

Report to / Rapport au:

**Community and Protective Services Committee
Comité des services communautaires et de protection**

and Council / et au Conseil

20 September 2007 / le 20 septembre 2007

Submitted by/Soumis par : Councillor/ Conseillère Diane Holmes

*Contact Person/Personne ressource : Councillor/conseillère Diane Holmes
(613) 580-2484 : Diane.Holmes@Ottawa.ca*

City-Wide/ À l'échelle de la ville

Ref N°: ACS2007-CCS-CPS-0018

SUBJECT: REVOLVING HOUSING LOAN FUND

OBJET: FONDS DE CRÉDIT RENOUVELABLE POUR LE LOGEMENT

REPORT RECOMMENDATIONS

That the Community and Protective Services Committee recommend to Council:

1. That the \$4.9 million proposed revolving loan fund in the 2007 budget become a granting fund to be used by housing groups other than Ottawa Community Housing; and,
2. That the \$7.1 million new federal funds also be a granting fund and be divided to allocate \$6 million for Ottawa Community Housing and \$1.1 million for other housing groups.

RECOMMANDATIONS DU RAPPORT

Que le Comité des services communautaires et de protection recommande au Conseil :

1. que le fonds de crédit renouvelable projeté d'un montant de 4,9 millions de dollars dans le budget de 2007 devienne un fonds de subvention qui serait utilisé par les groupes du domaine du logement autres que la Société de logement communautaire d'Ottawa;
2. que le nouveau financement fédéral d'un montant de 7,1 millions de dollars soit également un fonds de subvention et divisé de manière à allouer 6 millions de dollars à la Société de logement communautaire d'Ottawa et 1,1 million de dollars à d'autres groupes du domaine du logement.

BACKGROUND

On 20 September 2007, the above-noted Notice of Motion was presented to the Community and Protective Services Committee for consideration at a subsequent meeting.

The 2006 Draft Capital Budget (page 291), describes a Revolving Loan Fund for emergency repairs of \$4.9M. This money is to be used by housing providers and was given to the City by the province in 2004.

As well, there has been much discussion regarding the \$7.1M of federal housing funding that was retained by the provincial government for two years and finally flowed through in April 2007. Since April, the Housing Branch has been discussing with housing providers the use of the \$7.1M and the \$4.9M to create the Revolving Housing Loan Fund.

There is a need for a staff report providing details on the proposed fund including the application form and process and the decision-making process in order to provide transparency.

It appears that the application process is so complicated and bureaucratic that there is now an offer of \$1500 to assist groups with their applications. This is an unnecessarily cumbersome process.

CONSULTATION

Community and Protective Services Department Comment

This comment summarizes the process that led to the development of the proposed revolving loan fund, and discusses options for allocating the funding.

On June 21, 2007, staff presented a report to Committee on "Housing Needs in Ottawa". In that report there was a brief discussion of on-going problems with funding for capital repairs to social housing, including mention of the intent to establish a "revolving loan fund" to assist housing providers with urgent capital repair needs that they could not afford themselves.

In June 2004, the Housing Branch initiated a Capital Planning Grant Program (CPGP) that generated basic building condition assessment (BCA) information on the state of most of the social housing stock in Ottawa. When responsibility for funding social housing was transferred to the City between 1998 to 2002, very little if any data was available to understand the state of the housing stock. Most of our larger housing providers such as CCOC and Nepean Non-Profit had long-term capital replacement plans, but many of the smaller housing providers did not.

While most of the social housing in Ottawa compares well to the condition of similar private sector rental buildings, some social housing properties are deteriorating faster than capital funding is currently available to maintain. Due to legislative and operating agreement prescribed requirements social housing providers have little or no ability to raise rents or access alternative financing to offset deficits in capital reserves.

Like all physical assets, social housing properties require regular repair and maintenance, as well as more significant replacement or upgrade of elements of the building structure - doors and

windows, roofs, parking structures and driveways, elevators and mechanical and electrical systems.

Social housing providers are generally required to maintain defined capital replacement reserve funds to pay for these kinds of repairs. The exception is the Public Housing program, which was not allowed to maintain capital reserves, and instead receives an annual payment for capital repairs. Public Housing is the 8,618 units of social housing formerly owned by the provincial Ontario Housing Corporation, now owned by Ottawa Community Housing (OCH) as a result of the downloading of social housing in 2002. Public Housing has received \$47.90 million in capital funding over the past seven years, and, based on current funding levels, will receive an additional \$81.1 million over the next 10 years. However, chronic underfunding prior to downloading means that additional capital funding is likely required. OCH is currently completing a two-year study of their housing stock that includes Building Condition Assessments, and which will provide the necessary detail on capital repair strategies, including funding or financing options for the Public Housing stock.

BCA's are intended to provide information on long-term capital needs, such as replacement of major building elements such as roof membranes, air handling systems, windows and other structural components. They also provide information on the ability of the property owner to fund these repairs, primarily by comparing the current and expected future capacity of capital reserves to expected lifecycle costs.

Staff received BCA's from 33 providers, and when the Ottawa Community Housing BCA information is available, we will have data on 92% of the 18,931 units of social housing the City is responsible for subsidizing.

