



## County Council

---

**Meeting Date:** July 18, 2023

**Submitted by:** Cindy Howard, General Manager Finance and Community Services

**Subject:** Strathroy-Caradoc Loan from Capital Works Reserve Fund (County Loan Program)

---

### **BACKGROUND:**

The County has a loan program that assists the lower tier municipalities with financing capital projects, sometimes referred to as the Capital Works Reserve Fund.

In 1993, the City of London annexed the former Town of Westminster, and portions of the former Townships of London, West Nissouri, North Dorchester and Delaware which at the time was approximately 28% of the County's assessment.

Bill 75, the annexation bill, provided compensation to the County, which included for the City to provide to the County in 1994, 1995 and 1996 \$2 million per year for sewer and water infrastructure to assist in regaining the lost assessment.

The Water and Sewer Loan program was originally adopted in 1999. The original fund was \$7 million and was initially available for water and sewer growth projects. A set of criteria was developed to assist in the allocation and administration of the reserve fund.

In 2006, \$1.1 million was added to the fund from the 2006 budget. The fund at that time was just over \$10 million.

In June 2013, the Capital Loan Program was revised to include the addition of a non-growth interest only.

In 2021, Council approved adding \$6 million as part of the Use of Proceeds from the sale of the County Buildings and Strathmere Lands.

The criteria has been amended a number of times and now includes growth (capital) and non-growth loans (capital and interest). Details of the loans are attached.

The fund is to be in a positive balance at all times, is consistently reviewed and is self-replenishing.

Municipalities are eligible to gain access to the fund for two (2) projects at a time (growth and non growth capital projects) and Non Growth Interest (added in 2013) is in addition to above (can access one (1) project at a time).

A presentation of the Capital Works Reserve Fund – County Loan program was provided to Council on May 23, 2023. A presentation of Industrial Assessment – A Review of Middlesex County Industrial Tax Base and Improvement Methodologies was provided to County on June 20, 2023.

#### **ANALYSIS:**

The Municipality of Strathroy-Caradoc is making a formal application for a loan of \$1.1 million from the Capital Works Reserve Fund relating to the Affordable Housing Project in Mt. Brydges. The County has received a resolution from Strathroy-Caradoc Council.

The Caradoc Housing Corporation (CHC) was incorporated as a not-for-profit non-share capital corporation in 1981. The purpose of the CHC is to provide and operate housing accommodation for persons of a modest income at rentals below the mediation current market in the Municipality. The relationship between CHC and the Municipality of Strathroy-Caradoc establishes that all property on the event of dissolution following the payment of all debts would be returned to the Municipality.

The total project is projected to be \$14,137,162.50 million. This includes the land cost of \$1,250,000. Project costs without the land is \$12,887,162.50 (no acquisition costs). The secured funding breakdown is outlined below:

First National Bank	\$7,853,262.50
CMHC: Canada Mortgage and Housing Corporation – Grant	\$2,741,000
Developer Cash Contribution or other funds	\$683,000
Development Charges	\$1,759,900
<b>Total</b>	<b>\$13,037,162.50</b>

Strathroy Caradoc is asking for \$1.1 million from the Middlesex County Loan program. Strathroy-Caradoc Council approved using reserve funds to bridge the gap for financial requirements with the Financial Institution. The estimated appraisal value at completion is \$14,415,145.

The Mt. Brydges Affordable Housing Project has 37 units with a mix of Bachelor, One Bedroom and Two Bedroom. The Project also includes a mix of 15 Affordable and 22 Market. Construction of the project has already commenced.

# of Units	Type of Unit	Category
6	Bachelor	Affordable (70%)
9	One Bedroom	Affordable (70%)
11	One Bedroom	Market
11	Two Bedroom	Market
37		

The County was provided with a copy of the Strathroy-Caradoc Housing-Project Feasibility Analysis (March 10, 2022) and Project Summary Report: Mt. Brydges Affordable Apartment Rental (February 17, 2023). The projected annual net income is \$411,351.19. No other documents have been received.

Strathroy-Caradoc does not have any loans outstanding under the County Loan Program.

The Affordable Housing Project is a non-growth capital project. Non-growth capital projects are eligible for 10% (\$700,000) of the original fund value annually to a maximum of 50% of the non-growth related capital costs of the municipal portion. The guiding principles also require the local municipality to have a significant financial interest in the project.

At its discretion, Council may amend the County Loan Program and the Grants Finance Policy to permit the provision of grants in excess of the current allotments and to third parties.



#### **FINANCIAL IMPLICATIONS:**

The Capital Works Reserve Fund currently has a balance of \$16.3 million.

The funding for non-growth capital projects are to be returned to the County with a maximum payback period of 10 years. Loan payments are to be made in equal amount installments.

#### **ALIGNMENT WITH STRATEGIC FOCUS:**

This report aligns with the following Strategic Focus, Goals, or Objectives:

Strategic Focus	Goals	Objectives
Cultivating Community Vitality 	Advance a diverse, healthy, and engaged community across Middlesex County	<ul style="list-style-type: none"> <li>• Promote and support community wellness</li> <li>• Innovate social and community services</li> </ul>
Strengthening Our Economy 	Encourage a diverse and robust economic base throughout the county	<ul style="list-style-type: none"> <li>• Create an environment that enables the attraction and retention of businesses, talent, and investments</li> <li>• Support the development and prosperity of downtown core areas in Middlesex County</li> </ul>

#### RECOMMENDATION:

THAT Council not approve the non-growth loan for the amount of \$1.1 million dollar for the Affordable Housing Project, as it does not meet the criteria of the current County Loan Program or Grants Finance Policy.