
DATE: December 13, 2012

REPORT TITLE: **REGION OF PEEL STANDBY FUNDING FOR SHIP (SUPPORTIVE HOUSING IN PEEL): HANSEN PROJECT**

FROM: Janet Menard, Commissioner of Human Services
Norma Trim, Chief Financial Officer and Commissioner of Corporate Services

RECOMMENDATION

That standby funding of up to \$30.75 million in replacement of Investment in Affordable Housing for Ontario Program funding (IAH Funding), to be received by Supportive Housing in Peel (SHIP) from the Region to fund the development of SHIP's affordable housing project to be located at 247 Queen Street East, Brampton, Ontario (Hansen Project), in the event that SHIP does not receive all of the IAH Funding allocated to it for the Project due to Federal or Provincial IAH program cancellation or change, be approved;

And further, that the assignment of the Memorandum of Understanding and any Financing Agreements signed between the Region of Peel and SHIP for the development of the Project, to a not-for-profit organization that may be incorporated by SHIP to own and manage the Project, that would be comprised of its same board members and senior management staff, be approved;

And further, that the foregoing recommendations be conditional upon the Region of Peel and SHIP having entered into all agreements and ancillary documents required for SHIP to be eligible to receive the IAH Funding and approved Regional funding required for SHIP to complete the development of the Project, in a form satisfactory to the Commissioner of Human Services and the Regional Solicitor, and in accordance with the terms and conditions of the Memorandum of Understanding entered into between the parties for the development of the Project;

And further, that the Memorandum of Understanding entered into between The Regional Municipality of Peel and SHIP for the development of the Project be ratified.

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REPORT HIGHLIGHTS

- Council has authorized negotiation of an agreement for affordable housing in Brampton, known as the Hansen Project, funded through the federal/provincial IAH program.
- IAH funding requires three separate annual Contribution Agreements to be signed with a proponent.
- SHIP's legal representatives and Board of Directors have identified the IAH funding model as presenting an unacceptable level of risk for a non-profit organization.
- SHIP's legal representatives and Board of Directors are requesting that the Region of Peel, as the signatory to the IAH Funding Administration Agreement with the Provincial government for the administration of the IAH funding, provide SHIP with standby funding to be flowed in the event of a cancellation or change of IAH funding by the senior levels of government.
- As SHIP may need to incorporate a related not-for-profit corporation, comprised of its same board members and senior staff, to own and manage the project, they have requested the Region's consent to the Assignment of its Memorandum of Understanding and any Funding Agreements signed between the Region and SHIP for the development of the project to the related entity.

DISCUSSION

1. Background

On September 13, 2012 Regional Council approved the Region's duly authorized signing officers to enter into and execute agreements with Supportive Housing in Peel (SHIP) for the development of an affordable housing project located at 247 Queen Street East, Brampton. These documents included a Memorandum of Understanding with SHIP for the development of the project and Investment in Affordable Housing for Ontario Program (IAH) forgivable loan contribution agreements, totalling \$30.75 million, to fund the development of the Project.

The Region will provide \$1,537,500 in capital funding from the Housing Investment Plan to this project and SHIP has made application to Infrastructure Ontario to obtain mortgage secured construction and long term financing of up to \$23,751,500. These financing arrangements will need to be in place, in the form of a commitment by Infrastructure Ontario or another mortgage lender to the satisfaction of Regional staff, before IAH funding is advanced to SHIP by the Region.

The Project will create 205 units of affordable housing that will have one, two and three bedroom suites. The building will be 15-storeys with the first two floors dedicated to commercial and retail space that aligns with the zoning requirements for the site.

a) IAH Funding Process and Requirements

One of the significant differences with the new Provincial/Federal IAH funding model is that it requires three separate annual Contribution Agreements (one for each year of program funding) to be signed with a proponent in order to secure an annual allotment of the total notional allocation given to Peel. Previously under the Affordable Housing Program (AHP) one Contribution Agreement, with the proponent, secured the entire amount of funding allotted to one project.

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The IAH funding allotments and confirmation dates for the Hansen Project are as follows:

PHASE	CONTRIBUTION AGREEMENT SIGNED AND ALLOCATION CONFIRMED	AMOUNT
April 1, 2012 - March 31, 2013	February 2013	\$12,750,000
April 1, 2013 - March 31, 2014	April 2013	\$12,750,000
April 1, 2014 - March 31, 2015	April 2014	\$5,250,000
Total		\$30,750,000

b) Memorandum of Understanding (MOU)

Staff have worked diligently with SHIP to have the MOU document finalized and executed, on schedule to allow for a construction start prior to March 31, 2013 (as required by the province for the IAH funding). However, of concern for SHIP board and legal representatives is the fact that the MOU requires that SHIP enter into a contract for over \$56 million when the first IAH Contribution Agreement will only secure \$12.75 million in IAH funding, by way of a conditional letter of commitment, for this Project. This represents an unreasonable risk for the non-profit board and organization.

