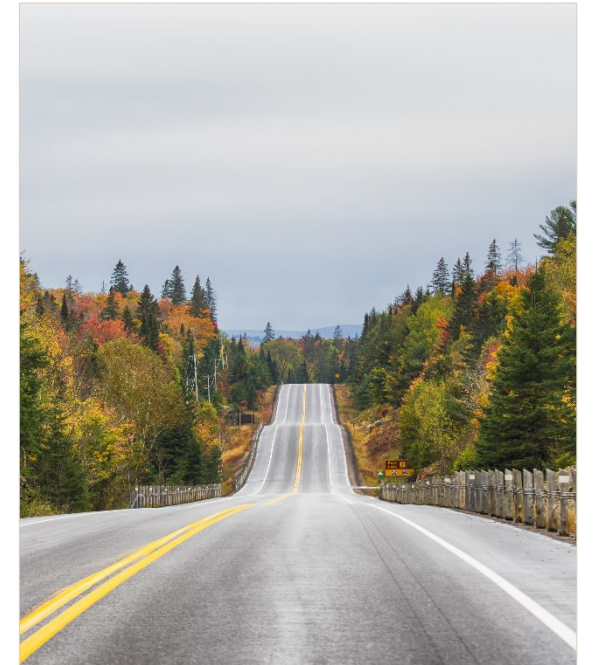
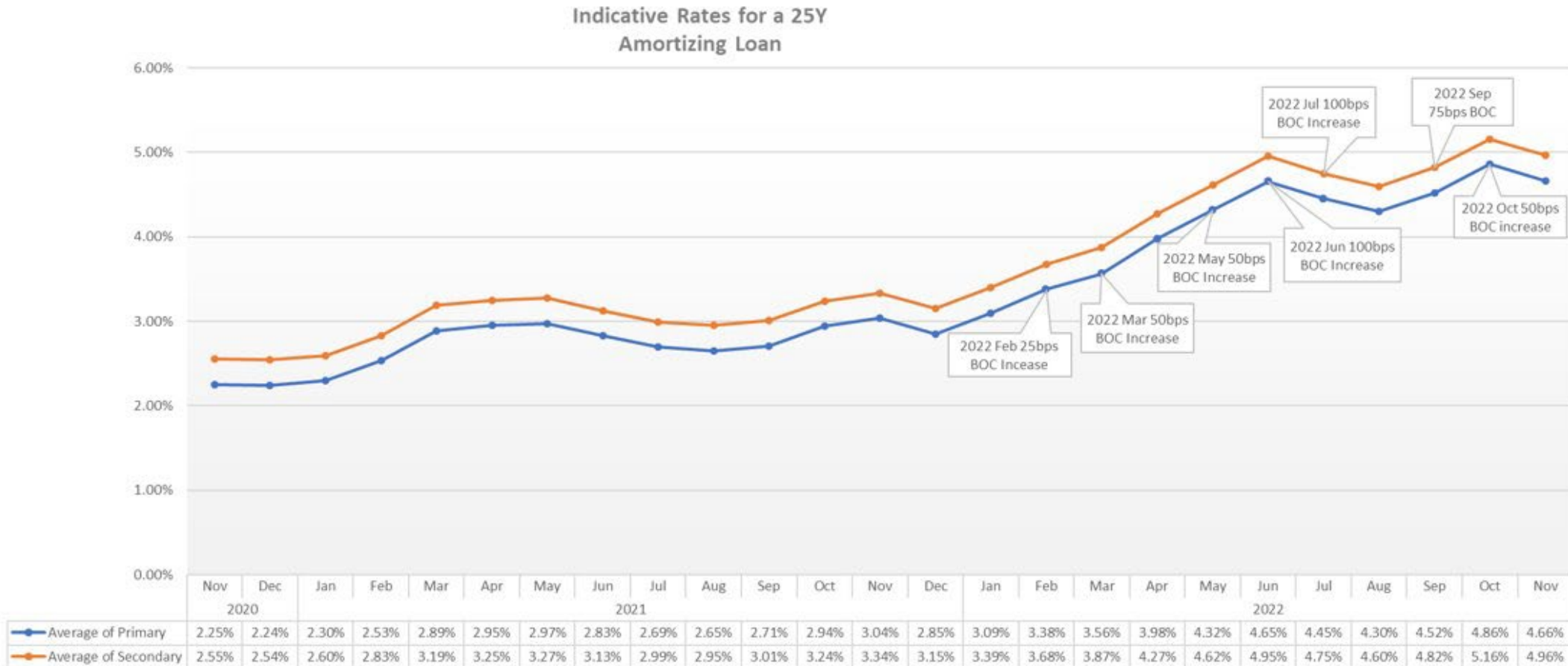