Based on the BCA study results received so far (i.e. not including OCHC):

- 43% will deplete their current reserve funds by 2010,
- another 34% will deplete their current reserve funds by 2015, and
- another 20% will deplete their current reserve funds by 2024

The current gap in capital reserve funding is estimated to be \$300 million, or \$14 million annually over the next 30 years. On a per unit basis, this is consistent with estimates from other Ontario municipalities. The social housing stock in Ottawa has a replacement value of over \$2.8 billion.

This funding deficit is mainly the result of Federal and Provincial operating agreements that both underestimated long-term capital funding needs and restricted providers ability to develop sufficient capital reserves. To make matters worse, much of the social housing built in the 1970's and 1980's was built to minimum standards, which tended to mean cheaper building systems that may not have longevity. Discussion about solutions to these issues has focused on the responsibility of the Federal and Provincial governments, given that they designed and funded the development of this housing stock, and transferred ownership to municipalities without adequate assessment or disclosure of conditions or liability. Given the magnitude of the problem across Ontario, and the inability of municipalities to fund this liability, the Association of Municipalities of Ontario (AMO) as well as the Provincially mandated Social Housing Services Corporation (SHSC) have developed assessments of the problem to assist with lobbying efforts by municipal Councils.

However, some housing providers have already drained their capital reserves, and no longer have funds to maintain the ongoing integrity of their buildings.

To deal with these immediate needs, staff looked to other jurisdictions for solutions, including consideration of the “revolving loan fund” approach taken by Toronto in 2006. The revolving loan fund provides a loan to housing providers to deal with capital repairs that exceed the capacity of their capital reserves. Contracts are signed with providers to repay the loans when sufficient funding is available. In most cases, this is not expected or required to occur until current mortgages are paid off, in anywhere from five to 30 years. The main reason for this approach is to provide some ability to ensure the properties will continue to provide social housing over the long term. Once provider mortgages are paid off, their current operating agreements to provide social housing also expire. This means that significant portions of the social housing stock may be lost in the coming decades. A capital loan against the property is expected to provide some leverage with providers to continue the provision of social housing, or if the property is sold off, that portion of the public investment can at least be recovered, with interest. If the loans are paid, the proceeds would be returned to the housing fund for future use.

In late 2005, staff identified \$4.9 million of Provincial (Federal) funding that had been held in trust to offset future capital shortfalls in Federal programs. Staff received confirmation from the Province that these funds could be used for any social housing in the Ottawa portfolio. These funds were put forward in mid-2006 as a budget request for 2007, which Council approved. A process to allocate these funds was being developed, when on March 26, 2007, the Province provided \$7.12 million in unconditional funding “for the repair of existing or development of new social housing”. These funds were provided to the Province by the Federal Government as part of the National Housing Trust Fund in early 2005. Council approved the release of these funds for housing needs on May 23, 2007.

Because this funding was unconditional, staff consulted with our housing partners on the preferred use of those funds, including adding them to the already approved \$4.9 million for the revolving loan fund. The request from stakeholders was to allocate 1/2 of the new funding to fixing social housing, and 1/2 to support the development of new units to meet the growing need. Staff advised that given the growing concern over the need to fix social housing, the preference was to commit all of these new funds to the revolving loan fund, but agreed to reserve half of the funding until the full scope of priority capital repairs was determined.

An application package for urgent repairs was developed and sent to all 56 housing providers in early July. Each housing provider wishing to apply for the loan fund must complete a Business Case Template, which includes: project description of the capital repair with required documentation to support the request, a copy of the BCA, urgency of the repairs, cost analysis, financial need and a demonstrated ability to manage the organization. This process will assist the Housing branch to assess the urgency and appropriateness of the request, as well as to prioritize to ensure that needs across the full social housing portfolio are being met.

The information being requested includes detailed repair or replacement estimates for capital items like roofs and elevators. An example of factors to be considered is: should the provider spend \$250,000 to replace an elevator, can they continue to patch repair as needed, or can a \$50,000 fix extend the elevator’s life for another 10 years? BCA’s are intended to support long-term capital repair and replacement strategies, and while they identify items like elevators that will need replacing in the next few years, do not get into a level of detail that supports immediate

spending decisions, especially given the need to prioritize what can be done with the limited and one-time funds currently available.

It has become clear that some housing providers do not have the resources or capacity to assess capital needs and cost options. Managing housing portfolios is a skilled and sometimes complex business. The Province had teams of staff able to provide direct technical assistance to housing providers when needed. Also, many of these projects are now approaching 30 years, which is when many building elements start to require attention. The Housing Branch has one technical expert on staff, and while community-based resources are starting to be developed, for example with the Cooperative Housing Association of Eastern Ontario (CHASEO), there is a general lack of capacity in the system to support the work that needs to be done.

Staff are working with members of the Social Housing Network to ensure that all providers are able to both access this one-time funding as well as develop their capacity to manage their portfolios over the long term. Assistance to complete the application package is available through direct support from the Housing branch and/or by providing up to \$1,500 per housing provider to hire building experts to complete their technical assessment. It is recognized that this may slow the process down somewhat but it is important that all providers have appropriate and equitable access to this one-time funding, and this approach will result in the best outcomes for the resources available.

It is also important that the scope of major repairs be clearly understood in the context of the long-term maintenance of social housing. It is conceivable that some of the housing stock in Ottawa may not be worth repairing, and the City has legal responsibility to ensure that the total number of subsidized social housing units remains in place.

