



# National Housing Co-Investment Fund

## APPLICATION GUIDE FOR FINANCIAL VIABILITY WORKBOOK – NEW CONSTRUCTION



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## ABOUT THE FINANCIAL VIABILITY WORKBOOK

The Financial Viability workbook (the Workbook) is required documentation for all applications to the National Housing Co-Investment fund (NHCF). The Workbook template is available from the NHS website; you must download the file, complete the required information and attach it to your application. This guide will assist you in completing the required sections of the Workbook, and understand how to interpret the scores and outputs generated by the Workbook.

There are two Workbook options: (i) If your project is a new construction you will choose **NHCF – Viability – New**; and (ii) if your project is a renewal or repair (R&R) you will choose **NHCF – Viability – R&R**. You must choose the appropriate workbook to be completed with the details on the specific project for which you are applying for funding.

Information that you are required to provide will be highlighted in yellow in each tab of the Workbook; the cell column and row number will be provided with the description of the required information. All other sections of the Workbook will be populated using pre-populated values, embedded formula, and based on the information that you have provided. The Workbook consists of four tabs entitled 'Rents – Affordability', 'Project Budget', 'Residential – New Proforma', and 'Non-Residential – Proforma'. You must complete each tab of the Workbook before attaching it to your application in the online portal (Note: *Non-Residential tab does not need to be completed if your project does not contain a non-residential component*).

You can advance through the tabs of the Workbook using the "Next Page" and "Previous Page" buttons at the end of each section. You can also reset the page you are working on, or the entire Workbook using the "Reset Page" or "Reset All" buttons.

## RENTS – AFFORDABILITY (TAB 2)

Proponents applying for NHCF funding must commit for a minimum of 20 years, to keep rents for a minimum of 30% of units below 80% of the Median Market Rental Rate (as described in the most recent CMHC Rental Market Survey for the market and unit type in question).

Median rents from the survey can be found on CMHC Housing Market Information Portal. It is available on CMHC's web site at the following web address (a direct link is also included on the Rents – Affordability tab (tab 2)).

**<https://www03.cmhc-schl.gc.ca/hmiportal/#TableMapChart/1/1/undefined>**

Select the Median Market Rent (MMR) that represents your neighborhood as closely as possible using the steps below. If there is no data for your neighborhood for a certain size unit, use the data from the municipality level. MMR in the area that your project is located can be determined by following these steps:

- 1 Go to the Housing Market Information Portal by clicking on **[CMHC MARKET ANALYSIS PORTAL](#)**. Change from the 'at-a-Glance' tab to the 'Tables' tab on the black ribbon at the top of the page.
- 2 Using the map, zoom in to the location of the subject property. As you zoom into to the location an information box will appear on the top right of the map.
- 3 In the information box, select submarket boundary 'Zone'. The different zones in the subject city/town/municipality will then become defined.

- 4 Place a 'pin' by left clicking on the zone where the subject property is located. A new information box will appear entitled 'Choose your location of interest' then click on 'Zone'
- 5 Market data for that zone will then be available on under several categories to the left of your screen. Open the drop down list under 'Primary Rental Market', choose 'Median Rent (\$)'

## Proforma Rents - Residential

In this section of the spreadsheet, enter the rental rates by unit type for the project, to generate the residential income. There are several types of units listed and one section for 'other' in the event that some of the units do not fall into any of the categories described. Each unit type is divided into two categories: Market and Affordable.

Indicate the *Province* (C5), *City* (C6), and *Zone* (C7) where your project is located.

*Size of Units* (C11-C20): Indicate the average size in square feet for each of the unit types. The total square feet of the project will be displayed at the bottom – please verify that this is correct against the plans for your project.

*Number of Units* (D11-D20): For each type of unit that is available in the subject property, indicate the number of units you will be renting at market rents and the number of units you will be renting at or below the affordable rate (as defined by the NHCF). The total number of units will be displayed at the bottom.

*Monthly Market Rent* (PGI) (E11-E19, yellow cells only): Indicate the Potential Gross Income (PGI) that can be generated (based on type, style, and location) in the open market.

*Monthly Median Market Rent* (F12-F20, yellow cells only): Populate these fields with the Median Market Rent (as provided by the CMHC Housing Market Portal) for the type of unit in the zone of the subject property.

