



DEPARTMENT OF MUNICIPAL AFFAIRS AND HOUSING

# Community Housing Acquisition Program (CHAP)

Program and Application Guide

## Program Overview

The preservation of existing affordable housing units is one of the greatest challenges in the housing sector today. Data suggests that the availability of existing affordable housing units is decreasing at a faster pace than new affordable units are being added. This is a trend that is being observed across Canada and is also affecting Nova Scotia.

The Community Housing Acquisition Program (CHAP) is designed to respond to this issue. Through CHAP, co-operatives and non-profit societies (community housing providers) can access funding to purchase existing multi-unit residential properties for the purpose of preserving existing affordable housing and expanding the supply of non-market housing.

This program can provide up to 95% financing to community housing providers to purchase existing multi-unit properties or up to 100% financing for supportive housing projects that receive operational funding from the Department of Community Services (DCS). Maximum loan amounts are \$10 million per project which is available at fixed interest rates which may be amortized over a maximum of 30 years.

## Program Description & Eligibility

This program is open to community housing providers including co-operatives or non-profit societies to support the purchase of existing multi-unit properties for the purpose of preserving existing affordable housing and expanding the community housing sector in the province.

### » Proponent requirements:

- Must be a non-profit society, charity or housing cooperative registered and in good standing with Joint Stocks in any Canadian province or territory authorized to do business in Nova Scotia
- Must have appropriate management experience operating rental housing projects of similar size and scope or acquire professional property management services
- Can provide an equity contribution of 5% toward the purchase

### » Project requirements

- Properties being purchased must contain a minimum of five self-contained units or private rooms (rooming house)
- At least 30% of existing units must have rents at or below the average market rent, as determined by the Department of Municipal Affairs and Housing (DMAH), for similar units in the immediate area
- A credible Housing Needs Assessment or Market Study that demonstrates demand for affordable rental housing in the proposed community and supports the proposed rent structure
- A recently completed Property Appraisal carried out by a certified registered appraiser
- Projects must be self-sustaining over the term of the loan with a minimum debt coverage ratio of 1.15
- Building Condition Assessment (BCA) prepared by an independent inspector showing proposed building is at least in fair condition. Proposal must incorporate a financial plan to fund any necessary repairs or deferred maintenance items.
- Environmental Site Assessment (Phase 1) prepared by an independent consultant
- Proforma for the next five years demonstrating project viability

- » Project must include a reasonable capital maintenance reserve
- » Properties that include commercial space are eligible if the commercial space does not make up more than 30% of the total square footage of the building
- » Properties that are vacant are eligible, if the building is at least in fair condition and there is a demonstrated demand in the immediate area
- » Program exclusions
  - This program does not include residential care, student residences or long-term care facilities
  - Projects that require rezoning or conversion/redevelopment are not eligible
- » Prioritization
  - Applications will be prioritized based on the following criteria:
    - Financial viability
    - Proponent capacity to undertake project
    - Readiness for acquisition
    - Proportion of affordable units obtained compared to financing requested
    - Demonstrated short- and long-term demand
    - Proponent equity contribution
    - Accessibility and energy efficiency features

## Financing

### Financing

- Maximum loan of \$10 million per project
- Up to 95% financing for the project or 100% financing for supportive housing projects (Department of Community Services must be involved. A copy of the Operating Agreement with DCS is required.)
- Additional financing may be provided for major capital repair and renewal work required identified by the Building Condition Assessment up to a maximum of 10% of the purchase price
- Maximum amortization of 30 years
- Flexible renewable terms or locked-in for 30 years
- Interest rates are fixed for the term on the first of the month following date of acquisition
- Payments of principal and interest begin one month after interest rates are fixed

### Loan Security

- Mortgage, first-priority position if the Department of Municipal Affairs and Housing (DMAH) is primary funder
- Mortgage, second-priority position if the Department of Municipal Affairs (DMAH) is providing under 50% of total funds
- General Security Agreement, first-priority position
- Assignment of Rents and Leases, where applicable

## Affordable Units

At least 30% of the units in a project must be rented below the Average Market Rents (AMR), as determined by DMAH, for the area in which the project is located, for the duration of the loan.

Rental increases will be subject to approval by DMAH and will not exceed the Consumer Price Index or the legislated rate prescribed under the Residential Tenancies Act. This applies for the duration of the loan.

For the affordable units in the project, tenant income must be below the Household Income Limits (HILs), as determined by DMAH, based on property location and unit size. Tenant income will be assessed at move-in only by the Borrower. This does not apply to existing tenants. Borrower will provide annual reporting related to new move-ins for affordable units confirming applicant incomes are within specified Household Income Limits (HILs).

### FEES

The Department of Municipal Affairs and Housing will not charge any origination fee to further support project affordability and viability.

## Required Documents

Applications for financing will be accepted. Required documents are outlined in Appendix A and include:

- Proponent information
- Project information
- Financial information

## Application Process

Loans are assessed and approved for funding on a first come, first serve basis, allowing DMAH to be responsive to the financing conditions in Purchase and Sale Agreements.

