

Program Highlight Sheet

Student Housing

CMHC Apartment Construction Loan Program (ACLP) provides low-cost funding to eligible borrowers during the most risky phases of development (construction through to stabilized operations). The ACLP includes CMHC mortgage loan insurance as an integrated feature of the program and provides access to preferred interest rates lowering borrowing costs for the financing of multi-unit residential properties and facilitates renewals.

Projects that qualify for funding under the ACLP will benefit from attractive financing options and underwriting flexibilities.

Financing for student housing is now available under the ACLP program. CMHC will monitor program performance as well as client and industry feedback. Additional details or clarifications may be made throughout the roll out.

Loan Purpose

Construction of student housing, as well as the conversion of non-residential to student housing.

Property Details

	On-campus	Off-campus
Number of units	Minimum of 5 units	Minimum of 5 units
Self-contained units	Eligible (no prescribed maximum bedrooms)	Eligible (maximum 4 bedrooms)
Non-self-contained units	Eligible	Ineligible
Location	<p>On-campus refers to projects within the boundaries of the campus.</p> <p>Projects owned by the post-secondary educational institution (majority ownership $\geq 50\%$) may also be considered "on-campus" provided the student housing project is within walking distance to campus.</p>	<p>Off-campus refers to projects outside the boundaries of the campus.</p> <p>Off-campus student housing projects must be conveniently serviced by public transportation or within walking distance to campus.</p>
Use	Primary use residential. Any non-residential component cannot exceed 30% of total gross floor space, nor 30% of total cost.	Primary use residential. Any non-residential component cannot exceed 30% of total gross floor space, nor 30% of total cost.

Borrower Eligibility

Eligible applicants include but are not limited to:

- Post-secondary educational institution.
- Private entrepreneur/builder/developer.
- Public or private non-profit housing organization.
- Other levels of government (Indigenous Governing Body, Province, Territory, Municipality).

Note: For off-campus projects, a post-secondary educational institution must be involved in a meaningful capacity, this could include developing or managing the project, providing capital or operating funding, leasing units, or offering student tenant selection services, etc.

Property Management Experience: at least 5 years' experience operating a student housing property of similar type and size. Alternatively, the borrower must enter into a long-term contract (minimum five years) with a third party property management firm that has demonstrated five years of successful experience in operating similar size and type of facilities.

Credit and Repayment History: at least break-even cash flow over past 5 years with excellent credit and repayment history.

Construction Management Experience: have successfully completed a similar project on time and within budget. Alternatively, borrowers 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. Borrowers must have a demonstrated ability to withstand unexpected increases in construction cost.

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

Minimum Requirements

- **Housing Need:** The proposed project must respond to a need for student housing.
- **Loan Size:** Minimum loan size of \$1 million.
- **Financial Viability:** Borrowers will have to:
 - demonstrate the financial and operational ability to carry the project without ongoing subsidies and ability to meet debt coverage ratio requirements.
 - 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 in construction.
- **Affordability:**
 - **Base Rents :**
 - A. At the time of loan initiation, the rents for all units / beds must be comparable to existing on-campus student housing within the local market considering project details. If existing on-campus student housing projects are not appropriate comparables, the mandatory appraisal/market study must demonstrate how the project and rents are tailored to meeting the needs of students and the

viability and marketability of the project. As a general guideline, the proposed base rents should not exceed the lower end of the local rental market for comparable projects. CMHC will assess the reasonability and acceptability of the proposed base rents as part of application and underwriting process.

- B. Alternatively, the requirement may be met if rents are established pursuant to an affordable housing program or other initiative (federal, provincial, territorial, municipal) that approves the proposal and provides support for the development of the student housing project.

- **Rent Increases :** Rent increases must be capped for a minimum of 10 years from authorized first occupancy (referred to as the affordability period), as follows:
 - The annual increase permitted under applicable legislation/regulations, and/or the annual increase permitted pursuant to an affordable housing program or other initiative (federal, provincial, territorial, municipal) where the student housing project has been approved for funding or other support.
 - Alternatively, in the absence of such requirements and limitations, the annual increase permitted will be limited to the Consumer Price Index (All Items for the applicable Province or Territory) as stipulated in the Statistics Canada table ([Consumer Price Index, All Items, by Province or Territory](https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000413)¹) plus 2 percent, not to exceed a total of 5 percent.

¹ <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000413>

Social Outcomes

The ACLP aims to prioritize only the strongest projects that commit to deliver desired rental supply and social outcomes. Applicants are encouraged to:

- Include accessible units within the project
- Commit to maintaining rents for a longer period
- Commit to greater levels of energy efficiency
- Support community-oriented solutions*
- Work with other partners
- Commit to support student housing

***Note: There is a recognition that community-oriented solutions may not be applicable to projects located in rural communities.**

Refer to the Project Assessment Workbook for additional details.

Lending Flexibilities

ACLP uses a point system that provides applicants with the opportunity to qualify for more favourable lending terms by making stronger commitments to certain social outcomes. Total points will determine available lending flexibilities.

