

Canada Mortgage and Housing Corporation – Rapid Housing Initiative 3: Risk Analysis

#	Risk Description	Likelihood - Almost Certain - Likely - Possible - Unlikely - Rare	Impact - Severe - Significant - Moderate - Minor - Negligible	Mitigation
RAPID HOUSING INITIATIVE (RHI)				
1.	The City, as the “recipient” of Cities stream funding from Canada Mortgage and Housing Company (CMHC), is responsible for any cost overruns due to change in scope, design, time to complete, site conditions or otherwise and CMHC will not increase the contribution in such circumstances.	Possible	Moderate	<p>This risk will be passed through to the non-profit providers in the individual funding agreements signed with The City. In the event of cost overruns, the providers will be expected to find additional funding or propose an alternative that The City may then work with CMHC to determine feasibility and suitability.</p> <p>The City will require evidence of a fixed price contract or construction management arrangement prior to executing the agreements with each provider.</p>
2.	Units developed cease meeting the affordability criteria and target population for the required term (minimum 20 years). The City is responsible for ensuring the affordability criteria and target population is met and would be in breach of its agreement with CMHC if they are not.	Unlikely	Significant	<p>Administration has conducted due diligence on all the providers recommended for funding to ensure The City is dealing with reputable entities, with a good history of operations over a reasonable period of time (e.g. 20 year minimum). This includes a review of the operating proformas for all projects which show they can sustainably operate their project.</p> <p>As the projects begin to operate, Administration will implement a robust monitoring function to ensure operators are continuing to meet the RHI requirements. The City will require that the successful non-profit housing providers are obligated to CMHC’s reporting requirements via a housing agreement.</p> <p>In the event that providers cease to meet the requirements, The City will have tools such as an option to purchase at a nominal sum that would enable the acquisition of the land and any development thereon that was funded by RHI. The City</p>

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				<p>would then work with CMHC to identify the best recourse (e.g. City identify another housing provider to operate the project or return of funds to CMHC) to continue to meet the RHI requirements. If a triggering event under an option to purchase has occurred and Administration recommends the exercise of such an option, budget approval, if necessary, would be sought in advance of this tool being used.</p> <p>The housing and options to purchase agreements will also be registered on title, ensuring that the providers' obligations to meet the RHI requirements run with the land.</p> <p>The City may contemplate other forms of performance security during operations if The City would incur additional costs to ensure these units meet the affordability criteria or those associated with the purchase.</p>
3.	A non-profit provider sells the housing to a private housing provider.	Unlikely	Moderate	<p>Providers are not permitted to dispose of the units or land without the prior written consent of The City and CMHC while the terms of RHI apply. In the very unlikely event a project was sold without The City's or CMHC's consent, that would be a breach of the funding agreement and the housing agreement and The City would exercise the remedies provided under the funding agreement and the housing agreement (including exercising the option to purchase with respect to the housing agreement). Both the housing agreement and the option to purchase will be registered on the title to the land.</p>

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4.	Non-profit affordable housing providers fail to start the project(s) within the project start date defined by CMHC. Or RHI units are not available for occupancy within eighteen months of approval by CMHC.	Possible	Significant	<p>Administration will be working very closely with all RHI funding recipients to provide as much corporate support as possible to ensure projects can start and finish within the required timelines. If cost overruns occur in the projects, the RHI 3 Contribution Agreement with CMHC allows for flexibility in how this issue would be handled. This includes finding an acceptable solution or reducing/cancelling the financial contribution provided by CMHC.</p> <p>In previous rounds of RHI, when projects experienced difficulties starting or finishing according to the imposed timelines, CMHC has shown significant flexibility in working with The City to find acceptable solutions. This has included switching a project entirely from a modular build to a hotel conversion and extending another project's completion deadline by 12-months when the original projects experienced significant supply chain disruptions and cost overruns.</p> <p>The City will also implement a structured payment and security regime during construction to support housing providers to achieve the critical milestones.</p>
5.	Non-profit providers cease operations ahead of the ending of their RHI agreement.	Unlikely	Significant	Administration has conducted due diligence on all the providers recommended for funding under the Cities stream and City RHI Funding to ensure The City is dealing with reputable entities, with a good history of operations over a reasonable period of time. In addition, The Investment Plan has a diversity of providers and projects which may help to spread this risk further, and two of the providers have successfully completed RHI projects through rounds 1 and 2.

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				<p>As with Risk #2, if this risk materializes The City will have the option to purchase the project and would then work with CMHC to identify the best recourse (e.g. City identify another housing provider to operate the project, return of funds to CMHC) to continue to meet the RHI requirements.</p> <p>The City may also contemplate other forms of performance security during operations in the event that The City would incur additional costs associated with this type of event.</p>
6.	Options to purchase are only activated once the housing provider has secured the land they intend to build on. This limits The City's ability to mitigate some of the risks highlighted above, particularly if a non-profit used funds for purposes other than the eligible costs.	Rare	Significant	The agreements between The City and the provider are legally binding and specifically require the providers to only use funding to pay for eligible cost for the project. If the providers default on this obligation, The City would have recourse to sue the provider in question and demand the repayment of the funds. The housing providers would also suffer significant reputational damage if they were to do this.