

**REPORT TO CAPITAL REGION HOUSING CORPORATION BOARD
SPECIAL MEETING OF WEDNESDAY, NOVEMBER 18, 2020**

SUBJECT Mortgage Renewal – The Hamlet

ISSUE SUMMARY

BC Housing Management Commission (BCHMC) requires a resolution from the Capital Region Housing Corporation (CRHC) Board of Directors to renew the mortgage for The Hamlet, 2620 Shakespeare Street.

BACKGROUND

The mortgage for The Hamlet is due for renewal on February 1, 2021.

BCHMC intends to renew the mortgage through Canada Mortgage and Housing Corporation (CMHC) Direct Lending, which offers lower interest rates than other lenders. The rate for a 4-year - 8 month term as of October 2020 for CMHC Direct Lending is currently posted at 0.68%. 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 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	Operating Agreement & Mortgage Maturity Date
The Hamlet 10-unit townhouse	3.43%	\$245,555	\$53,091	4 yr. 8 mo.	September 30, 2025 October 1, 2025

ALTERNATIVES

Alternative 1

- a) That the resolution required by BC Housing Management Commission to renew the mortgage for The Hamlet through the Canada Mortgage and Housing Corporation Direct Lending Program for a term not to exceed the expiry of the existing operating agreement be approved; and
- b) That the Chief Administrative Officer and Chief Financial Officer 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.

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 The Hamlet until the expiry of the operating agreement.

A Board decision to not renew the mortgage under CMHC Direct Lending would necessitate securing a commitment for alternate financing through the Municipal Finance Authority (MFA) under the Capital Regional District (CRD) or through private lenders. As an example, commercial residential mortgages are currently available from Vancity at approximately 2.75%.

Under the MFA option, the CRHC would borrow through the CRD and would require \$245,555 in borrowing authority against the maximum borrowing allowed under Loan Authorization Bylaw No. 3715 and the maximum levy allowed under Service Establishment Bylaw No. 3712. This would require an amendment to the limits in each bylaw, requiring an approval process. The current posted five-year MFA rate is 0.91%.

An evaluation of borrowing rates shows the CMHC Direct Lending interest rate is the most cost-effective option.

CONCLUSION

The mortgage for The Hamlet is due for renewal on February 1, 2021. The most cost-effective option is to renew through CMHC Direct Lending.

RECOMMENDATION

- a) That the resolution required by BC Housing Management Commission to renew the mortgage for The Hamlet through the Canada Mortgage and Housing Corporation Direct Lending Program for a term not to exceed the expiry of the existing operating agreement be approved; and
- b) That the Chief Administrative Officer and Chief Financial Officer be authorized to sign any documents related to the mortgage renewal.

Submitted by:	Sharon Grigg, CRHC Manager, Operations, Regional Housing
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Rianna Lachance, BCom, CPA, CA, Acting Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer