

Program Highlight Sheet

New Construction –
Community Housing Sub-Stream

The Affordable Housing Fund (AHF) can provide capital to partnered organizations to build new affordable housing and repair/renew existing affordable and community housing.

The AHF is designed to attract partnerships and investment to incentivize new constructions, repair and renew properties that meet or exceed mandatory minimum standards such as affordability, energy efficiency and accessibility.

The AHF offers a variety of funding options including low-cost repayable loans, forgivable loans, and contributions.

This highlight sheet focuses on the Community Housing Sub-Stream.

Please see the [CMHC Affordable Housing Fund webpage¹](https://www.cmhc-schl.gc.ca/professionals/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/affordable-housing-fund) for information as it pertains to the Repair/Renewal stream or the New Construction – Rapid Housing Sub-Stream.

Is your project eligible?

Check out the Affordable Housing Fund website at [cmhc.ca/ahf](https://www.cmhc.ca/ahf) for more information on this initiative.

¹ <https://www.cmhc-schl.gc.ca/professionals/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/affordable-housing-fund>

PURPOSE OF FUNDING

This Community Housing Sub-Stream supports the construction of new affordable housing supply where eligible project types include mixed-income, and mixed-use developments that may include supports and services. CMHC requires outcomes relative to affordability, energy efficiency, accessibility.

The financial support can be in the form of a combination of repayable and forgivable loans.

Definitions

- **Repayable loan:** a form of loan that is to be repaid monthly within a specific time frame.
- **Forgivable loan:** a form of loan that could be forgiven if program criteria and targets are maintained for a minimum of 20 years.
- **Contribution:** a non-repayable, unsecured funding amount.

OTHER FUNDING/ PARTNERS

- To make federal investments go further, applicants to the AHF Community Housing Sub-Stream will be prioritized if projects have additional sources of funding: partners are required to financially contribute to the project.
- Projects must have support from another level of government (such as Municipalities, Provinces, Territories, Indigenous Government). Support can be in the form of investment of resources but could also be in the form of a letter stating endorsement for the project.
- Funding from other partners may be monetary or in-kind including, but not limited to: accelerated municipal approvals processes; waiver of development cost charges and fees; concessions on property taxes and/or concessions on levies and/or other provincial/municipal fees; operational subsidies; land donation; loans and grants.

PROPERTY TYPE AND SIZE

- Standard rental, shelters, seniors housing, transitional and supportive housing.
- Must have a minimum of five units (or beds).
- Primary use is residential.
- Non-residential component must not exceed 30% of total gross floor area nor 30% of total lending value.

ELIGIBILITY

Eligible applicants include but are not limited to:

- Community housing sector (e.g., non-profit housing organizations and rental co-operatives)
- Municipal, Provincial, and Territorial Governments including their agencies
- Indigenous Governments and Organizations (including First Nation Bands and Tribal Councils)
- Private sector

Property Management Experience

Proponents or the third-party contracted management company must demonstrate at least five years' experience operating a property of similar size and type of housing as the subject property.

Development Management Experience (if applicable)

Proponents, and/or their contracted builder or developer must provide resume(s) demonstrating their experience in construction.

Proponent must have successfully completed a similar project on time and within budget. Alternatively, proponents must enter into a fixed price contract with a general contractor who has experience building projects of similar size, cost, building form and construction type in the same market area.

Proponents must have a demonstrated ability to withstand unexpected increases in construction cost.

For newly formed groups, alternate covenants, collateral and mitigation may be considered.

MANDATORY MINIMUM REQUIREMENTS

Financial Viability

Proponents must demonstrate their financial and operational ability to carry the project and to provide evidence of the financial viability of the proposed project itself as well as capacity to deal with development risks such as cost overruns and delays.

Affordability

Rents for at least 30% of the units must be less than 80% of the Median Market Rent and maintained for a minimum of 20 years.

Energy Efficiency

Updated to include the 2020 National Model Codes as the baseline measure:

Projects must achieve Tier 2 of the 2020 NECB or Tier 3 of the 2020 NBC.

Accessibility

There are two options for meeting the accessibility requirement:

Projects must have:

1. Minimum 20% of all units within the project meet or exceed accessibility standards (CSA B651:23/652:23 or Rick Hansen Foundation GOLD Accessibility Certification) with access to the project and its common areas being barrier free.

OR

2. Full universal design throughout the entire project (common areas and dwelling units), in accordance with CMHC's universal design requirements table.²

PRIORITIZATION OF SOCIAL OUTCOMES

In addition to meeting mandatory minimum requirements, the AHF will prioritize projects with higher scores based on the achievement of outcomes within the following priority areas:

Affordability

Greater number of units and/or depth of affordability.

Energy Efficiency

Greater energy efficiency improvement and GHG emission reductions.

Accessibility

Greater number of accessible units and level of accessibility provided.

Community Oriented and Social Inclusion

Proximity to public transit, childcare centers, and community centers.

Integrated support and services for tenants on-site.

