

## CMHC Update

The Enhanced Apartment Construction Loan Program



## Updates to CMHC Apartment Construction Loan Program (November 2024)

CMHC has issued updates regarding the Apartment Construction Loan Program (“ACLP”). The Enhanced Apartment Construction Loan Program introduces three new streams: Standard Rental, Seniors Housing and Student Housing. In this bulletin, EllisDon Community Builders (“EDCB”) will provide an overview of the newly introduced streams and how they might impact new developments.

### Key Features of The Enhanced Affordable Housing Fund:

- Extends the program timeline from 2027–28 to 2031–32.
- Include both on- and off-campus student housing
- Adds independent seniors’ housing to the list of eligible projects
- Eliminates minimum requirements for accessibility and energy efficiency
- Encourages applicants to prioritize rental supply and achieve better social and community outcomes through stronger commitments

### Summary of the Standard Rental Housing, Seniors Rental Housing and Student Housing

Eligibility criteria for the three primary streams—Standard Rental Housing, Seniors Housing and Student Housing—are tailored to specific applicant groups, including Private entrepreneur/builder/developer, public or private non-profit housing organization, Post-secondary educational institution (only for Student housing stream), rental co-operative (Note: equity co-ops are not eligible – this is only for the standard rental and seniors housing), and other levels of government (Indigenous Governing Body, Province, Territory, Municipality).

Below is a summary of the intention of the three streams introduced as part of the Enhanced Apartment Construction Loan Program:

- The Standard Rental Housing stream requires at least 5 self-contained units and focuses on residential properties, with non-residential space capped at 30%. Eligible applicants include private developers, non-profits, and governments. Financial viability, property management experience, and affordability criteria (e.g., 20% of units below 30% of median income) are key requirements. Loans can cover up to 100% of residential costs, with flexible terms based on affordability and project viability.
- The Seniors Housing stream targets projects with at least 50 self-contained units for seniors. Applicants must demonstrate operational experience or partner with qualified management firms. Affordability requirements mirror those of the Standard Rental stream, with rents capped for at least 10 years. Loans offer similar terms, including a 50-year amortization period, and prioritize accessibility and senior-specific needs.
- The Student Housing stream covers both on-campus (owned by post-secondary institutions) and off-campus housing. On-campus projects must be within walking distance to campus, while off-campus projects must be well-served by public transport. Eligibility includes educational institutions, private developers, and non-profits. Like the other streams, affordability and financial viability are essential, with rent caps and flexible loan terms based on project specifics.

### Property Details

Table 1 summarizes the property details.

Table 1: Property Details

Type	Standard Rental	Seniors Housing	Student Housing: On-Campus	Student Housing: Off-Campus
Number of units	Minimum of 5 units	Minimum of 50 units	Minimum of 5 units	Minimum of 5 units
Self-contained units	Fully self-contained units only	Fully self-contained units only	Eligible (no prescribed maximum bedrooms)	Eligible (maximum 4 bedrooms)

Type	Standard Rental	Seniors Housing	Student Housing: On-Campus	Student Housing: Off-Campus
Non-self-contained units	N/A	N/A	Eligible	Ineligible
Location	N/A	N/A	Projects owned by the post-secondary educational institution (majority ownership >= 50%) may also be considered "on-campus" provided the student housing project is within walking distance to campus	Must be conveniently serviced by public transportation or within walking distance to campus
Use	Primary use is residential. Any non-residential component cannot exceed 30% of total gross floor space, nor 30% of total cost.			

### Eligibility

Table 2 summarizes the borrower eligibility.

Table 2: Borrower eligibility

Type	Standard Rental	Seniors Housing	Student Housing
Applicant	<p>Eligible applicants include but are not limited to:</p> <ul style="list-style-type: none"> <li>Private entrepreneur/builder/developer</li> <li>Public or private non-profit housing organization</li> <li>Rental co-operative (Note: equity co-ops are not eligible)</li> <li>Other levels of government (Indigenous Governing Body, Province, Territory, Municipality)</li> </ul>	<p>Eligible applicants include but are not limited to:</p> <ul style="list-style-type: none"> <li>Private entrepreneur/builder/developer</li> <li>Public or private non-profit housing organization</li> <li>Rental co-operative (Note: equity co-ops are not eligible)</li> <li>Other levels of government (Indigenous Governing Body, Province, Territory, Municipality)</li> </ul>	<p>Eligible applicants include but are not limited to:</p> <ul style="list-style-type: none"> <li>Post-secondary educational institution</li> <li>Private entrepreneur/builder/developer</li> <li>Public or private non-profit housing organization</li> <li>Other levels of government (Indigenous Governing Body, Province, Territory, Municipality)</li> </ul>
Property Management Experience	<ul style="list-style-type: none"> <li>At least 5 years' experience operating a seniors housing property of similar type and size</li> <li>Alternatively, the borrower must enter into a long-term contract (minimum five years) with a third-party property management firm that has demonstrated five years of successful experience in operating similar size and type of facilities</li> </ul>		
Credit and Repayment History	<ul style="list-style-type: none"> <li>At least break-even cash flow over past 5 years with excellent credit and repayment history</li> </ul>		
Construction Management Experience	<ul style="list-style-type: none"> <li>Successfully completed a similar project on time and within budget</li> <li>Alternatively, borrowers must enter into a fixed price contract with a general contractor who has experience building projects of similar size, cost, building form and construction type in the same market area</li> <li>Borrowers must have a demonstrated ability to withstand unexpected increases in construction cost</li> </ul>		

	<ul style="list-style-type: none"> <li>For newly formed groups, alternate covenants, collateral, and mitigation may be considered</li> </ul>
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**Mandatory Minimum Requirements**

Applications must meet all minimum requirements for the AHF to be considered.