*Affordable Rent as % of MMR* (G12-G20, yellow cells only): Indicate the percentage below MMR that you will be charging for each affordable unit of each specific type. To the right, in the grey section, the monthly revenue for each unit and total yearly revenue for all units of that type will be automatically calculated.

Once you have entered all the relevant fields on this tab, you can refer to the grey boxes to the right to verify if your project meets all the criteria on affordability for the NHCF (see cell K12), as well as view to what level you fall short or exceed the criteria.

## PROJECT BUDGET (TAB 3)

### Summary

The Summary at the top of this tab, will show the calculated Debt Coverage Ratio (DCR) and Loan to Cost (LTC) for your project once all the tabs are completed. This will allow you to see how your project measures up to these NHCF minimum requirements. You are not required to complete any of these fields as they will be populated based on information entered in other sections/tabs.

## Total Project Budget Costs

This section relates to the costs and sources of funding associated with the project. In this section you will summarize the proposed Uses and Sources of Funds for your project, including the proposed/requested NHCF funding (i.e. loan and/or contribution amount).

Project costs and sources of funds will be pro-rated between the residential and non-residential components based on the proportion of Gross Floor Area (GFA) (i.e. total square footage of each component) as indicated in the 'Project Characteristics' section above and will be displayed in the grey section on the right.

The recommended NHCF loan amount will be displayed at the bottom of the project budget (cell L45). Once all the tabs have been completed, any shortfall in funding that is a result of the pro-rating of costs and other sources of funding will be indicated in cell L50.

### **Project Characteristics**

Here you will indicate the *GFA of the residential component* (I18) and *non-residential component* (K18), if applicable, for the project (ie. square footage of the building's floor area). Note: Given NHCF Investment is limited to 75% of cost on the non-residential component, it is important to be as precise as possible for each component as the pro-rating of total project costs is based on these GFA estimates.

If you have already received an appraisal report or cost consultant report of your building, this will provide very reliable calculations for the square footage.

### **Project Budget**

*Land* (E23): Should typically be input at historical cost (i.e. purchase price plus any related real estate costs and re-zoning costs). Note: The current market value of the land may be input, however, any appraisal surplus (i.e. current market value less historical costs) must be included as Land Value Equity under 'Other Sources of Funding'. In cases where the land is leased, this field is to be populated with \$0.

*Hard costs* (E24): They relate to costs associated with the building's structure, the site and to the landscape and include all labour and materials required for construction. Hard costs associated with landscaping are based on architectural drawings and include grass, trees, mulch, etc.

*Soft Costs* (E25): Soft costs include everything from architectural and engineering fees, to legal fees, pre- and post-construction expenses, permits, reports, etc.

*Financing costs* (E26): These are costs that relate to the financing of the project such as legal fees, application fees, and interest only payments during the construction phase of the building. They do not include interest and principle once the final advance has been funded and the occupancy of the project has stabilized (estimated 12 months post occupancy).

*HST* (E27): Harmonised Sales Tax

*Contingency* (E28): Enter the amount set aside for unexpected costs in the construction of the building. This should be between 5-10% of project costs.

*Other costs* (B/E29, B/E30): Describe any other costs (B29, 30) that do not fit into any of the above categories and indicate the value of the costs (E29, 30).

### ***Other sources of Funding***

*Other Debt Financing* (non NHCF) (E34): Indicate any loans obtained/being obtained with other financial institutions, levels of government or organisations that will provide funding for the construction of the building or that will be secured on the land title. Details of this funding should be added in the 'Funding/Collaborators' section of the application.

*NHCF Contribution* (E35): Indicate the requested NHCF Contribution amount. Please refer to the Contribution Eligibility tool for an indication of potential NHCF Contribution funding.

*Other Grants/Contributions* (E36): Indicate any other Grants or Contributions being provided outside the NHCF. Details of this funding should be added in the 'Funding/Collaborators' section of the application.

*Land Value Equity* (E37): Indicate the land value equity to be injected.

*Owner Cash Equity* (E38): This is any cash amount your organization will be contributing to funding of the project.

*Other* (E39, E40): Indicate any other funding that has not been covered in any of the previous fields. Provide details of this funding in the corresponding field (B39, B40).

*Other* (Dev Charge Waiver) (E41): Indicate the value of any waived development charges.

*CMHC Seed* (E42): If you have applied for or have previously been approved under the CMHC Seed funding program, indicate the amount in this field.

