

## AMEND LOAN AGREEMENT - CITY OF EDMONTON NON-PROFIT HOUSING CORPORATION

### RECOMMENDATION

That the amended terms of a loan agreement between the City of Edmonton and The City of Edmonton Non-Profit Housing Corporation, also known as homeEd, as outlined in Attachment 1 of the December 6, 2021, Financial and Corporate Services report FCS00866, be approved, and that the amended agreement be in form and content acceptable to the City Manager.

#### Report Purpose

**Council decision required.**

### Previous Council/Committee Action

- At the August 17, 2020, City Council meeting, the terms of the original Loan Agreement were approved.
- At the September 21, 2020, City Council meeting, Bylaw 19303 (borrowing bylaw) and 19304 (loan bylaw) received 3rd reading allowing homeEd to borrow up to \$70 million from the City of Edmonton to support their Expansion Strategy Project.

### Executive Summary

- The terms for a loan agreement between the City of Edmonton and homeEd was approved on August 17, 2020.
- This report recommends amending those terms to provide improved flexibility that would align better with the acquisition processes and cash flow requirements of homeEd.

## REPORT

### Background

The City of Edmonton Non-Profit Housing Corporation, also known as homeEd, is a non-profit housing provider and the City of Edmonton controls 100 per cent of the shares of this corporation with over 40 years of experience in Edmonton's affordable rental housing sector.

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They own and manage over 900 affordable rental units made up of ten apartment buildings, ten townhouse complexes and over 100 condo units located across 34 condo buildings. As mortgages on existing properties have matured, homeEd is in the financial position to reinvest into their portfolio and expand their operations. The portfolio expansion, which was discussed as part of the original loan agreement approval, will provide an estimated 500 additional units of safe, adequate and affordable housing to Edmontonians needing a place to call home.

The City of Edmonton received a formal request for borrowing authority from homeEd in a letter dated February 20, 2020, which provided the following information:

“At a Special Meeting of the Shareholder, held on September 17, 2019, the Board of Directors for The City of Edmonton Non-Profit Housing Corporation (a City subsidiary operating as homeEd) presented options around an updated Portfolio Expansion Strategy. The Strategy was developed in consideration of the Board's and the Shareholder's shared urgency to see homeEd play an expanded role in serving the housing needs of Edmontonians.”

Resulting from Shareholder endorsement of the Strategy, homeEd requested authority for borrowing from the City of Edmonton for a maximum of \$70 million with a borrowing term of up to 30 years, to finance property acquisition and redevelopment to support expansion over the span of 2020 - 2026. This portfolio expansion strategy relies on a mix of debt financing, grant funding and equity contribution. The terms of this loan agreement were approved by City Council on August 17, 2020, and the loan bylaw was approved on September 21, 2020. The loan will enable homeEd to expand their portfolio by over 50 per cent.

### **Amendment**

HomeEd has now approached the City of Edmonton to discuss financing arrangements related to the current Loan Agreement; however, the current terms of the Loan Agreement do not align well with the acquisition process and cash flow requirements. In particular, the timing of funding available under the Loan Agreement. The opportunity to purchase property and close on a deal is time sensitive, and the cash requirements can be hard to predict far in advance. Currently the Loan Agreement requires 60 days notice before a lending and is restricted to March 15, June 15, September 15, and December 15, which aligns with when the City borrows from the province. If the 60 day notification period is missed for one of these lending dates, homeEd could have to wait up to 5 months for their next opportunity to borrow, which would then require additional interim financing from a bank to fund that gap. In certain instances, homeEd may be borrowing from the City on a short term basis in order to bridge the gap until they receive long term financing from other lenders, such as the Canada Mortgage and Housing Corporation, who can offer longer term financing, such as 40 year terms, than the City.

The proposed replacement for Schedule A of the Loan Agreement, recommended in this report, would provide the following:

- a range of notification periods depending on the size of the loan being requested, and

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- removal of the restriction to access loan funds to only March 15, June 15, September 15, and December 15 in a given year.

The proposed replacement for Schedule A is outlined in Attachment 1 to this report.

### **Budget/Financial Implications**

The changes being proposed may result in the City of Edmonton lending to homeEd without an offsetting borrowing from the province. This will require the City to use its working capital to cash flow the loan. Depending on the size of the loan request, this may require liquidating some investments to free up the necessary cash for the loan. It is expected to have an overall minimal impact on investment earnings, and the City would be collecting interest and an administrative fee from homeEd on the loan which would offset losses in investment earnings.

### **COMMUNITY INSIGHT**

This loan was brought forward for approval in August and September 2020, which included the approval of Bylaws 19303 (borrowing bylaw) and 19304 (loan bylaw) to allow for the borrowing and lending related to this Loan Agreement. Lending bylaws reflect a legislative requirement under sections 264 and 265 of the *Municipal Government Act* for situations when the City loans to a non-profit organization and controlled corporation for a purpose that will benefit the municipality. As a result no specific public engagement is undertaken with respect to the lending bylaw process. As required by the *Municipal Government Act*, both the borrowing bylaw and the loan bylaw were advertised. This process allows the public to petition against these bylaws if they choose.

### **GBA+**

More than 2,800 individuals in Edmonton are experiencing homelessness. Despite making up only 5 per cent of Edmonton's overall population, nearly 60 per cent of these individuals are Indigenous. Of the more than 2,800 individuals experiencing homelessness, approximately 690 individuals are children - either dependents or independent youth. Approximately 42 per cent of homeless individuals identify as female.

In addition to the ongoing barriers individuals experiencing homelessness face in accessing public services like transportation, regular and appropriate health care, food, and shelter, the identities of those individuals intersect with other equity-seeking groups. The experience of racialized and lesbian, gay, bisexual, transgender, queer/questioning, two-spirit, and plus (LGBTQ2S+) community members who are experiencing homelessness is uniquely challenging in that they face additional discrimination and lack of appropriate supports when trying to access existing shelter, housing, and social services systems.

As a non-market housing provider with an inventory of nearly 1,000 rental units throughout the city, homeEd offers a safe, and accessible environment for those in need of affordable housing.

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## **ATTACHMENTS**

1. Proposed Replacement Schedule A to the Loan Agreement