



**COMMUNITY AND CORPORATE
SERVICES
MEMORANDUM**

Page: 1
File: F11-
Redwood
Pending #:

TO: MAYOR LEHMAN AND MEMBERS OF COUNCIL

**FROM: C. MILLAR, DIRECTOR OF FINANCE AND TREASURER
D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE
SERVICES**

NOTED: M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

**RE: MOTION 21-G-188 CONCERNING INTERIM CONSTRUCTION FINANCING -
REDWOOD PARK COMMUNITIES**

DATE: JUNE 28, 2021

The purpose of this memorandum is to provide members of Council with additional information in response to questions related to securing the proposed interim construction financing for Redwood Park Communities.

On Monday, June 21, 2021, General Committee approved motion 21-G-188 as follows:

21-G-188 INTERIM CONSTRUCTION FINANCING - REDWOOD PARK COMMUNITIES

1. That the City of Barrie provide an interest-free loan of up to \$3 million, with \$1 million to be released in the interim (and the release of any further funds being revisited by General Committee at their meeting scheduled to be held August 9 2021), for the purpose of construction financing to Redwood Park Communities over a period of two years for supportive housing projects in the City of Barrie and that the loan be subject to funding approval for the projects from the Canadian Mortgage and Housing Corporation.
2. That on a best effort basis the City's Treasurer will release money in increments toward supportive housing projects approved by the Canadian Mortgage and Housing Corporation and that all draws of the money be for construction costs (and no operation costs of Redwood Park Communities' salaries), all draws must be supported with construction invoicing.
3. That Redwood Park Communities provide a monthly report to the City outlining the construction scheduling, costs and documentation to support all draws being made for construction expenditures associated to the supportive housing projects. (Item for Discussion 8.7, June 21, 2021)

Staff were advised that the intent of the original Item for Discussion was to allow Redwood Park Communities to begin construction as soon as it had approval from the Canadian Mortgage and Housing Corporation, rather than waiting for any construction advances to be received. Essentially, the City would be bridge financing and the City would be re-paid once the Canadian Mortgage and Housing Corporation funding was received. This could allow for construction to start and be completed several months earlier than would otherwise take place.

Legal Services staff investigated opportunities to secure the interim construction financing/loan when they were advised that an Item for Discussion was being included on the agenda for June 21, 2021. A secured loan is one that requires collateral such as property, assets, or cash. Any mortgage security must be granted by the registered owner of the asset. Sub searches of title to the existing Redwood Park Communities projects were completed.



**COMMUNITY AND CORPORATE
SERVICES
MEMORANDUM**

Page: 2
File: F11-
Redwood
Pending #:

Although Redwood Park Communities identified it would be willing to register mortgage security, the existing project sites are not owned by Redwood Park Communities with the exception of their properties on Toronto Street. These Toronto Street properties are subject to a blanket mortgage that is less than the amount proposed to be provided as the total possible interim construction financing. However, it isn't possible for staff to determine whether the properties have sufficient equity in them to cover both the mortgage and the cost of the loan from the City, without knowledge of the condition of the properties.

If the City registered mortgage security on the Toronto Street properties, the current mortgage holder would be ahead of the City in line for security. If the value of the properties is less than the current mortgage and the City's loan amount, the City would not recover its loan, in the case of a default by Redwood Park Communities.

In the case of a default where the assets were insufficient to cover all of the costs of any loans or mortgages, the City's recourse would depend on the specific circumstances for the default. The City may be able to establish a different re-payment schedule. Another alternative would be to submit a legal claim for any outstanding amounts. The City would incur costs associated with a legal action and there may be limited opportunity for successful repayment, if the party is bankrupt and its assets are insufficient to cover its liabilities.

The amendments that were introduced on Monday, June 21, 2021 to the original Item for Discussion limit the City's risk to only those construction expenditures that have been incurred prior to any Canadian Mortgage and Housing Corporation payment, and would not exceed \$1M, prior to August 9, 2021. Should the motion be approved, it would be staff's interpretation that "soft construction costs" such as architecture drawings and permit fees are eligible to be covered by the loan.