

# Program Highlight and Funding Eligibility Sheet

The Affordable Housing Fund (AHF) can provide low-cost repayable loans paired with forgivable loans to build new affordable housing and repair/renew existing affordable and community housing. The Fund 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.

## PURPOSE OF FUNDING

**New Construction** — Support construction of new affordable housing supply, focusing on developing mixed-income, mixed-tenure, and mixed-use housing near transit and other amenities, integrated with supports and services, with additional focus on environmental efficiency, accessibility, social inclusion and partnerships.

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

**Repairs (Renewal)** — Support the repair and renewal of existing community and affordable housing that make them more sustainable from a community (mixed-use, mixed-income, accessible, near amenities, services and supports), environmental and financial perspective.

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

### Is your project eligible?

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

## 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 amount.

## Lending funding stream

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 and energy efficiency outcomes.

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

## Contribution Only funding stream

Contributions are only available for projects that already have (or will be securing) most of their project funding from other sources. If proponents require more than 25% of funds already secured, they must apply for repayable and forgivable loans funding.

## OTHER FUNDING/ PARTNERS

- To make federal investments go further, applicants to AHF must have additional sources of funding: partners are required to financially contribute to the project.

**NOTE:** 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.

**NOTE:** Homeownership and Portfolio applications are not eligible for Contribution Only funding. Please contact your CMHC Specialist if you have any questions.

## 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

**NOTE:** To be eligible to the dedicated funding for Black-led organizations under the AHF Contribution Only stream, an organization is deemed Black-led when at least two-thirds of its leadership and governance positions are occupied by people self-identifying as Black.

## Property Management Experience

Proponents must demonstrate at least five years' experience operating a property of similar size and type of housing as the subject property.

## Construction Management Experience (if applicable)

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 evident 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

**New Construction** — Projects must demonstrate that they will either achieve a 25% decrease in energy consumption and Greenhouse Gas (GHG) emissions relative to the 2015 National Energy Code for Buildings or the 2015 National Building Code; OR a 15% decrease relative to the 2017 National Energy Code for Buildings.

**Repairs (Renewal)** — Projects must demonstrate that they will achieve a 25% reduction in energy use and Greenhouse Gas (GHG) emissions relative to past performance.

## Accessibility

**New Construction** — 20% of units within the project must meet or exceed accessibility standards and its common areas must be barrier-free OR have full universal design applied.

**Repairs (Renewal)** — 20% of units within the subject property must meet or exceed the accessibility standards and its common areas must be barrier-free.

# PRIORITIZATION OF SOCIAL OUTCOMES

In addition to meeting mandatory minimum requirements, the Fund 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 than 25% energy efficiency improvement and GHG emission reduction.

## Accessibility

Greater number of accessible units and level of accessibility provided.

## Proximity to Amenities and Community Supports

Proximity to public transit, grocery store, park, pharmacy, community center, public library, childcare, healthcare and business district.

## Financial Partnerships

Stronger financial partnerships with other funders.

## Social Inclusion

Integrated support and services for tenants on site.

## 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+, etc.

# LENDING FUNDING STREAM

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 and energy efficiency outcomes.

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

**NOTE:** all percentages of costs in the tables below are based on the residential component.

## 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.

## New construction

Non-profit / Co-op and Indigenous organizations	Provincial, Territorial and Municipal Governments	Private Sector
Up to 95% of eligible costs	Up to 75% of eligible costs	Up to 75% of eligible costs

## Repairs (Renewal)

Non-profit / Co-op and Indigenous organizations	Provincial, Territorial and Municipal Governments	Private Sector
Lessor of: <ul style="list-style-type: none"> <li>Up to 95% of eligible costs</li> </ul> OR <ul style="list-style-type: none"> <li>85% loan-to-value.</li> </ul>	Lessor of: <ul style="list-style-type: none"> <li>Up to 75% of eligible costs</li> </ul> OR <ul style="list-style-type: none"> <li>85% loan-to-value.</li> </ul>	Lessor of: <ul style="list-style-type: none"> <li>Up to 75% of eligible costs</li> </ul> OR <ul style="list-style-type: none"> <li>85% loan-to-value.</li> </ul>

## Maximum Forgivable Loans

In addition to the funding described above, forgivable loans are available for higher performance projects:

Forgivable loans are available as an incentive for higher project performance in terms of Affordability and Environmental Efficiency. These forgivable loans are offered to offset the additional costs of the higher performance. *Projects receiving these forgivable loans for higher performance in conjunction with a repayable loan will have a portion of their repayable loan made available as a forgivable loan.*

### New Construction

Forgivable loans for new construction are limited to the lesser of the calculated amount or the maximum funding amount per proponent’s organization type (as outlined in the table below).

