Annette Dillon
National Director, Multi-Unit Affordable Rental
Rental Construction Financing Initiative

What is the Rental Construction Financing Initiative?
- $2.5B
- $1M minimum loan
- 4 Year Initiative
- In low-cost loans to municipalities and housing providers for the construction of affordable rental housing in Canada

Who is this initiative targeting?
- Middle-class Canadians

What shelters or project types are eligible?
- Standard Apartments
  - Excludes retirement homes, single room occupancy, equity co-ops, hotels, social housing, and student housing

What is the product offering?
- Loan + Insurance
  - Low-cost loans with terms up to 10 years including CMHC mortgage loan insurance from the onset.

Who are the eligible borrowers?
- MUNICIPALITIES
- PRIVATE SECTOR DEVELOPERS + BUILDERS
- SOCIAL INVESTMENT ORGANIZATIONS
- NON-PROFIT HOUSING PROVIDERS
**Minimum mandatory requirements**

1. Affordability
2. Financial Viability
3. Energy Efficiency
4. Accessibility

**Affordability definition**

1. 10% reduction in residential income, supported by appraisal report
2. 30% of units with rents at or below 30% of the median household income, and affordability maintained for at least 10 years

**Definition criteria supports flexible rental options**

- Rents at market value
- Rents discounted

- 100% of units at 90% of PGI
- 20% of units at 50% of PGI
- 50% of units at 80% of PGI

**Where to access median household income**

- StatCan site
- Median total income by Census Metropolitan area
- CANRA Table 111-0009

**Financing Initiative – Minimum eligibility requirements**

Minimum

- Must achieve a minimum of a 15% decrease in energy use and greenhouse gas emissions

Over and above

- Higher Prioritization for efficiency increases over and above the 2015 Building Code or the National Energy Code for buildings:
  1. >15% / <25%
  2. > 25% / <50%
  3. >50%
  4. Net Zero

**Financing Initiative – Minimum eligibility requirements**

Minimum eligibility considerations

- 10% (net or enclosed) local accessibility requirements
- 100% of units with accessibility requirements of the 2015 National Building Code

Higher prioritization

- Project contains adaptable units
- Project contains units with universal design

- We access the project and so it is barrier free?
### Rewarding greater social outcomes

Projects will be prioritized higher should they go over and above the minimum requirements:

- Duration of affordability beyond 10 years
- Greater depth of affordability in rents
- Greater proportion of affordable units
- Energy efficiency beyond minimum requirements
- Accessibility for future needs (adaptable units) and for greater social inclusion
- Proximity to transit
- Collaboration, partnerships, and other government supports

### Collaboration and partnerships

**Fostered Collaboration**

- **Partnerships**
  - Shared development between non-profit for Profit developers, urban aboriginal groups, municipalities, etc. (fixed-price contract to build is not a partnership)
- **Government supports**
  - Grants, concessions, waivers, expedited approvals, etc.
- **Land donation**
  - Land that is transferred at a nominal cost (this does not include land sold at a marginal discount).

### Financing Terms and Client Benefits

<table>
<thead>
<tr>
<th>Financing Terms</th>
<th>Benefit</th>
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<td>Recourse for loan deficiencies to borrowers/guarantors for 100% of loan during construction &amp; rent-up; non-recourse thereafter. Borrowers/guarantor’s credit is available for other projects once current project is complete.</td>
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<td>10 year fixed rate term or 10 year hybrid (floating/fixed)</td>
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<td><strong>Loan to Cost (LTC)</strong></td>
<td>Up to 100% for residential space Up to 75% for non-residential space Greater flexibility on loan size supports better matching of construction loan to eligible project costs reducing the need for large amounts of equity financing.</td>
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<td>Minimum 1.10 for residential space Minimum 1.40 for non-residential space Lower DCR supports larger loan amounts, reducing the need for large amounts of equity financing.</td>
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<td><strong>Interest</strong></td>
<td>Interest only during construction through rent-up to stabilization. Principal and interest payments begin only after 12 months helping to have flexibility during times of limited revenue, and low interest rates support long term project viability.</td>
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For more information:
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