2020, posted guaranteed investment certificate rate of 1.67% for a term of 24 months, plus 0.33%.

Staff received a letter from Owen Sound Housing Company requesting an increase in funding and providing new construction financing timelines. On August 17, 2020, Owen Sound Housing Company opened tenders for the construction of Odawa Heights. The lowest bid was submitted by Allen-Hastings Limited at a cost of \$12,543,800 + HST. This bid came in over the estimated construction costs. Construction commenced in September 2020 and Allan Hastings estimates the apartment complex will be complete in December 2021 with occupancy in January 2022.

Owen Sound Housing Company is requesting additional funding to the short-term loan for a total of \$4,000,000. The short-term loan would flow funding of \$2,000,000 in March 2021 and \$2,000,000 in August 2021.

Owen Sound Housing Company has commenced working with People's Trust and CMHC for take-out financing. The original report noted a maximum of one year until repayment. Staff are now recommending the short-term loan would be repaid once construction is complete and the mortgage is finalized to a maximum of two years.

Legal and Legislated Requirements

At the request of the County, Owen Sound Housing Company will provide a registrable charge/mortgage of land as well as other security to secure the loaned amount and the completion of the project

An agreement with Owen Sound Housing Company and Grey County outlining the details of the loan is drafted for execution and attached to this report. Owen Sound Housing Company is to review the draft agreement. Minor changes may be made and approved by the Director of Housing and Director of Legal Services and the final agreement will be attached to the by law at the next Council meeting.

Financial and Resource Implications

The \$4,000,000 loan will be funded from the County's reserves. The interest earned on the amounts loaned will be reflected in the General Administration investment income revenue line. Total interest revenue for each month the loan is outstanding is estimated to provide \$6,666 in investment income.

Relevant Consultation

- Internal: Finance Department, Legal Department, Clerks
- External: Owen Sound Housing Company

Appendices and Attachments

Picture of OSHC ODAWA HEIGHTS
Draft Mortgage Commitment

MORTGAGE COMMITMENT

We are pleased to advise that we have approved you to receive the following credit facilities (the “**County Loan Facility**”) in respect of your affordable housing construction project (defined below as the “**Project**”), subject to the terms and conditions set out herein, including the Standard Terms described below.

This Mortgage Commitment is made in conjunction with the following agreements made between us (the Borrower and Lender named below):

- the Contribution Agreement dated December 30, 2019 (the “**COCHI Agreement**”) in respect of contributions to the Project from the Canada Ontario Community Housing Initiative (the “**COCHI Loan Facility**”) in the amount of \$4,682,168; and
- the Contribution Agreement dated December 30, 2019 (the “**OPHI Agreement**”) in respect of contributions to the Project from the Ontario Priorities Housing Initiative (the “**OPHI Loan Facility**”) (the COCHI Loan Facility and the OPHI Loan Facility being together the “**Government Loan Facilities**” and each being a “**Government Loan Facility**”) in the amount of \$1,497,995.

All capitalized terms not defined herein will have the meaning set out in the COCHI Agreement.

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| 1. BORROWER: | Owen Sound Housing Company Limited (the " Borrower ") |
| 2. LENDER: | The Corporation of the County of Grey (the " Lender ") |
| 3. COMMITTED AMOUNT: | Four Million Dollars (\$4,000,000.00) (the " Committed Amount ") |
| 4. CREDIT FACILITIES: | <p>4.1: <u>Construction Loan</u>: Non-revolving fixed rate construction loan up to the Committed Amount (the "Construction Loan").</p> <p>4.2: <u>Bridge Loan</u>: Non-revolving fixed rate bridge loan up to the Committed Amount (the "Bridge Loan").</p> |
| 5. PURPOSE: | <p>5.1: <u>Construction Loan</u>: To support construction of a 60 unit mixed affordable/market housing project (43 affordable units, 17 market units), as further described in Schedule 1, to be located on land at 2239 8th Avenue East, Owen Sound (the "Property"), as further described in Schedule 2.</p> <p>5.2: <u>Bridge Loan</u>: To provide short-term financing for the Project in repayment of the Construction Loan with an advance date estimated within 45 days after substantial completion and successful clearing of construction lien holdback period.</p> <p>5.3: <u>Long Term Financing / Mortgage Loan</u>: It is intended that the Construction Loan will be paid out with replacement Long Term Financing / Mortgage Loan from a conventional lender on substantial completion of construction. The Bridge Loan facility is intended to bridge the time, if any, until such Long Term Financing / Mortgage Loan is in place. There will be no penalty to pay out either the Construction Loan or Bridge Loan.</p> |
| 6. TERM AND MATURITY DATES | 6.1: Construction Loan: Term is one (1) year from date of first advance, subject to acceleration by the Lender in accordance with the Standard Terms, and subject to the terms of the Bridge Loan below. |

