West End Discussion – Financing (as of January 6, 2021)

Participants:

Allan Brennan

Margaret Verboon (Pan)

Peter Jonkman

Darren Sinke (absent with notice)

Henry Baker

Agenda:

* + Where we are
    - funds received for land purchase
    - Status of land purchase and permitting
  + Current Anticipated Construction Budget
  + Sources of Funding
    - Construction Loan
    - Long-Term Financing (Mortgage)

1. Funds Received – Total of $7,150,000 as promised for land
   1. $250,000 down payment was paid in April
   2. Balance of $6,900,000 is on hand at CCU for when required

1. Status of Land Purchase and Permitting

1. Current Anticipated Construction Budget
   1. We do not yet have a detailed budget as the design is not complete
   2. Our contractor’s estimate is for a build of about $32.4 million. To this we have to add direct costs (which for EH North Wing ended up at around 9%). PLUS Contingency of 3.5% which is the same as we budgeted for the North Wing. (We did not use most of that.) This gives us a total cost of 36.5 million.
2. Sources of Funding – Construction: Initially, we will be looking for a construction loan for the full amount. This will be secured by the new property, but will need additional support from the equity in Emmanuel Home.
   1. Total EH Debt as of December 31 is 24.6 million. By the end of 2023 (completion date) this debt will reduce to about 21.5 million
   2. Total Cost for West End is projected as 36.5 million
   3. Total Debt by completion date would be around 58.0 million
   4. Equity would at that time be: Emmanuel Home ($44 million appraised value) plus total cost of West End (43.7 million) = 87.7 million
   5. This is a loan to value ratio of 66% which is what we believe is an acceptable ratio for major lenders
   6. We will be designating a number of suites as ‘Affordable Housing’ in order to meet the needs of our community, but this should also give us access to some grants and low-interest loans from CMHC/Province/City sources during the construction phase. Not really sure of any kind of numbers on this yet.
   7. Construction Budget needs to be fine-tuned, hopefully to bring down the costs where possible

1. Sources of Funding – Long-Term Mortgage Financing. This will be combination of several types of funding:
   1. Outright grants that become available based on Affordable Housing components
   2. Low-Interest loans that we qualify for based on Affordable Housing components
   3. Life-Lease Investments based on our current model (no ownership, just tax-free rent discounts)
   4. Donations through a Society campaign to raise funds for some of the direct cost aspects of the project
      1. – Wall of Fame?
      2. – Named rooms?
      3. -
   5. Private Loans from community (Society) members (New Program) – to be presented to the Board for approval at the February meeting – Society approval (required by Bylaw) at the AGM, or through electronic means should the AGM be cancelled for any reason.
   6. Commercial Real Estate Mortgage. The current EH Mortgage is 3.29% and our opinion at this point at least is that rates will not be moving up for some time. Governments have taken on too much debt and will do everything they can to keep rates down to stimulate the economy while also keeping their own costs under control.
   7. There is a possibility that we can ask for extended amortization on this new Mortgage – normal would be 25 years but extending this out to 30 years, or even 40, would be very helpful to the operating budget in the early years.
   8. Capital Grants from local or provincial foundations
      1. Edmonton Community Foundation

1. Action Items
   1. Continue conversations with CMHC regarding assistance and alignment with their requirements (Henry/Darren)
   2. Approach the Province of Alberta for information and guidance on qualifications for assistance (Henry/Darren) by end of January 2021
   3. Approach the City of Edmonton for information and guidance on qualifications for assistance (Henry/Darren) by end of January 2021
   4. Continue to raise funds through the Life Lease Program (Henry) - ongoing
   5. Obtain Society approval to begin a Private Loan Program (Board/Darren) by end of February 2021??
   6. Complete the design and costing of the first phase of the West End facility (Cormode/Darren) by end of February 2021
   7. Build an application to present to potential lenders for a Construction Loan in the amount of 36.5 million (Henry/Darren) by early March 2021
      1. Should be presented by at least one Board member with Darren/Henry
   8. Continue to refine the anticipated Operating Budget for the West End facility (Henry) - ongoing