



Rental Construction Financing Initiative

REQUIRED DOCUMENTATION

The following checklist provides the minimum information and documentation required prior to the submission when the application is selected for underwriting and before final credit approval. Include all that are applicable.

- 1 **Project summary:** Municipal address, legal description, project rendering, number of units (both affordable and market), number of levels (above and below grade), gross floor area, net leasable area, number of commercial units and net leasable area (if applicable), number of parking stalls, number of ride-sharing stalls (if applicable), number of lockers, number of bicycle stalls, summary of amenities and gross floor area (if applicable).
- 2 **Project lands:** Copy of purchase and sale agreement, confirmation of title, copy of ground lease or lease agreement (if applicable), condominium disclosure statement (if applicable) and summary of all registered encumbrances or agreements on title (if applicable).
- 3 **Project specifications:** Architectural drawings, site plan and survey certificate, which must plot dimensions, easements, rights-of-way and the location of adjoining streets on the vacant lands.
- 4 **Project approvals:** Zoning, site plan application, site plan agreement (conditional SPA), building permits (any conditional permits).
- 5 **Project budget:** Budget including the cost of each item in the project, land acquisition cost (including any closing and realty fees), hard construction costs, hard construction cost contingency, soft construction costs, soft construction cost contingency, subject to the following:
 - a) **Land appreciation value:** Acquisition cost and associated pre-development costs as contained in the project budget are eligible project costs. Any land value appreciation supported by an appraisal can be included as input land value in the project budget (use of funds), provided the appreciated value (appraisal surplus) is fully included in the financing sources.
 - b) **Non-residential:** These costs are financed under a separate budget calculated on a pro-rata share of the gross floor area divided by the total project budget (if applicable)—additional adjustments may be made on a case-by-case basis (for example, commercial underground parking).

To access the full product highlight sheet or to complete your application, visit cmhc.ca/financinginitiative.

- 6 **Pro-forma rent roll**
- a) **Residential:** Unit number, unit type, unit square footage, monthly rental rate, market monthly rental rate.
 - b) **Non-residential:** Unit number, unit type, unit square footage, monthly rental rate (if applicable).
- 7 **Pro-forma operating statement**
- a) **Residential:** Annual residential rental income, laundry income, parking income, other income, annual operating expenses, including, but not limited to, insurance, maintenance allowance, management fees, realty taxes and utilities.
 - b) **Non-residential:** Annual rental income, recoverable income, annual operating expenses, including, but not limited to, insurance, maintenance allowance, management fees, realty taxes, utilities.
- 8 **Sources of financing:** Borrower cash equity, mezzanine financing (if applicable), CMHC residential construction loan, CMHC non-residential construction loan, other funding sources (grants, forgivable loans, land appraisal surplus, cost recoveries not accounted for in the budget costs).
- 9 **Project schedule:** Land acquisition, zoning approval, site plan application, building permits (any conditional permits), commence construction, commence leasing, occupancy permit, substantial completion, stabilized lease-up.
- 10 **Experience and fixed-price contracts**
- a) Evidence of fixed-price construction contracts representing no less than two thirds of hard construction costs (prior to initial advance), including structural, mechanical, electrical, forming and concrete; identification of all material contracts with trades, subtrades and consultants (a material contract is any contract that is 5% of the hard costs budget); property management agreement (if applicable).
 - b) Experience (including list of completed and current projects summarizing asset class, location, levels, units, budget and year completed).
- 11 **Ownership**
- a) **Borrower:** Organizational chart with the borrower and all owners or members of the borrower (including the percentage ownership) and demonstrated relationship to any guarantor, landlord, operator, manager or contractor that is a related entity to the borrower. Where any owner or member owns or controls 25% or more of the borrower or any guarantor, the ownership of that owner or member should also be shown on the organizational chart. Where trusts are included in an organizational structure, information should be provided to describe the settlor, trustee(s) and all beneficiaries. Where limited partnerships are included in an organizational structure, information on each of the partners should be provided.
 - b) **Property:** Where the project is located in a province or territory other than Quebec, all registered and beneficial owners of the property must be described. Where there is a separation between registered and beneficial ownership, the nominee or bare trust agreement is to be provided. Where the project is located in Quebec, any prête-nom or nominee and true or rightful owner(s) must be described. If any counter letter exists, a copy is to be provided.