Table 3: Mandatory Minimum Requirements

Type	Standard Rental	Seniors Housing	Student Housing
Housing Need	The proposed project must respond to a need for rental supply	The proposed project must respond to a need for seniors housing	The proposed project must respond to a need for student housing
Loan Size	Minimum loan size of \$1 million		
Financial Viability	Applicants must demonstrate financial and operational capacity to sustain the project without ongoing subsidies, meet debt coverage ratios, and manage development risks like cost overruns and construction delays		
Affordability	<p>Projects must meet one of the following affordability criteria for at least 10 years:</p> <ul style="list-style-type: none"> <li>Option A: At least 20% of units have rents at or below 30% of the median total income for families in the subject market</li> <li>Option B: Rents align with an approved affordable housing program or initiative (federal, provincial, territorial, municipal) that supports the project</li> </ul>	<p>Projects must meet one of the following affordability criteria for at least 10 years:</p> <ul style="list-style-type: none"> <li>Option A: At least 20% of units have rents at or below 30% of the median total income for families in the subject market</li> <li>Option B: Rents align with an approved affordable housing program or initiative (federal, provincial, territorial, municipal) that supports the project</li> </ul>	<p>Base Rents:</p> <ul style="list-style-type: none"> <li>At loan initiation, rents must be comparable to local on-campus student housing or supported by a market study. Rents should not exceed the lower end of the local market. CMHC will review rent reasonableness, based on unfurnished units</li> <li>Alternatively, Rents may also comply if set according to an affordable housing program or initiative</li> </ul> <p>Rent Increase: Rent increases must be capped for at least 10 years from first occupancy, as follows:</p> <ul style="list-style-type: none"> <li>Increases allowed by applicable legislation or affordable housing programs</li> <li>If no such programs apply, annual increases are capped at the Consumer Price Index (CPI) plus 2%, with a maximum of 5% per year</li> </ul>

**Prioritization of Social Outcomes for All Streams**

Table 4 summarizes the social outcomes required under all 3 streams.

In addition to meeting mandatory minimum requirements, ACLP will prioritize projects with higher scores based on the achievement of outcomes within the following priority areas:

Table 4: Prioritization of Social Outcomes

Criteria	Social Outcomes
Affordability	<ul style="list-style-type: none"> <li>Commit to deeper levels of affordability</li> <li>Commit to more units of affordable units</li> <li>Commit to longer affordability periods</li> </ul>



Criteria	Social Outcomes
Energy Efficiency	<ul style="list-style-type: none"> <li>Greater energy efficiency improvement and GHG emission reductions</li> </ul>
Accessibility	<ul style="list-style-type: none"> <li>Greater number of accessible units and level of accessibility provided</li> </ul>
Community Oriented	<ul style="list-style-type: none"> <li>Support community-oriented solutions</li> </ul>
Units	<ul style="list-style-type: none"> <li>Achieve a unit-mix that supports family sized units</li> </ul>

## Lending Flexibilities

ACLPL uses a point system that provides applicants with the opportunity to qualify for more favourable lending terms by making stronger commitments to certain social outcomes. Total points will determine available lending flexibilities.

Table 5: Lending Criteria Score Metrics

Type	Standard Rental	Seniors Housing	Student Housing
Affordability Commitment	<ul style="list-style-type: none"> <li>Points gained based on the length of the affordability period</li> <li>As well as the affordability depth and,</li> <li>For the number of units being affordable</li> </ul>	<ul style="list-style-type: none"> <li>Points gained based on the length of the affordability period</li> <li>As well as the affordability depth and,</li> <li>For the number of units being affordable</li> </ul>	<ul style="list-style-type: none"> <li>Points gained based on the length of the affordability period</li> </ul>
Market Adjustment	<ul style="list-style-type: none"> <li>ACLPL affordability criteria highlight challenges in markets with high rents and low median incomes</li> <li>A market adjustment score supports equitable access to lending flexibilities</li> <li>Reflects the recognition of market uniqueness</li> </ul>		<ul style="list-style-type: none"> <li>N/A</li> </ul>
Climate Commitment	<ul style="list-style-type: none"> <li>Point system based on energy efficiency graded by the 2020 NECB Step Code and the 2020 NBC Step Code.</li> </ul>		
Overall Score	<ul style="list-style-type: none"> <li>The overall score based on the points gained from the above metrics will determine: <ul style="list-style-type: none"> <li>Maximum LTC ("Loan-to-Cost")</li> <li>Maximum amortization</li> <li>Loan term</li> <li>Other</li> </ul> </li> </ul>		

## Lending Details

Table 6 summarizes the lending details.