Funds will be provided as forgivable loans rather than grants because the City should retain the ability to recover the funds or otherwise ensure funds are used to preserve affordability of housing. Providers will sign promissory notes agreeing to repay the funds should they no longer meet the objective of providing affordable housing, for example when their operating agreements expire, which is starting to occur.

Another example of potential concern would be if the coop-housing sector is successful with their lobbying for all 1500 units of former provincial coops to be transferred out of the local social housing portfolio. In effect, this means that the Province would take over funding this housing, and would remove the obligation to provide those subsidies from municipalities. If this were to happen, any municipal funding provided to those coops (over and above legislated subsidy payments) would be lost unless the City had repayment provisions attached to this additional capital funding.

The City is expected to continue to directly own OCH housing, so any funds provided to OCH would be in the form of grants.

The Housing branch will approve loans within one month of receiving the completed application. The Housing branch's program administrators will work directly with housing providers to ensure the information is as complete as possible. This will ensure that current priorities are being addressed now, but also that future needs will be better understood, with more detailed priority project costing to supplement the more general information already on file in the BCA's.

The first allocation of funds will occur in October 2007. It is our intent to fund as many requests as possible, starting with priority needs and moving to less urgent (in terms of immediate project viability) but important significant capital repairs.

In summary, while there is currently a focus on the \$7.12 million in Federal funding received from the Province earlier this year, the larger issue is the \$300 million plus shortfall in capital reserves and spending to maintain the social housing stock over the next 30 years. Some providers have exhausted their capacity to maintain their buildings, and no providers have sufficient capital reserves to manage a long-term capital replacement program beyond the next 15 years or so. Efforts to understand the state of social housing in Ottawa began in 2004, and this current funding is being used to help bridge the most vulnerable housing providers until a long-term funding solution is available.

Staff are therefore recommending that this funding be provided based on prioritization of need subsequent to detailed assessment of options, including replacement versus repair, and further that these funds be particularly targeted to smaller providers who have exhausted their capital reserves. Public Housing will continue to receive capital funding on an annual basis, and staff are working with OCH staff towards a sustainable budget for Public Housing that addresses the continued capital and maintenance issues and ensures its continued viability over the long term. Also, Public Housing has financing options not available to other housing providers, such as using the current base of \$8.1 million per year contribution to capital as cashflow to secure financing from the Province. It is estimated that this funding would immediately lever anywhere from \$66 to \$130 million (depending on terms of financing) that could be used to undertake immediate major repairs in Public Housing. The Toronto Community Housing Corporation has used this approach to issue bonds to finance capital repairs, and the Social Housing Services Corporation has developed expertise in managing this approach.

Staff Recommendation

1. That the approved \$4.9 million revolving loan fund and \$7.1 million Federal funding be combined in a revolving loan fund to address urgent capital needs in social housing with the following conditions:
 - a. That funds be allocated on a priority basis based on detailed costed proposals from housing providers including Ottawa Community Housing (OCH).
 - b. That City staff work with housing providers to secure appropriate detail to enable both prioritization of immediate funding opportunities and to inform future funding needs in relation to Federal and Provincial redress of the significant funding shortfalls inherited by the City upon transfer of this housing stock in 2002.
 - c. That funds be provided as forgivable loans repayable to the City only in the event that the funded project is no longer used as social housing, subject to future agreements between the City or Province and the housing (i.e., providers will sign promissory notes agreeing to repay the funds should they no longer meet the objective of providing affordable housing).
 - d. Any funds provided to OCH will be in the form of grants given that the City owns the assets.

FINANCIAL IMPLICATIONS

The identified funds are available in the budget and may be transferred per direction approved by Committee and Council.

SUPPORTING DOCUMENTATION

Document 1 - Correspondence regarding the Revolving Loan Fund between Ottawa Community Housing and the Housing Branch.

DISPOSITION

Community and Protective Services Department to implement as directed by Committee and Council.

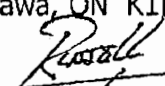
**Head Office / Siège social**

39 Auriga Drive Ottawa, Ontario K2E 7Y8 (613) 731-7223 fax: (613) 731-4463

June 20, 2007

By Email/Courier

Mr. Russell Mawby
Director,
Housing Branch
110 Laurier Ave. West
Ottawa, ON K1P 1J1


Dear Mr. Mawby;**Re: OCH Review of Housing Branch's Proposal for
Revolving Loan Program for Social Housing
Urgent Repairs**

On June 14, OCH, as a member of the Housing Stakeholders Advisory Group (HSAG), was provided with a draft proposal developed by the Housing Branch to administer \$4.9 Million in City funds which was being made available to social housing providers to address urgent repairs to existing social housing stock.

Our review of the documentation raises a number of serious concerns with the proposal and our comments are provided as follows:

Consultation:

We consider this funding proposal to be a critical resource in helping to resolve urgent repair needs of OCH's housing portfolio and a subject deserving of more formal notification and discussion.

Program Design:

- Loan: We believe the concept of a "loan" from the City to fund urgent social housing repairs is not the proper approach for the allocation of the subject funds. Alternatively, we consider it more direct and appropriate that the funds be offered through the City as a "grant" to enable OCH to resolve urgent repairs quickly. A grant program would appear to be more consistent with existing City authorities and practices, such as the existing practice of granting City lands to build social housing (e.g. Hartman site).