# Infrastructure Ontario Loan Program: Municipalities and Not-for-Profit Affordable Housing

Leeds and Grenville Affordable Housing Summit - September 2023



# Headwinds – Impact of Rising Interest Rates



**Between 2020-2022, the cost of borrowing has doubled, resulting in monthly Principal + Interest payments increasing by 40% for a 25 year loan.**

# Infrastructure Ontario's Loans Program

- ▶ Originally established in 2003 to serve municipalities; prior to the IO Loan Program, only 15-20 rated municipalities in Ontario could access fixed rate long term financing
  
- ▶ IO Loan Program now provides financing to a variety of public sector organizations
  - Eligibility is established through the *Ontario Infrastructure and Lands Corporations Act, 2011*
  - All municipalities in Ontario are eligible to apply for a loan; loan approvals are subject to meeting credit risk criteria
  - IO also lends to not-for-profit affordable housing providers for projects that meet eligibility criteria
  
- ▶ The IO Loan Program allows eligible borrowers with eligible projects to:
  - Access construction and term financing at rates similar to the Province's cost of borrowing; and
  - Fix long-term interest rates for up to 30 years for municipalities and up to 25 years for NFP affordable housing providers

# What IO's Loan Program Can Offer:

- ▶ IO offers competitive interest rates: there are different rates for municipalities and for NFP AH providers. All borrowers benefit from:
  - No upfront/structuring fees
  - No standby (or undrawn) fees during construction while the loan is yet to be drawn
  - Construction financing up to 5 years (project-dependent; variable rate interest rate; only interest payments due during construction phase; principal can be paid down before conversion to fixed rate fully amortizing loan)
  - Fixed rates with terms of up to 30 years upon project completion
  
- ▶ There are different potential solutions to finance housing projects for different borrowers. For example:
  - NFP AH borrows from IO;
  - NFP AH borrows from IO with municipality guaranteeing the loan;
  - Municipality borrows from IO and lends those funds to the NFP AH provider (s.107 of Municipal Act)
  
- ▶ A partnership between the NFP AH provider and municipality can lower the interest rates for the NFP AH provider, streamline loan approval process, reduce reporting requirements , and reduce transaction costs

# Your Project To Do List

- Once your home has progressed through the design phase and your team is working with your lender to secure financing, consider:
  - Is your 3<sup>rd</sup> party costing recent and what Class of costing is available?
  - Has your budget incorporated current rates and adequate contingency?
  - Is the equity component of your financing available (accounted for)?
  - What are your plans for tendering?
  - What is your timing for the build?
  - Are there any security considerations?
  - Have you completed adequate environmental assessments?
  - Other than IO and MMAH, what other stakeholders do you need to engage (insurance, legal, project monitor, municipal partners)?

# Loans in Action: Toronto Community Housing Corporation Regent Park Redevelopment

- As IO's largest borrower, Toronto Community Housing Corporation (TCHC) is also the largest social housing provider in Canada. TCHC owns and manages approximately 60,000 rental housing units across the City of Toronto.
- Since 2013, TCHC refinanced numerous mortgages in its portfolio and has secured more than \$1 billion of IO loans which are fully guaranteed by the City of Toronto, making this a primary tier loan.
- TCHC has also partnered with IO to provide the construction financing for two new apartment buildings as part of the Regent Park Revitalization Plan.
  - In 2019, IO provided \$41.3M 30-year loan to finance a 158-unit social housing rental building on River Street,
  - In 2021, IO approved a \$59.4M 30-year loan to finance a 213-unit subsidized housing high-rise rental building on Oak Street.



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