

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, NOVEMBER 01, 2023**

SUBJECT Heron Cove Mortgage Renewal

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 Heron Cove.

BACKGROUND

The mortgage for Heron Cove, a 24-unit family townhome complex at 10542 McDonald Park Road in North Saanich is due for renewal on December 1, 2023. The building is owned and operated by the CRHC.

BCHMC intends to renew the mortgages through Canada Mortgage and Housing Corporation (CMHC) Direct Lending Program, which offers lower interest rates than other lenders. The rate for a five-year term as of October 2023 for CMHC Direct Lending is currently posted at 4.49%. 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 |
|-------------------|---------------------------------|----------------------|----------------|----------------|------------------------|-----------------------------------|
| Heron Cove | 2.61% | \$595,491 | \$63,582 | 4 yr.10 mo. | Oct. 1, 2028 | Sept. 30, 2028 |

ALTERNATIVES

Alternative 1

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

1. That the resolution required by BC Housing Management Commission to renew the mortgage for Heron Cove through the Canada Mortgage and Housing Corporation Direct Lending Program for a term of 4 years and 10 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

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

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 Heron Cove until the expiry of the operating agreement.

A Board decision to not renew the mortgages under CMHC Direct Lending Program would necessitate securing a commitment for alternate financing through private lenders. Examples of current posted rates for a 5-year fixed term mortgage from Vancity is 5.56% and Scotiabank is 6.84%.

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.

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.

CONCLUSION

The mortgage for Heron Cove is due for renewal on December 1, 2023. 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 required by BC Housing Management Commission to renew the mortgage for Heron Cove through the Canada Mortgage and Housing Corporation Direct Lending Program for a term of 4 years and 10 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, MUP, Senior Manager, Regional Housing |
| Concurrence: | Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services |
| Concurrence: | Nelson Chan, MBA, FCPA, FCMA, Chief Financial Officer |
| Concurrence: | Ted Robbins, B. Sc., C. Tech., Chief Administrative Officer |

ATTACHMENT:

Appendix A: Resolution of Directors