

Housing in Peel

Subject: Accessing Capital/Infrastructure Subsidy

Date: November 28, 2016
Replaces: September 28, 2015

Applicable to The information contained in this document applies to the following:

- Municipal & Private Non-Profit
- Co-operatives
- Peel Access to Housing (PATH)
- Federal Non-Profit
- Rent Supplement*
*incl. former OCHAP/CSHP

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Purpose The purpose of this document is to provide housing providers in the Region of Peel with the policy and procedure for requesting capital/infrastructure subsidy from the Service Manager if the provider requires assistance with expenditures for their housing project(s).

Overview

Housing providers are expected to manage their operations and finances responsibly (fiscally and socially), which includes seeking out opportunities to maximize revenues and minimize costs.

Housing providers receive funding from the Service Manager and funding levels provided are expected to be adequate for providers to maintain their assets, but the Service Manager recognizes:

- Unexpected expenses and circumstances can occur which can cause deficits;
- Housing projects’ annual reserve contribution rates (included in overall funding levels) and current reserve balances are insufficient to meet long-term capital requirements;
- Capital grants provided through the Social Housing Renovation and Retrofit Program (SHRRP) helped reduce deficits and the rate of reserve depletion but were not sufficient to eliminate long term financial shortfalls; and
- When these financial shortfalls are experienced housing providers will turn to the Service Manager for support.

To respond to the anticipated need by housing providers for financial support, the Service Manager may provide funding to assist housing providers that request additional funding for a specific capital use and will be issued on a case by case basis according to criteria set out in the policy below.

**Policy:
Requests for
Additional
Funding**

Housing providers in the Region of Peel can request additional funding for capital expenditures **if** the request can be ranked on the Capital Priority Scale (refer to Appendix I).

Business Case

Requests for additional funding must be submitted to the Service Manager as a business case. A sample business case is included as Appendix III.

**Funding
Capital
Expenditures
from existing
reserves and
surpluses**

Housing providers may request additional funding for capital expenditures before their reserve fund has been completely depleted **if** the provider has a long term plan that demonstrates an expected reserve fund depletion. This information will be confirmed in your Three-Year capital plan.

Housing providers that make a request for additional funding for capital expenditures may be expected to use some of their remaining reserves toward the required work.

Housing providers may be expected to use funds from their accumulated surplus amounts. The Region of Peel recognizes the importance of having a healthy accumulated surplus to offset unexpected operating costs and may

require that a provider retain a minimum of \$300 per unit in its accumulated surplus prior to any transfer from this fund to offset capital expenditures.

If uses of reserves and/or accumulated surplus amounts are determined to be necessary, conditions will be included in the Additional Subsidy Agreement or Loan Agreement.

Important! A depleted reserve fund **does not** guarantee that additional subsidy will be granted. The Service Manager will consider the housing provider's spending habits and patterns over the past few years to ensure there was effort to remain a fiscally responsible housing provider. If past spending is determined to have been frivolous the Service Manager can deny the request.

**Additional
Subsidy
Agreement or
Loan
Agreement**

REVISED

If the Service Manager approves a housing provider's request the approval is subject to conditions set out in an Additional Subsidy Agreement or Loan Agreement between the housing provider and the Service Manager.

At the sole discretion of the Service Manager and determined on a case by case basis, any aggregate amounts may be registered on title as a secured loan, which will be repayable.

Loans secured by collateral mortgages

Funds may be secured on title, as determined by the Service Manager on a case by case basis according to criteria set out in this policy.

All loans will be repayable at the end of the housing provider's first mortgage and will be paid back over a 15 year period. During this time, the housing provider will have to remain in the Region's housing program.

Note: If an advance was granted prior to the revision of this policy September 28, 2015, and the advance, less than \$500,000, is not paid off by the end of mortgage, the outstanding amount of the advance will be converted to an interest-free loan, payable in 15 years.

The following conditions will be applied for providing capital funding:

- Registration on title of an assignment of rents and collateral mortgage ranking behind the primary lender's first mortgage, subject to Ministerial Consent.
- Repayment beginning when the Service Manager determines the housing provider has the financial capacity to pay or at the latest upon retirement of the first mortgage.
- Interest rates on the amount of funds will be determined in consultation with the Region of Peel's Corporate Finance Department.
- Requirement for the housing provider to comply with housing program obligations until the loan and all accrued interest is paid in full with a prohibition against third party refinancing or sale without

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the Region's prior written consent.

