

**Region of Waterloo**  
**Community Services**  
**Housing Services**

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**To:** Community and Health Services Committee  
**Meeting Date:** January 16, 2024  
**Report Title:** Affordable Housing– Refinancing Policy Framework Review

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**1. Recommendation**

That the Regional Municipality of Waterloo take the following action with respect to proposed housekeeping amendments to the Refinancing Policy Framework as outlined in CSD-HOU-24-001, dated January 16, 2024:

- a) Approve the total encumbrances as set out in the Refinancing Policy Framework be ninety per cent (90%) for Affordable Housing projects funded through The Regional Municipality of Waterloo and for which agreements permit secondary financing;
- b) Authorize the Commissioner of Community Services and Chief Financial Officer to execute agreements and documentation in a form satisfactory to the Regional Solicitor to give effect to a refinancing approved in accordance with Report CSD-HOU-24-001;

**2. Purpose / Issue:**

To update the Region of Waterloo's Refinancing Policy Framework for consistency and supporting the creation of affordable housing.

**3. Strategic Plan:**

This report addresses Strategic Priority 1: Homes for All, by moving quickly to create affordable, accessible, and equitable housing by increasing access to affordable homes that cost less than 30% of household income across the region.

**4. Report Highlights:**

- Region staff consistently work with area municipalities towards the development of affordable housing, including the implementation of innovative housing solutions that meet the needs of diverse populations across Waterloo Region.
- Since the Region's Refinancing Policy Framework for affordable housing

development was last updated in 2015, current funding levels compared to earlier program funding have changed as well as specific program names, and the refinancing policy of other governments has been consistent at ninety per cent (90%).

- Based on the staff review, it is recommended that the total encumbrances as set out in the Refinancing Policy Framework be ninety per cent (90%) for projects that receive Regional funding and/or funding from Federal-Provincial programs (i.e., a contribution agreement for affordable housing exists with the Region of Waterloo).
- This change allows housing providers additional access to equity in their existing projects to help fund new affordable housing without any additional cost to the Region.

## **5. Background:**

The Region of Waterloo began providing forgivable loans to help create new affordable housing units in 2001 with the initiation of the Region's Affordable Housing Strategy (AHS). A Refinancing Policy Framework (the Framework) was developed in 2005 for proponents that benefitted from Regional and/or Federal-Provincial funding under the AHS for the creation of new affordable rental housing (CR-RS-05-018.1/P-05-04.1). This Framework provided consistent conditions for consideration of refinancing requests, and Council approved updates to this policy in 2015 (CSD-HOU-15-22). In 2021, Building Better Futures (BBF), an initiative to create 2,500 homes in five years (2021-2025), replaced AHS. The Refinancing Policy Framework remains in place as an affordable housing incentive under BBF.

Housing providers are required to sign a contribution agreement for the government funded forgivable loans they receive which are secured by a mortgage on title for the term of the agreements (the "Contribution Agreement"). As identified in the Framework (CR-RS-05-018.1/P-05-041.1, CSD-HOU-15-22), given the long term of the Contribution Agreements (minimum of 20 years) proponents may make requests for refinancing due to changing interest rates, increased property values, capital repairs and reinvestment or the transfer of properties. The Contribution Agreement contains a series of "negative covenants" which preclude a housing provider from refinancing the property unless the refinancing is in accordance with the monetary limits agreed upon at the time of signing the Contribution Agreement and the proponent has obtained the consent of The Regional Municipality of Waterloo.

Staff are recommending revisions to the Refinancing Policy Framework based on changes to funding streams and provincial and federal policy standards. Since the introduction of the Refinancing Policy Framework in 2005 and the update in 2015, which permitted only some projects the ability to refinance up to ninety per cent (90%), the Region has received requests for approval of refinancing proposals related to the

potential sale of properties or to access equity within the project. Staff have consistently applied the existing Refinancing Policy Framework. However, instances have arisen where limiting encumbrances to seventy-five percent (75%) of the current value of the property has caused difficulty in proceeding. Particularly, regarding the sale of properties to a new owner interested in assuming the Contribution Agreement who would like to continue to participate in the applicable program, or housing providers who want to access equity in the property to help fund the building of new affordable housing. Limiting encumbrances to ninety percent (90%) for all affordable housing with a contribution agreement with the Region of Waterloo will create consistency within the Refinancing Policy Framework and with other affordable housing programs from the Government of Canada and the Province of Ontario.

