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REPORT TO HOSPITALS AND HOUSING COMMITTEE MEETING OF WEDNESDAY, FEBRUARY 03, 2021

SUBJECT **Hockley House Mortgage – Tri-Partite Agreement and Landlord Estoppel Certificate: 830 Hockley Avenue**

ISSUE SUMMARY

BC Housing Management Commission (BCHMC) requires that the Capital Regional District (CRD) Board of Directors authorize the execution of the Tri-Partite Agreement and Landlord Estoppel Certificate in order for the Capital Region Housing Corporation (CRHC) to execute the Hockley House mortgage documents.

BACKGROUND

In November 2018, the Regional Housing First Program (RHFP) partnership approved the Hockley House development project, located at 830 Hockley Avenue, Langford, BC. At the same time the CRHC Board of Directors agreed that the CRHC would be the operator of this property.

The CRD will purchase this property and hold 100% ownership. Canada Housing and Mortgage Corporation (CMHC) will provide a grant for 20% of the units through CMHC's contribution to the RHFP to the CRD. The CRHC will enter into a 60-year prepaid lease agreement with the CRD equal to the amount of the mortgage. The CRHC will also enter into an operator agreement with the CRD to ensure that the CRHC meets the terms of the RHFP. The CRHC will operate 100% of the units and will be responsible for financing the remaining 80% of the cost of the project. This will be financed through the BC Housing Community Partnership Initiative (CPI) Financing Program. Operations and debt financing will be paid for through the tenant rent revenue. No ongoing subsidy is required.

The final project budget is \$32,775,610. The approved project budget included a \$7,200,000 RHFP equity contribution, and a repayable \$25,575,610 mortgage. BC Housing approved this project using the projected interest rate of 2.25%.

At closing (March 2021), the repayable mortgage will be provided initially as short-term financing by BC Housing. BC Housing will undertake a procurement process to place the debt with a lender, and the mortgage will convert to take-out financing in June 2021. From March until June, a variable rate will be charged by BC Housing, and once placed with the lender the rate will become fixed for a term. At the time of take-out financing, the mortgage documents will be modified to reflect the final amount, term, and interest rate.

Mortgage registration requires registration of a Section 219 Covenant granted in favour of BCHMC and registered on title. A Section 219 Covenant is a means of preserving a property's special attribute; in this case, the use of the building for affordable housing. The conditions of the Section 219 Covenant are set out in the CPI Operating Agreement. The CPI Operating Agreement states that the CRHC will provide housing to households with low-to-moderate incomes.

The Tri-Partite Agreement, which forms part of the mortgage documents, is an agreement between the CRD, the CRHC, and BCHMC. This agreement overlaps with the Landlord Estoppel Certificate and is in place because the land and improvements will be leased to the CRHC by the CRD. As a condition of making the loan, the lender wishes to use this Tri-Partite Agreement to set out rights and obligations relating to the lease and mortgage. The agreement will ensure that the lease remains in force and in effect, and the parties agree to keep the lease in good standing. It also prevents the CRHC and the CRD from terminating their lease agreement without written consent of BCHMC.

ALTERNATIVES

Alternative 1:

The Hospitals and Housing Committee recommends to the Capital Regional District Board: That staff be authorized to execute any agreements with Capital Region Housing Corporation and BC Housing Management Commission and to take steps necessary to conclude the purchase of 830 Hockley Avenue, Langford, BC.

Alternative 2:

That staff be directed to review other financing options based on Hospitals and Housing Committee direction.

IMPLICATIONS

Financial Implications

Short-term financing and take-out financing must be secured in order to advance the purchase of 830 Hockley Avenue. The Tri-Partite Agreement and Landlord Estoppel Certificate forms part of the mortgage agreement and is a condition of financing.

CONCLUSION

CRHC must secure short-term and take-out financing to purchase the Hockley House development project. The Tri-Partite Agreement and Landlord Estoppel Certificate must be in place in order to secure financing.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Regional District Board: That staff be authorized to execute any agreements with Capital Region Housing Corporation and BC Housing Management Commission and to take steps necessary to conclude the purchase of 830 Hockley Avenue, Langford, BC.

Submitted by:	Don Elliott, Senior Manager, Regional Housing & CRHC
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