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DATE: April 11, 2013

REPORT TITLE: **BRIDGE FUNDING: HANSEN PROJECT**

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

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#### **RECOMMENDATION**

**That Supportive Housing in Peel's (SHIP) request for an interest bearing bridge loan from the Region for the development of 205 units of affordable housing at 247 Queen Street East, Brampton (Project), in an amount up to \$19 million, be approved;**

**And further, that the Region's duly authorized signing officers be authorized to enter into all security, agreements, and ancillary documents, deemed necessary by the Region's Chief Financial Officer and Commissioner of Corporate Services and the Regional Solicitor to provide and secure the interest bearing bridge loan to SHIP for the Project, in an amount up to \$19 million, in a form satisfactory to the Region's Chief Financial Officer and Commissioner of Corporate Services and the Regional Solicitor;**

**And further that the foregoing recommendations be conditional upon: SHIP receiving firm and final financing approval from Infrastructure Ontario (IO) for construction financing for the Project and being in compliance with, and satisfying, all conditions precedent and obligations of the IO financing commitments, and the Investment in Affordable Housing Contribution Agreements, Regional Loan Agreement, and all other Agreements entered into between SHIP and the Region to fund and complete the development of the Project; IO approving, if necessary, the bridge loan and the registration of security in favour of the Region in respect of the bridge loan; and the Region being satisfied with the terms of any priority or postponement agreements which it may be required to enter into with IO in respect of the bridge loan;**

**And further that the foregoing recommendations be conditional upon, the Region and SHIP having entered into all security, agreements and ancillary documents required by the Region for SHIP to receive the interest bearing bridge loan.**

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**REPORT HIGHLIGHTS**

- On September 13, 2012, Regional Council authorized the execution of the Service Manager Contribution agreements for the annual allocations of the Investment in Affordable Housing for Ontario (IAH) program funding to support the Hansen project development
- Also on September 13, 2012 Regional Council approved the execution of agreements with Supportive Housing in Peel (SHIP) for the development of the Hansen project
- Construction of this project is required to start by May 31, 2013 as per the IAH program guidelines
- SHIP is requesting a short-term interest bearing bridge loan from the Region to support the initial construction development of the Hansen project
- Interest on the bridge loan will be charged at 3.4 per cent per annum which is the current average earnings rate on the Region's reserves
- The short-term interest bearing bridge loan, including interest will be fully repaid upon receipt of the four installments of IAH funding for the periods of 2012-2014 from the Ministry of Municipal Affairs and Housing (MMAH)

**DISCUSSION**

**1. Background**

On September 13, 2012, Regional Council authorized the execution of agreements with Supportive Housing in Peel (SHIP), for the development of 205 units of affordable housing at 247 Queen Street East, Brampton, known as the Hansen project.

Additionally, Regional Council also authorized the execution of the Service Manager Contribution Agreements for the annual allocations of the Investment in Affordable Housing for Ontario (IAH) program to the Region from the Ministry of Municipal Affairs and Housing (MMAH). This is the mechanism through which, the Region transfers the IAH funds to the proponent (SHIP) for the development of the project.

Regional Council also authorized the execution of a Forgivable Loan Agreement with SHIP for the Region's portion of capital funding for this project in the amount of \$1,537,500 from the Housing Investment Plan budget for 2013.

**a) Standby Funding Report for IAH funds**

On January 10, 2013, Regional Council authorized standby funding in the amount of \$30,750,000 to cover the total IAH funding allocated to the Region of Peel from 2012-2015 in the event that the Provincial or Federal governments cancel or alter the annual allotments of funding allocated to the Region of Peel. Without the guarantee that the IAH funding in the amount of \$30,750,000 is secure, this project would not be viable.

**2. Current Situation**

This project is a unique development with a well known community partner. The current zoning requirements for the land where this development will be located require that a portion of the project be commercial/retail space. This mandatory aspect of the project has provided some complicating factors that have impacted the timeline of the pre-development work required to bring this project to a state of construction readiness.

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As Regional Council is aware from past reports, this project has a total cost for the residential component of \$56,039,000. SHIP has been working with Infrastructure Ontario (IO) to secure financing in the amount of \$23,751,500 which is required, over and above the allotted IAH funds of \$30,750,000 and Regional capital funding of \$1,537,500 to construct this project. The commercial component of this project has added several requirements of additional work which has been, and continues to be undertaken by the proponent (SHIP) in order for IO to review their application for financing approval for the residential component of the project only.

The timeline and key milestones that are contingent on the Provincial/Federal IAH funding are non-negotiable. The project is required to start construction by May 31, 2013 which is 120 days from the date that the Region of Peel and SHIP entered into the first IAH Contribution Agreement. Several other key milestones must also be met before the 120-day deadline date for construction start. Please see Appendix I for a complete list of required milestones and associated timeline dates. Due simply to the complexity of this project, it has become apparent that to assist with the current timeline requirements SHIP requires a short-term interest bearing loan of up to \$19 million to cover the initial costs of this project until IO financing can be accessed.