	Funding
<b>Base Funding Amount</b>	\$25,000 / unit
<b>Social Outcomes Affordability Premium</b> Minimum of 40% of units are rented at less than 70% Median Market Rent (MMR)	+ \$25,000 / unit
<b>Social Outcomes Energy Efficiency Premium</b> Premium for Energy consumption and Greenhouse gas emission reduction over 35% related to NEBC/NBC 2015	+ \$25,000 / unit

Final funding amounts will be determined based on the lesser of:

- The per unit funding amount as calculated above
- Funding required from CMHC
- Percentage of eligible costs based on proponent type:
  - Non-Profit/Co-ops and Indigenous organizations: 40%
  - Provincial, Territorial & Municipal Governments: 30%
  - Private sector: 15%
  - Yukon, NWT, Nunavut organizations: up to 75%

## Repairs (Renewal)

Eligible forgivable loan funding for repairs (renewal) is determined at the lesser of:

- calculated amount based on the AHF Project Assessment Workbook<sup>1</sup>
- \$10,000/unit.
- Percentage of eligible costs based on proponent type:
  - Non-Profit/Co-ops and Indigenous organizations: 40%
  - Provincial, Territorial & Municipal Governments: 30%
  - Private sector: 15%
  - Yukon, NWT, Nunavut organizations: up to 75%

<sup>1</sup> <https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/affordable-housing-fund/affordable-housing-fund-project-assessment-workbook-repair-renewal-en.xlsx>

# CONTRIBUTION ONLY FUNDING STREAM

Contribution only funding is available for projects that already have (or will be securing) most of their project funding from other sources.

Funding amounts are determined based on the number of units in the project, construction costs, project type and whether the project meets or exceeds criteria for both affordability and energy efficiency.

## New Construction

	Funding
<b>Base Funding Amount</b>	\$50,000 / unit
<b>Social Outcomes Premium</b> <ul style="list-style-type: none"> <li><b>Affordability:</b> minimum of 40% of units are rented at less than 70% Median Market Rent (MMR)</li> <li><b>AND</b></li> <li><b>Energy Efficiency (Energy Consumption and Greenhouse GHG) emissions:</b> greater than 35%</li> </ul>	+ \$25,000 / unit
<b>Construction Cost Premium</b> <p><b>NOTE:</b> the construction cost premium is limited to centres with above average constructions costs and is updated regularly to reflect current market trends. Locations are defined based on CMHC’s HMI Portal. Please refer to the <a href="#">AHF Project Assessment Workbook<sup>2</sup></a> for complete list.</p>	+ \$25,000 / unit
<b>Project Type Premium</b> <p><b>NOTE:</b> the project type premium is limited to the following project types: Shelter, Transitional Housing, Supportive Housing</p>	+ \$25,000 / unit

Final funding amounts will be determined based on the lesser of:

- The per unit funding amount as calculated above
- Funding required from CMHC
- Percentage of eligible costs based on proponent type
  - Non-Profit/Co-ops and Indigenous organizations: 40%
  - Provincial, Territorial & Municipal Governments: 30%
  - Yukon, NWT, Nunavut organizations: up to 75%

## Repairs (Renewal)

	Funding
<b>Base Funding Amount</b>	\$15,000 / unit
<b>Social Outcomes Premium</b> <ul style="list-style-type: none"> <li><b>Affordability:</b> minimum of 40% of units are rented at less than 70% Median Market Rent (MMR)</li> <li><b>AND</b></li> <li><b>Energy Efficiency (Energy Consumption and Greenhouse GHG) emissions:</b> greater than 35%.</li> </ul>	+ \$5,000 / unit
<b>Construction Cost Premium</b> <p><b>NOTE:</b> the construction cost premium is limited to centres with above average constructions costs and is updated regularly to reflect current market trends. Locations are defined based on CMHC’s HMI Portal.</p>	+ \$5,000 / unit
<b>Project Type Premium</b> <p><b>NOTE:</b> the project type premium is limited to the following project types: Shelter, Transitional Housing, Supportive Housing</p>	+ \$5,000 / unit

<sup>2</sup> <https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/affordable-housing-fund/affordable-housing-fund-co-viability-assessment-calculator-contribution-only-en.xlsx>

Final funding amounts will be determined based on the lesser of:

- The per unit funding amount as calculated above
- Funding required from CMHC
- Percentage of eligible costs based on proponent type
  - Non-Profit/Co-ops and Indigenous organizations: 40%
  - Provincial, Territorial & Municipal Governments: 30%
  - Yukon, NWT, Nunavut organizations: up to 75%

### Black Canadians Carve-Out

In the Contribution Only funding stream, there is a dedicated funding of up to 40% for new affordable housing for Black households.

Final funding amounts will be determined based on the percentage of construction costs based on proponent type:

- Non-Profit organizations: 40% of eligible costs
- Private sector: 15% of eligible costs

## FUNDING ON NON-RESIDENTIAL COMPONENTS

For all project 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 10-year fixed rate. Note that the spread is determined by CMHC and is subject to change from time to time.

## INTEREST RATE ON REPAYABLE LOAN

- 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.
- Closed to prepayment during each of the 10-year terms.
- Below market rate.
- **New Construction:** 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.
- **Repairs (Renewal):** Interest-only payments until completion of repairs; and then principal and interest payment for the remainder of terms.

## REPAYABLE LOAN AMORTIZATION

**New Construction** — Up to 50 years

**Repairs (Renewal)** — Up to 40 years and shall not exceed the remaining economic life of the property.

## ADVANCING

Advances authorized on a cost-in-place basis.

## SECURITY TYPE

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

## 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 (not including subsidies).

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

## COVENANT/GUARANTEE REQUIREMENTS ON REPAYABLE LOANS

**New Construction** — 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 borrowers and guarantors for deficiency after enforcing the security on default.

**Repairs (Renewal)** — No covenants/guarantees are required for existing buildings and the repayable loan may be non-recourse to the borrowers and guarantors for deficiency after enforcing the security on default.

In all cases, CMHC may require additional risk mitigation measures as it deems appropriate (e.g. equity retention, replacement reserves, collateral security, personal guarantees).

## REQUIRED DOCUMENTATION

Refer to the Required Documentation Checklist.