## **RESIDENTIAL NEW – PROFORMA (TAB 4)**

This tab relates to the residential component of your project. Each section in this tab will either relate directly to the residential units of the building or be pro-rated by the percentage of your building being used for residential purposes.

### **Summary**

This section provides a summary of the main factors of the project application. This includes project budget, NHCF Funding amounts (loan and/or contribution), project DCR and LTC, and indication if additional borrower equity is required. These are all calculated fields based on the completion of the entire viability workbook.

### **Residential New: Financial Viability Assessment**

*Proponent Type* (C18): Use this drop-down list to choose the type of organization that is applying. Once selected, the maximum funding and contribution for your proponent type will appear in the two adjacent fields.

*Percentage of Project Costs – Residential*: This field will display the percentage of the building that will be used as residential space as indicated on the Project Budget tab.

## **Project budget**

The cost items in this section will be calculated and populated based on the information you have entered in the Project Budget tab (i.e. pro-rating based on proportion of GFA between residential and non-residential).

*Maximum Loan at Funding Max:* This field will calculate the maximum amount of funding available for the residential component. It will take into consideration your total project budget as well as the maximum percentage of the total cost permitted as funding for your proponent type.

*NHCF Loan Requested/Required:* This field will calculate the amount of financing with the NHCF you are requesting/require to finance your project.

## **Income Analysis – Residential**

In this section you will be required to enter the *Vacancy rate/bad debt* percentage (G41) for your building. The remainder of this section will be populated with the information you have entered on the 'Rents – Affordability' tab.

## **Ancillary Income**

Here you will indicate the number of units and any amounts expected from *parking* (C47/D47), *storage lockers* (C48/D48) and *laundry facilities* (G49) (for residents). A percentage of income should be entered for *vacancy and bad debt* (G51) on the parking spaces and storage lockers.

## **Other Income**

Here you will indicate any *Operational Funding (Municipal, Provincial/Territorial, Federal)* (G56) and *other income* (give a description in cells B57, B58 and the value in cells G57-G58) generated by the property that has not been included in any of the above sections, including operational funding, as well as an allowance for any *vacancy or bad debt* (G60).

## **Operating costs**

Here you will indicate all the expenses that relate to the operation of the residential component of the building once it is fully constructed and the occupancy of the project has stabilized (estimated 12 months post occupancy) including *municipal taxes* (G68), *insurance* (G69), utilities including *heat* (F70), *hydro* (F71), *water* (F72), *repair and maintenance costs* (F74), *wages* provided to building staff/supervisors (F75) and any *other costs* (F76-F78) – please enter a description in the corresponding field (B76-B78). As many of these costs may not yet have been determined, you should enter estimated amounts where they are not known. Additionally, provide the *management fee* percentage (F80) and *general and administration fee* percentage (F81).

Note that during the analysis of the application, CMHC may adjust these amounts based on regional benchmarks and/or decreases in energy consumption features included in your building's construction. A mandatory 4% replacement reserve fund allocation is included in the worksheet (see cell F79) and factored into the viability assessment.

### ***Loan – DCR and Ratio Calculation***

*NHCF Loan:* The lesser of the maximum amount available and the maximum amount requested for the residential component will be displayed in this field.

*Interest Rate (G88):* Contact your CMHC consultant to obtain the most recent CMHC rates. Note that for qualification purposes, CMHC will use the NHCF fund 10 year rate plus 100 basis points for the calculation of the debt coverage ratio (DCR).

*Loan Amortization (G89):* Indicate the number of years you will require the loan to be paid in its entirety. The maximum amount allowed under the NHCF is 50 years, and is based on the economic life of the building. The loan amortization will be determined during the file assessment phase.

*NHCF Loan Mortgage Payment (monthly):* Monthly principal and interest payment.

*NHCF Loan Mortgage Payment (annually):* Annual amount of principal and interest payments.

*Other Debt Mortgage Payments (annually) (G92):* Annual amount of principal and interest payments you will be making to other funding sources.

*Total Mortgage payments:* Total annual payments being made on all sources of funding associated with your project.

*Debt Coverage Ratio:* The ratio of how much income the project generates as compared to the mortgage payment (NHCF minimum DCR for residential component is 1.0).

