

BACKGROUND

Federal Financing and Contributions: CMHC Co-Investment Program

- The projects pro forma is based on utilizing the CMHC Co-Investment Program financial assessment tool required for application submissions.
- Loan values are based on a debt contribution ration of 1.1. The minimum accepted by CMHC is 1.0. Simply put, the project proforma projects a financially sustainable performance with a modest surplus.
- CMHC requirements also include building reserve development, calculated at \$50,000 per year.
- Project assumptions generate the percentage of the loan as debt forgiveness based on CMHC program requirements for affordability, accessibility and energy performance.
- The CMHC affordable housing program is based on a 10-year funding program, terminating in 2026, however is also subject to available funding at time of application.

For More information: [National Housing Co-Investment Fund: New Construction | CMHC \(cmhc-schl.gc.ca\)](https://www.cmhc-schl.gc.ca/en/national-housing-co-investment-fund-new-construction)

Government of Alberta contributions: Affordable Housing Partnership Program

- The program is based on up to 1/3 capital contribution with a maximum contribution of \$85,000 per affordable unit.
- The program is directed at general housing units¹, and the calculation of \$85,000 per unit is based on ministry benchmarks \$255,000 per unit construction cost.
- Two intakes for project proposals have been announced January 2023 (closed) and June 2023. There is an indication there will be an annual intake between April and June in future years, however future funding is not announced.

For more information: [Affordable Housing Partnership Program | Alberta.ca](https://www.alberta.ca/affordable-housing-partnership-program)

Stacking Current programs recognize and promote fund stacking .

PROJECT PROPOSAL

Rents and Services

Both the Federal and Provincial programs are based on general housing and do not provide indicators for lodge service charges in terms of affordability but rent charges only as the programs are based on creation of affordable housing not seniors/serviced housing. CMHC has approved past projects in Alberta based on Lodge accommodations. AHPP has opened the program to include Lodge proposals.

Rent Model Basis

A rent and service total charge model is based on meeting both programs as set out in the general affordability criteria prescribed under both programs. Both programs state the percentage of units required to meet their affordability definition, and the percentage below median market rents.

¹ Lodge housing units require significantly more capital due to large common area and service requirements. The program currently makes no distinction between general affordable housing and lodge housing.

Rental Revenue, Requisitions and Sustainability

Proposed rental charges are higher than the current lodge today; the additional revenue removes the requirement for ongoing requisitions for operational sustainability². The greater impact to overall financial sustainability are the ongoing service costs related to a lodge environment vs debt servicing.

	Proposed Units	Total Charge (rent and services)	Notes ³
Studio Basic	12	\$ 2200	Meet program requirements for AHPP (Min 10% of units set >60% of median market rents ⁴)
Enhanced Studio	72	\$ 2600	Meet program requirements for AHPP (Min 60% of units set between 60% to 90% of median market rents)
One Bedroom	36	\$ 3100	Up to 30% of units may be set above 90% of median market

120

Rent levels are based on a ‘community affordable model’. The average rent in Alberta for a private room with meals included in 2021 is reported as \$2855⁵. Rents in Alberta are generally either materially lower than this average, primarily the Lodges, or materially higher than this average, being for profit environments.

Rents are positioned higher than the current lodge, but below that of a commercial model. Existing to lodge to remain in operations to serve full community affordable spectrum with average rent below \$2,000.

Building Scale

As noted previously, building size is highly influenced by the gross-up factor for common area. A standard apartment building may have a gross-up of x1.2 to account for hallways, lobby, service rooms, mechanical etc.

A lodge building may have a gross up ranging from x1.8 to x2.2 depending upon the amenities provided and number of units served. Standard amenities and service areas additional to that of an apartment building include, kitchen, dining, laundry, office, common lounge area, activities area, healthcare room, spiritual space etc.

² It is proposed the existing lodge remain in operation which will provide the deepest subsidy based on the current rent geared to income model. The current level of requisitions would remain to sustain its operations.

³ Provincial average is \$2855, which includes lodge operators and other not-for profits. Provincial Average is not reflective of commercial operation break-even.

⁴ 12 units are assumed further discounted with application of LAP (Lodge Assistance Program) to meet 60% calculation estimate.

