



	REPORT No.: 2020-12
MEETING DATE: MARCH 19, 2020	DATE PREPARED: FEBRUARY 27, 2020
SUBJECT: CANADIAN HOUSING SECTOR BANK – UPDATE ON INVESTMENT	

RECOMMENDATION

For information only.

REPORT SUMMARY

To provide The District of Thunder Bay Social Services Administration Board (TBDSSAB or the Board) with an update on the Canadian Housing Sector Bank feasibility study investment approved in July 2015, and the current status of the established financing corporation.

BACKGROUND

At the July 23, 2015 Board meeting, a report was presented (Report No. 2015-57) providing the Board with information on the proposed Housing Partnership Canada (HPC) feasibility study to examine the potential for the creation of a pan-Canadian housing sector bank. The report also recommended that TBDSSAB become a funding partner in this initiative. The Board approved participation in the HPC group and authorized \$5,000 towards the feasibility study (Resolution No. 15/91).

Housing Partnership Canada proposed working with several large housing funders and providers to explore the feasibility of creating a dedicated lending institution for affordable housing providers across Canada to finance new development and the regeneration of their existing assets. This new entity, a Canadian Housing Sector Bank, would pool the capital requirements of a large group of borrowers and provide them with efficient and cost-effective access to capital lending markets.

The HPC proposal sought to involve TBDSSAB as a partner in the exploration of feasibility and assessment in the establishment of a housing bank. TBDSSAB joined other partners including Canada Mortgage and Housing Corporation, the Province of Ontario, the Province of British Columbia, Manitoba Housing, Housing Services Corporation and several Ontario housing providers including the City of Toronto, the City of London, Region of Peel, the City of Greater Sudbury and the Cochrane DSSAB in this initiative. There were two phases designed for the feasibility review.

Phase 1 of the study involved a market canvass and initial product assessment. This determined what existed at the time and how different models may best meet stated outcomes and objectives.

Phase 2 of the study involved a much more detailed review of the economic feasibility of the project, an initial credit rating assessment and a full analysis of the potential for the project to succeed. The feasibility study was undertaken by the investment bank, Morrison Park Advisors.

Benefits to the involvement of TBDSSAB included participation on the Steering Committee which oversaw the process from initialization through the determination of direction in Phase 2. In Phase 2, TBDSSAB continued to be involved with the Steering Committee overseeing the work through completion. Participation at this level allowed for project insight and a Northern Ontario perspective, as well as influencing the direction and outcome of the study through identification of issues and opportunities specific to TBDSSAB.

The opportunity to explore a Canadian Housing Sector Bank addressed the need for current and ongoing access to capital funds, for the regeneration and replacement of aging housing stock.

COMMENTS

The feasibility study found that creating much needed new affordable housing and replacing aging, existing social housing stock in Canada would require a significant amount of capital. The total requirement for the next 10 years ranges from \$77 billion to \$121 billion. The demand for housing capital is significant, growing, and outstrips government funding capacity by a significant margin of billions each year. To address this large and growing capital funding gap, the study recommended the creation of the HPC Housing Investment Corporation.

HPC Housing Investment Corporation (HI-C) is a new public-sector lender providing long-term funding to affordable and social housing providers in Canada. HI-C is a federal non-share corporation with three founding members: BC Housing, Manitoba Housing and Ontario's Housing Services Corporation. Canada Mortgage and Housing Corporation (CMHC) provided a \$20 million investment in HI-C through the National Housing Strategy's Affordable Housing Innovation Fund. HI-C aggregates the borrowing needs of eligible Canadian housing providers, and provides access to capital through the Canadian debt capital market. HI-C uses the power of the group, the creditworthiness of Canada's affordable housing sector and the market interest in HI-C bonds to obtain fixed, low-cost financing. The corporation offers 30-to-40 year fixed-rate financing.

While there is large unmet demand from debt investors in Canada for creditworthy infrastructure investments, most do not have the experience or expertise to understand the needs of social and affordable housing providers. At the same time, most housing providers do not have the experience or expertise to access the capital markets on their own. As a sector-based financing vehicle, HI-C provides expertise in housing

development and regeneration, finance, and underwriting required to bridge the gap between housing providers and debt investors.

TD Securities Inc. and Scotiabank Capital Inc. acted as debt placement advisors and agents for HI-C's inaugural note issues, displaying their strong support for the affordable housing sector. Standard and Poor has assessed the HI-C lending instrument as an A-low credit rating which is comparable with many major lending institutions and represents a lower risk assessment.

HI-C closed its first round of borrowing in February 2019. Focused on take-out financing, the round was valued at approximately \$33M for projects in British Columbia (Railyard Housing Cooperative) and Alberta (Parkdale Housing Development Project):

- **95 East 1st Avenue - Community Land Trust, BC (CLT):** A 15-storey, 135 home building, formerly part of the east end Olympic Village, which is now Vancouver's latest housing co-operative development. In partnership with the City of Vancouver, the CLT is able to house more than half the homes targeted to low-to-moderate income families, couples, seniors and individuals with more than 10 homes at shelter rates. HI-C is providing take-out financing for this project at a 40-year fixed rate of 4.415 all-in interest rate.
- **Parkdale Housing Development Project – Capital Region Housing Corporation, Alberta:** Two buildings providing affordable housing to 136 low-to-moderate income families, couples, seniors and individuals in north-central Edmonton. HI-C is providing a take-out financing for the two buildings, which were fully occupied at the end of 2018 and 30-year fixed rate all-in financing at 4.408.

For 2020, HI-C will begin Round 2 of its' program continuing to offer 30- and 40-year takeout mortgages, as well as new financing products to address construction/takeout packages, regeneration and conversion financing. It is anticipated that up to \$300 million will be available for this year.

FINANCIAL IMPLICATIONS



There are no financial implications associated with this report.

CONCLUSION

It is concluded that the Housing Investment Corporation represents a viable financing option for TBDSSAB and should be considered and evaluated along with other financing options as required.

REFERENCE MATERIALS ATTACHED

None

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