

## Staff Report

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**Report To:** City Council  
**Report From:** Kate Allan, Director of Corporate Services  
**Meeting Date:** March 29, 2021  
**Report Code:** CR-21-032  
**Subject:** Loan Agreement – Owen Sound Housing Company

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### Recommendations:

THAT in consideration of Staff Report CR-21-032 respecting Loan Agreement – Owen Sound Housing Company, City Council:

1. Approves providing an amount up to \$4,000,000 for a two-year term with an interest rate payable at an annual rate of 2.5% subject to an agreement; and
2. Directs staff to bring forward a by-law to authorize the Mayor and Clerk to enter into a new loan agreement.

### Highlights:

- Owen Sound Housing Company provides mixed affordable and market value units in the ODAWA Heights development.
- City Council and Staff recognize the importance of this development to increase the supply of much needed housing within the City of Owen Sound.

### Strategic Plan Alignment:

Objective #4: Encourage residential and mixed-use development.

Objective #5: Attract new and retain existing residents.

Contributing to affordable housing supply through partnerships with Owen Sound Municipal Non Profit Housing and Owen Sound Housing Company.

## **Background:**

On May 11, 2020, in response to the Owen Sound Housing Company request for construction loan financing, Council directed staff to bring forward a bylaw authorizing the Mayor and Clerk to enter into a loan agreement with the Owen Sound Housing Company (OSHC).

At that time the OSHC had submitted a proposed site plan contemplating the third phase of the Odawa Heights development. The request approved in May 2020 was for \$3,250,000 to be advanced in March 2021 and that repayment would be made by October 2021. At that time the loan was to be unsecured.

Since that time Grey County received a similar request however, at the request of the County, Owen Sound Housing Company will provide a registrable charge/mortgage of land as well as other security to secure the loan and to ensure the completion of the project. It is the opinion of staff that this additional security is in the best interest of the Owen Sound rate payer and we recommend that the City of Owen Sound piggy back on the agreement developed by the County to ensure our investments are secure and protected.

In November 2020 the OSHC Executive Director provided a letter to follow up the original request (Attachment 1). Upon completion of the tenders, the lowest bid awarded to Allen Hastings Ltd in the amount of \$12,543,800 exceeded the original budget of \$10,197,180. As a result, the funding request has been increased from \$3,250,000 to \$4,000,000. Grey County Council recently approved the same request at their meeting held on January 28, 2021.

## **Analysis:**

As the City of Owen Sound does not hold \$4,000,000 in free cash reserves, the amount to loan will ultimately be borrowed. The interest rate of 2.5% represents the estimated cost of borrowing over the term of the loan. The Manager of OSHC has updated staff that funds will be required in May 2021.

The estimated repayment date on the new loan will be upon conversion to a People's Trust mortgage which is estimated to be finalized in 2022.

A similar arrangement was made to provide financing to the Owen Sound Municipal Non-Profit Housing Corporation in 2017 and again in 2019. Council approved the advance of that amount as reported July 17, 2017, in report

[CM-17-011](#). The 2019 loan was ultimately not required and the advancement was never requested by OSHC. The outstanding balance of the 2017 \$800,000 loan is \$680,000 and is expected to be repaid in full in 2022.

### **Financial Implications:**

There are no financial implications for the loan as any interest revenue earned will be offset by the cost of borrowing funds. The Georgian Bay Energy reserve fund will hold the investment.

### **Communication Strategy:**

Council's approval will be communicated to the OSHC Board, and Staff will work with the County to mirror the agreement to be registered against the property.

### **Consultation:**

Executive Director, Owen Sound Housing Company

Director of Housing, Grey County

### **Attachments:**

1. OSHC Letter

### **Recommended by:**

Kate Allan, Director of Corporate Services

### **Submission approved by:**

Tim Simmonds, City Manager

For more information on this report, please contact Kate Allan, Director of Corporate Services at [kallan@owensound.ca](mailto:kallan@owensound.ca) or 519-376-4440 ext 1238.