See Appendix A and B for application requirements. If you have any questions or need assistance completing an application, please email: [acquisitionprogram@novascotia.ca](mailto:acquisitionprogram@novascotia.ca) or call us at **1-844-424-2433**.

# Definitions

**Average Market Rent** – the average monthly rent for comparable rental housing in the area, as determined by the Department of Municipal Affairs and Housing (DMAH).

**Building Condition Assessment (BCA)** – a report that evaluates the condition of a building's envelope, structural foundation, superstructure, electrical and mechanical systems, including heating and cooling as well as interior finishes and fixtures. A BCA may also include the exterior elements of the property including site grading and drainage, condition of walkways, roadways and servicing infrastructure and lighting.

**Equity** – the investment in capital made by the Proponent in the form of cash.

**Housing Income Limits (HILs)** – represents the maximum tenant Income for eligibility to be a tenant residing in an affordable unit. This maximum is based on the cost of housing in the local community such that the tenant cannot obtain rental housing in good condition, meeting the National Occupancy Standards, without paying more than 30% of gross income. This maximum will be established by the Department of Municipal Affairs and Housing annually.

**Independent Inspector** – an individual that is a licensed engineer (PEng) or Architect, qualified in a structural, mechanical or electrical field practicing or able to do so in the Province of Nova Scotia with at least two years of demonstrated experience in preparing Building Condition Assessments.

**Loan Underwriting** – the process of determining if a borrower's loan application is an acceptable risk, through an assessment of borrower's ability to repay

**Loan-To-Value Ratio** – up to 95% of the purchase price or lending value as determined by HNS, whichever amount is less. Refinance: up to 85% of the lending value, as determined by the Department of Municipal Affairs and Housing.

**Mixed-Market** – rental accommodations containing different rental rates, with some units at market rents and others available to low-income tenants at below-market rents.

**Operating Budget** – the estimate of operating expenses and revenues for the project. The operating budget commences upon occupancy of the project and includes, among other things, all revenues received from rents and all operating expenses such as utilities, taxes, mortgage payments, building maintenance and related administration costs.

**Project** – the acquisition of existing affordable rental properties with rents at or below the average market rent.

**Proponent** – means a registered co-op or non-profit housing provider who has prepared and applied for financing.

**Purchase/Refinance with improvements:** up to 85% of the "as is" or "as improved" lending value, as determined by the Department of Municipal Affairs and Housing.

**Rental Accommodations** – residential rental accommodations and facilities, common areas and services used directly in association with residential accommodation.

**Tenant income** – for the purposes of determining eligibility under this program, total gross annual income from all sources for all persons in the household 18 years of age and over.

**Single Room Occupancy** – shared accommodation with both short-term and longer-term rental options. Rooming houses can have many rooms with their own refrigerator for a tenant's personal use.

**Self-Contained Residential Unit** – a housing unit providing living, sleeping, eating, food preparation and sanitary facilities.



APPENDIX A

# Application for Financing – Existing Units

Proponents are asked to submit a proposal to the Department of Municipal Affairs and Housing (DMAH) that will include the following information:

**Proponent information**

1. Name and contact information of proponent board members and executive staff
2. Confirmation the Borrower is a registered non-profit society in Nova Scotia
3. Demonstrated experience, expertise, and capacity to operate project. In the event the proponent does not have the relevant experience, indicate how this risk will be mitigated, e.g., professional property management

**Project description** – narrative description of the proposed project, including:

1. PID number, including address and availability of services within the surrounding area. A building location certificate must be provided.
2. Copy of Purchase and Sale Agreement
3. Detailed plan for any capital repair and renewal work where financing is requested, supported by quotes for work
4. Housing Needs Assessment or Market Study that clearly demonstrates demand for affordable rental housing in the proposed community
5. Site Plan including:
  - General designation of building height, number of stories
  - Number of floors
  - Units, detailing number by bedroom count

Type of Unit	# of Units	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom
Market Rental	# Total				
	# Barrier Free				
Affordable Rental	# Total				
	# Barrier Free				

- Proposed rent structure, identifying whether the following are included in monthly rent: heat, hot water, electricity, parking, other

Type of Unit	Monthly Rent	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom
Market Rental	Regular unit				
	Barrier Free				
Affordable Rental	Regular unit				
	Barrier Free				

- Square footage of residential units by type

Type of Unit	Square Footage	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom
Market Rental	Regular unit				
	Barrier Free				
Affordable Rental	Regular unit				
	Barrier Free				

- Non-residential space - unit details, proposed rent structure and square footage
- Total square footage split between residential and non-residential space
- Elevator, yes or no
- Number of parking spaces

6. Project characteristics and standards for all major components:

- Access roads
- Water/sewage
- Exterior and interior finishes
- Mechanical and electrical services
- Drawings of building and unit layout