- **Additional Encumbrances:** A (refundable) loan would need to be encumbered on the project's property title at some cost and difficulty. This approach is unduly complex, costly and time consuming with little if any evident benefit. In addition, Housing Branch indicated to HSAG members that to date there have been no discussions with either CMHC or lenders whose consents are required as a precondition to further encumber social housing projects. Experience shows these can often be difficult hurdles. Rather than expend effort, time and scarce financial and staff resources on non productive administrative processes, the program design should be kept simple, efficient and inexpensive for both the housing provider and the City to administer. A "grant" avoids these shortcomings.
- **Revolving Loan Fund:** We do not see any evident benefit to establishing a refundable loan program with a long term horizon (e.g. 20+ years) before repayments of loan principal or interest would commence. As such, it would take several decades before loan repayments and interest earnings would begin to build a revolving loan fund. In addition, establishing a revolving loan fund with loose discretionary authorities would give rise to complexities that would become difficult to manage and oversee appropriately.

Allocation of Funds:

It is not clear as to how the repair funds will be allocated. Some of the questions that need to be addressed are:

- How will the needs be assessed and funds allocated;
- Who decides on the relative merits of the proposal;

To be equitable to all housing providers it is our belief that the funds should be allocated on a pro-rata basis in accordance with share and condition of the housing stock.

Excluded OCH Housing:

- Housing Branch staff have advised that under this proposal only social housing projects covered under an Operating Agreement with the City (i.e. subject to the *SHRA*) would be eligible to receive this urgent repair funding. Further, it was confirmed that OCH's Limited Dividend and Equity stock (eg. rooming houses) would not be eligible for funding under this draft proposal as they are not subject to an Operating Agreement and receive no housing subsidies from any level of government. Such exclusion from eligibility from City funds for some of the oldest social housing in greatest need of repair is incomprehensible. Such a City policy would also seem to relegate low income OCH tenants living in this housing to a lesser standard of housing quality than other social housing tenants. This is unacceptable as all tenants deserve to live in a comparable and properly maintained living environment.
- **Shareholder Direction:** OCH is under a mandate from its Shareholder (City Council) to improve the physical state of all of its housing stock. This City sponsored funding program would exclude from eligibility a sizable portion of OCH's neediest housing stock and as such is not aligned with this Shareholder Direction.

Source and Amount of Repair Funds:

- At its sector consultation on April 24, 2007, Housing Branch confirmed that \$7M had been made available by senior governments to address social housing needs in Ottawa. It was further mentioned that it was up to the City to decide how the funding was to be allocated (ie. the apportionment of the funds between urgent repairs and new or restored housing developments). Housing Branch staff confirmed on June 14th that \$4.9 M is currently available to address urgent repair needs of existing social housing and that the funds are all City sourced (ie. not bound by any senior level of government funding or program constraints). In addition, on April 24th, Housing Branch confirmed that the City's Long Range Financial Plan will provide \$2M of new money in each of the next 10 years.

Clarification is required on the total amount of funding the City has available and the governing criteria for OCH and other providers to access these funds.

OCH's Housing Repair Needs:

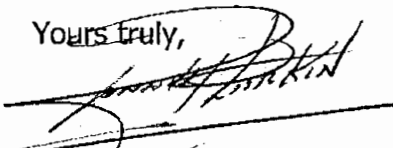
- OCH's stock: OCH has a very large supply of some of the oldest social housing in Ottawa, and appropriate and effective repair funding programs are urgently needed to allow OCH to effect repairs and appropriately manage its housing stock. OCH owns over 70% of the social housing stock in Ottawa and the majority (the Public Housing Program) has no capital replacement reserves. Accordingly, expedient OCH access to City repair funds is critical to meeting the repair demands of its stock.
- Building Condition Assessment (BCA): As the Housing Branch is aware, OCH's Building Condition Assessment (BCA) study will be completed this year, enabling OCH to quickly identify and respond to urgent life/safety and other housing repair requirements. Accordingly, the design of the City urgent repair funding program should facilitate OCH qualifying for its appropriate pro-rata share of City funds thus allowing us to carry out the repairs on an urgent basis with minimal administrative complexities. As addressed previously, OCH has specific instructions from its Shareholder to focus its efforts on upgrading its housing stock rather than pursuing new housing developments.

OCH's Board of Directors was briefed on the Housing Branch's draft proposal at its Board Meeting on June 14th. Pursuant to this briefing, it directed the Administration to respond to the Housing Branch and to seek major changes to the program proposal consistent with the comments contained in this letter. Accordingly, the Board members are being provided with a copy of this letter.

In summary, it is the view of OCH that the proposed model for the allocation of funds under this program should be totally redesigned to ensure a more equitable and effective access to these funds not only by OCH but all recognized social housing providers in the city.

I would welcome the opportunity of meeting with you and the staff members of the Housing Branch, at the earliest opportunity to discuss the changes proposed in this letter.

Yours truly,



Ronald P. Larkin
Chief Executive Officer

cc. Chair, Diane Holmes
Members of the OCH Board of Directors

-----Original Message-----

From: Mawby, Russell
Sent: July 03, 2007 4:49 PM
To: Ron Larkin (E-mail)
Cc: Holmes, Diane; Feltmate, Peggy; Cullen, Alex; Leadman, Christine; Kanellakos, Steve; Arbuckle, Stephen
Subject: Revolving Loan Fund

Ron,

Thank you for your letter of June 20 on the Revolving Loan Fund. Your comments are appreciated and we have taken most of these issues into account in the development of this program.