⁵ CMHC Seniors Rental Housing, Vacancy Rate and Average rent for Bachelor/Private Rooms: <https://www03.cmhc-schl.gc.ca/hmip-pimh/en#TableMapChart/48/2/Alberta>

	Sq. ft	Notes
Net Floor Area (120 suites)	57,600	
Gross up: Common Area and Operating	48,960	Gross up for common area and operating (gross up ratio = x1.85 of net floor area)
Gross Floor Area	106,560	

Project Capital Requirements

The 2023 Canadian Cost Guide⁶ recently published by Altus Group estimates a construction cost of \$230 to \$310 PSF for hard cost construction. The project budget is based on concrete podium with wood frame upper stories and surface parking. A project hard cost of \$ 370 PSF has been utilized to develop the budget with other development costs based on % cost assessment of hard costs. It is assumed municipal services (power/gas/sewer/water) are available at the lot line.

This project cost is based on a recently completed study of a similar project and intended to be reflective of 12 months' inflation contingency, however, the reader is to recognize the budget is order magnitude only. Location assessment, plans, and specifications will be required to ascertain a budget with a higher degree of accuracy (see Phasing Schedule).

The project capital requirements presented below do not include the proposed respite care centre and are additional to the project.

Capital Requirements

Cost category	Value	Notes
Land	\$ 1,400,000	
Hard costs	\$ 39,427,200	370 PSF
Groundwork and Parking	\$ 1,500,000	\$7000 per surface stall and landscaping
Soft Costs	\$ 4,911,264	12%
Fixtures & Equipment	\$ 1,008,000	Unit equipment allowances and \$600K building allowance
Construction Financing	\$ 400,000	3.85% interest rate
Hard Cost Contingency	\$ 4,092,720	10%
ROM Estimate	\$ 52,739,184	

Project Capital Assembly

CMHC Minimum Requirements

- CMHC requires a minimum up-front equity contribution of 25% of the project total.
- Up-front equity contribution = \$11,784,796 (\$52,739,184 x 25% - \$1,400,000)

⁶ [Altus Group Canadian Cost Guide 2023.pdf \(pardot.com\)](#)

Capital Resources

Source	Value	Notes
CMHC Loan	\$ 36,917,429	
CMHC (forgivable)	\$ 2,636,959	
Subtotal	\$ 39,554,388	CMHC Maximum value at 75% loan to equity ratio
GoA AHPP Program	\$ 7,140,000	Maximum value based on \$85,000 per affordable unit
Total Loan and Contributions	\$46,694,388	
Municipal up-front equity	\$ 4,644,796	Total municipal contributions = \$ 6,044,796
Municipal land value	\$ 1,400,000	
Total Capital Assembly	\$52,739,184	

The direction received is to maximize the use of CMHC capital due to the low borrowing costs and minimize the upfront equity requirements of the municipalities. To achieve this, ongoing requisitions to support the debt financing requirements is then necessary.

Capital requisitions are separate from current operations which focus on maintaining operations. The proposed capital requisitions are purely to close the revenue gap the operational model is not able to support for loan repayment.

The one-time capital requisition is demonstrated below based on equalized assessment:

	Equalized Assessment (current)	Land Equity Contribution	\$ Equity	Total Contribution
Wheatland	65.9 %		\$3,983,521	\$3,983,521
Strathmore	32.5 %	\$ 1,400,000	\$564,559	\$1,964,559
Rockyford	0.5 %		\$30,224	\$30,224
Standard	0.8 %		\$48,358	\$48,358
Hussar	0.3 %		\$18,134	\$18,134
One Time Requisition Total		\$ 1,400,000	\$ 4,644,796	\$6,044,796

Municipal Up-front equity requirement

Forecasting the project enter construction in 2024, the municipal up-front equity requirement stated above is required in that year. This represents a one-time payment only.

Capital Requisitions for CMHC loan repayment

To enable the project to sustain the maximum available loan from CMHC, Municipalities must also commit to ongoing capital requisitions. This additional form of revenue support allows the proforma to meet the target viability threshold DCR of 1.1.

Without capital requisitions, it is calculated the project may only sustain a CMHC loan value of approximately \$22,000,000⁷

⁷ Not including forgivable loan portion that may be available.

The annual requisition demonstrated below is based on 50 year amortization:

	Equalized Assessment (current)	Annual Requisition 50 yr amortization
Wheatland	65.9 %	\$ 461,580
Strathmore	32.5 %	\$ 227,710
Rockyford	0.5 %	\$ 3,500
Standard	0.8 %	\$ 5,250
Hussar	0.3 %	\$ 1,890
Annual Requisition Total		\$ 700,000

CMHC Loan Information

CMHC provides loans for affordable projects with the following allowances:

- Mortgage Rates – the latest indicative rate is 2.85% and proformas are ran at 3.85%
- Debt forgiveness at 5% of project costs, up to \$25,000 per qualifying unit
- 50-year amortization (allowable by CMHC), 10-year fixed term

DCR calculations improve with time as debt is paid down; meaning, the project has the potential of either reducing ongoing requisitions or reducing the projected mortgage period after completion of the first term (10 years).