A second concern identified by SHIP is the possible impact on its charitable status as a result of owning an affordable housing project with market rent units. SHIP is in the process of obtaining a legal opinion on the matter.

2. Findings

Staff has facilitated consultations with and between both SHIP and the Ministry of Municipal Affairs and Housing (MMAH) about the concerns raised regarding the IAH funding model. Unfortunately, due to the cost sharing agreement between the Provincial and Federal governments for the IAH program, the annual allocations cannot be changed and one Contribution Agreement cannot secure more than the annual allotment of IAH funds.

SHIP is requesting that the Region of Peel guarantee the \$30.75 million IAH funding, less any amounts paid to SHIP, should provincial or federal support be withdrawn.

Despite the fact that MMAH staff advise that the risk is very low, SHIP legal representatives and board do not feel that it is a risk they can reasonably bear. As such they feel the risk is more appropriately borne by the Region of Peel.

3. Recommendation

This requested Regional standby funding must be approved for the full amount of IAH funding allocated to this project (\$30.75 million) to reflect the terms and conditions of the IAH Funding Administration Agreement signed between the Region and the Province, made the 22nd day of December 2011, to receive the IAH funding.

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The risk to the Region of Peel will decrease over time as the Region begins to receive the IAH process payments from the Ministry for each annual allocation in accordance with the payment process and commitment schedule.

Without standby funding approval from the Region of Peel, this project will not be viable for SHIP as they would be unable to find financing for more than the current \$23,751,500 that they are already seeking. Staff concurs with SHIP, in that SHIP's assumed responsibilities without secure funding is unreasonable, given the level of risk that is already being assumed by this non-profit organization.

Given the situation, two clauses have been added to the MOU. The first provides assurance that should SHIP not receive all of the IAH funding because of federal or provincial program cancellation or change, the Region will pay SHIP \$30.75 million, less any amounts already paid for the project. The second clause indicates that the terms of the MOU are conditional upon Regional Council approval, failing which the Agreement is null and void and the Region and SHIP shall be released from all of their obligations. This agreement has been executed by both parties effective December 10, 2012.

Should Regional Council agree to provide SHIP with the requested standby funding, the first Contribution Agreement would be signed between the Region of Peel and SHIP in accordance with provincial requirements, by January 25, 2013 (this represents an MMAH approved extension to the December 31, 2012 deadline). Subsequently the pre-development work will continue to enable the developer to meet the deadline of construction start, within 120 days of signing the first annual Contribution Agreement.

Staff will continue to work diligently with SHIP staff to ensure the construction of this project is within scope, executed during the appropriate timelines and within the projected budget.

Should any cancellation of IAH funding occur requiring the Region to use its own funds to meet its standby funding commitment to SHIP, staff recommends that the Region of Peel as signatory with the Provincial government on the IAH funding Administration Agreement take necessary steps with the Provincial or Federal government, as appropriate, to attempt to recoup those funds.

To address the issue of non-profit status, staff also seek Council support to assign the Memorandum of Understanding and any financing agreements between the Region and SHIP to a newly formed non-profit, comprised of the same board members and senior management staff, should this be necessary once a legal opinion is obtained.

FINANCIAL IMPLICATIONS

With the approval of this recommendation, the Region of Peel has approved a payment to SHIP to a maximum of \$30.75 million for the Hansen Project in the event the IAH funding is clawed back or cancelled by the Province or Federal government. This standby funding, if payable, may be provided from the Housing New Development Reserve (R1160), Housing Investment Plan, or from debt. Currently there are sufficient funds available in the Housing New Development Reserve (R1160) to fund this request. Staff will return to Council with a report that outlines the recommended plan to fund the remaining amount should this occur.

Should Council not support this agreement, the Region of Peel is in jeopardy of losing the full 2012-2013 IAH annual allocation of \$12,837,224 (\$12.75 million and an administration

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fee). MMAH could reallocate these funds to another Service Manager in Ontario or risk losing this funding allotment for this fiscal year from the federal government.

CONCLUSION

The Region of Peel, as Service Manager has a mandate to ensure that available funding is maximized to ensure the viability of Peel's housing system and that it continues to grow to meet the needs of our community. Our goals include identifying and cultivating community interest and innovation in future development, construction, management and operation of affordable housing projects in Peel.

SHIP is excited to assist the Region of Peel meet our growing housing needs by constructing and managing this new affordable housing project which will house SHIP clients, clients from our Centralized Waiting List and create new affordable market rent housing stock.

The Region supports community involvement in the development of new affordable housing projects and in recognition of the nature of the risk to the IAH funding, supports SHIP's requested standby funding.



Janet Menard
Commissioner of Human Services



Norma Trim
Chief Financial Officer

Approved for Submission:



D. Szwarc, Chief Administrative Officer

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