Housing providers are asking for this program to proceed as quickly as possible, and the application forms are being released tomorrow. We have a number of smaller providers that have exhausted or soon will exhaust their capital reserves, and are in danger of losing some of those buildings due to inability to fix major capital elements such as elevators. I would refer you to the attached report for more discussion on this issue in the context of the need for provincial (and federal) attention and funding for the general state of the social housing the City was given responsibility for.

<http://ottawa.ca/calendar/ottawa/citycouncil/cpsc/2007/06-21/ACS2007-CPS-HOU-0009.htm>

Given the ongoing conversations about both the sustainability of funding for OCH (which I have presumed include addressing capital needs) and the relationship between OCH and City Council, I think it is best that we deal with the OCH specific issues you raise in this letter at the next budget discussion, which I believe is being planned for later this month.

Russell Mawby
Director, Housing
City of Ottawa
(613) 580-2424 ext 44162

**Head Office / Siège social**

39 Auriga Drive Ottawa, Ontario K2E 7Y8 (613) 731-7223 fax: (613) 731-4463

July 5, 2007

Mr. Russell Mawby
Director,
Housing Branch
110 Laurier Ave. West
Ottawa, ON K1P 1J1

Dear Mr. Mawby:

Re: Revolving Loan Program for Social Housing Urgent Repairs

I have your email reply of July 3, 2007 to my letter to you of June 20, 2007 in which I outlined OCH's position on the Housing Branch proposals to administer City of Ottawa urgent repair funds for social housing.

You indicated that my "comments are appreciated and we (Housing Branch) have taken most of these issues into account in the development of this program". I've noted that you have said "these issues", not my comments, were taken into account. Apart from one clarification that was made (i.e. Public Housing is specifically included on the eligible housing list), in the revised documentation that accompanied your reply, you have not given me or the OCH Board any comfort that Housing Branch is disposed to treat OCH fairly in the allocation or administration of the City of Ottawa's urgent repair funding. Further, no responses were provided to specific questions which I posed.

I would again reiterate that the Housing Branch treat seriously our comments with respect to the shortcomings in the design of the Revolving Loan Program which continue in the slightly revised final version and our urgent funding needs.

In your email you suggested that this matter be taken up at the next meeting of the committee dealing with the matter of sustainable funding for OCH. Since no further meetings are proposed as a Board approved "block funding model" was remitted to Mr. Steve Kanellakos at a meeting this morning, we would suggest that the matter be discussed at the staff level. In this regard, I would propose a meeting between your staff representatives and Mr. David McCarron, Director of Administration, who will be replacing me as Acting CEO during my planned holidays, during the month of July. If this matter can await my return I would be most pleased to meet with you during the first week of August.

I look forward to hearing from you regarding this most important matter.

Yours truly,

Ronald P. Larkin
Chief Executive Officer

cc. Councillor Diane Holmes, Chair, OCH Board of Directors
Board of Directors
David McCarron, Director of Administration



"Mawby, Russell"
<Russell.Mawby@ottawa.ca>

07/11/2007 12:59 PM

To "Ron Larkin (E-mail)" <Ron_Larkin@och.ca>, "Arbuckle,
Stephen" <Stephen.Arbuckle@ottawa.ca>
cc "Couture, Carol" <Carol.Couture@ottawa.ca>

bcc

Subject Revolving Loan Fund

Ron,

Thank you for your letter of July 5th on the Revolving Loan Fund. I also understand that you had some discussions on this matter with Steve Kanellakos at your meeting on July 5th. I would be glad to meet with Mr. McCarron and either or both myself and Stephen Arbuckle to explain our decisions on the Revolving Loan Fund program approved by Council in the 2007 budget. Please have David contact Carol Couture at extension 43086 to arrange a meeting. I should add that Stephen will be away the last two weeks of July, and I will be away the first three weeks of August, so our attendance will largely depend on when the meeting is scheduled.

Russell Mawby
Director, Housing
(613) 580-2424 ext 44162

**Head Office / Siège social**

39 Auriga Drive, Ottawa, ON K2E 7Y8 (613) 731-7223 Fax/télec.: (613) 731-4463

August 14, 2007

Mr. Russell Mawby
Housing Director
100 Constellation Crescent, 8th Floor East
Ottawa Ontario
K2G 6J8

Dear Russell,

I am writing to inform you that it is the intention of Ottawa Community Housing to make applications for funding under the Revolving Loan Fund that has been brought forward by the Housing Branch.

In our previous correspondence I have communicated our reservations regarding the design of the Revolving Loan Fund. I was encouraged to learn from David McCarron that, during your meeting of July 16, 2007, you indicated some flexibility on elements of the proposed plan such as the requirement to register the loan on title. Such a requirement has no apparent value or relevance for a corporation that is owned by the City of Ottawa.

As you know, the public housing portfolio that was downloaded by the province has no capital reserves. The requirements for urgent repair are critical and, in some cases, threaten the viability of the housing stock. There are many housing units that are affected by mould to a degree where they cannot continue to be occupied without extensive remediation.

Accordingly, OCH is preparing a number of applications to fund mould remediation programs in communities within the public housing portfolio. They will be forwarded to you at the earliest opportunity.

I look forward to receiving your support for these critical initiatives.