Interest Rates and ongoing Payments

The following chart tests the loan value relative to amortization period and requisition requirements:

\$ 39,917,429.00	CMHC Loan Value (value includes 'forgivable loan portion')
3.90%	Interest Rate used for testing
1.1	DCR used for testing

	50 year Amortization	40 year Amortization	30 year Amortization	20 year Amortization
Annual Capital Requisition	\$ 700,000	\$ 870,000	\$ 1,160,000	\$ 1,790,000
Principal	\$ 39,917,429	\$ 39,917,429	\$ 39,917,429	\$ 39,917,429
Total Interest	\$ 50,880,686	\$ 38,973,598	\$ 27,862,586	\$ 17,633,029
Total Paid	\$ 90,798,115	\$ 78,891,027	\$ 67,780,015	\$ 57,550,458

Notes:

- With DCR at 1.1 approximately \$100,000 net positive cashflow would be generated
- Forgivable loan portion total \$2,636,959 forgiven in first 10 years, (impact included in calculations)
- Current Indicative rate is 2.9% and if remains stable, the requisition value may reduce.

Reduction to Requisitions based on current indicative rates:

50 year Amortization	40 year Amortization	30 year Amortization	20 year Amortization
\$300,000	\$280,000	\$260,000	\$240,000

Financial Risks, Opportunity and Mitigants

Risk Identification	Opportunity	Risk and Mitigant
DCR projection of 1.1	Projection remains constant and surplus generated returned to Wheatlands	<i>Financial Model lower performing</i> .1 Buffer within project proforma Adjusted revenue model to compensate
CMHC indicative rate of 2.9%	CMHC rates lower than current municipal borrowing rate. 10-year term	<i>Borrowing Rates Rise</i> Project tested at 3.9% 1% Buffer within project proforma
Amortization Period	Any surplus revenues generated (including loan forgiveness) could be used for additional debt payment to reduce debt at a faster rate.	<i>Interest Rates materially higher 10 years out</i> Project DCR performance increases over time CMHC as loan provider has vested interest to work with borrower for continued viability
10-year fixed rate term	Long term stabilized period at low rates	<i>Financial Model lower performing</i> Forgivable loan portion paid back over 10-year term provides an additional off-set
Project Costs	Early program management with scope and phasing approach if necessary to mitigate impact	Project scale adjustment with future phasing considerations

About the AHPP contribution calculation

- The provincial contribution calculation is based upon the current published guidelines in their newly announced Affordable Housing Partnership Program.
- Note: *“Applicants submitting proposals that vary from the per-unit cost guidelines must provide detailed rationale for costs that vary from the guideline, including geographic location or other unique considerations that may impact construction costs”.*
- An AHPP submission may request partnership capital beyond the stated per unit maximum values in the guidelines (see bullet above).
 - Possible rationale: Construction Cost impact - Lodges are more expensive to build.
 - Example: Municipalities could ask for an additional \$4,644,796, thus removing the up-front capital requirement and leaving the ongoing capital requisition as their contribution.
 - The reader is cautioned that the program is competitive, with over 60 applications received in Round 1 and deviating from the set maximums may reduce the funding opportunity.

Commitments and Schedule

Responsibility of the board

- Advancement of Phase 1 and AHPP submission development
 - Placeholder value of \$300,000,
 - Value to be refined with costing by owners' representative and cost consultant,
- Future phases requirements and budget requirements are TBD in Phase 1
 - Commitments at the board level are based on phase deliverables only.
 - Board commitments are also determined to both advancing the proposed schedule, ongoing municipal commitments, and outcomes of applications for partner funding and financing.

Responsibility of Municipalities

- Commitment to Phase 1 'AHPP Contribution' Submission
 - Municipal understanding will be advanced with Phase 1 of project refinement.
 - Project is to be developed based on understanding presented in this document.
- Commitment at Phase 2 'CMHC Financing' Submission
 - Municipal understanding will be advanced with Phase 2 project refinement.
 - Project is to be developed based on parameters approved in Phase 1
- Commitment at Phase 3 'Construction Ready'
 - Municipal understanding will be advanced with Phase 3 final costing.
 - Project is to be developed based on parameters approved in Phase 2

Phasing Plan and intent

The intent of each phase is to provide further project definition, provide reasonable stage gates, and define controls at both the board level and municipal level. It is recognized that up to construction, commitment may be withdrawn at the municipal level. However, to realize the schedule, refine scope and costs, and meet requirements of other programs (AHPP and CMHC), the board will advance predevelopment commitments as per the phasing plan.

