

Report No.: OCHC-041/10

Meeting Date: May 4, 2010

OTTAWA COMMUNITY HOUSING CORPORATION

REPORT TO THE BOARD OF DIRECTORS

FOR APPROVAL

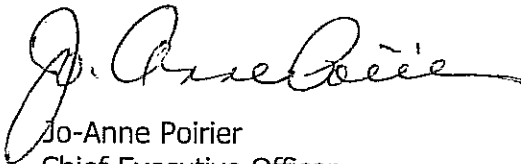
1. SUBJECT

Infrastructure Ontario (IO) Loan Application – General Security Agreement and Municipal Guarantee

2. RECOMMENDATIONS

That the Board of Directors delegate to the Treasurer and the Chief Executive Officer the following authority:

- a) to approve a General Security Agreement in relation to the Infrastructure Ontario loan of \$18.7 million, and
- b) to request that the City of Ottawa, as Shareholder of Ottawa Community Housing, provide a Municipal Guarantee for this loan.



Jo-Anne Poirier
Chief Executive Officer

Contact: Ven Giannantonio
613-520-2279

3. BACKGROUND

On December 17, 2009, the Finance and Audit Committee recommended that the Board of Directors authorize a loan application to Infrastructure Ontario (IO) of approximately \$20.9 million to fund the capital repair program based on an anticipated operating surplus of \$1.5 million and a 2010 Capital Budget envelope of \$72.37 million.

On January 14, 2010, the Board of Directors approved a revised operating budget that reduced the projected operating surplus to \$1.3 million. This reduction in debt servicing capacity resulted in the approval of a loan application of approximately \$18.7 million and a 2010 Capital Budget envelope of \$70.17 million.

On February 11, 2010, to support this loan application, the Board of Directors approved the following:

- 1) Board Resolution on Capital Project Financing (**Ref: OCHC-016/10**)
- 2) Officer's Certificate (**Ref: OCHC-016/10**)
- 3) Certificate of Officer Regarding Litigation (**Ref: OCHC-016/10**)

The Board Resolution, Officers Certificate, and Certification were provided to Infrastructure Ontario on February 12, 2010.

4. DISCUSSION

On February 19, 2010, Infrastructure Ontario provided a draft Financing Proposal. OCH staff reviewed this draft proposal, as well as a sample General Security Agreement, and Municipal Guarantee, with staff from the City of Ottawa and with OCH legal counsel.

As a result of that review, OCH proposed a number of revisions that were well received by Infrastructure Ontario. A revised Financing Proposal (**Attachment 1**) was signed off by OCH and submitted on March 19, 2010. The financing rate of 5.16% is indicative and will not be locked in until approval of the loan by the IO Credit Review Committee.

At the suggestion of IO staff, OCH has submitted a project budget of \$52.2 million reflecting capital maintenance and redevelopment projects that have been completed. By using this approach, the loan will be disbursed as a single draw of \$18.7 million which will replenish the capital reserves in order to support the 2010 Capital Works Program.

The Financing Proposal offers OCH two options in order to secure the loan. A second mortgage option would create a significant economic burden on the corporation as it would require market appraisals of a set of properties, approval by current lenders and approval by the Minister of Municipal Affairs and Housing, and/or Canada Mortgage and Housing Corporation where titles are encumbered. This would result in significant expenses and delays during a time of rising interest rates. It is important that OCH proceed on the basis that OCH will provide a Corporate Guarantee and the City of Ottawa will provide a Municipal Guarantee for this loan.

Staff have carefully identified the funds that are available to service this debt and are confident that OCH will be able to make these debt payments over the 30 year term. On April 8, 2010, OCH received a Term Sheet (**Attachment 2**) from Infrastructure Ontario that covers all the major legal clauses. The next step is to secure a Financing Agreement that locks the rate and terms for the loan.

When IO provides the Financing Agreement, they will also provide a revised General Security Agreement and a form for a Municipal Guarantee. In order to execute these documents in a timely manner, and provide access to these funds, the Board of Directors is requested to delegate authority to the Treasurer and the Chief Executive Officer.

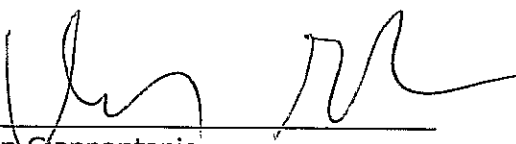
5. CONSULTATION

The draft Financing Proposal, General Security Agreement and Municipal Guarantee were reviewed with legal counsel and with staff from the Housing Branch of the City of Ottawa. This collaboration has continued to inform and support the various stages of the loan application process, including the review and approval of the General Security Agreement and the submission of the request to the Shareholder for a Municipal Guarantee for the loan.

This report was received on April 1, 2010 by the Finance and Audit Committee and the Committee will continue to provide oversight of this loan application.

