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**ARMITAGE GARDENS (NEWMARKET HEALTH CENTRE PHASE 3)
COMMUNITY RENTAL HOUSING PROGRAM
REQUEST FOR REGIONAL GUARANTEE**

The Finance and Administration Committee recommends the adoption of the recommendations contained in the following report, March 12, 2004, from the Commissioner of Finance and the Commissioner of Community Services and Housing:

1. RECOMMENDATION

It is recommended that:

1. The Region be authorized to provide security to the Ministry of Municipal Affairs (MMAH) for the approved \$1,566,000 in Community Rental Housing Program funding in the form of a guarantee.
2. The Regional Chair and Regional Clerk be authorized to execute the guarantee on the Region's behalf, subject to the prior review of Legal Services.

2. PURPOSE

The purpose of this report is to receive approval to provide a Regional guarantee as the form of security required by the Ministry of Municipal Affairs and Housing to release Community Rental Housing Program (CRHP) funding for the Armitage Gardens affordable housing project on the Newmarket Health Centre property.

3. BACKGROUND

On September 18, 2003, Council authorized the Commissioner of Community Services and Housing to enter into a Provincial Contribution Agreement with the MMAH on behalf of the Region as owner of the Newmarket Health Centre property. This agreement is required to access \$1.566 million that was conditionally approved by the Ministry for the Armitage Gardens affordable housing development for seniors and people with disabilities.

On October 8, 2003, the Board of Directors of Housing York Inc. authorized the General Manager to execute this agreement on behalf of the housing corporation as the lessee of the building responsible for the operation of the housing project.

The September report authorized the issuance of forgivable debentures in that amount to be provided to MMAH as security for the funding. The Ministry had at that time confirmed that a debenture was a satisfactory security instrument in lieu of a collateral mortgage for housing projects on municipal lands.

In recent discussions with MMAH the provision of debentures is no longer deemed to be a suitable form of security however they are prepared to accept a guarantee from the Region.

4. ANALYSIS AND OPTIONS

The purpose of the requested guarantee is to ensure specific performance under the terms of the Provincial Contribution Agreement which sets out the terms and conditions of the CRHP funding. These conditions include:

- A number of one-time requirements related to project development which have already been met as the project is now complete and occupied.
- That Housing York Inc., as the lessee of the building and operator of the project, provide security in the form of an assignment of rents and a General Security Agreement.
- That apartments are rented at affordable rents during the agreement term of 20 years with annual rent increases limited to those allowed under Provincial regulations.
- That an annual report of the rents being charged be filed with the Ministry.

On each anniversary date of the agreement the Province will forgive any interest accrued on the loan provided Housing York Inc. complies with the terms of the agreement. After twenty years, the \$1.566 million loan will be forgiven in total.

If Housing York Inc. does not fulfill the conditions of the agreement, then as stipulated by the guarantee, the Region would be required to pay all present and future debts, liabilities and obligations of the Debtor (Housing York Inc.) pursuant to the Provincial Contribution Agreement.

Regional staff members have reviewed the terms and conditions of the agreement and consider them to be reasonable.

The Region has the authority to guarantee MMAH's forgivable loan to Housing York Inc. by virtue of its general power to make grants under Section 107 of the Municipal Act, 2001. Section 107(2)(a) of the Municipal Act, 2001 stipulates that the power to make a grant includes the power to guarantee a loan.

5. FINANCIAL IMPLICATIONS

The provision of this guarantee will permit the release to the Region of \$1.566 million in CRHP funding in the form of a fully forgivable loan. This funding commitment has reduced the overall capital cost of the project to the Region resulting in savings at prevailing rates of approximately \$2.3 million over the term of the loan.

6. LOCAL MUNICIPAL IMPACT

This project is providing 58 much needed affordable housing units for seniors and people with disabilities and relieves some of the pressure for new long term care beds in the central part of the Region.

7. CONCLUSION

The Community Rental Housing Program signals a renewed commitment to affordable housing by the federal and provincial governments. The success of the Region's Housing Supply Strategy relies on partnerships with all sectors involved in housing development, and on financial assistance from senior levels of government. The issuance of this Guarantee will be the final step required to release the first of these long-awaited funds.

The Senior Management Group has reviewed this report.