



**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, JUNE 5, 2019**

SUBJECT **Mortgage Renewals - Parkview and Carey Lane**

ISSUE

BC Housing Management Commission (BCHMC) requires a resolution from the Capital Region Housing Corporation (CRHC) Board of Directors to renew the mortgages for Parkview and Carey Lane.

BACKGROUND

The mortgage for Parkview, a 26-unit townhouse complex at 825 Lodi Avenue, Saanich is due for renewal on September 1, 2019. The mortgage for Carey Lane, a 22-unit townhouse complex at 3910 Carey Road, Saanich, is also due for renewal on September 1, 2019. Both mortgages will mature in 2024 and are currently financed through Canada Mortgage and Housing Corporation (CMHC) Direct Lending for a ten-year term at 3.440%. Mortgage renewals are processed through BCHMC.

BCHMC intends to renew the mortgages through CMHC Direct Lending, which offers lower interest rates than other lenders. The 5-year term rate at April 2019 for CMHC Direct Lending is 1.86%. The 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	Principal at renewal	Annual Subsidy	Requested Term	Operating Agreement & Mortgage Maturity Date
Parkview	\$ 535,968	\$ 119,730	4 years 8 months	May 1, 2024
Carey Lane	\$ 466,049	\$ 87,645	4 years 11 months	August 1, 2024

ALTERNATIVES

Alternative 1:

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

- a) That the resolution required by BC Housing Management Commission to renew the mortgages for Parkview and Carey Lane 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 renewals.

Alternative 2:

That staff be directed to review other financing options based on CRHC Board direction.

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 and continue to receive the annual rent subsidy assistance for each project until the expiry of the operating agreement.

A Board decision to not renew the mortgages under CMHC Direct Lending would necessitate securing a commitment for alternate financing through private sector lenders. The Municipal Finance Authority (MFA) is a lending option but would:

- require the CRD borrow on behalf of CRHC at a higher interest rate (MFA 5-year indicative rate on May 14, 2019 is 2.27% or 0.41% higher than CMHC Direct Lending);
- require the CRD pay a refundable 1% debt reserve fund (DRF) on the gross amount of the loan, retained until the loan has expired;
- result in a \$1M reduction to CRD's future borrowing capacity;
- not accommodate a flexible amortization period: the remaining amortization period, based on current financing, is less than 5 years for each of the renewals (May and August 2024) which is not a standard term with MFA, but one that CMHC is able to accommodate.

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

Should the Board direct staff to borrow outside the Direct Lending program, the federal housing subsidies will be revised based on the lesser of the Direct Lending interest rate or the renewed interest rate for the remaining Direct Lending term established for the scheduled renewal date.

CONCLUSION

The CMHC Direct Lending rate for April 2019 is 1.86% for a 5-year term. It is the most cost-effective solution for Parkview and Carey Lane mortgage renewals.

RECOMMENDATIONS

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

- a) That the resolution required by BC Housing Management Commission to renew the mortgages for Parkview and Carey Lane 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 renewals.

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