6. FINANCIAL IMPACT

OCH has applied to Infrastructure Ontario for a loan of \$18.7 million which will be repaid over a 30 year term. Based on the draft Financing Proposal that was provided by Infrastructure Ontario, the annual debt payment (blended principal and interest) will be approximately \$1.2 million, assuming an indicative interest rate of 5.16%. A rate change will impact the amount of funds required to service this debt. A detailed analysis has confirmed the ability of the corporation to sustain this debt.



Ven Giannantonio
Director of Finance

ATTACHMENTS

Attachment 1: Infrastructure Ontario Financing Proposal – Indicative and for discussion only

Attachment 2: Infrastructure Ontario Loan Term Sheet

Financing Proposal
indicative and for discussion only



The purpose of this memo is to propose the terms and conditions under which Infrastructure Ontario ("IO") might participate in a loan to Ottawa Community Housing Corporation (the "Borrower"). This is not a commitment and should not be relied upon by the Borrower for any purposes. It represents the position that IO's staff will take to its Credit Review Committee for final approval which approval is required before IO can complete any negotiation and which approval may not be obtained. Once the Borrower has reviewed and signed this document, Infrastructure Ontario staff will present the proposal to its Credit Review Committee. If the Credit Review Committee approves this memo then IO will be able to issue a final term sheet with terms and conditions approved by the Credit Review Committee that will form the basis of a Financing Agreement. If the Credit Review Committee does not approve this memo then new proposed terms and conditions may be proposed or discussions with the Borrower may be discontinued. Additionally please confirm the accuracy of the information on which Infrastructure Ontario has based its assumptions.

Loan Details:

Borrower:

Ottawa Community Housing Corporation - OCHC (the "Borrower").

Purpose:

Take-out Term Loan for the redevelopment and capital maintenance projects to the existing Ottawa Community Housing portfolio.

Loan Amount and Term proposed by IO and Indicative Interest Rate:

\$18,700,000 Amortizing Loan with a 30-year term at an indicative interest rate of 5.16% p.a. on a semi-annual equivalent basis as at March 16, 2010. The interest is on a fixed rate basis for the entire term of the loan. The loan is repaid in 360 equal monthly installments of blended principal and interest of approximately \$102,222.

The funds shall be advanced in one single draw/debenture.

Sources and Uses:

IO's Terms and Conditions are based on the following sources and uses provided to us. Please confirm the accuracy of such information.

Use of funds	\$	%
Take-out Term Loan for the redevelopment and capital maintenance projects to the existing Ottawa Community Housing portfolio	\$52,193,470	100%
Total:	\$52,193,470	100%
Sources of funds		
Capital Repair Grant	\$4,010,000	8%
Infrastructure Ontario Act 2008 Grant	\$1,280,788	2%
Social Housing Renovation and Retrofit 2009 Grant	\$8,112,305	16%
CHC Internal Reserves and Annual Contribution	\$20,090,377	38%
IO's 30-year Amortizing Loan	\$18,700,000	36%
Total:	\$52,193,470	100%

Proposed Terms and Conditions

Security:

1. Corporate Guarantee from OCHC and a General Security Agreement on all the Borrower's assets, subject to existing registrations.
2. Municipal Guarantee from the City of Ottawa or a 2nd mortgage charge over a select number of real estate assets which have a net asset value of a minimum 85% LTV in total.
3. Such other typical security as may be reasonably deemed necessary by the Lender's solicitors, acting reasonably.

Covenants for the Term Loan

Positive Covenants:

4. The Borrower shall comply in all respects with the requirements of any applicable Environmental Law and shall notify IO immediately of any violation of any Environmental Law.

Financial Covenants:

5. The Borrower shall maintain its Debt Service Coverage Ratio at 1.1 to 1 or higher for the term of this financing. This ratio shall be tested on an annual basis upon receipt of the Borrower's year end audited financial statements.

*Debt Service Coverage ratio is defined as net operating surplus before depreciation, interest expense, and allocations to the replacement reserve divided by the sum of principal and interest payments made on all interest bearing debt.

Reporting requirements:

6. The Borrower shall submit to IO:
 - i) audited financial statements within 180 days after the end of each fiscal year for the term of this financing. A separate compliance report with detailed calculation of required financial covenants shall be submitted concurrently.

Conditions precedent to the first and only Advance:

7. The Borrower shall provide a written certification that the project budget is \$52,193,470 and the capital maintenance and redevelopment projects have been completed. The Certification to be signed by the chair of the Board and the CEO of OCHC.
8. Such other typical conditions as may be reasonably deemed necessary by the IO and its solicitors, acting reasonably.

Required Documentation: (to be completed by Corporate Legal)

9. Copy of Articles of Incorporation;

10. Certificate of No Litigation (Original with Seal);

11. General By-Law/Borrowing By-Law (Copy);

12. Officer's Certificate w/ attachments (Original with Seal);

13. Borrowing Resolution (Original with Seal or Certified True Copy with Seal);

14. Legal Opinion by External Legal Counsel.

I accept Infrastructure Ontario's Financing Proposal and would like you to proceed with the term sheet to seek the approval of your Credit Review Committee.