Sincerely yours,

Ronald P. Larkin
Chief Executive Officer



Important - Response Required by September 28, 2007 - Letter of Intent for Revolving Loan Fund

September 11, 2007

To : Chair, Board of Directors and
Administrator

RE: Revolving Loan Fund Letter of Intent

As you know, the Housing Branch has one-time, limited funding available to help social housing providers deal with urgent capital building repair needs. We understand that some providers may need assistance in assessing, documenting and costing their needs. In some instances, there are up front costs for hiring the technical experts required to inspect and report on repair or replacement options.

In order to ensure that all of the housing providers in Ottawa are given fair and equal opportunity to apply for this funding, the Housing Branch is requesting that housing providers submit a brief letter of intent prior to completing the full application for the RLF. Within the letter of intent housing providers must identify if any assistance is required to complete the application and apply for this funding.

This letter of intent must identify the nature of the capital project(s) you anticipate need funding, and the criteria under which it falls (please see the Criteria list below).

The Housing Branch will respond to your letter of intent within two weeks of receiving it. The Housing Branch may be able to assist by providing either direct staff support to you and/or by providing a grant of up to \$1,500 to cover the expense of hiring an outside consultant to complete the work required to submit your application.

Criteria to be considered for the loan:

Nature of the Capital Project(s)

- What is the urgency of the requested capital project, for example health and safety issues, building or systems failure.
- Consequences of inaction
- Are capital projects identified in current Building Condition Assessments (BCA)
- Are there additional capital projects that must be undertaken within 2-years according to the BCA that would compromise your capital reserve in the near future?

.../2

- 2 -

Financial:

- Capacity of your Capital Reserve to fund the project (this would include taking into account any other outstanding or required projects in the near future)
- Demonstrated good management and good governance.

It is important to note that the available funding is limited, and that not all applications can be funded. The Housing Branch will apply the above criteria to assess all applications and prioritize where this funding is needed most or will achieve the best results. This is why we need reasonably detailed and costed assessments of your urgent repair needs and capacity to fund them. With the submission of the letter of intent by all housing providers interested in the RLF the Housing Branch will have a better understanding of the scope of need within the entire housing portfolio and will be in a better position to assess and prioritize funding.

We look forward to hearing from you. If interested in the RLF, please submit your letter of intent by September 28, 2007. Conversely, if your organization will not submit a letter of intent, we would still be interested in hearing from you, indicating your reasons for choosing not to do so, including sufficient funding, satisfactory condition of portfolio, or any other reason. This will be of great assistance to us in assessing the needs of the sector. If you have any questions, please contact your Program Administrator or me.

Yours truly,

Stephen Arbuckle
Manager, Housing Programs

REVOLVING LOAN FUND (RLF) PROGRAM

Program Guidelines

Introduction

In the 2007 City Budget, the City of Ottawa Council approved the establishment of a Revolving Loan Fund for addressing urgent capital repairs in social housing. The purpose of the Fund is to address urgent capital repair needs that exceed the ability of housing providers to fund repairs from their existing capital reserves as part of a long-term capital maintenance program.

Normally, any capital repair requirements are funded by a housing provider through a capital reserve fund that has been built up by annual allocations from operations.

The Revolving Loan Fund by definition is comprised of a loan program in which loan repayments are to be recovered and re-loaned following the same guidelines, to new loan applicants. It is recognized that this may occur over an extended period.

These guidelines are intended to establish the loan program and to help in the implementation and administration of the Revolving Loan Fund.

Three key components of the Revolving Loan Fund Program Guidelines have been created to assist housing providers determine whether they are eligible for the loan or not. The business case template is intended to assist housing providers submit all the required information in a standardized format. The three components are attached as follows:

- Revolving Loan Fund Eligibility Criteria (Annex 1)
- Revolving Loan Fund Principles of the Loan - Terms and Conditions (Annex 2)
- Business Case Template and Application Form (Annex 3)

Revolving Loan Fund Eligibility Criteria

Annex 1

To be eligible for the loan, applicants must meet the following qualifications:

- **Relationship to the Service Manager:**

A housing project must be under the program administration of the City of Ottawa as Service Manager at the time of borrowing. This includes:

- Public Housing Program,
- Provincial Reformed (*Provincial, Federal/Provincial Non-Profit*),
- Provincial Reformed (*Provincial Co-operative*),
- Section 26/27,
- Section 95 – Private,
- Section 95 – Pre 86 MNP,
- Pre-86 Urban Native Housing Program, and
- Post-85 Urban Native Housing Program.

This does not include:

- Action Ottawa Programs (e.g. Affordable Housing Program, Below Market Rent Program or any affordable housing initiatives), and
- Federal Co-ops.

- **Financial Need:**

The housing provider must demonstrate a serious financial need. For example:

- they have exhausted all financial resources available to them,
- they have depleted their capital reserves and operating surplus,
- the existing capital reserves are below the projected costs of the needed urgent repairs.

- **Building Condition Assessment:**

The group must have in place a current Building Condition Assessment (BCA) that is considered up to date by the Service Manager or the provider must obtain a BCA.

- **Urgency:**

The group must demonstrate that the capital work is urgent and necessary to prevent further decay of the capital assets or potential loss of the stock.

For instance, repairs required to be done in order to comply with health and safety regulations can be treated as urgent. A professional opinion from a qualified consultant may be necessary to support the application.