- 12) **Financial statements:** The last three (3) fiscal years for each of the borrower(s), guarantors(s) and parent company (if applicable), including personal net worth statements for any personal guarantors; current acceptable credit reports for the borrower(s) and guarantor(s) (to be obtained by the lender).
- 13) **Third party reports:** The following are to be prepared by an accredited independent third party accompanied by a transmittal letter that can be relied upon:
- a) **Accessibility review:** Confirmation that a minimum of 10.0% of the total residential units are accessible (see APPENDIX A).
 - b) **Appraisal:** An appraisal report on the property from an independent, AACI-certified appraiser acceptable to the lender that includes the “as is” land value, “as built” project value (including comparable and income approach valuations), remaining economic life, and current submarket (area of the city) rental rates for all unit types. The appraisal report must establish a minimum market value for mortgage purposes. The report must authorize the lender and its assigns to rely on the report for financing purposes.
 - c) **Cost consultant:** Confirmation, on a line-item basis, of the project budget, project cash flow (including monthly loan advancing schedule), project sources and use of funds, fixed-price contracts (including commentary on any material trades), zoning compliance and construction schedule.
 - d) **Energy efficiency:** Confirmation of the project’s level of energy efficiency when compared to the 2015 National Building Code of Canada or the 2015 National Energy Code for Buildings (see APPENDIX B).
 - e) **Environmental reports:** Geotechnical report, Phase I Environmental Site Assessment and Phase II Environmental Site Assessment (if applicable) in conformance with CMHC’s policy relating to environmental risks (see APPENDIX C), record of site condition application (if applicable), risk assessment (if applicable), confirmation of site remediation (if applicable).
 - f) **Soils test report:** A soil test report by a professional engineer demonstrating to the satisfaction of the lender and the project monitor that the proposed construction and site improvements of the lands are feasible under existing soil conditions, together with evidence that the general construction specifications for the project provide for construction and compliance with such soil conditions and with the recommendations, if any, which may be contained in the soil test report. The report must authorize the lender and its assigns to rely on the report for financing purposes.
 - g) **Feasibility study:** The study must include the project feasibility, submarket analysis, project pro-forma analysis, estimated absorption time, and affordability of project rents relative to demographics in the submarket.
- 14) **Supplemental municipal programs:** Identification of participation in any other municipal initiative, land donation, ground lease, affordability definition, registrations or agreements on title tied to other project funding contributions.
- 15) **Insurance:** Evidence of satisfactory insurance, including, but not limited to, fire, general liability, wrap-up liability and builder’s all-risk insurance for the full replacement value of the project. The cost of the lender’s insurance consultant for the review of the borrower’s insurance must be for the account of the borrower and may be deducted from the initial advance of funds under the mortgage loan.

- 16 **Public transit:** Access and/or connectivity to public transit, access to alternative forms of public transit.
- 17 **Labour and material and a performance bond:** Each must be in an amount of not less than 50% of the contract price and have a dual obligee rider.
- 18 **Bank account:** Proof that a separate and distinct bank account has been opened exclusively for the project to the lender's solicitor, if required by law in the project's jurisdiction (prior to construction). All advances made by the lender will be deposited into this account (other than any amounts to be paid to the borrower's solicitors for purposes previously approved in writing by the lender). Only trade accounts and expenses for the project will be paid from the proceeds of mortgage advances for the project deposited into this account.
- 19 **Building plans:** Inclusion of final signed and sealed building plans and specifications, upon which the construction costs are based, to confirm any statements made above (including accessibility features).

APPENDIX A: ACCESSIBILITY REQUIREMENTS

Prior to Construction

- State commitment to meeting the mandatory minimum of 10.0% accessible unit requirement.
- Provide the proposed total number of accessible units (including unit number) to be constructed.
- Ensure common areas in the project are accessible, as regulated by the local codes or regulations (if applicable) or by the 2015 National Building Code.
- Identify any accessibility requirements from local codes or regulations (if applicable).
- Provide a narrative of the details of the proposed accessibility strategy and identify the accessibility features from the approach to the building, through the common areas and into the accessible units.
- Identify any accessibility features that meet or exceed the minimum accessibility requirements.
- Identify any universal design units and/or adaptable units that will be voluntarily included in the project.

At Construction Completion

- Confirm the total number of accessible units that were constructed and confirm that the accessibility features of the project comply with the application.
- Identify any changes that occurred and any impacts on the project eligibility (if applicable).

APPENDIX B: ENERGY EFFICIENCY REQUIREMENTS

Prior to Construction

Applicants must demonstrate target compliance through the submission of an analysis of the energy consumption and greenhouse gas (GHG) emission performance of a base case building constructed to the 2015 National Building Code of Canada (NBC) or the 2015 National Energy Code for Buildings (NECB). They must demonstrate how the project is designed and constructed to meet or exceed (as per loan application) the 15.0% energy efficiency and GHG emission reduction targets. The analysis must:

