

# Program Highlight Sheet

Providing access to forgivable loans combined with low-interest repayable loans to support a new generation of non-profit co-operative housing.

## OVERVIEW

Co-operative housing is a well-documented success story. For over 50 years, co-ops have provided good quality, affordable housing owned and managed by the community members who live there.

The Co-operative Housing Development Program (CHDP) will provide \$1.5 billion in funding to support the development of thousands of affordable rental co-operative housing units in Canada.

New co-ops built through the CHDP will result in inclusive, strong communities that both meet the needs of today and anticipate the needs of tomorrow. Co-op units created under the CHDP will be available for a minimum of 20 years at a lower rental rate compared to newly constructed purpose-built rental units, while also fostering a sense of security, dignity, agency, and belonging to community.

## FUNDING

- Up to \$1.5 billion in loans (forgivable and repayable combined)
- Financial support will be a combination of repayable and forgivable loans
- CMHC will fund up to 100% of the eligible project costs on residential space
- Projects containing non-residential space are eligible for up to 75% of eligible non-residential project costs
- Funding will be committed over 4 years starting in 2024

### Important

For application support, please complete the [following intake form](#)<sup>1</sup> where the Co-operative Housing Federation of Canada (CHF Canada) can assist you<sup>2</sup>.

<sup>1</sup> <https://chfcanada.wufoo.com/forms/r108re8p1eac0lb/>

<sup>2</sup> For Indigenous, Northern communities, groups, or organisations, loan flexibilities may be available. Please connect with your CMHC Housing Solutions Specialist for more information. (<https://www.cmhc-schl.gc.ca/about-us/contact-us/indigenous-housing-specialists>)

# ELIGIBILITY

## Eligible Project Types

- New construction of residential development (may include densification projects)
- Conversion of non-residential to residential
- Projects must create/purchase net new housing units regardless of tenure

## Eligibility – Property type

- Property types may include multi-unit, stacked townhomes, semi-detached buildings, etc.
- Properties must be rental co-operative housing

## Eligible Applicants

- Non-profit housing co-operatives
  - As stand-alone co-operatives or in partnership with another non-profit
  - Student housing co-operatives
  - Senior's housing co-operatives
- Indigenous co-ops, including those in partnership with Indigenous governments and organizations (including First Nation Bands, Métis and Inuit, Tribal Councils, and Indigenous housing providers)
  - Both on-reserve and off-reserve
- Land Trusts
  - **NOTE:** If you are a Land Trust and plan on having a different operator run the property after construction this must be communicated to CMHC as soon as possible.

## Ineligible Applicants

- Equity co-operatives
- Nursing homes
- Projects/units with life-leases

## Project Size

- Funding requests may include one or multiple buildings or properties and can include multi-site developments to achieve minimums

The project must meet the minimum number of units for their project location type:

- Large urban centres
  - 75 unit minimum
- Small and medium urban centres
  - 30 unit minimum
- Rural and Remote, Northern and Indigenous
  - We may consider fewer units on a case-by-case basis

## Project Location Definitions

The following definitions are only to be applied to CHDP and do not apply to other CMHC programs.

### Large Urban Centre

Census Metropolitan Area's (CMAs) – defined as populations which have 100,000 or more, of which at least 50,000 live in the core.

### Small to Medium Urban Centre

Census Agglomerations (CAs) – defined as populations of 10,000 to 99,999.

### Rural, Remote and North

Census Subdivision (CSD) that is not within a CMA or CA. Housing in the North is defined as communities located in the Yukon, Northwest Territories, or Nunavut as well as Inuit housing.

# MANDATORY MINIMUM REQUIREMENTS

**Applications must meet all minimum requirements for the CHDP to be considered:**

## Financial Viability

- Minimum debt coverage ratio (DCR) requirements:
  - DCR of 1.00 for residential loan component
  - DCR of 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. The spread is determined by CMHC and is subject to change from time-to-time.

## Affordability

- Proponents must commit for a minimum of 20 years (from occupancy), to keep the rents/housing charges for 100% of units at or below 110% of the Median Market Rent (MMR) of post-2000 builds in the subject area (obtained from the most recent CMHC Rental Market Survey for the survey zone in which the property is located).

## Energy Efficiency

- 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<sup>3</sup>.

# CHDP LOAN STRUCTURE – REPAYABLE AND FORGIVABLE

**The funding structure will include forgivable and repayable portions used jointly with each other.**

### 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 social outcomes are maintained for a minimum of 20 years.

<sup>3</sup> <https://www.cmhc-schl.gc.ca/professionals/industry-innovation-and-leadership/industry-expertise/accessible-adaptable-housing>

## Repayable Loan Details

Low interest repayable loans will be provided.

- Can be amortized for up to 50 years.
- 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.
- The loan will be closed to prepayment during each term.
- Below market interest rate.
- The interest rate will be locked-in at first advance.
- Interest-only payments until stabilization, then principal and interest payment for the remainder of terms.
- 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.

## Forgivable Loan Details

Up to one-third of project costs are available as forgivable loans.

- The forgivable loan funding amount will be capped at the lesser of one-third of project costs or the amount needed to reach 110% MMR, of post-2000 builds in the subject area.
- Forgivable loans will be forgiven over 20 years and forgiveness is earned annually.

### FLEXIBILITIES

For Indigenous, Rural, Remote or Northern communities, please connect with your CMHC Housing Solutions Specialist before applying.

## ELIGIBLE ACTIVITIES

### Soft Costs

- Soft costs incurred during construction.
- Soft costs related to the pre-development and pre-construction of the project may be approved retroactively based on invoices and do not need to be recommended by a recognized professional:
  - i.e., land acquisition, environmental site assessments, cost consultant reports, etc.
- Closing costs related to the loan.

### Hard Costs

- Hard costs relating to the subject project where such costs are reasonable, prudent, and necessary to advancing the project.

### Advancing

- The forgivable loan is generally advanced first.
- On a case-by-case basis, the forgivable loan may be advanced without security in place.
- Once the forgivable loan is fully drawn, subsequent advances will be from the repayable loan until this amount is fully drawn.
- Advance requests will be processed once invoices are provided, activities are completed, and supporting documentation is received by CMHC.

## RESERVE REQUIREMENTS

- Borrowers will be required to establish a replacement reserve at 4% of annual rental income.
- **NOTE:** The required replacement reserve allocation is used in the DCR calculation when determining maximum repayable loan amount.

## REQUIRED DOCUMENTATION

- Refer to the Required Documentation Checklist<sup>5</sup>.

## SECURITY TYPE

- Security will be required.
- First, second, and pari passu mortgages are permitted.
- **NOTE:** In addition to a Ministerial Loan Guarantee (MLG), Canada Mortgage and Housing Corporation (CMHC) is now accepting four additional alternative types of security<sup>4</sup> for projects on First Nation lands.

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

<sup>5</sup> <https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/project-funding-and-mortgage-financing/funding-programs/all-funding-programs/co-operative-housing-development-program/chdp-required-documentation-checklist-en.pdf>