- **Demonstrate Good Management Plan:**

The housing provider must demonstrate they have a good business management plan that will ensure operations are conducted in an efficient and sustainable manner. Housing providers will demonstrate that historically they have followed prudent and acceptable business practices. For any organization that has experienced difficulties in their past business practice they must show that corrective measures have been taken. They must also show that corrective

measures will continue to be part of their ongoing business plan, in both the short-term and long-term.

- **Good Governance Structure of the Organization:**
The Board of Directors must show their ability to oversee continued good management practices, financial monitoring and accountability to ensure sustainability.

- **Business Case:**
The applicant must prepare a compelling business case detailing all the requirements outlined above. The loan application and business case have to be approved by the Board of Directors and duly signed by two authorized signing board members.

Revolving Loan Fund Principles of the Loan - Terms and Conditions

All advances from the RLF shall be treated as loans to be paid back by the housing provider at a time to be determined by the Service Manager.

Collateral:

All loans will be secured on title and will, in effect, extend the pre-existing operating agreement terms (e.g. maintaining service standard levels) until such time as the loan is paid up in full.

Loan Repayment Terms:

- In principle loans will be paid back when the provider is able to do so within their financial capacity.
- At the latest, repayment will start when the existing mortgage is paid in full.
- If a provider demonstrates a sustainable operating surplus over the long-term, the Service Manager may decide to implement a repayment scheme before the mortgage is paid in full.
- The Service Manager has the discretion to ask for the loan repayment in part or in full at any time.
- The housing provider, at its own discretion, may prepay the loan in part or in full at any time without penalty.
- Loans will be due in full if a housing project is no longer under the operational administration of the Service Manager.

Repayment Period:

To be determined by the Service Manager but would take into account such variables as the useful life of the asset and the provider's ability to repay.

Interest Rate:

- The loans will be non-interest bearing until the Service Manager requires repayment to commence.
- When the loan repayment becomes due, the loans will bear interest at a reasonable interest rate set by the City. For example prime rate + 1% or 10-year mortgage rate.

Loan Agreement:

The Service Manager will enter into a formal loan agreement with the housing provider, which outlines the roles and responsibilities of each party.

Size of the Loan:

The Service Manager will determine the amount of the loan on a case-by-case basis.

Business Case Template and Application Form

In order to be considered for a loan under the RLF Program, social housing providers will be required to submit a compelling business case to the Service Manager. The Service Manager will use the business case to establish the need and priority for funding. This template has been designed to assist interested housing providers in providing all the required information in a standardized format.

Name of Housing Provider

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Contact Person & Information:

Name & Title: _____
 Address: _____
 Telephone: _____
 Fax: _____
 E-mail: _____

Property Description:

Property/Project Name: _____
 Location & Address: _____

Legal Description of Project Property: _____

Building Information:

(a) Unit Types (*Please check the ones that are applicable*):

- Apartment Stacked Townhouse Detached dwelling
 Semi-detached Duplex Triplex

(b) Number of Floors: _____

(c) Number & Unit Type:
 Bachelor _____ 1Brm _____ 2Brm _____ 3Brm _____ 4Brm _____

(d) Total Number of Units: _____

(e) Funding Programs: _____

(f) Year of Original Construction: _____

1. Executive Summary

In a page or two, summarize the most important elements of the capital work in a clear and concise manner, using the following guidelines:

- ◆ Provide a brief summary of the Building Condition Assessment of the subject property as it relates to the proposed capital works. Give a brief description of the current condition of the capital items in order to justify the need for urgent repairs.
- ◆ Briefly explain why and how the repairs are urgent in nature and that failure to undertake them will likely cause further deterioration to the building, or potential loss of the stock. An example of repairs that the Service Manager would consider urgent are those required in order to comply with health and safety regulations.
- ◆ Cost Analysis Summary:
 - Outline the estimated costs of the project.
 - Give an analysis of all the possible options available to resolve the problem.
 - Identify the preferred option.
 - Explain the reasons why this option is the most appropriate.
- ◆ Demonstrate you have a serious financial need. Examples of a housing provider with serious financial need are as follows:
 - You may have exhausted all financial resources available to your organization.
 - You may have depleted your capital reserves.
 - The existing capital reserves are less than the projected costs of the needed urgent repairs.
- ◆ Demonstrate your organization has a good business management plan that ensures operations are conducted in an efficient and sustainable manner.

2. Background and Problem Description

[Project Name]

The background section will introduce the Service Manager to the subject of the business case; will describe the history & current state of affairs giving rise to the general problem that is the subject of the business case.

- Provide a brief description of the problem the capital work is intended to address.

Give a synopsis of what's happening and what has led to the current condition (history), and what is likely to happen if the current condition is not addressed. You can define the current condition in terms of related legislative requirements, i.e. the SHRA, the Operating Agreements (for Federal providers), Building Code, Health and Safety standards, etc.

3. Project Description

This section is intended to give the Service Manager a clear definition of what the project will accomplish, the scope of the project and the expected results (outcomes).

- State clearly and briefly what will be achieved by completing the project (objectives). These objectives must be specific, measurable, achievable, realistic and timely.
- Outline the project scope - timeframe for start and completion.
- Who will be involved in undertaking the work?
- Describe the repairs that need to be done.