7. INTEREST RATES & REPAYMENT:

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| <p>6.2: Repayment of the Construction Loan or conversion of the Construction Loan to the Bridge Loan must occur on or prior to the day which is forty-five days following substantial completion (the “Construction Loan Maturity Date”)</p> <p>6.3: <u>Bridge Loan</u>: One (1) year after conversion of the Construction Loan to the Bridge Loan, subject to acceleration by the Lender (the “Bridge Loan Maturity Date”). Any and all amounts owing under the Bridge Loan must be repaid in full no later than the Bridge Loan Maturity Date.</p> <p>6.4: If the Construction Loan Maturity Date occurs after the end of the term of the Construction Loan as noted above, the Borrower may, at its option, extend the period of the Construction Loan and correspondingly reduce the term of the Bridge Loan, such that the term of the two loans together shall not exceed two (2) years.</p> |
| <p>7.1: <u>Construction Loan</u>:</p> <p>a) During Construction – Two Percent (2%) per year, accruing monthly, on outstanding principal amounts only (non-compounding);</p> <p>b) Non-Revolving – the Construction Loan is a non-revolving facility and no amounts repaid under the Construction Loan may be re-borrowed.</p> <p>7.2: <u>Bridge Loan</u>: – Two Percent (2%) per year, accruing monthly, on outstanding principal amounts from the Construction Loan only (non-compounding).</p> <p>7.3: Repayment:</p> <p>a) Construction Loan</p> <p>a. No payment of the Construction Loan shall be required during the term of the construction loan, as may be extended pursuant to the terms above.</p> <p>b. All principal and accrued interest to be repaid on or before the Construction Loan Maturity Date.</p> <p>Bridge Loan.</p> <p>c. No repayment required until the Bridge Loan Maturity Date.</p> <p>d. Non-Revolving – the Bridge Loan is a non-revolving facility and no amounts repaid under the Bridge Loan may be re-borrowed.</p> <p>7.4: <u>HST Rebates</u>: The Borrower agrees that any HST rebates received by the Borrower, if applicable, in connection with expenditures on the Project will be used to either:</p> <p>a) Expenditure Payment – pay for costs relating to the Project; or</p> <p>b) Reduce Lender Advance – by the amount of HST rebates received by the Borrower which has not been used to pay for expenditures relating to the Project; or</p> <p>b) Payments – repay the principal and interest under the Bridge Loan.</p> |
| <p>8.1: <u>Construction Loan</u>: Lender advances shall be based on a work in place and cost to complete basis.</p> |

8. DRAWDOWN:

- a) **Drawdown Notice** - the Borrower shall deliver in form and in substance satisfactory to the Lender, no later than 20 days prior to the requested advance date.
 - b) **Construction Reporting Requirements** – detailed within Schedule 3.
- 8.2: **Bridge Loan:** Conversions of Construction Loan advances shall be based on the Borrower delivering a Conversion Notice, in form and in substance satisfactory to the Lender, requesting a conversion of the Construction Loan to the Bridge Loan.
- 8.3: Notwithstanding anything above, the Lender shall not be obliged to advance any funds to the borrower if the Borrower is in default under any of the Government Loan Facility or if the terms thereof would otherwise prohibit an advance.

