

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

---

**SUBJECT**     **Hockley House Development Mortgage Registration: 830 Hockley Avenue**

**ISSUE SUMMARY**

BC Housing Management Commission (BCHMC) requires a resolution from the Capital Region Housing Corporation (CRHC) Board of Directors to authorize the execution of 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 Capital Regional District (CRD) will purchase this property and hold 100% ownership. Canada Mortgage and Housing 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 Region Housing Corporation Board:

- a) That the resolution attached as Appendix A and required by BC Housing Management Commission to authorize the execution of the Section 219 Covenant and the Loan and Mortgage documents for 830 Hockley Avenue be approved; and
- b) That staff be authorized to sign any documents related to the Loan and Mortgage and Section 219 Covenant registration 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 830 Hockley Avenue. The repayable mortgage of \$25,575,610 will bear interest at a variable rate until the interest adjustment date, which is the second month following final advancement of the principal amount. A fixed rate mortgage will commence after the interest adjustment date.

BCHMC will obtain a fixed mortgage through a competitive bidding process. BCHMC approved this project with an estimated fixed interest rate of 2.25%; however the actual rate may end up lower than the estimate given current market rates and recent issues (i.e., Spencer Close at 1.519%).

The loan commitment fee of 1% and insurance fee of \$75/unit up to \$5,000 is accounted for in the project budget.

## **CONCLUSION**

CRHC must secure short-term and take-out financing to purchase the Hockley House development project. BCHMC has provided a repayable \$25,575,610 mortgage. The repayable mortgage rate uses the Ministry of Finance's rate plus a spread of up to 9/16%, which is among the lowest in the market. BCHMC's most recent take-out financing rate was 1.519% for the Spencer Close project. BCHMC has committed to securing take-out financing fixed rates through a competitive process.

**RECOMMENDATION**

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

- a) That the resolution attached as Appendix A and required by BC Housing Management Commission to authorize the execution of the Section 219 Covenant and the Loan and Mortgage documents for 830 Hockley Avenue be approved; and
- b) That staff be authorized to sign any documents related to the Loan and Mortgage and Section 219 Covenant registration and to take steps necessary to conclude the purchase of 830 Hockley Avenue, Langford, BC.

Submitted by:	Don Elliott, Senior Manager, Regional Housing & CRHC
Concurrence:	David Hennigan, CPA, CMA, Acting Chief Financial Officer
Concurrence:	Kevin Lorette, P.Eng., MBA, Acting Chief Administrative Officer

**ATTACHMENTS:**

Appendix A: Hockley House Resolution of Directors