4. Building Condition Assessment (BCA)

- Submit to the Service Manager a Building Condition Assessment that is considered up-to-date by the Service Manager. Obtain one if you do not have one that is up-to-date.
- Please indicate if you have already submitted your BCA to the Service Manager.

- Is the problem described in #3 above identified in the BCA?
- If not, please explain why.

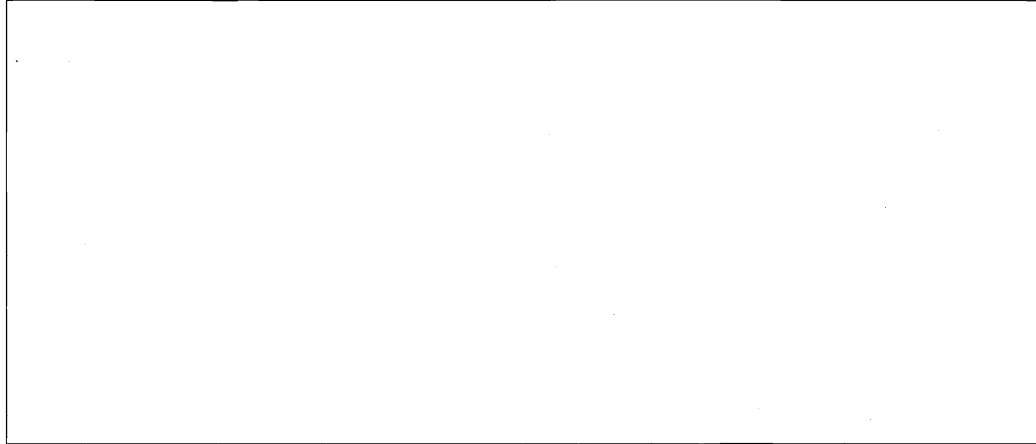
5. Urgency Of the Repairs

- Demonstrate the urgency of the required capital work by explaining how failure to repair would cause further deterioration to the physical or functional condition of the building.
- Demonstrate if the capital work is required as a result of statutory requirements such as smoke detectors, smart metering, etc.
- Provide a professional opinion from a qualified consultant to support your case, where necessary.
- Discuss the problem if it relates to the health and safety of the tenants. Are the repairs needed in order to comply with the health and safety regulations? Please explain.

6. Good Business Management Plan

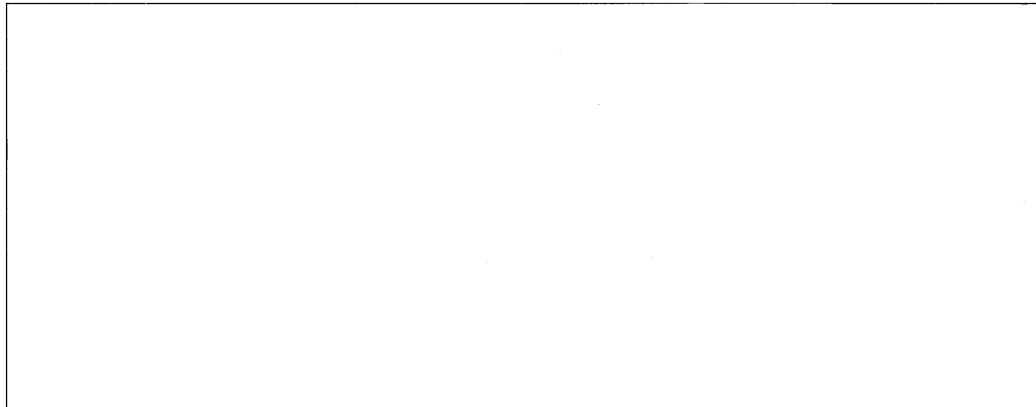
- Give a brief report to demonstrate that your organization is well managed and that operations are conducted in an efficient and sustainable manner.
- Has your organization experienced any business difficulties in the past? Yes/No

- If yes, show what corrective measures have been taken and how you plan to maintain such measures both in the short-term and long-term.

A large, empty rectangular box with a thin black border, intended for providing details on corrective measures.

7. Good Governance Structure

- Demonstrate that the Board of Directors has appropriate processes in place to oversee good management practices, financial monitoring and accountability to ensure sustainability.

A large, empty rectangular box with a thin black border, intended for demonstrating the Board of Directors' processes.

8. Cost Analysis

- Outline the estimated costs of the capital work.
- Submit a cost estimate from qualified professionals.
- Give an analysis of all other possible options available to resolve the problem.

- Identify the preferred option.
- Explain the reasons why this option is the most appropriate.

9. Cost Elements

- List the uses of loan proceeds and costs breakdown (including taxes). The table below is given for illustration purposes only.

Description of repair needed	Estimated Cost (\$)
Mechanical Equipment	120,000
Roof Replacement	90,000
Sub-Total	210,000
Contingency (15% rounded)	31,500
Professional Fees (10% rounded)	21,000
GST (6% rounded)	12,600
Total Capital Repair cost	275,100
Contribution from Housing Provider	100,000
Loan Required from the City	175,000

Total cost of the project \$: _____

Amount of RLF loan requested \$: _____

Contribution from Housing Provider \$: _____

10. **Financial Need**

- Provide evidence that your organization has a serious financial need. For example, you could demonstrate that your organization:
 - has exhausted all financial resources available,
 - has depleted all the capital reserves and operating surplus,