9. OTHER FINANCING PERMITTED – PRIORITY OF SECURITY

- 9.1: The Lender acknowledges that the Borrower has been offered a loan from the Corporation of the City of Owen Sound (the “City”) in the amount of [Owen Sound loan amount – confirm as \$___] in respect of the Project and for purposes similar to those of the County Loan Facility (the “City Loan Facility”) pursuant to a Mortgage Commitment made by the City dated [date of City commitment letter].
- 9.2: The Lender is willing to permit the City Loan Facility provided that the City will enter into a Subordination, Standstill, and *Pari Passu* Agreement with the Lender whereby the City agrees to have the Lender’s security rank ahead of the City’s security, if any, and to restrict the exercise of the City’s rights under such security. The Lender is prepared to agree therein to share the proceeds of any recovery under the security for the County Loan Facility (but not under the security in respect of either Government Loan Facility) rateably with the City in proportion to the indebtedness of the Borrower under the County Loan Facility and the City Loan Facility, respectively.
- 9.3: COCHI and OPHI Loans: The Lender acknowledges that it has made the Government Loan Facilities available to the Borrower for the long-term financing of the Project over a period of twenty (20) years, and that this financing is expected to continue after the repayment of the County Loan Facility and the City Loan Facility.
- 9.4: Priority of security: During the life of the County Loan Facility the security in respect of the County Loan Facility, the City Loan Facility, and the Government Loan Facilities shall rank as follows:
- a.) The security in support of the Government Loan Facilities;
 - b.) The security in support of the County Loan Facility (as described below);
 - c.) The security in support of the City Loan Facility, if any.
- 9.5: The Borrower shall not give any other security as against the Property or the assets of the Project without the consent of the Lender.

10. SECURITY:

The following security shall be provided to support all present and future indebtedness and liability of the Borrower, and shall stand in priority as described above unless otherwise noted or as subsequently agreed by the Lender, or as

identified below as a permitted encumbrance. The security shall be on the Lender's standard form, supported by resolutions and legal opinions, all acceptable to the Lender:

10.1: **Commitment Letter**;

10.2: **Promissory Note(s)**;

10.3: **Charge (Mortgage) of Land** – in the Committed Amount registered on title to the Property, incorporating Standard Charge Terms No. 200033 (Dye & Durham) (the “Standard Terms”) and the Lender’s additional charge terms, if any;

10.4: **Site-Specific General Security Agreement** – registered under the *Personal Property Security Act*, (the “PPSA”) as against all classes of collateral in respect of the Project.

10.5: **Assignment of Rents and Leases** – registered on title to the Property and under the PPSA as against the relevant collateral in respect of the Project;

10.6: **Title Insurance** – in favour of the Lender on the Property acceptable to the Lender with the cost of insurance paid from the Borrower’s account;

10.7: **Certificate of Property Insurance** – over the Property with the Lender shown as first loss payee/mortgagee to the Lender’s satisfaction;

10.8: **Comprehensive General Liability Insurance** – for a minimum of \$5 million with the Lender shown as Additional Insured;

10.9: **Builders All-Risk Insurance** – which must include public liability and ‘Builders All-Risk’ showing the Lender as first loss payee;

10.10: **Assignment of Construction Rights Agreement** – assignment of Borrower’s rights and interest (but not obligations) in all construction and other contracts, plans and specifications, working drawings, budgets and schedules for the provision of material, equipment and services for the development of the Property;

10.11: **Solicitor’s Report** – an opinion from the Lender’s solicitor that all necessary steps have been taken to complete the terms of this Mortgage Commitment and that all required security in respect of it has been registered or otherwise perfected and stands in the priority as set out.

10.12: **Other** – all other security documentation as may be required from time to time in the sole discretion of the Lender to protect the interests of the Lender.