There is risk of increasing the total encumbrances to ninety percent (90%) of the value of the property if property values do not continue to remain high. While this policy amendment may introduce additional risk, staff feel that, on balance, the benefits provided of retaining existing and creating new affordable housing properties, as well as aligning with existing federal and provincial standards, outweigh the risk.

### **Proposed Revisions to the Refinancing Policy Framework**

Staff propose that the original conditions of the Refinancing Policy Framework listed below be approved as amended (as identified in bold) for consideration of requests for refinancing on a case-by-case basis and approved provided the proposed refinancing meets all of the following conditions:

1. All agreements signed by the housing provider must be in good standing, including annual reporting;
2. The proponent's obligations to third parties must also be in good standing. The Regional Municipality of Waterloo will require a clear tax certificate and search of title to determine that there are no outstanding encumbrances prior to consenting to any refinancing;
3. At least one (1) year has passed since the completion of the project and the implementation of long term financing for the project;
4. In those instances where a project has also received **Community Rental Housing Program or Investment in Affordable Housing for Ontario funding** ~~from programs funded through the Province of Ontario~~, the consent of the Province of Ontario must be obtained prior to the release of consent from the Regional Municipality of Waterloo;
5. The total of all encumbrances against the property must not exceed **seventy five per cent (75%) of the total value of the property once the refinancing is implemented except for the total of all encumbrances against a property that received only Regionally-funded, Pilot and Strong Start projects which must not exceed** ninety per cent (90%) of the total value of the property once

the refinancing is implemented. This approach will ensure that any government investment in a particular project is adequately secured. For the purposes of determining the fair market value of the subject property, the Regional Municipality of Waterloo may request an appraisal of the property in a form satisfactory to the Region or, in the alternative, rely upon a valuation prepared by the housing proponent's financial institution;

6. The proponent may be required to certify that it has maintained an adequate reserve for the purpose of meeting the ongoing capital needs of the property and that such reserve shall not be compromised by the proposed refinancing;
7. The proponent shall provide an updated project operating budget to ensure that sufficient funds are available to cover annual debt servicing costs and provide for the long term viability of the project;
8. All direct costs incurred by the Regional Municipality of Waterloo in implementing the proposed refinancing must be paid by the housing provider;
9. The Region will consider such further and other circumstances which may affect the project including whether the purpose of the refinancing is to enable the project proponent to provide additional units of affordable housing within the Region of Waterloo and other special circumstances (e.g. lower premiums, lower interest rates, need for additional capital funding for the existing project, transfer of property to a new proponent).

If refinancing is approved, The Regional Municipality of Waterloo will be asked to enter into the form of postponement agreement required by the financial institution providing the project refinancing. Provided the form and content of such agreement is satisfactory to the Regional Solicitor, this is a generally accepted business practice and is contemplated within the framework of Building Better Futures. The agreement may be signed by the Region's Chief Financial Officer and Commissioner of Community Services.

## **6. Communication and Engagement with Area Municipalities and the Public**

**Area Municipalities:** Through a Municipal Housing and Homelessness Leads Committee and Intra-Municipal Incentives Working Group, Region staff regularly engage with area municipalities in the collective work of addressing housing and homelessness issues in the region. Specifically through the Intra-municipal Working Group, staff work with area municipalities to determine the best way to incentivize the development of affordable housing. This includes communicating on initiatives, data sharing, and coordinating efforts and resources.

**Public:** Ongoing engagement and consultation with community partners and service providers occur on housing and homelessness issues through various programs and specific working groups.

## **7. Financial Implications:**

The changes proposed in this report will have no direct financial impact to the Region.

## **8. Conclusion / Next Steps:**

The Region of Waterloo is committed to making housing affordable for all because communities thrive when everyone has a place to call home. Updating the Refinancing Policy Framework will better align this framework with its intended use for incentivizing the creation of affordable housing, and allow it to be consistent with Federal-Provincial funding programs.

## **9. Attachments:**

Appendix A: Existing Region of Waterloo Policy on Refinancing of Affordable Housing

**Prepared By:** Skylar Niehaus, Social Planning Associate, Housing Services

Jeffrey Schumacher, Manager, Affordable Housing Development

**Reviewed By:** Ryan Pettipiere, Director, Housing Services

**Approved By:** Peter Sweeney, Commissioner, Community Services