The municipalities and the board are to recognize with all projects in the development stage, projects advance with known risk of cancellation by either entity if projected outcomes are not able to reasonably meet the parameters initially set out.

Please see **schedule** below for further details

Wheatland Lodge Funding and Financing Summary

Schedule

Municipal Governance Schedule

PHASE 1 - MEETING AHPP SUBMISSION DEADLINE

Activity	Schedule	Notes
Municipal Understanding	Current	review with respective municipal council on project and project commitments
Municipal 'Support'	March 2023	Confirmation of conditions that may need to be sorted out consistently between the member municipalities of WHMB
Execution of 'conditional' LOI	June 2023	<i>Conditional LOI may include:</i> 1. Approved provincial funding partnership 2. advanced budget assessment (required for CMHC funding/inancing) meets municipal requirements for advancement 3. Approved CMHC funding/financing 4. Tendered values meets municipal requirements for advancement

End of Phase 1

PHASE 2 - PROJECT ADVANCEMENT TO BE CHMC CO-INVESTMENT READY

Activity	Schedule	Notes
Municipal Update	Sept 2023	AHPP funding submission results
Municipal Conditional Approval Review	Sept 2023	AHPP funding submission results
Municipal Update	Oct 2023	Class B Budget Report
Municipal Conditional Approval Review	Oct 2023	and financial requirements relative to Budget

End of Phase 2

PHASE 3 - PROJECT ADVANCEMENT TO CONSTRUCTION READY

Activity	Schedule	Notes
Municipal Update	December	Notification to tender
Municipal Conditional Approval Review	February 2024	Projected Financial performance update and financial requirements relative to the Tender Results and possible options if/as required

End of Phase 3

PHASE 4 - Construction

Activity	Schedule	Notes
Municipal equity	May 2024 - Sept 2024	Fund draw releases as applicable to approved values and as per projected cash flow requirements. (Municipal and provincial monies will be first in prior to CMHC)

End of Phase 4

PHASE 5 - Operations

Activity	Schedule	Notes
Capital Requisitions	Annual	Annual Requisitions for debt financing repayment to CMHC. Term based on amortiation period or can be advanced by municipal partners

Project Advancement Schedule

PHASE 1 - MEETING AHPP SUBMISSION DEADLINE

Activity	Schedule	Notes
RFP for owners representative /	Feb 8 - 20, 2023	manage development teams and phasing process, schedule procurement, contracts and all general owner requirements (by project phases)
RFP for prime-consultant	Feb 21 - Mar 7, 2023	Design Development Team (Arch/MechElect/Struct/Landscape/other)
Schematic Design	Mar 7 - Jun 1, 2023	Approx. 30% design development complete
Preliminary Investigation/other	March 7 - June 1, 2023	geotechnical
Class D or C Costing	Jun 1 - Jun 7, 2023	C-level preferred submission level as defined by AHPP program
Application final Development	Jun 7 - Jun 21, 2023	

AHPP Application Deadline **June 30th - 2023** (fixed deadline)

PHASE 2 - PROJECT ADVANCEMENT TO BE CHMC CO-INVESTMENT READY

Activity	Schedule	Notes
Project design advancement	July - October 2023	Approx. 60% design development complete
Development services / other		environmental update, land survey
Class B Budget Costing		expectation is 60 to 90 day review period from June 30th submission date
Notification by AHPP on Phase 1 funding submission		
Development Permit Submission		

CMHC Financing Submission **October 30th-2023** (flexible submission date)

PHASE 3 - PROJECT ADVANCEMENT TO CONSTRUCTION READY

Activity	Schedule	Notes
Project design advancement	Nov 2023- Feb 2024	Completion of tender ready drawing sets
CMHC LOI		CMHC LOI based on satisfactory review of submission. LOI requirements must be then satisfied for term sheet, including final cost/d (tender) and independent Quantity Surveyor Report then submitted
Project Tendering		General Contractor Services
Contract Negotiations and Post tender value engineering as required		

Project Final Approvals **Feb-24**

PHASE 4 - Construction

Activity	Schedule	Notes
CMHC Term Sheet		Execution of termsheet for loan with satisfaction of LOI conditions
Execution of Constructor Contract		
Project Construction	27 - 30 mos beginning April 2024	

Construction Completion **Sep-27**