All of the above security shall be referred to collectively as the “**Lender Security**”.

The Lender may, in its sole discretion, rely on security granted to it in respect of any Government Loan Facility in lieu of the security described above.

**11. CONDITIONS
PRECEDENT:**

11.1: **CONSTRUCTION LOAN ADVANCE:** The Borrower shall provide to the Lender’s satisfaction in addition to the conditions precedent contained within the

Standard Terms, the following conditions precedent with all costs paid from the account of the Borrower:

- a.) **Financial Plan:** – complete and return an up to date capital and operating budget for the project in a form satisfactory to the Lender;
- b.) **Geotechnical Soil Condition Reports** – confirming the soil conditions at the Property are acceptable for the contemplated Project;
- c.) **Transmittal Letter, Geotechnical Soil Condition Reports** – authorizing the Lender’s use of the geotechnical report pertaining to the Property;
- d.) **Environmental Site Assessment Reports** – confirming the Property meets the requirements of the Environmental Protection Act for the intended use;
- e.) **Transmittal Letter, Environmental Assessment Reports** – authorizing the Lender the use of the ESA report pertaining to the Property;
- f.) **Contribution Agreement(s)** –executed COCHI and OPHI agreements;
- g.) **Construction Insurance Review** – the Borrower shall deliver to the Lender copies of all insurance policies for review by the Lender to determine if the Lender is, in its sole and absolute discretion, satisfied with them and is named as a loss payee/mortgagee in accordance with this Commitment Letter;
- h.) **Construction Liens** – the Borrower shall ensure that any liens, including construction liens, certificates of pending litigation, and other actions registered against title to the Property or otherwise binding the Property are immediately cleared from title or otherwise released. Any costs to do so shall be paid from the Borrower’s own funds. The Lender is not obligated to make advances if there is any construction lien registered against the Property or if written notice of a construction lien is received by the Lender;
- i.) **Title Sub-Searches** – shall be completed by the Lender prior to each advance to confirm the priority of the Lender’s security;
- j.) **Additional Conditions Precedent** – Construction Loan, Additional Terms and Conditions see Schedule 3
- k.) Any other conditions precedent as determined by the Lender in its sole discretion.

11.2: **BRIDGE LOAN ADVANCE:** The Borrower shall provide to the Lender’s satisfaction prior to any drawdown under the Bridge Loan, in addition to the conditions precedent within the Standard Terms, the following condition precedent with all costs paid from the account of the Borrower:

- a.) **Project Completion Review Report** – required by the Lender, in form and substance to the Lender’s satisfaction;

12. EVIDENCE OF INDEBTEDNESS:

The Lender shall record the principal amount of the advances, the payment of principal and interest on account of the advances, and all other amounts becoming due to the Lender. The Lender’s accounts and records shall constitute, in absence of manifest error, *prima facie* evidence of the indebtedness of the Borrower under the credit facilities. For each Advance, the Lender shall deliver a promissory note in favour of the Lender in the amount of that advance.

13. REPRESENTATIONS AND WARRANTIES:

The Borrower shall and is deemed to make the Lender's standard representations and warranties as set out in the Standard Terms. The Borrower confirms that these standard representations and warranties constitute ongoing representations and warranties of the Borrower that shall continue over the duration of the Project and until such time as its indebtedness to the Lender under this agreement, including any interest and fees, is paid in full.

14. EVENTS OF DEFAULT:

The Lender may accelerate the payment of any or all principal and interest under any committed credit facility and/or terminate any undrawn portion of any committed credit facility, at any time after the occurrence of

- a.) any one of the Lender's standard events of default contained within the Standard Terms;
- b.) any breach of the terms or conditions of this Commitment Letter, including the representations and warranties made by the Lender under it;
- c.) any event of default under any of
 - i. the Lender Security,
 - ii. the COCHI Agreement,
 - iii. any security taken by the Lender under the COCHI Agreement,
 - iv. the OPHI agreement, and
 - v. any security taken by the Lender under the OPHI Agreement;
- d.) any act or proceeding in respect of the insolvency or bankruptcy of the Borrower, including the making of any assignment in bankruptcy, creditor proposal, or assignment in favour of any other creditor of the Borrower;
- e.) any change in effective voting control of the Borrower;
- f.) any action ~~to~~ change to the Borrower's corporate structure or authority, including any amalgamation, dissolution, continuance as a different form of corporation, or any change to its corporate purposes and objects and the conditions applicable thereto.