7. Accessibility components

8. Energy efficiency components

9. Confirmation of proper land use designations (zoning)

10. Building Location Certificate

11. Building Condition Assessment completed by an Independent Inspector

12. Phase 1 Environmental Site Assessment completed by an independent consultant

13. Current Property Appraisal completed by an independent Accredited Appraiser

**Financial information**

1. Amount of financing requested
2. Source and amount of proponent’s equity contribution
3. Audited financial statements for current and preceding two fiscal years
4. Proforma Operating Budget for the project, demonstrating project viability
5. Where capital repairs and renewals are requested to be incorporated into the financing, appraisal to be provided on an ‘as-complete’ basis

## Proforma Operating Budget - Existing Units

Download and complete the Proforma Operating Budget sheet provided in MS Excel here: [Operating Budget Sheet](#). Submit the completed document along with your application.

### Section 1: Units and Rents

Unit Type	Market Rent		Affordable Rent		Total Units	Total Monthly Rent
	# Units	Monthly Rent/Unit	# Units	Monthly Rent/Unit		
Studio	0	\$-	0	\$-	0	\$-
1 Bedroom	0	\$-	0	\$-	0	\$-
2 Bedroom	0	\$-	0	\$-	0	\$-
3 Bedroom	0	\$-	0	\$-	0	\$-
4 Bedroom	0	\$-	0	\$-	0	\$-
<b>Total Units / Rent Contribution</b>	<b>0</b>	<b>\$-</b>	<b>0</b>	<b>\$-</b>	<b>0</b>	<b>\$-</b>

### Section 2: Budget Projection

Budget Item	Year 1	Year 2	Year 3	Year 4	Year 5	Comments
<b>REVENUE</b>						
<b>Tenant Revenue</b>						
Tenant Rent Revenue	\$-	\$-	\$-	\$-	\$-	
Vacancy Loss (s/b negative amount)	\$-	\$-	\$-	\$-	\$-	
<b>Non-Residential Revenue</b>						
Commercial Rent	\$-	\$-	\$-	\$-	\$-	
Laundry Revenue	\$-	\$-	\$-	\$-	\$-	
Lease Revenue	\$-	\$-	\$-	\$-	\$-	
Parking Revenue	\$-	\$-	\$-	\$-	\$-	
Other Revenue	\$-	\$-	\$-	\$-	\$-	
Building Manager Rents	\$-	\$-	\$-	\$-	\$-	
Space Rental	\$-	\$-	\$-	\$-	\$-	
<b>TOTAL REVENUE</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	



Budget Item	Year 1	Year 2	Year 3	Year 4	Year 5	Comments
<b>EXPENSES</b>						
<b>Building Expenses</b>						
Cablevision	\$-	\$-	\$-	\$-	\$-	
Electricity	\$-	\$-	\$-	\$-	\$-	
Heating Fuel	\$-	\$-	\$-	\$-	\$-	
Water & Sewer	\$-	\$-	\$-	\$-	\$-	
Insurance Premiums	\$-	\$-	\$-	\$-	\$-	
Waste Removal	\$-	\$-	\$-	\$-	\$-	
Property Taxes	\$-	\$-	\$-	\$-	\$-	
Superintendent	\$-	\$-	\$-	\$-	\$-	
<b>Administrative Expenses</b>						
Administration Charge	\$-	\$-	\$-	\$-	\$-	
Bank Service Charges	\$-	\$-	\$-	\$-	\$-	
Internet	\$-	\$-	\$-	\$-	\$-	
Telephone	\$-	\$-	\$-	\$-	\$-	
Legal	\$-	\$-	\$-	\$-	\$-	
Memberships & Dues	\$-	\$-	\$-	\$-	\$-	
Other Administration	\$-	\$-	\$-	\$-	\$-	
Audit	\$-	\$-	\$-	\$-	\$-	
<b>Maintenance Expenses</b>						
Maint Labour & Benefits	\$-	\$-	\$-	\$-	\$-	
Exterior Building Maint	\$-	\$-	\$-	\$-	\$-	
Grounds Maintenance	\$-	\$-	\$-	\$-	\$-	
Interior Building Maint	\$-	\$-	\$-	\$-	\$-	
Janitorial/Cleaning	\$-	\$-	\$-	\$-	\$-	
Pest Control	\$-	\$-	\$-	\$-	\$-	
Snow Removal/Salting	\$-	\$-	\$-	\$-	\$-	
Service Contracts	\$-	\$-	\$-	\$-	\$-	
<b>Financing and Reserves</b>						
Mortgage Payments	\$-	\$-	\$-	\$-	\$-	
Replacement Reserve	\$-	\$-	\$-	\$-	\$-	
<b>TOTAL EXPENSES</b>	\$-	\$-	\$-	\$-	\$-	
<b>NET SUPPLUS (DEFICIT)</b>	\$-	\$-	\$-	\$-	\$-	