The short-term bridge loan funding will provide SHIP with the money required to pay for the following items:

- land acquisition
- payment of all development charges, cash in-lieu of parkland dedication fee and other costs associated with permits
- legal and registration Fees
- land transfer tax
- HST
- appraisal costs
- consultant costs
- soft costs and hard costs that include design, permitting and construction costs that will be incurred until the completion of the second floor (residential components of the underground garage, superstructure and a portion of the costs for the common elements on floors one and two)
- contingency
- interest charges for short-term bridge loan funding

It is recommended that the Region support SHIP's request for a short-term interest bearing loan of up to \$19 million. Some of the terms and conditions of this bridging loan will include the following:

- funds advanced will be contingent on SHIP receiving firm and final financing approval from IO for their construction loan financing, and being in compliance with all and satisfying conditions precedent of the IO financing commitment
- proof of the proposed land acquisition (prior to May 31, 2013)
- receipt of all required insurance and bonding certificates as detailed in the IAH Contribution Agreement
- provision of all required registered and executed security documents upon land acquisition

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- compliance with IAH Guidelines and proponent's obligations under the IAH Contribution Agreement and Loan Agreement entered into between the proponent and the Region
- satisfaction of all conditions precedent contained in the Contribution Agreement and the Loan Agreement
- loan repayment upon receipt of the first, second, third and fourth installments of IAH funding from MMAH
- IO approving, if necessary, the bridge loan and the registration of security in favour of the Region in respect of the bridge loan
- the Region being satisfied with the terms of any priority or postponement agreement which it may be required to enter into with IO in respect of the bridge loan

These conditions, along with any others deemed appropriate by the Regional Solicitor and the Chief Financial Officer and Commissioner of Corporate Services, will be documented by way of a short-term bridge loan agreement along with a promissory note and registered security documents on title to the land in the name of the Region of Peel. A direction to pay will be signed by SHIP as well which will ensure that a process for repayment is outlined and executed such that the Region will be repaid from advances under the IAH funding.

**FINANCIAL IMPLICATIONS**

The proposed recommendations will result in a short-term interest bearing loan of up to \$19 million to be funded by the Region through internal reserves. Staff is recommending that the interest bearing loan be fully open to allow early retirement in whole or part of the outstanding principal. Interest will accrue at a rate of 3.4 per cent per annum.

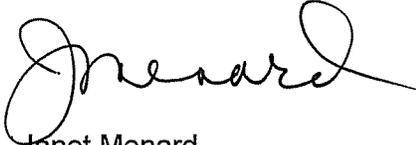
The loan and accrued interest will be repaid upon receipt by the Region of the first four installments of the IAH funding for the periods of 2012-2014 from MMAH. If the IAH funding allocated to SHIP for this project is not received by the Region from MMAH due to Federal or Provincial IAH program cancellation or change, the Region's bridge financing may not be fully repaid. This risk will decrease over time as each IAH Contribution Agreement is signed between the Region and SHIP and the Region begins to receive the IAH payments under each IAH Contribution Agreement from MMAH in accordance with the IAH program funding advancing schedule. Recently the Federal budget announcement continued commitment to the IAH program that would appear to lessen the risk.

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**CONCLUSION**

The Region supports community involvement in the development of new affordable housing projects and, in recognition of the amount of financial risk that SHIP is already undertaking due to the size and nature of the financing they are seeking from IO to make this project come to fruition, it is recommended that Council approve the execution of the necessary agreements and ancillary documents required to distribute the requested bridging loan for this project.



Janet Menard  
Commissioner of Human Services



Norma Trim  
Chief Financial Officer  
and Commissioner of Corporate Services

**Approved for Submission:**



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D. Szwarc, Chief Administrative Officer

*For further information regarding this report, please contact Lisa Duarte. at extension 4862 or via email at [lisa.duarte@peelregion.ca](mailto:lisa.duarte@peelregion.ca)*

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- c. Legislative Services  
Manager, Financial Support Unit (FSU)  
P. O'Connor, Regional Solicitor



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**APPENDIX I**

<b>Milestone</b>	<b>Deadline Date</b>	<b>Funding Triggered</b>
Provision of all cash flow and development statements and pro formas for the project	April 19, 2013	n/a
Receipt of an executed Design Build Agreement between SHIP and Martinway Developments Inc	April 19, 2013	n/a
Execution of the Regional Loan Agreement	May 10, 2013	\$1,537,500 in Regional Funds – this funding cannot be made until completion of the purchase of land and registration of the security on title
SHIP's Firm and Final Financing Commitment from IO	May 17, 2013	Commitment for IO funding that can be accessed as of completion of the second floor
Execution of Bridge Loan Funding Agreement with the Region	May 17, 2013	Bridge Loan Funding in the amount of up to \$19 million
Confirmation of Land Acquisition received from SHIP	May 24, 2013	n/a
Receipt of all insurance and bonding certificates	May 24, 2013	n/a
Provision of all required and executed security documents as detailed in the IAH Contribution Agreement and Loan Agreement	May 24, 2013	n/a
Provision of an Agreement between SHIP and Martinway that details the post-construction strata severance agreement and shared facilities agreements that will be entered into with the developer of the project	May 24, 2013	n/a
Receipt of the first building permit for the project	May 31, 2013	n/a
Verification of Construction Start on or before May 31, 2013	May 31, 2013	First installment of Year 2 IAH funds in the amount of \$6,375,000 – which will be paid directly to the Region and kept by the Region towards payment of the bridge loan funding
Execution of the Year 3 IAH Contribution Agreement with the Region	Prior to December 2013	First installment of Year 3 IAH funds in the amount of \$6,375,000 – which will be paid directly to the Region and kept by the Region towards payment of the bridge loan funding
IAH Structural Framing Completion Milestone Reached	April 2, 2014	Second installments of Year 2 & 3 of IAH funds in the total amount of \$10,200,000 – a portion of which will be used to pay the Region the remainder of the outstanding bridge loan principal and accrued interest