15. POSITIVE COVENANTS:

The Borrower shall observe the following positive covenants, in addition to those set out in the Standard Terms:

- 15.1: **Borrower Equity** – requirements as detailed in Schedule 1 shall be confirmed to the satisfaction of the Lender prior to any Construction Loan Advance or Bridge Loan Advance;
- 15.2: **Residential Tenancies Act** – the Borrower shall maintain the Property in accordance with the *Residential Tenancies Act, 2006*, if applicable;
- 15.3: **Capital Expenditure Budget** – the Borrower shall have accumulated sufficient funds in an identified account to pay for the following year's planned capital expenditures related to the Property as detailed in the Capital Expenditure Plan;
- 15.4: **Lender Access** – the Borrower shall ensure that the Lender and its agents have full access to the Property as required by the Lender in its own discretion;

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| | 15.5: Such other Positive Covenants as may be deemed necessary by the Lender. |
| 16. NEGATIVE COVENANTS: | <p>The Borrower shall observe the following negative covenants, in addition to those set out in the Standard Terms:</p> <p>16.1: Sale or Transfer of the Project – herein secured, or any change in ownership of the Borrower not approved by the Lender, will cause all monies owing under the Construction Loan to become due and payable at the Lender’s option;</p> <p>16.2: Withdrawal of Equity – and/or profits in any form including dividends and/or fees in any form are not permitted that would result in the Borrower not maintaining all Lender financial covenants;</p> <p>16.3: Payments to Guarantors and/or Creditors – the Borrower shall not, subject to the Standard Terms, make any payment to any guarantor and/or creditor that may have any past, present and future financial claims, except for payments incurred in the ordinary course of business (provided that no payments made by the Borrower shall cause the Borrower to breach its financial covenants);</p> <p>16.4: Cross-defaults – the Borrower shall not permit any cross-default provisions to be included with any other loan documentation to affect either the Property and/or the Project unless approved in advance by the Lender in its sole and unfettered discretion;</p> <p>16.5: Borrower Additional Indebtedness – the Borrower shall not incur any additional indebtedness or guarantee or act as surety or agree to indemnify the debts of any other person, except for indebtedness resulting from Permitted Liens and expenses incurred in the ordinary course of business that shall reduce the Borrower’s ability to maintain its financial covenants.</p> |
| 17. CAPITAL EXPENDITURES AND RESERVE FUNDS: | The capital expenditure (Capex) reserve fund serves as supplementary security allocated for capital improvements and repairs for the secured Property. The Capex deposits are to be used for major repairs and completion of capital improvements. The Borrower’s Capital Expenditure Plan submitted to the Lender discloses the manner reserve funds are accessed and reported. |
| 18. PERMITTED ENCUMBRANCES: | Permitted Encumbrances are those listed in both the COCHI Agreement and the OPHI Agreement. |
| 19. GENERAL | Nothing in this agreement shall be construed as altering or amending the terms of COCHI Agreement or the OPHI Agreement or any other agreement between the Lender and the Borrower. |

DISCLAIMER:

The Lender does not accept any liability whatsoever for any direct, indirect or consequential loss arising from any actions undertaken in reliance on anything contained in this Commitment Letter. This Commitment Letter is provided on the basis that you have the capability to make your own independent evaluation of the financial, market, legal, regulatory, credit, tax and accounting risks and consequences involved in the described transaction and its suitability for your purposes.

