



City of
Peterborough

To: **Members of the Committee of the Whole**

From: **Sandra Clancy, Director of Corporate Services**

Meeting Date: **July 24, 2017**

Subject: **Report CPFS17-044
Peterborough Housing Corporation - Financing for McRae
Construction**

Purpose

A report to recommend the City provide up to \$24,433,000 financing to Peterborough Housing Corporation, (PHC) for bridge financing during the twenty-seven month construction period of the McRae facility redevelopment project which would then be converted to long term debenture financing.

Recommendations

That Council approve the recommendations outlined in Report CPFS17-044 dated July 24, 2017 of the Director of Corporate Services as follows:

- a) That Peterborough Housing Corporation – McRae Construction Project at 553-555 Bonaccord Street, Peterborough for a total of \$39,583,000, resulting in a \$24,433,000 draw down on the City's non-tax supported debt capacity be approved;
- b) That a by-law be passed to authorize the borrowing of \$24,433,000 to help finance certain works to be undertaken by the Peterborough Housing Corporation;
- c) That the Director of Corporate Services be authorized to prepare the necessary borrowing by-laws to borrow funds up to a maximum of \$24,433,000 to finance City capital projects and for a term not to exceed 30 years; and

- d) That the Treasurer be authorized to submit an application to Ontario Infrastructure and Lands Corporation to borrow these funds.

Budget and Financial Implications

The total construction cost and financing is as shown in Chart 1. The costs associated with the ongoing operation and maintenance of the facility and financing costs for the debentures will be managed by Peterborough Housing Corporation through rental incomes and other supplementary revenues. PHC has provided the City with proforma statements projecting the annual net income prior to debt costs for Phase 1 and 2 as \$328,866 and \$1,393,300, respectively. This is sufficient to cover the annual principal and interest payments.

Chart 1
McRae Building Construction Costs and Financing

	Phase 1	Phase 2	Total
Description	Renovation of Existing Building - 38 units with daycare and administrative spaces	New Build - 81 units with supportive care, administrative space and common kitchen/dining	
	\$	\$	\$
Total Capital Cost	10,745,300	28,838,000	39,583,300
Funding Sources:			
PHC Equity and Grants	4,200,000	8,000,000	12,200,000
IAH funding	1,500,000		1,500,000
Municipal Contributions	482,300	968,000	1,450,300
Non-tax supported debentures	4,563,000	19,870,000	24,433,000
Projected Net Income prior to debt repayments	328,866	1,393,300	1,722,166
Annual Debt Payment (P&I 30 year @ 3.43%)	244,743	1,065,707	1,310,450

The legal fees for the debenture issue are estimated to be approximately \$5,000 and can be accommodated within the budget for the project. Any other fees associated with the issue, such as commission fees, are built into the 'all-in' rates. Actual charges payable will depend on the all-in debenture rate secured for the issue when finalized. Currently the rate is 3.43% for a 30-year amortizer debenture. The construction bridge financing rate is 1.7%.

Non-tax supported debt is debt that the City assumes but the principal and interest payments are funded by sources other than property taxes such as user fees, development charges or in this case rental income. A municipality is limited by the

Province, and by our own Capital Financing Policy, as to the amount of non-supported debt it can have.

There are three other reports being presented on July 24, 2017 that also commit non-tax supported debt capacity. The reports and draws on City's non-tax supported debt capacity are as follows:

1. Report CPPS17-027 to award the Request for Tenders for the Peterborough Operations Centre - \$3.078 million,
2. Report PLHD17-001 for Peterborough Housing Corporation – Acquisition of Sunshine Homes Non-Profit Inc. - \$3.5 million, and
3. Report PLHD17-003 for Peterborough Housing Corporation Acquisition of the Property at 217 Murray Street (Brock Street Mission) - \$3.8 million.

After these four commitments, the balance of available non-tax supported debt will be \$15.4 million.

Although some additional “room” will be freed up in 2018, the \$24.433 million is a very large draw for the City and it may impact on the availability of non-tax supported debt for other projects in future years.

Background

Project

Peterborough Housing Corp.(PHC) is the largest social housing provider in Peterborough City and County; the city is its sole shareholder. PHC is preparing to convert the existing McRae building into 38 apartments for single mothers and their children (Phase 1) and to build a new six-storey apartment complex on Bonaccord Street that will offer supportive housing for elderly people who might otherwise be staying long-term in hospital (Phase 2).

The acquisition of the property was approved by Council through Report PLPD14-046 dated July 28, 2014. Through a further report, Report PLHD16-010 dated December 5, 2016, Council approved specific municipal incentives regarding the affordable housing portion of the project.

The McRae Building is the vacant Fleming College trade school. The new complex will be built on the large gravel parking lot in front of the McRae Building will be connected to the new building via a breezeway.

The new building will have 81 apartments for seniors - 50 of which will be staffed with personal support workers (PSWs). Of those 50 supported-housing apartments, 20 will be reserved for elderly patients living at Peterborough Regional Health Centre (PRHC)

for lack of another place to go. As such, the new seniors' complex will free up 20 hospital beds.

The idea is to have a home for seniors who do not need the constant medical attention offered in a long-term care home but cannot live in a retirement home (where there are no supports at all).

Construction on the new seniors' building is expected to begin in the fall and be done by mid 2019. The conversion of the McRae Building is expected to start at the same time.

Federal and provincial grants will be available to help build the new complex. The rent will be affordable and include food and personal supports.

The Central East Local Health Integrations Network (LHIN), which funds hospitals and long-term care centres with provincial tax money, has committed \$1.2 million of funding for supports which include personal support workers.

Financing

Because the City is the sole shareholder of PHC, any debt that PHC has is a draw against the City's non-tax supported debt capacity. It is being recommended that PHC obtain bridge financing during construction and long-term financing from Ontario Infrastructure and Lands Corporation (I/O). I/O has specific lending rates for Housing providers, however, their lending rates for municipalities are more favourable than for housing providers. In addition, a 30 year issuance is available to municipalities, which is not available to Housing Providers and this is the term PHC would like to issue. As the debt will be a draw on the City's non-tax supported debt regardless, it is recommended that, when the construction is completed, the City include PHC's funding requirement in their debenture issue at the lower rate. This would be in 2019 or part of it may be issued in 2018 when Phase 1 is completed.

Submitted by,

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