² <https://www.cmhc-schl.gc.ca/professionals/industry-innovation-and-leadership/industry-expertise/accessible-adaptable-housing>

Financial Partnerships

Stronger financial partnerships with other funders to support the achievement of program targets set by the Government of Canada.

Evidence of ongoing operations and maintenance costs of units, where applicable.

Shovel Readiness

Projects that demonstrate shovel readiness/construction start date.

Supporting Priority Groups

Projects that target the priority group populations will be given first consideration. Priority populations include women and children fleeing domestic violence, women and their children, seniors, young adults, Indigenous peoples, people with physical and/or developmental disabilities, those dealing with mental health and addiction issues, veterans, newcomers (including refugees) and homeless people or those at risk of homelessness, Black Canadians, racialized groups, 2SLGBTQIA+.

The AHF prioritizes affordable housing projects that are rural, Northern and Indigenous-led.

A **rural community** is defined as a Census Subdivision that is not within a Census Metropolitan Areas (CMA) or Census Agglomeration (CA). CMAs have a total population of at least 100,000 of which at least 50,000 live in the core. CAs have a total population of at least 10,000.

The **North** is defined as the territorial governments of Yukon, Northwest Territories and Nunavut.

FUNDING OPTION

Proponents are eligible for repayable loans combined with forgivable loans depending on the needs of the project and the level of achievement of the affordability, energy efficiency and accessibility outcomes.

A repayable loan should be considered as the first option by eligible proponents; however, different combinations of repayable and forgivable loans are possible.

NOTE: all percentages of costs included in the following tables are based on the residential component.

In order to maximize the outcomes of the Affordable Housing Fund, CMHC will prioritize applications where proponents have confirmed other sources of capital funding and prioritize projects that support affordable housing targets.

Maximum Repayable Loans

Low interest repayable loans are available to fund projects demonstrating financial viability.

Eligible repayable loan amounts, as a percentage of total project costs, are determined by the applicant type and the viability of the project.

Maximum Repayable Loan	
Co-ops and non-profits, Indigenous Governments and organizations	Up to 95% of costs
Provinces, Territories and Municipal governments	Up to 75% of costs
Private Sector	Up to 75% of costs

Maximum Forgivable Loans

Forgivable loans may be used together with repayable loans to support additional financing where cash flow is insufficient.

Maximum Forgivable Loans ³	
Co-ops and non-profits, Indigenous Governments and organizations	up to 40% of costs
Provinces, Territories and Municipal governments	up to 30% of costs
Private Sector	up to 15% of costs

³ Projects in the Yukon, NWT, Nunavut may be eligible for up to 75% of eligible project costs in forgivable loans.

FUNDING ON NON-RESIDENTIAL COMPONENTS

For all projects containing non-residential space, the maximum funding is up to 75% of eligible costs related to the non-residential component.

MINIMUM DEBT COVERAGE RATIO (DCR) REQUIREMENTS

- 1.00 for residential loan component
- 1.40 for non-residential loan component

Loan applications will be qualified with a 100 bps (1.00%) spread over the CMHC indicative rate. Note that the spread is determined by CMHC and is subject to change from time to time.

⁴ <https://www.cmhc-schl.gc.ca/professionals/project-funding-and-mortgage-financing/funding-programs/indigenous/alternative-types-of-security>

INTEREST RATE ON REPAYABLE LOAN

- Either:
 - Fixed interest rate for a 10-year initial term, with option to renew for a second 10-year term at which time a new fixed interest rate will be set, or
 - Fixed interest rate for a single 20-year term.
- Closed to prepayment during each of the 10-year terms or the 20-year term.
- Below market rate.
- Interest-only payments financed by the repayable loan during construction through to occupancy permit and interest-only payments paid by the borrower from occupancy permit to 12 months of stabilization; and principal and interest payment from 12-month stabilization for the remainder of terms.

REPAYABLE LOAN AMORTIZATION

Up to 50 years.

ADVANCING

Advances authorized on a cost-in-place basis.

SECURITY TYPE

First, second, *pari-passu* mortgages are permitted.

Considerations for Indigenous and Northern Housing Solutions Clients: refer to the Alternative types of security⁴ offered.

RESERVE REQUIREMENTS

Borrowers will be required to establish a replacement reserve at the higher of the amount recommended in the property condition assessment report or 4% of annual rental income.

NOTE: The required replacement reserve allocation is used in the DCR calculation when determining maximum repayable loan amount.

COVENANT/ GUARANTEE REQUIREMENTS ON REPAYABLE LOANS

The borrower and guarantor (if applicable) must provide their covenant/guarantee for 100% of the repayable loan during construction, rent-up, and stabilization. After rent-up, when the project has achieved the projected rent levels (effective gross income) used in the approval of the repayable loan have been achieved and have been maintained for 12 consecutive months, the repayable loan may become non-recourse to the guarantors for deficiency after enforcing the security on default.

REQUIRED DOCUMENTATION

Refer to the Required Documentation Checklist available on the [AHF website](#).⁵

⁵ <https://www.cmhc-schl.gc.ca/professionals/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/affordable-housing-fund>