ACCEPTANCE:

We ask that if you wish to accept this Commitment Letter, please do so by signing and returning the attached duplicate copy of this letter to the Lender. This Commitment Letter will expire if not accepted in writing and received by the Lender on or before [date].

Yours sincerely,

The Corporation of the County of Grey

Selwyn Hicks, Warden

Heather Morrison, Clerk

On behalf of the Borrower herein (Owen Sound Housing Company Limited), I/we accept the terms of this Commitment Letter and agree to be bound by them:

Owen Sound Housing Company Limited

Signature: I/we have the authority to bind the corporation

Signature: I/we have the authority to bind the corporation

Please Print:

Please Print:

Date:

Date:

SCHEDULE 1

Project Description

60-unit five story apartment building with a mix of one and two bedrooms comprised of 43 affordable units and 17 market units.

Accessible units and aging in place design

SCHEDULE 2

Project Lands

Legal Description

LT 16-25, 29-30, 41-50, 59-63 PL 204 OWEN SOUND; PT LT A PL 204 OWEN SOUND; PT TUPPER ST PL 204 OWEN SOUND CLOSED BY R271406, R340765 & GY98132; PT 1 TO 8, 16R3516 & PT 1, 16R5792; SUBJECT TO AN EASEMENT IN GROSS OVER PART 1 ON PLAN 16R11052 AS IN GY155435; SUBJECT TO AN EASEMENT AS IN GY158376; SUBJECT TO AN EASEMENT IN GROSS AS IN GY166482; SUBJECT TO AN EASEMENT IN GROSS AS IN GY167417; CITY OF OWEN SOUND

Being those lands presently bearing PIN(s): 37059-0690

Municipal Address

2239 8th Avenue East, Owen Sound, Ontario

SCHEDULE 3

Construction Loan, Additional Terms and Conditions

A. CONSTRUCTION LIEN HOLDBACKS:

The Lender shall be entitled to deduct from the Construction Loan Advances all Holdback Amounts to the extent not already held back by the Lender, and to hold the Holdback Amounts so deducted until such time as the Lender is satisfied that all applicable construction lien periods have expired and that no claim for lien has been made or filed with respect to work or material for the Project.

B. CONSTRUCTION REPORTING REQUIREMENTS: PROJECT MONITOR

Project Monitor (Quantity Surveyor, Architect, Engineer or similarly qualified person) shall be in place at the Lender's option for the Project subject to the Lender's prior approval and shall:

- 1) Comply with the Lender's project management requirements for the Project;
- 2) Prepare and submit various project monitor reports (the "**Project Monitor Reports**") required by the Lender, all in form and in substance satisfactory to the Lender.
- 3) Project Monitor Reports including, but not limited to:
 - a) **INITIAL PROJECT REVIEW REPORT;**
 - b) **PROJECT REVIEW and DRAW CERTIFICATION REPORTS;**
 - c) **PROJECT COMPLETION REVIEW REPORT.**

Shall be delivered to the Lender as a condition precedent to any construction advance or conversion to the Bridge Loan:

- a) **INITIAL PROJECT REVIEW REPORT** from the Project Monitor, if any, shall confirm that the:
 - i. **Project Implementation Plan Report** (approved by the Borrower's Board of Directors) demonstrates the Borrower's intent with regards to the execution of the Project including clearly defined project management roles, responsibilities and authorities; protocols for the approval of change orders, scope changes, contingency expenditure and other relevant considerations;
 - ii. **Project Plans and Specifications** are generally compliant with the proposed development and have been prepared and stamped by the appropriate professionals;
 - iii. **Building and Zoning of the Property** is compliant with the Project as designed and engineered;
 - iv. **Existing Reports** including Project Management, Soil Tests, Geotechnical, Environmental Assessment, Hazardous Materials, Due Diligence reports, do not raise any issues of concern and document any rectification measures taken to address any such issues;
 - v. **CCDC #2 Contract** is compliant in all respects with the scope and design of the Project;
 - vi. **Performance, Labour and Material Bonding** in support of the CCDC # 2 Contract includes a provision that the general contractor provides and maintains, in good standing, performance, labour and material bonds satisfactory to the Lender for a value of not less than 50% of the amount of the CCDC #2 Contract with a dual obligee rider in favour of the Lender;

