



**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, OCTOBER 2, 2019**

SUBJECT **Mortgage Renewal – Brock Place**

ISSUE

BC Housing Management Commission (BCHMC) requires a resolution from the Capital Region Housing Corporation (CRHC) Board of Directors to renew the mortgage for Brock Place.

BACKGROUND

The mortgage for Brock Place, a 30-unit townhouse complex at 882 Brock Avenue, Langford, is due for renewal on January 1, 2020. The existing mortgage is secured by Great West Life Assurance Company at a rate of 5.26%.

The Brock Place operating agreement states that at the expiry of the loan term, CRHC is required to secure the loan balance in accordance with the BCHMC requirements. BCHMC will publish tender calls to interested CMHC approved lenders to secure the best interest rate and terms available in the market.

Renewal details are shown in Table 1:

Table 1 – Mortgage Details

Building	Estimated Principal at renewal	Annual Subsidy	Requested Term	Operating Agreement & Mortgage Maturity Date
Brock Place	\$2,772,893	\$124,236	10 years	January 1, 2035

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 mortgage for Brock Place 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.

FINANCIAL IMPLICATIONS

Recent tender rates BCHMC has obtained for 10-year mortgage terms are shown in Table 2:

Table 2 – BCHMC 10-year Tender Rates

Date	Rate
June 2019	2.77%
July 2019	2.47%
August 2019	2.38%
September 2019	2.20%

If the Board approves the BCHMC tendered mortgage renewal process, CRHC will continue to benefit from the preferential interest rates available through the BCHMC tender process and continue to receive the annual rent subsidy assistance for Brock until the expiry of the operating agreement.

A Board decision to not renew the mortgage under the BCHMC tender process would necessitate acquiring BCHMC's permission and securing a commitment for alternate financing through private sector lenders. Examples of current posted rates for a 10-year fixed term mortgage from Scotiabank is 6.19% and Vancity is 6.5%.

The Municipal Finance Authority (MFA) is a lending option that would require the Capital Regional District (CRD) to borrow on behalf of the CRHC. Under this option, CRD's Land Banking and Housing Service borrowing capacity would be reduced by the required \$2.8M and any increase to the maximum borrowing capacity (Bylaw No. 3715) would require an alternative approval process.

An evaluation of borrowing rates shows the BCHMC tendered mortgage renewals interest rate is the most cost effective option.

Should the Board direct staff to borrow outside the BCHMC tendered mortgage renewal process, the annual rent subsidy assistance will be revised based on the lesser of the BCHMC tendered interest rate or the CRHC acquired interest rate for the remaining 10-year term.

CONCLUSION

As per the Brock Place operating agreement, BCHMC is required to secure the loan on behalf of CRHC at expiry of the loan term. BCHMC will tender the mortgage renewal to CMHC approved lenders to secure the best interest rate and terms available in the market.

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 mortgage for Brock Place 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.

Submitted by:	Christine Culham, Senior Manager, Regional Housing
Concurrence:	Kevin Lorette, P.Eng., MBA, General Manager Planning & Protective Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
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