- be undertaken by a qualified professional with energy modelling experience, such as a mechanical engineer (PEng), architect, Certified Engineering Technologist (CET) or Certified Energy Manager (CEM), utilizing appropriate building energy consumption simulation software (include contact details);
- identify the energy simulation software used, source files, input and default assumptions and limitations, GHG emission calculation methodology. CAN-QUEST and EnergyPlus™ are the predominant energy modelling software programs used in the Canadian market for multi-unit residential buildings (Part 3, National Building Code). For buildings that fall under Part 9, National Building Code (low-rise buildings, townhomes), HOT2000 is acceptable software. Other software used must be vetted;
- provide an overview of the base case and enhanced project physical and operational characteristics that combine to achieve the targeted performance (comparison of the project with the 2015 NBC/NECB model codes);
- provide the energy consumption and GHG emission reduction performance simulation analysis for the base case (NBC or NECB, as appropriate) and the project;
- provide the energy consumption and GHG emission reduction performance simulation analysis for the base case (NBC or NECB, as appropriate) and the project;
- include the following appendices:
 - one-page summary of energy modelling with sign-off from the qualified professional that indicates annual energy consumption and GHG emission data for the total building and a breakdown of each major end use (space conditioning, hot water, lighting, mechanicals, etc.);
 - electronic files for the final energy modelling simulation(s) of the base case and proposed project (.h2k file for HOT2000 or CAN-QUEST 2.x document (.pd2)). Electronic files must detail monthly energy consumption data—for the total building and by major end use (space heating, hot water, lighting, equipment, systems, etc.);
 - supplemental calculations for the renewable energy system, other systems and conditions not included in the simulations; and
 - GHG calculation methodology and assumptions.

At Construction Completion

Identify any changes during construction from the project drawings to final construction. If there are significant changes as-constructed, an updated analysis may be required to confirm energy consumption and GHG emission reduction performance.

APPENDIX C: ENVIRONMENTAL RISK REQUIREMENTS

Soil or Ground Water Contamination

CMHC's Rental Construction Financing initiative is not available for properties where there is evidence or confirmation of soil or groundwater contamination, as determined by an Environmental Site Assessment (ESA), unless a formal risk management agreement between the municipal and the provincial/territorial environmental authority is in place.

ESA Criteria

The ESA must conform to the relevant Canadian Standards Association (CSA) standard.

The ESA must be performed by an experienced assessor who has the qualifications established by the CSA and the relevant laws. In addition, CMHC requires the assessor to carry errors and omissions insurance (or professional liability insurance) that covers liabilities associated with environmental site assessment activities.

In provinces or territories that do not have environmental quality criteria, the acceptability of the site must be assessed in terms of the environmental quality criteria of the Canadian Council of Ministers of the Environment (CCME).

Phase I ESA

Phase I ESAs must be carried out in accordance with the applicable CSA standard. Refer to the principles and procedures described in the CSA Document "Z768, Phase I Environmental Site Assessment."

- If the Phase 1 ESA report concludes that there is no evidence of contamination in connection with the property, it must expressly state that it can be relied upon by CMHC for the purposes of the insured loan.
- If the Phase 1 ESA report indicates potential contamination and/or a requirement for further study, CMHC will commit to financing, subject to:
 - receiving a satisfactory ESA report prior to the first advance and, in any event, not later than six months from the date of the commitment.

Phase II ESA and Remedial Investigations (Phase III ESA)

Where additional investigation(s) are required beyond a Phase I ESA, CMHC will only consider a loan application provided the additional ESA report concludes that there is no evidence of soil or water contamination in connection with the property. The consultant must provide a clear opinion that the soil and groundwater samples do not contain contaminants in concentrations that exceed the applicable environmental quality criteria for residential use.

Formerly Contaminated Sites

CMHC will consider providing financing for loans on sites that have been confirmed to be contaminated provided the environmental problem has been remediated, subject to the following conditions:

- CMHC must receive an environmental assessment report providing an independent professional opinion that the environmental problem was remedied in compliance with the policies of the applicable authorities having jurisdiction and that the soil and water no longer have contaminants in levels or amounts exceeding the residential criteria of the applicable authority having jurisdiction; and,
- where the remediation was ordered by the provincial or territorial environmental authority, CMHC will require confirmation by that authority that its requirements have been complied with and that there are no outstanding concerns.

Contaminated Sites with Approved Risk Management Agreements

CMHC will consider providing financing for loans on sites with contaminants in amounts exceeding the applicable environmental quality criteria, provided an approved risk management plan is in place, subject to the following conditions:

- the provincial or territorial environmental authority has approved an environmental risk management plan in place of site remediation;
- the municipality has agreed to the plan; and
- CMHC may require additional assurances and documentation in connection with the contamination.

Cost of ESA(s)

The cost of the ESA(s) is the responsibility of the borrower. The cost of the ESA may be included in the insured loan amount, to the extent that it can be accommodated within the maximum available insured loan-to-cost ratio.

Natural Contaminants

Where a public health matter has been identified as a result of a naturally occurring contaminant (for example, radon, blue green algae), any special measures prescribed by the authority having jurisdiction will be complied with prior to the loan application being submitted for insurance.