- vii. **Construction Time Schedule and Projected Cash Flow** are consistent with the scope of the Project as defined in the Commitment Letter together with the Project Plans and Specifications;
 - viii. **Total Project Costs** are feasible and competitive with the market values of construction projects of similar scope and design;
 - ix. **Property Taxes during construction and Development Charges** are paid to current and/or are budgeted for on an ongoing basis for the Property;
 - x. **Building Location Survey** shows the Project to be acceptable;
 - xi. **All Builders Construction Risk Policy** is adequate for the Project scope and design;
 - xii. **Building Permit and Site Plan Development Agreements** are to be confirmed to complete the Project as authorized;
 - xiii. **HST Number** is registered for the Project by the Borrower to obtain effective rebates to be reinvested back into the Project.
- b) **PROJECT REVIEW and DRAW CERTIFICATION REPORT** shall be submitted by the Project Monitor, if any, prior to the first and all subsequent advance of funds all in form and in substance to the Lender's satisfaction and shall confirm:
- i. **Any Material Changes** that have occurred to any of the fundamental aspects of the Project as reported in the Initial Project Review Report;
 - ii. **Construction Budget** continues to be inclusive of all aspects of hard costs to fully complete the Project.
 - iii. **Total Project Budget** continues to be inclusive of all aspects of the development (hard and soft costs) The update should include:
 - Cost to date, cost to complete and variance analysis;
 - List of approved and contemplated Change Orders;
 - Forecasted cost to complete with variance from baseline budget analysis;
 - Value of holdbacks retained to date and any lien notifications.
 - iv. **Construction Time Schedule and Projected Cash Flow** remain consistent with the scope of the Project;
 - v. **Total Project Cost** remains feasible and competitive with the market values of construction projects of similar scope and design;
 - vi. **Change Orders** greater than \$20,000 in a single occurrence and \$100,000 in aggregate has been reviewed and validated by the Project Monitor;
 - vii. **All Builders Construction Risk Policy** remains up to date and adequate for the Project scope and design;
 - viii. **Building Permits** are obtained and executed;
 - ix. **Architect's Certificate for Payment** shows the Project remains within budget when compared against the accepted original CCDC #2 Contract; and also confirms that the Project is being constructed in accordance with the relevant codes, permission and approvals granted;
 - x. **Project Monitor's Certificate** confirms/recommends the Borrower's advance request, costs of work-to-date and work-to-be-completed and adequacy of remaining contingency;
 - xi. **Statutory Declaration WSIB Clearance Certificate** confirms that the Project's general contractor and subcontractors have no outstanding payment obligations under the *Workplace Safety and Insurance Act, 1997* ("**WSIA**") and are in compliance with the WSIA;
 - xii. **Construction Lien Holdback** and the appropriate allocation for the construction lien holdback under the *Construction Act* is being monitored and recommended to the Lender;

xiii. **HST Rebates** have been reinvested into the Project.

The Lender reserves the right to impose additional requirements should, in its opinion or that of the Project Monitor (if any), any issues arise with respect to the continued ability of the Borrower to complete the Project within the current approved budget.

- c) **PROJECT COMPLETION REVIEW REPORT** shall be submitted by the Project Monitor, if any, on the earlier of one month following the Construction Loan Maturity Date or prior to the conversion to the Bridge Loan and shall confirm:
- i. **Substantial Completion** – Project has been completed within the Total Project Budget in accordance with approved plans, specification, permits and approvals;
 - ii. **Occupancy permits** – have been obtained and the construction lien period has expired;
 - iii. **Budget** – if the project was completed on time and on budget.

Picture of OSHC ODAWA HEIGHTS