Conditions applicable for Loan Agreements are:

- All housing providers are required to submit annual capital plans for the Service Manager's approval and may only spend their capital reserve funds on approved projects until such time as the funds and any applicable interest are repaid in full.
- Regional technical advisory staff will closely monitor all aspects of capital work undertaken under this program. The Service Manager can take appropriate steps if the housing provider is at risk of insolvency or otherwise unable to ensure work is completed.
- The Service Manager will only make payments to housing providers as required to pay project related invoices as the work is completed. The payment process used to distribute the Social Housing Renovation and Retrofit Program (SHRRP) payments will be used for this program.

Additional conditions may be applied that are specific to each request and determined by the Service Manager based on the circumstances identified in the housing provider's request. Some of the Service Manager's primary concerns (for which conditions will likely be based upon) are highlighted below:

- That the mandate to provide safe, affordable, well-maintained housing to residents in Peel is being met;
- That the waiting list is accessed when there are rent-geared-to-income vacancies;
- Accountability for spending habits;
- Management and oversight of the building is upheld; and
- Participation in the provision of affordable housing continues once the mortgage agreement expires including maintaining and/or increasing RGI target levels.

Funding will only be issued if the housing provider

- Reviews the Additional Subsidy Agreement or Loan Agreement;
- Agrees to the conditions of the Additional Subsidy Agreement or Loan Agreement;
- Signs the Additional Subsidy Agreement or Loan Agreement; and
- Provides all supporting documentation and information required under the Additional Subsidy Agreement or Loan Agreement (i.e. registered mortgage, insurance certificate, members'/board resolution, and solicitor's opinion on title).

**Procedure:
Making a
Request for**

The housing provider will follow these steps when preparing a request for additional funding:

Additional Funding

Step	Action
1	Complete the Application Form in full (see Appendix II for a sample Application Form).
2	Review the Information to Include in Request section below and compile all the information that supports the request in a Business Case (see Appendix III for a sample business case).
3	Attach current audited financial statements and the latest year to date statements to the Business Case.
4	Attach a 3 year capital plan if available* and identify <ul style="list-style-type: none">• how the request fits in the three year plan, or• reasons why the request does not fit in the plan. <p>*If a 3 year capital plan is not available an expert opinion should be attached that identifies impacts the work will have on the project over the next three years (see Appendix V for a sample Housing Provider Capital Plan form)</p>
5	Attach copies of any other relevant documents that support the request additional subsidy (e.g. capital reserve fund studies; other technical documents).
6	Submit all information from Steps 1 to 5 to your Housing Programs Specialist at: Housing Programs Unit 10 Peel Centre Drive, Suite B PO Box 2800, STN B Brampton ON L6T 0E7
7	Provide additional information* or clarification after the request is submitted if requested by the Service Manager. *Additional information will be assessed on a case by case basis as it is dependent on what the Service Manager requires to adequately assess the request.

Information to Include in the Request**Capital Expenditures**

The housing provider's request for additional subsidy for capital expenditures should include the following information:

- A detailed description of the capital work required;
- A comparison of the requested work to the most recent Building Condition Assessment report or three year plan;
- A recommendation or opinion for the capital work from a qualified professional if
 - the three year plan does not indicate work will be necessary, or
 - there is no three year plan;
- A detailed listing of capital expenditures as per the most recent three

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year plan as approved by the Region of Peel, or an expert opinion on the projected capital work required over the next three years;

- The current capital reserve fund balance and detailed account of capital funds available;
- Anticipated timeframe for subsidy and work;
- Estimated cost of the capital work required;
- Specific amount of subsidy being requested;
- Specific consultant reports (if applicable);
- Resolution from the Board of Directors supporting the submission;
- Impact of the request on current operations including impact on tenants/members (e.g. are temporary relocations required?);
- Additional details the Service Manager should know (e.g. what other options have the housing provider considered).

