

HI-C Issuer Trust

Social Financing Framework

January 2021

Company Overview

HPC Housing Investment Corporation delivers long-term, low-cost financing to housing non-profits and cooperatives to build more affordable housing and regenerate Canadian community housing portfolios. HPC Housing Investment Corporation was formed in response to the large and growing capital-funding demand from affordable housing providers. HI-C Issuer Trust (“**HI-C**”) aggregates the borrowing needs of affordable housing providers and funds those needs through a single, highly credit-worthy entity. This provides Affordable Housing Companies access to long-term fixed-rate capital. Access to affordable housing is a critical component of community health, well-being and prosperity. Since 1946, governments have funded and built over 650,000 affordable housing units across Canada, yet there remains a persistent, overwhelming demand for affordable housing. Across Canada, it is estimated that there are approximately 280,000 households on waiting lists for affordable housing, with two thirds having been on a waiting list for over two years.¹ Creating new affordable housing and replacing existing, deteriorating housing assets will require significant capital. Over the next 10 years, management of HI-C estimates that between \$77 billion and \$121 billion in capital expenditures will be required to meet the demand for new and regenerated affordable housing across Canada.

HI-C bridges the gap between capital markets and affordable housing providers to help housing providers to become more financially self-sufficient as they work to address affordable housing demands in their communities. HI-C provides clients with the following:

- Fixed rate 30+ year loans
- Housing knowledge
- Financial expertise & assistance
- Low-cost administration

HI-C is supported by the Canada Mortgage and Housing Corporation’s (“**CMHC**”) Affordable Housing Innovation Fund through a Credit Enhancement Facility. HI-C clients must meet lending criteria modeled after BC Housing’s underwriting standards and CMHC Innovation Fund Criteria (where applicable; see below) in order to be eligible for loans.

Overview of Framework

In support of these practices, HI-C established the following Social Financing Framework (the “**Framework**”) which complies with the Social Bond Principles (the “**SBP**”) developed by the International Capital Markets Association as of June 2020. The Framework is based on the four core components of the SBP:

1. Use of Proceeds
2. Process for Evaluation and Selection
3. Management of Proceeds
4. Allocation and Impact Reporting


The Framework may be used by HI-C for the issuance of social bonds and/or other social financial instruments (each a “**Social Bond**”, and collectively the “**Social Bonds**”).

¹ <https://www150.statcan.gc.ca/n1/daily-quotidien/191122/dq191122c-eng.htm>

1. Use of Proceeds

HI-C intends to use the net proceeds from the issuance of Social Bonds to finance and/or refinance loans to eligible Canadian Affordable Housing Companies where the corresponding eligible affordable housing project will serve one or more of the following target populations:

- People for whom housing costs account for more than 30% of household income
- People living below the poverty line
- Excluded and/or marginalized populations and/or communities
- People with disabilities
- Unemployed and/or underemployed
- Aging populations
- Women and/or sexual and gender minorities
- Other vulnerable groups

Eligible Social Project Category	Use of Proceeds	UN Sustainable Development Goals
Affordable Housing	Loans to Affordable Housing Companies to support: <ul style="list-style-type: none"> • Takeout of construction financing • Construction of new buildings • Regeneration of affordable housing stock • Conversion of existing building to affordable housing 	 The image shows two icons for UN Sustainable Development Goals. On the left is Goal 8, 'Decent Work and Economic Growth', represented by a white bar chart with an upward-pointing arrow on a dark red background. On the right is Goal 11, 'Sustainable Cities and Communities', represented by white silhouettes of buildings on an orange background.

Affordability Definitions & Criteria

National Definition of Affordable Housing²

In Canada, governments and related entities generally consider housing to be affordable if housing costs account for no more than 30% of before tax household income.

Affordable Housing Company

A non-profit housing provider (or other person or persons controlled by a non-profit housing provider) that receives explicit or implicit government support in order to provide housing to its tenants or members at rates that are below the applicable average market rents.

HI-C's Affordability Criteria

In respect of a project, the applicable affordability standard prescribed by the municipality or province in which the project is located or, where no such standard exists, the requirement that rents applicable to the project shall be maintained at least 10% below average market rent for the applicable location.

² <https://www.cmhc-schl.gc.ca/en/developing-and-renovating/develop-new-affordable-housing/programs-and-information/about-affordable-housing-in-canada>

CMHC Innovation Fund Criteria

Where the Social Bonds will benefit from the CMHC Credit Enhancement Facility, the corresponding projects, taken as a whole and not individually, must meet the following criteria:

- a) create affordable rental housing units and maintain such units in accordance with the Affordability Criteria in perpetuity;
- b) a minimum of 10% of the units in such portfolio of projects meet accessibility requirements;
- c) are situated such that adequate access to public transit and/or services is available;
- d) remain viable and sustainable with a reduced reliance on ongoing government subsidy; and
- e) meets or exceeds the Minimum NECB Requirement.

2. Process for Project Evaluation and Selection

HI-C has established the following process:

HI-C's Social Finance Committee, which may consist of members from underwriting, finance, operations and senior management, (the "**Committee**") will oversee the implementation of the Framework. Other representatives of HI-C may be admitted as additional members of the Committee.

In advance of each financing, the Committee will identify projects that satisfy the eligibility criteria set forth in the "Use of Proceeds" section. Should the Committee (by majority vote) determine that a project satisfies such eligibility criteria, the Committee will present that project to HI-C's Trustees for final approval (approved projects being "**Eligible Social Projects**"). The approval by HI-C to advance a loan to an Affordable Housing Company must be evaluated based on HI-C's underwriting policies.

A list of Eligible Social Projects, for which loans have been approved and advanced, will be maintained in a Social Bond Register and will include the project name and location, description of the use of proceeds, reference to the relevant eligibility criteria and amount allocated. The relevant information of each Social Bond issue will also be documented in the Social Bond Register.

3. Management of Proceeds

HI-C will not issue Social Bonds until the loans they fund have been originated and approved. The term and amortizing structure will match those of the underlying loans. For takeout loans, the entire net proceeds of the Social bond will be immediately lent to the Affordable Housing Companies for the purposes specified in the "Use of Proceeds" section above. Net proceeds will be immediately applied on a 'back-to-back' basis to eligible loans to the Affordable Housing Companies. Consequently, HI-C will not establish arrangements to temporarily hold, disburse or otherwise manage proceeds. For construction and blended takeout loans, the proceeds of the Social Bond will be held back and subsequently lent to the Affordable Housing Companies at such time as the conditions precedent to advance set out in the applicable loan agreements have been satisfied. Funds that are held back for this purpose will be held by HI-C in a segregated account. The amounts retained by HI-C may be invested in Permitted Investments, as defined in the applicable loan agreements.

4. Allocation and Impact Reporting

HI-C will provide updates within a year of issuance via its annual reporting package or investor presentations that will include relevant information such as Eligible Social Projects, amount allocated to Eligible Social Projects and the balance of unallocated net proceeds.

HI-C will provide information on social impact metrics for applicable Eligible Social Projects and where feasible and practicable, HI-C may provide such information as:

- Number of new affordable housing units created, including type of units
- Number of accessible units created
- Average affordability rate
- Average distance to access public transportation