Table 6: lending details

Type	Standard Rental	Seniors Housing	Student Housing
Maximum LTC	<ul style="list-style-type: none"> <li>Up to 100% LTC for the residential loan component</li> <li>Up to 75% LTC for the non-residential loan component</li> </ul>		
Advancing	<ul style="list-style-type: none"> <li>Loan may be advanced up to 100% of costs during construction</li> <li>First construction draw needs to be within 6 months of the executed loan agreement</li> </ul>		
Minimum DSCR	<ul style="list-style-type: none"> <li>1.10 for residential loan component</li> <li>1.40 for non-residential loan component</li> </ul>	<ul style="list-style-type: none"> <li>1.20 for residential loan component</li> <li>1.40 for non-residential loan component DSCR</li> </ul>	<ul style="list-style-type: none"> <li>1.20 for residential loan component</li> <li>1.40 for non-residential loan component</li> </ul>
Interest Rate	<ul style="list-style-type: none"> <li>Term begins at first loan advance</li> <li>Fixed rate locked in at beginning of term</li> </ul>		

Type	Standard Rental	Seniors Housing	Student Housing
	<ul style="list-style-type: none"> <li>Interest only payments financed by the loan during construction through to occupancy permit</li> <li>Interest only payments paid by the borrower from occupancy permit until 12 consecutive months of stabilized effective gross income (stabilization)</li> <li>Principal and interest payment from stabilization to end of term</li> <li>Closed to prepayment</li> </ul>		
Amortization	<ul style="list-style-type: none"> <li>Up to 50 years – cannot exceed the economic life of the project</li> </ul>		
Security Type	<ul style="list-style-type: none"> <li>First and pari passu mortgages are permitted</li> <li>A second mortgage may be considered if there is a pre-existing, insured first mortgage related to the project</li> </ul>		
Reserve Requirement	<ul style="list-style-type: none"> <li>No mandatory requirement for a replacement reserve</li> </ul>	<ul style="list-style-type: none"> <li>No mandatory requirement for a replacement reserve</li> </ul>	<ul style="list-style-type: none"> <li>No mandatory requirement for a replacement reserve.</li> <li>Projects that provide furnishings will be subject to a replacement reserve</li> </ul>
Other Underwriting Requirements	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>Some additional services (e.g. meals, etc.) are permitted but cannot be included in rents submitted as part of the application</li> </ul>	<ul style="list-style-type: none"> <li>Meal plans are permitted but cannot be included in rents submitted as part of the application</li> <li>Furnished units/bedrooms may be considered. CMHC will only recognize rent amounts that are based on unfurnished units. No value will be attributed to the furnishings</li> <li>12-month lease agreements are preferred. If the lease agreement is less than 12-months, accepted annual income will be based only on the term of the lease (i.e., for an 8-month lease, the accepted revenue would only be 8 times the monthly rent)</li> </ul>
Premiums	<ul style="list-style-type: none"> <li>The cost of the mortgage loan insurance is not passed along to the borrower. However, the PST on the mortgage loan insurance premium (as applicable) is payable by the borrower</li> </ul>		
Application Fees	<ul style="list-style-type: none"> <li>Payable at time of underwriting</li> <li>Residential portion: \$200 per bed/unit for first 100 beds/units, then \$100 per bed/unit thereafter to a maximum of \$55,000 per loan</li> <li>Non-residential portion: 0.30% of the non-residential loan amount if it exceeds \$100,000</li> </ul>		
Borrower Net Worth	<ul style="list-style-type: none"> <li>The borrower must have a minimum net worth equal to at least 25% of the loan amount being requested, with a minimum of \$100,000</li> <li>Flexibility in CMHC's standard net worth requirements may be available</li> </ul>	<ul style="list-style-type: none"> <li>The borrower must have a minimum net worth equal to at least 25% of the loan amount being requested, with a minimum of \$100,000</li> <li>Flexibility in CMHC's standard net worth requirements may be available</li> </ul>	<ul style="list-style-type: none"> <li>The borrower must have a minimum net worth equal to at least 25% of the loan amount being requested, with a minimum of \$100,000. Flexibility in CMHC's standard net worth requirements may be available</li> <li>The borrower must have the financial capacity to sustain one full year of operations including at 100% vacancy, assuming the property is not ready for occupancy at the beginning of the school year</li> </ul>

Type	Standard Rental	Seniors Housing	Student Housing
Guarantee Requirements	<ul style="list-style-type: none"><li>• The borrower and guarantor must provide their covenant/guarantee for 100% of the loan during construction and rent-up. After rent-up, when the project has achieved the rental income used in the underwriting of the loan, the loan may become non-recourse to the borrowers and guarantors for deficiency after enforcing the security in the case of default.</li><li>• In all cases, CMHC may require additional risk mitigation measures as it deems appropriate (e.g. equity retention, replacement reserves, collateral security, personal guarantees).</li></ul>		

Contact [Nick Gefucia](#) to discuss how EllisDon Community Builders can help you advance your project.