

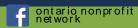
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Enabling Community Hubs: The Role of Infrastructure Ontario

One of the challenges of developing a community hub is having access to capital for renovations, and/or purchase of the hub facility. Infrastructure Ontario is a ready solution in a complex financing field. Lending institutions are often reluctant to loan to nonprofit providers but Infrastructure Ontario (IO) is experienced in making such loans.

Under the Open for Business initiative, ONN worked with the then Ministry of Infrastructure (MI) and Infrastructure Ontario (IO) to identify key nonprofit subsectors for approval, as being eligible for IO loans. The working group agreed on proposals to have arts groups, community solar projects, daycares and a more flexible definition of community hubs eligible to apply for Infrastructure Ontario loans. Much of the policy work has been done and can be a foundation for further work on loan access for Community Hubs. Based on this, ONN proposes the following:

- 1. Community hubs of all types should be eligible to apply for IO loans. IO loans are advantageous for the nonprofit sector because they provide funds during construction without repayment and interest until after construction. In addition, they offer a below market interest rate over a long period of time (up to 40 years). This makes it feasible for some organizations to successfully undertake building or renovation projects. For example, the YWCA in Toronto estimates that it saved 1 million on its Elm Street project by using an Infrastructure Ontario loan rather than another loan mechanism. The application process is rigorous but once approved, IO does not impose an undue burden: it is easy for nonprofits to work with. In addition, IO will fund organizations when banks are reluctant. Given the missions and work of many organizations, banks are sometimes reluctant to loan even when the eligibility is otherwise excellent.
- 2. IO loans would enable the development of community hubs by providing timely access to critical capital financing. With the expanded definition of community hubs, child focused and community focused organizations could come together in a community hub. If the expanded definition of community hubs eligible for IO loans is approved, it would allow hub development to be undertaken with a community service lead, with municipalities and school boards taking secondary or support roles in a broader hub partnership.
- 3. Loan guarantees from the school boards or municipality would make obtaining IO loans for community hubs much easier to obtain. One of the limitations of accessing IO funding is the requirement of 110-115% repayment capacity for a loan. Some organizations, especially in the smaller centres, might have trouble having that much in reserves or assets. A loan guarantee would solve this problem.



A History of IO Loans to Community Organizations

Infrastructure Ontario was originally designed primarily to provide loans to municipalities and utility companies. This meant the loans were large and involved relatively few transactions. Over time, the program expanded to selected nonprofit subsectors that were government priorities for various initiatives. In addition, a few individual organizations were allowed to access the fund through Orders in Cabinet for their specific projects. The result is uneven access to Infrastructure Ontario funds by different groups in the sector. Hospices are eligible, for example, but homeless shelters are not; arts training organizations are eligible, but not the performing arts organizations. In 2012, the government broadened access to include community health centres and adult addictions services only *if* they partnered with community service providers funded by the Ministry of Community and Social Services or the Ministry of Children and Youth Services or providers of settlement services. Recreational facilities and aboriginal projects were also made eligible at that time (with no specific partner required). For details on the IO Loan program see here.

By 2012, when the nonprofit sector, through ONN, engaged in the Open for Business process with the Ontario Government, one of the five sector priorities was making access to Infrastructure Ontario loan funds more open and consistent across the subsectors. A group of sector leaders supported by ONN formed a working group with the Ministry of Infrastructure and Infrastructure Ontario. This working group met between September 2012 and September 2013 on how best to broaden the access to Infrastructure Ontario Funds for the sector. In the course of these discussions, ONN came to understand how Infrastructure Ontario works and how it might best be accessed by community organizations to support public benefit work. The Ministry and IO had the opportunity to understand more about the sector and possibilities for expansion of eligibility. The working group agreed on proposals to have arts groups, community solar projects, daycares and a more flexible definition of community hubs eligible to apply for Infrastructure Ontario loans. This proposed expansion has not yet been approved or implemented.

The new definition of *community hubs* that MIO, IO and ONN were discussing would have required any two organizations that were already listed as "IO approved" (including the new additions - daycare, and arts organizations) to have an agreement to occupy the space to be recognized as a community hub. Currently, hubs are limited to partnership that involve an adult addictions program or a community health centre with an eligible social service agency. This has proven too limiting for community organizations, as it has been hard to find interested and appropriate health partners.

Enabling Community Hubs

To enable community hubs more readily, under the proposed revised definition any organization from an "IO qualified sector" could partner with any organization from a sector already preapproved for eligibility for IO loans. In addition, the partnership options would be broader (e.g. could be a tenant commitment), not restricted to a joint venture partnership.

The changes outlined above would facilitate the development of community hubs responsive to the challenges and opportunities faced by the communities they serve across Ontario.