After the Request is Submitted

After a housing provider submits a request for additional funding, the Region of Peel will assess the request, and determine whether to

- Approve the request as is;
- Approve the request but reduce the amount of the request;
- Approve the request with further conditions; or
- Deny the request.

There may be follow up discussions/meetings between the housing provider and the Service Manager to discuss the request or to attain any clarifying information.

When a decision is made the housing provider will be informed of the decision in writing and will be notified of when any follow up will occur.

The Service Manager's decision is final and binding on both the Service Manager and the housing provider.

Important: If the request is approved, the disbursement of funds is still conditional on the housing provider:

- Signing the Additional Subsidy Agreement or Loan Agreement, and
- Providing supporting documentation and information required under the Additional Subsidy Agreement or Loan Agreement.

Assessment Guidelines

This section informs housing providers of the factors the Service Manager will consider when assessing requests for additional funding.

Capital Expenditures

The Service Manager will consider the following when assessing a request for additional funding for capital expenditures:

- Priority of the work requested (determined using the Capital Priority

- Scale in Appendix I);
- Whether the three year plan prepared by the Region indicates the building element is in need of replacement;
 - Whether a qualified assessor supports the request if
 - the three year plan does not indicate the work to be necessary, or
 - there is no three year plan;
 - Capital expenditures over the last two years;
 - Current capital reserve balance;
 - Current accumulated surplus balance;
 - RGI target levels (i.e. case plan in place)
 - The requirements of the deficit reduction plan are being met; and
 - Other specific conditions as identified in the conditions section of the Agreement (e.g. housing provider’s willingness to agree to conditions set forth in the Additional Subsidy Agreement or Loan Agreement).
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Reporting Requirements

When a housing provider’s request for additional funding is approved the housing provider is required to

- Report the capital expenditures the additional funding was approved for separate from any other capital expenditures made during the same period;
- Utilize the accounting treatment as per Appendix IV and reporting methodology provided by the Service Manager; and
- Submit financial reports as required by the Service Manager

(Note: These requirements may be amended by the Service Manager from time to time).

Legislation

Housing Services Act, 2011 S.O. 2011, section 78
Municipal Act, 2001, S.O. 2001, c.25, section 107.

Questions

If you have any questions, please contact your Housing Program Specialist at the Region of Peel.

Appendices

[Appendix I - Capital Priority Scale](#)

The Capital Priority Scale identifies the condition under which the Service Manager will consider providing additional funding when requests are made, and what the priority of the condition is.

[Appendix II – Additional Funding Application Form](#)

Housing providers submitting a request for additional funding must complete

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an application form and include as page one of the request. Appendix II is a sample Additional Funding Application Form – for reference only. To obtain a workable version of the Additional Funding Application Form please contact your Housing Programs Specialist.

Appendix III – Sample Business Case Template

Housing providers are to submit a request for additional funding as a business case. Appendix III is a sample business case – for reference only. To obtain a workable version of this business case please contact your Housing Programs Specialist.

Appendix IV – Accounting Treatment

The accounting treatment will be applied by auditors when preparing and reporting the HP's loans in their audited financial statements (AFS), as well as the corresponding supplementary notes.

The appendix, in conjunction with this HIP, will also help guide the preparation of accounting entries in the accounting books.

Appendix V – Housing Provider Capital Plan Form

Housing providers are required to have their capital projects approved by the Service Manager if they already have an outstanding capital loan from the region. The Housing Provider will provide the information using the capital plan form that outlines the cost/estimate of the following:

- capital project
- capital work to be completed
- location of the building

The Housing Provider Capital Form will be part of the loan agreement between the Housing Providers and the Service Manager.

Appendix I: Capital Priority Scale

The capital work required will be assessed against the following priority ranking scale (scale is from highest to lowest):