Borrower

Print Name

Signature

Date

Print Name

Signature

Date

For:

Ottawa Community Housing Corporation

Term Sheet*



Loan Details:

Name:	Ottawa Community Housing Corporation ("OCH")	Appl'n ID: 9134
Sector:	Social Housing	
Service Area:	Ottawa, Ontario	
Project:	\$52,193,470	Redevelopment and capital maintenance projects to the existing OCH portfolio
Description/Type:		
Project Total:	\$52,193,470	
Loan Amount:	\$18,700,000	Redevelopment and capital maintenance projects to the existing OCH portfolio
Loan Total:	\$18,700,000	
Term:	30-year Amortizing Loan	
Type:		Amortizer
Payments:		Monthly
Fiscal Year:		Dec. 31
End(s):		

Condition(s) Precedent (FA):

Non standard actions required before signing of Financing Agreements

See attached Financing Proposal signed and dated March 19, 2010.

Condition(s) Precedent (Flow of Funds):

Non standard actions required before funds are to be flowed

See attached Financing Proposal signed and dated March 19, 2010.

Financial Covenants & Security:

Non standard actions required of the borrower to be included in the Financing Agreements

See attached Financing Proposal signed and dated March 19, 2010. Item # 2 in the Security section is amended as follows:

2 – Municipal Guarantee from the City of Ottawa or a 2nd mortgage charge over a select number of real estate assets which have a net asset value of a minimum 85% LTV in total. In the event Infrastructure Ontario ("IO") will take 2nd mortgages over various real estate assets, insurance appropriate to the risks involved will be maintained by OCH, with loss payable to IO. The insurance policies must show IO as the Loss Payee. All applicable insurance policies shall be maintained during the term of this financing.

*Disclaimer: The proposed terms contained herein are for discussion purposes only and shall not be enforceable against any party, and shall have no force and effect, unless a Financing Agreement containing such proposed terms has been fully executed by all parties. This document is confidential and must not be distributed to any person not involved in the proposed transaction without the consent of Infrastructure Ontario. Infrastructure Ontario does not accept any liability whatsoever for any direct, indirect or consequential loss arising from any actions undertaken in reliance on anything contained in this proposed term sheet. This proposed term sheet is provided on the basis that you have the capability to make your own independent evaluation of the financial, market, legal, regulatory, credit, tax and accounting risks and consequences involved in the described transaction and its suitability for your purposes.

Project Mgmt Covenants/Requirements:

Non standard actions required of the borrower to be included in the Financing Agreements

See attached Financing Proposal signed and dated March 19, 2010.

Termination Provision(s):

Non-standard events resulting in termination of the loan to be included in the Financing Agreements

Failure to comply with the financial and/or project management covenants/requirements

Credit Monitoring/Reporting Requirements:

Required ongoing submissions to help monitor borrower's performance and adherence to covenants after signing of the Financing Agreement

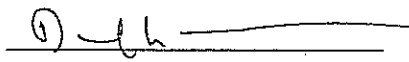
See attached Financing Proposal signed and dated March 19, 2010.

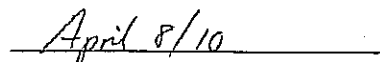
Required Documentation:

All documentation required from the client prior to execution of the Financing Agreement

See attached Financing Proposal signed and dated March 19, 2010.

Approved:


David Gossen, Vice-President
Treasury and Risk Management


Date

***Disclaimer:** The proposed terms contained herein are for discussion purposes only and shall not be enforceable against any party, and shall have no force and effect, unless a Financing Agreement containing such proposed terms has been fully executed by all parties. This document is confidential and must not be distributed to any person not involved in the proposed transaction without the consent of Infrastructure Ontario. Infrastructure Ontario does not accept any liability whatsoever for any direct, indirect or consequential loss arising from any actions undertaken in reliance on anything contained in this proposed term sheet. This proposed term sheet is provided on the basis that you have the capability to make your own independent evaluation of the financial, market, legal, regulatory, credit, tax and accounting risks and consequences involved in the described transaction and its suitability for your purposes.

Term Sheet*



Accepted:

Print Name Signature

Date

Print Name Signature

Date

For:
Ottawa Community Housing Corporation

*Disclaimer: The proposed terms contained herein are for discussion purposes only and shall not be enforceable against any party, and shall have no force and effect, unless a Financing Agreement containing such proposed terms has been fully executed by all parties. This document is confidential and must not be distributed to any person not involved in the proposed transaction without the consent of Infrastructure Ontario. Infrastructure Ontario does not accept any liability whatsoever for any direct, indirect or consequential loss arising from any actions undertaken in reliance on anything contained in this proposed term sheet. This proposed term sheet is provided on the basis that you have the capability to make your own independent evaluation of the financial, market, legal, regulatory, credit, tax and accounting risks and consequences involved in the described transaction and its suitability for your purposes.