*Maximum loan at minimum DCR:* This field will calculate the maximum amount of loan that can be provided for the DCR to meet the minimum requirement of the NHCF should all other variables as they relate to income and expenses in your application remain the same.

*Recommended NHCF Loan – Residential Portion:* This section will summarize amount and principle and interest payments for the maximum loan at minimum debt coverage ratio.

*NHCF loan required can be supported:* This field will indicate if the loan you are requesting meets the NHCF debt ratio coverage requirement.

*Loan - Maximum NHCF loan (residential portion):* This will indicate the maximum loan that can be provided in order for the debt coverage ratio to meet the minimum requirement

*Additional Required Equity and / or funding:* This will indicate the shortfall in funding based on residential component of your projects' cost.

*NHCF Loan to Cost (LTC):* This represents the ratio of the maximum loan amount for the residential component of your project.



## NON-RESIDENTIAL – PROFORMA (TAB 5)

This tab relates to the non-residential component of your project. Each section in this tab will either relate directly to the non-residential areas of the building or be pro-rated by the percentage of your building being used for non-residential purposes.

The top section of the tab will inform you if your project meets the Non-Residential criteria of the NHCF.

### Non-Residential: Financial Viability Assessment

#### **Project Budget**

The cost items in this section will be calculated and populated based on the information you have entered in the Project Budget tab.

*Maximum Loan 75% of costs:* This field will calculate the maximum amount of funding available for the non-residential component. It will take into consideration your total project budget as well as the maximum percentage of the total cost permitted as funding for your proponent type.

*Loan Still Required:* This will indicate the total shortfall in funding for both the residential and non-residential components of your project.

#### **Non-Residential/Commercial**

Enter the *size (in sq. ft.)* (D25-D28), the number of *units* (E25-E28), and the *monthly rents* (F25-F28) for the non-residential/commercial units in the building, as well as any *additional recoveries* (G29). A reasonable percentage must also be added for *vacancy and bad debt* (G31).

#### **Operating Costs**

Indicate all the expenses that relate to the operation of the non-residential component of the building once it is fully constructed and the occupancy of the project has stabilized (estimated 12 months post occupancy) including *realty/property taxes* (G37), *insurance* (G38), utilities including *heat* (G39), *hydro* (G40), *water* (G41), *repair and maintenance* costs (G43), *wages* provided to building staff/supervisors (G44) and any *other costs* (G45-G47) – please enter a description in the corresponding field (B45-B47). As many of these costs may not yet have been determined, you should enter estimated amounts where they are not known.

Additionally, provide the *management fee* percentage (F48) and *general and administration* fee percentage (F49). Note that during the analysis of the application, CMHC may adjust these amounts based on regional benchmarks and/or decreases in energy consumption features included in your building's construction.

#### **Loan – DCR and Ratio Calculation**

Note that there is no input required for this section – all values will be calculated based on the information you enter in other fields of the workbook.

*Loan (Non-Residential component):* The lesser of the maximum amount available and the maximum amount requested for the non-residential component will be displayed in this field.

*Interest Rate:* Contact your CMHC consultant to obtain the most recent CMHC rates. Note that for qualification purposes, CMHC will use the NHCF fund 10 year rate plus 100 basis points for the calculation of the debt coverage ratio (DCR) (note the interest rate must be the same as the residential component)

*Loan Amortization:* Indicates the number of years you will require the loan to be paid in its entirety (the maximum amount allowed under the NHCF is 50 years). (Note the amortization must be the same as the residential component)

*Mortgage Payment (monthly):* Monthly principal and interest payment.

*Mortgage Payment (annually):* Annual amount of principal and interest payments.

*Debt Coverage Ratio:* The ratio of how much income the project generates as compared to the mortgage payment (NHCF minimum DCR for non-residential component is 1.40).

*Max loan at min DCR:* This field will calculate the maximum amount of loan that can be provided for the DCR to meet the minimum requirement of the NHCF should all other variables as they relate to income and expenses in your application remain the same.

*Recommended NHCF Loan - Non-Residential Portion:* Indicates the amount and principal and interest payments for the maximum loan at minimum debt coverage ratio.

*Mortgage Payment (monthly):* Monthly principal and interest payment.

*Mortgage Payment (annually):* Annual amount of principal and interest payments.

*Debt Coverage Ratio (DCR):* This field will display the DCR for the recommended non-residential portion of the loan.

