

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, NOVEMBER 6, 2019**

SUBJECT Mortgage Renewal - Colquitz Green

ISSUE

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

BACKGROUND

The mortgage for Colquitz Green, a 20-unit townhouse complex at 945 Portage Road, Saanich is due for renewal on February 1, 2020. The existing mortgage will mature November 1, 2024 and is currently financed through Canada Mortgage and Housing Corporation (CMHC) Direct Lending for a 10-year term at 3.51%. Mortgage renewals are processed through BCHMC.

BCHMC intends to renew the mortgage through CMHC Direct Lending, which offers lower interest rates than other lenders. The 5-year term rate at October 2019 for CMHC Direct Lending is 1.75%. 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 |
|----------------|----------------------|----------------|------------------|--|
| Colquitz Green | \$ 437,658 | \$ 80,355 | 4 years 9 months | November 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 mortgage for Colquitz Green 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 Hospitals and Housing Committee 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 Colquitz Green 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. Examples of current posted rates for a 5-year fixed term mortgage from Scotiabank is 5.19% and Vancity is 5.19%.

The CRHC cannot borrow directly from the Municipal Finance Authority (MFA), which 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 \$440K and any increase to the maximum borrowing capacity (Bylaw No. 3715) would require an alternative approval process.

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

CONCLUSION

The CMHC Direct Lending rate for October 2019 is 1.75% for a 5-year term. It is the most cost-effective solution for the Colquitz Green mortgage renewal.

RECOMMENDATION

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 Colquitz Green 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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| 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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