Affordability Commitment

Affordability:

Affordability Period	Score
10 years	28 pts
15 years	37 pts
20+ years	46 pts

Climate Commitment

Energy efficiency in new construction is covered under the 2020 model codes. All buildings under Part 3 of the National Building code will reference the 2020 National Energy Code of Canada for Buildings (NECB). Low-rise multi unit buildings under Part 9 of the National Building Code of Canada (NBC) will reference the 2020 NBC.

All buildings under Part 3 of the National Building Code:

2020 NECB Performance Tiers	Score
Tier 1 – Baseline Code	0 pts
Tier 2 – 25% Improvement over Tier 1	10 pts
Tier 3 – 50% Improvement over Tier 1	20 pts
Tier 4 – 60% Improvement over Tier 1	35 pts

Low-rise multi-unit buildings under Part 9 of the National Building Code:

2020 NBC Performance Tiers	Score
Tier 1 – Minimum Code	0 pts
Tier 2 – 10% more efficient	0 pts
Tier 3 – 20% more efficient	10 pts
Tier 4 – 40% more efficient	20 pts
Tier 5 – 70% more efficient	35 pts

Lending Flexibility Scorecard

	Maximum LTC	Maximum Amortization	Loan Term	Other
Tier 3 – (Min. 0 pts)	Up to 90%	Up to 45-years	One 10-year term	N/A
Tier 2 – (Min. 47 pts)	Up to 95%	Up to 50-years	One 10-year term	N/A
Tier 1 – (Min. 65 pts)	Up to 100%	Up to 50-years	Option of: one 10-year term or one 20-year term	Financing land equity is permitted

Note: Despite the eligibility for certain loan amounts under the lending flexibility scorecard, CMHC may negotiate lower loan amounts to respect available funding and unit targets prescribed by the Government of Canada, or as otherwise required as part of the credit assessment of the loan.

Lending Details

Maximum Loan to Cost

- Residential Loan Component: up to 100% LTC. See Lending Flexibility Scorecard.
- Non-residential Loan Component: up to 75% LTC.

Advancing

- The loan may be advanced up to 100% of costs during construction. There is no mandatory rental achievement holdback.
- The first construction draw must be within 6 months of date of the executed loan agreement.

Minimum Debt Coverage Ratio

- DCR of 1.20 (for residential loan component).
- DCR of 1.40 (for non-residential loan component).
- Applications will be qualified with an interest that is the higher of 2.00% or the CMHC indicative rate plus a 100 bps (1.00%) spread. **Note:** The spread is determined by CMHC and is subject to change from time to time.

Interest Rate

- Term begins at first loan advance.
- Fixed rate locked in at beginning of term.
- Interest only payments financed by the loan during construction through to occupancy permit.
- Interest only payments paid by the borrower from occupancy permit until 12 consecutive months of stabilized effective gross income (stabilization).
- Principal and interest payment from stabilization to end of term.
- Closed to prepayment.

Amortization

- Up to 50 years. See Lending Flexibility Scorecard.
- The amortization period cannot exceed the economic life of the project.

Security Type

- First and *pari passu* mortgages are permitted. A second mortgage may be considered if there is a pre-existing, insured first mortgage related to the project.

Reserve Requirements

There is no mandatory requirement for a replacement reserve. Projects that provide furnishings will be subject to a replacement reserve.

Premiums

The cost of the mortgage loan insurance is not passed along to the borrower. However, the PST on the mortgage loan insurance premium (as applicable) is payable by the borrower.

Application Fees

- Payable at time of underwriting.
- Residential portion: \$200 per bed/unit for first 100 beds/units, then \$100 per bed/unit thereafter to a maximum of \$55,000 per loan.
- Non-residential portion: 0.30% of the non-residential loan amount if it exceeds \$100,000.

Borrower Net Worth

- The borrower must have minimum net worth equal to at least 25% of the loan amount being requested, with a minimum of \$100,000. Flexibility in CMHC's standard net worth requirements may be available.
- The borrower must have the financial capacity to sustain one full year of operations including at 100% vacancy, assuming the property is not ready for occupancy at the beginning of the school year.

Guarantee Requirements

- The borrower and guarantor must provide their covenant/guarantee for 100% of the loan during construction and rent-up. After rent-up, when the project has achieved the rental income used in the underwriting of the loan, the loan may become non-recourse to the borrowers and guarantors for deficiency after enforcing the security in the case of 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).

Other Underwriting Parameters

- Meal plans are permitted but cannot be included in rents submitted as part of the application.
- Furnished units/bedrooms may be considered. No value will be attributed to the furnishings.
- 12-month lease agreements are preferred. If the lease agreement is less than 12-months, accepted annual income will be based only on the term of the lease (i.e., for an 8-month lease, the accepted revenue would only be 8 times the monthly rent).

Documentation Requirements

- Refer to the [Required Documentation Checklist²](#).

² <https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/apartment-construction-loan-program/apartment-construction-loan-program-required-documentation-checklist-enhanced-en.pdf>