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June 18, 2018

Mayor Jeff Lehman and Members of Council
City of Barrie
70 Collier Street
Barrie, Ontario
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Subject: Restoration of 100 Little Avenue

Dear Mayor Lehman and Members of Council:

Following the fire that caused significant damage to our 23 unit three storey walk-up affordable rental apartment building at 100 Little Avenue, the Board has decided to restore the original building and pursue the addition of a fourth storey containing 11 one bedroom affordable rental apartment units. This addition will add 11 units of much-needed affordable rental housing to the City's affordable housing stock.

We have met with Canada Mortgage and Housing Corporation (CMHC) and are applying for funding assistance under the recently released CMHC Co-Investment Fund to develop the 11 new units. Restoration of the original 23 units will be covered by insurance proceeds. Should our application be successful, this Program will provide a low interest loan with a grant component that would greatly assist in meeting the cost of the new units.

CMHC emphasized to us that approval is by no means guaranteed. This is a competitive program with a limited budget. Applications received from across Canada are scored in relation to a series of program criteria and the leading submissions are awarded the funding. While we believe our proposal will merit strong consideration, given the overwhelming interest being expressed from across Canada, we cannot count on our application being selected.

As a result, CMHC has encouraged us to identify a second option for financing the project in the event our application for CMHC Co-Investment Funding is not selected. We have carefully reviewed potential options and determined that there is a workable option that could be pursued in the event our CMHC application is unsuccessful.

This option involves securing a temporary insured loan from a private lender for the required loan amount to develop the new addition. Insurance funds will cover the cost of restoring the original units. In order to ensure the affordability of the additional 11 units, we have obtained the agreement of our Service Manager (the County of Simcoe) to provide housing allowances of \$350 per unit per month.

Construction of the new addition would be completed by the end of 2019 and commence operations approximately January 2020. The temporary loan to develop the new units would be approximately \$2.5 million.

Our calculations show that we would be in a deficit position of approximately \$30,000 per year. This deficit includes annual payments on the temporary loan.

At the same time, our Southfields building is reaching End of Operating Agreement in mid-2021, at which time our mortgage will be paid off. We would then be in a position to refinance the building to raise sufficient capital to pay out the temporary loan on 100 Little Ave. This would eliminate the annual loan payments on 100 Little Ave. and result in a positive cash flow. At the same time, this would also leave us with a positive cash flow of on Southfields.

In order to gain approval of the required loan prior to the start of construction, we would need to demonstrate to the lender that funds were in place to cover the expected deficit of \$30,000 per year for the year and a half period until Southfields reaches End of Operating Agreement and we are able to refinance the building. This would mean demonstrating that we have about \$50,000 available for this time period (it would probably be best to show \$75-\$100,000 to be safe).

We believe it would be highly appropriate for Barrie Housing to borrow the required funds from City of Barrie until the funds from the refinancing are available in order to cover the projected operating deficit. We would then repay this amount (plus an appropriate amount of interest) from the annual surplus at 100 Little. The loan would be repaid within a couple of years, 11 new units would be added and many individuals in need in the City would be able to find the affordable housing they require – a win/win/win for all concerned.

Accordingly, we are hereby requesting a temporary loan of up to \$100,000 from the City of Barrie, should our application for the CMHC Co-Investment Fund be unsuccessful, which would be repaid with interest from the annual operating surplus of 100 Little Ave.

We appreciate your support on this most important initiative and look forward to your cooperation in helping those in need in the City to find the affordable housing they require. Please let us know whether you have any comments or questions.

Should the City be agreeable to providing the loan, we require written confirmation prior to June 30, 2018 so that the commitment can be included in our Co-Investment Fund application in time for the submission deadline.

We thank you for your assistance and support.



Erika Erteki

Executive Director
Barrie Housing