Priority Ranking	Priority Name	Definition
1	Health and Safety	<ul style="list-style-type: none"> • Conditions that <ul style="list-style-type: none"> • are hazardous • may lead to loss of life or critical injury, or • threaten health or well-being of individuals using the building (e.g. residents; staff) • must be corrected or removed as a first priority.
2	Building Deficiency Mitigation	<ul style="list-style-type: none"> • Current and ongoing conditions or deficiencies that lead to the deterioration of a building’s structural elements must be investigated and corrected if necessary. • Building deficiencies and structural integrity must be maintained at all times. • Failure to mitigate deficiencies will lead to unsafe (and potentially life threatening) conditions which may eventually render a building: <ul style="list-style-type: none"> • structurally unsound • physically obsolescent, and • incapable of performing the task it was designed to do.
3	Legislative Requirements	<ul style="list-style-type: none"> • All buildings must be maintained or upgraded so that they comply with all applicable legislative requirements.
4	Building Functionality	<ul style="list-style-type: none"> • Building elements that have reached the end of their useful life must be replaced or upgraded in order to maintain the tenants’ quality of life and to prevent the building from becoming physically or functionally obsolescent.
5	Cost-Effective Initiatives	<ul style="list-style-type: none"> • Upgrades with cost-effective initiatives which improve the operational efficiency of a building and have a reasonable payback.

Appendix II: Additional Funding Application Form

(Reference Only)

DATE:	
HOUSING PROVIDER:	
HOUSING PROJECT:	
END OF MORTGAGE (if applicable):	
EXISTING LOANS (e.g. liens): Yes <input type="checkbox"/> No <input type="checkbox"/>	
IF “Yes”, LIST DETAILS HERE:	
DESCRIPTION OF NECESSARY EXPENDITURES:	
AMOUNT OF FUNDING REQUESTED:	
DATE FUNDING REQUIRED:	
RATIONALE FOR NECESSARY EXPENDITURES: (refer to the “ <i>Information to Include in the Request</i> ” section in the <i>Accessing Capital/Infrastructure Subsidy</i> HIP P & P – November 24, 2011)	
Rationale is included as separate attachment: Yes <input type="checkbox"/> No <input type="checkbox"/>	
FINANCIAL STATEMENTS:	
Financial Statements are attached: Yes <input type="checkbox"/> No <input type="checkbox"/> No. of pages attached:	
ADDITIONAL INFORMATION RELEVANT TO THE REQUEST:	
SIGNATURE #1: (Authorized Board Member)	SIGNATURE #2: (Authorized Board Member)
NAME & TITLE:	NAME & TITLE:

Board Resolution attached **YES**

Appendix III: Sample Business Case Template

Send Request To: Service Manager (Region of Peel)

Dear Service Manager:

Please find attached a business case requesting approval for additional funding for capital expenses.

A. EXECUTIVE SUMMARY

Provide a short description of the proposal (i.e. one paragraph in length).

B. HOUSING PROVIDER INFORMATION (non-profits/co-ops):

Legal name of housing provider (non-profits/co-ops):

Project(s) name:

Project(s) address: (include complete address)

Building mandate or client group (if applicable):

C. BACKGROUND OF EXISTING PROJECT(S):

Provide a short description of the existing project.

D. OTHER OPTIONS EXPLORED TO ADDRESS THE ISSUE/PROVIDER’S NEEDS:

Explain any options explored to assist with the project (e.g. loans; fundraising).

E. ROLES AND RESPONSIBILITIES OF PARTIES INVOLVED:

Provide a description of people involved in the project including their roles and responsibilities.

F. EXISTING RESIDENTS

Identify the impact the work required will have on residents and include a relocation plan if residents will be temporarily relocated as a result of the request.

G. PROJECT CAPITAL BUDGET

Provide the capital budget for work required. Capital Budget attached: Yes No

Create a detailed development budget as an appendix including costs for development, repairs and administration. Development Budget attached: Yes No

Describe in detail how the work required will be funded and how the housing provider will deal with current financial obligations under their housing mortgages including any early redemption charges and/or any accrued penalty charges.

Describe any other financing which might directly impact your current financial obligations and may require approval from the Service Manager (e.g. bridge financing, construction financing, secondary financing, severances or partial discharges).

H. PROJECT SCHEDULE:

Include a proposed project schedule. Project Schedule attached: Yes No

I. PROJECT RISKS/CONSTRAINTS:

Describe any environmental concerns, shared facilities agreements, NIMBY, issues with adjacent properties.

CONTACT NAMES

Housing Provider contact:

(Address and phone number)

Housing Provider’s Lawyer:

(Address and phone number)

APPROVAL

The business case must be approved by the Board of Directors and signed by two Directors of the corporation.

President/Chair Date

Director Date