

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, MARCH 05, 2025**

SUBJECT Castanea Place Mortgage Renewal

ISSUE SUMMARY

British Columbia Housing Management Commission (BCHMC) requires a Certified Resolution of Directors, Pre-Renewal Checklist for Sponsor Groups and an authorized Commitment to Lend from the Capital Region Housing Corporation (CRHC) Board of Directors to renew the mortgage for Castanea Place.

BACKGROUND

The mortgage for Castanea Place, a 59-unit family townhome complex at 2860 Quadra Street in Victoria is due for renewal on June 1, 2025. The building is owned and operated by the CRHC.

BCHMC intends to renew the mortgage through the Canada Mortgage and Housing Corporation (CMHC) Direct Lending Program, which offers lower interest rates than other lenders. The rate for a five-year term effective for March 1 – 31, 2025 for CMHC Direct Lending is currently posted at 3.18%. At time of renewal the interest rate could differ from the posted rate as interest rates for renewals are set at the equivalent term Government of Canada benchmark bond yield plus no more than approximately 0.50% per annum compounded semi-annually.

Renewal details are shown in Table 1.

Table 1 – Mortgage Details

Building	Existing Mortgage Interest Rate	Principal at Renewal	Annual Subsidy	Remaining Term	Mortgage Maturity Date	Operating Agreement Maturity Date
Castanea Place	0.69%	\$1,386,505	\$183,142	4 yr.8 mo.	Feb. 1, 2030	Jan. 31, 2030

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

1. That the Resolution, Pre-Renewal Checklist and Commitment to Lend required by BC Housing Management Commission to renew the mortgage for Castanea Place through the Canada Mortgage and Housing Corporation Direct Lending Program for a term of 4 years and 8 months be approved; and
2. That Edward Robbins, Chief Administrative Officer, or Nelson Chan, Chief Financial Officer, or their duly authorized delegates, together or with any one officer or director of the Borrower for and on behalf of the Borrower be authorized to sign any documents related to the mortgage renewal.

Alternative 2

That staff be directed to review other financing options based on Capital Region Housing Corporation Board direction. Please note this option would require BC Housing Management Commission's approval.

IMPLICATIONS

Financial Implications

If the Board approves the CMHC Direct Lending mortgage renewal, CRHC will continue to benefit from the preferential interest rates available through CMHC Direct Lending while also supporting the continuation of the annual rent subsidy assistance for Castanea Place until the expiry of the operating agreement.

A Board decision to not renew the mortgage under the CMHC Direct Lending Program would necessitate acquiring BCHMC’s permission and securing a commitment for alternate financing through private lenders. For comparison, the current posted rates for a 5-year fixed term mortgage from Vancity is 4.09% and Scotiabank is 6.49%.

The CRHC will not have an impact on the debt servicing cost, as BCHMC will be adjusting the subsidy to absorb the interest rate increase.

An evaluation of borrowing rates shows the CMHC Direct Lending interest rate is the most cost-effective option and will ensure maximum annual rent subsidy assistance.

Prepayment of the outstanding loan balance is not a permitted option. Financing secured outside of CMHC’s Direct Lending Program will result in the federal housing subsidy to be based on the lesser of the Direct Lending interest rate and the outside lender’s interest rate.

The Umbrella Operating Agreement states that the economic operating costs will be recalculated on the renewal of the mortgage to consider new payments for the loan. This language ensures that the monthly subsidy amount received from BCHMC will be adjusted to absorb the anticipated increase in debt servicing costs.

CONCLUSION

The mortgage for Castanea Place is due for renewal on June 1, 2025. The most cost-effective option is to renew through CMHC Direct Lending.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

1. That the Resolution, Pre-Renewal Checklist and Commitment to Lend required by BC Housing Management Commission to renew the mortgage for Castanea Place through the Canada Mortgage and Housing Corporation Direct Lending Program for a term of 4 years and 8 months be approved; and
2. That Edward Robbins, Chief Administrative Officer, or Nelson Chan, Chief Financial Officer, or their duly authorized delegates, together or with any one officer or director of the Borrower for and on behalf of the Borrower be authorized to sign any documents related to the mortgage renewal.

Submitted by:	Don Elliott, BA, MUP, Senior Manager, Regional Housing
Concurrence:	Patrick Klassen, MCIP, RPP, Acting General Manager, Housing, Planning and Protective Services
Concurrence:	Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer
Concurrence:	Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer

ATTACHMENTS:

- Appendix A: Resolution of Directors
- Appendix B: Pre-Renewal Checklist for Sponsor Groups
- Appendix C: Commitment to Lend