

## REPORT TO CAPITAL REGION HOUSING CORPORATION BOARD MEETING OF WEDNESDAY, JULY 08, 2020

**SUBJECT**      **Mortgage Renewals – Cloverhurst, Springtide, Amberlea and Arbutus View**

### **ISSUE SUMMARY**

BC Housing Management Commission (BCHMC) requires a resolution from the Capital Region Housing Corporation (CRHC) Board of Directors to renew the mortgages for Cloverhurst, Springtide, Amberlea and Arbutus View.

### **BACKGROUND**

The mortgages for Cloverhurst, Springtide, Amberlea and Arbutus View are due for renewal on October 1, 2020.

BCHMC intends to renew the mortgages through Canada Mortgage and Housing Corporation (CMHC) Direct Lending, which offers lower interest rates than other lenders. The rate for a 5-year term as of May 2020 for CMHC Direct Lending is currently posted at 0.69%. 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 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	Operating Agreement & Mortgage Maturity Date
<b>Cloverhurst</b> 10-unit townhouse	3.13%	\$213,359	\$43,824	4 yr. 7 mo.	December 31, 2024 May 21, 2025
<b>Springtide</b> 48-unit apartment	3.13%	\$714,926	\$122,028	4 yr. 7 mo.	December 31, 2024 May 21, 2025
<b>Amberlea</b> 16-unit townhouse 28-unit apartment	3.13%	\$763,742	\$122,645	4 yr. 7 mo.	December 31, 2024 May 1, 2025
<b>Arbutus View</b> 23-unit townhouse	3.13%	\$502,694	\$55,608	4 yr. 9 mo.	December 31, 2024 July 1, 2025

### **ALTERNATIVES**

#### *Alternative 1*

- a) That the resolutions required by BC Housing Management Commission to renew the mortgages for Cloverhurst, Springtide, Amberlea and Arbutus View 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 renewal.

*Alternative 2*

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 renewals, 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 Cloverhurst, Springtide, Amberlea and Arbutus View until the expiry of the operating agreements.

A Board decision to not renew the mortgages under CMHC Direct Lending would necessitate securing a commitment for alternate financing through the Municipal Finance Authority (MFA) under the Capital Regional District (CRD) or through private lenders. Examples of current posted rates for a 5-year fixed term mortgage from Scotiabank is 4.94% and from Vancity is 2.54%.

Under the MFA option, the CRHC would borrow through the CRD and would require \$2.2 million in borrowing authority against the maximum borrowing allowed under Loan Authorization Bylaw No. 3715 and the maximum levy allowed under Service Establishment Bylaw No. 3712. This would require an amendment to the limits in each bylaw, requiring an approval process. The current posted 5-year MFA rate is 1.28%.

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

**CONCLUSION**

The mortgages for Cloverhurst, Springtide, Amberlea and Arbutus View are due for renewal on October 1, 2020. The most cost-effective option is to renew through CMHC Direct Lending.

**RECOMMENDATION**

- a) That the resolutions required by BC Housing Management Commission to renew the mortgages for Cloverhurst, Springtide, Amberlea and Arbutus View 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 renewal.

Submitted by:	Christine Culham, Senior Manager, Regional Housing
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