

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, OCTOBER 06, 2021**

SUBJECT Mortgage Renewal – Cairns Park

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 Cairns Park.

BACKGROUND

The mortgage for Cairns Park, a 6-unit townhome complex at 9882 – 7th Street, Sidney, BC, constructed in 1996, is due for renewal on December 1, 2021. The current mortgage is held by MCAP Financial Corporation at a rate of 1.6980%.

The Cairns Park 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 Canada Mortgage and Housing Corporation (CMHC)-approved lenders to secure the best interest rate and terms available in the market. BC Housing requires a Resolution of the Board, attached as Appendix A, to authorize any two officers or directors of the Borrower to execute all documents related to the mortgage renewal.

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
Cairns Park 6-unit townhouse	1.698%	\$291,059	\$22,315	10 years	December 1, 2031

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 Cairns Park for a term not to exceed the expiry of the existing operating agreement be approved; and
- 2) That the Chief Administrative Officer and Chief Financial Officer 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

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
January 2020	2.840%
September 2020	1.631%
January 2021	1.519%
June 2021	2.459%

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 Cairns Park 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. Commercial lenders typical charge rates based on the current bond yield cost of funds plus 20 basis points. For comparison, rates in recent months have been in the 2.25% - 2.50% range.

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 \$291,000 and any increase to the maximum borrowing capacity (Bylaw No. 3715) would require an alternative approval process.

An evaluation of borrowing rates and subsidy levels 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 Cairns Park 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.

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 Cairns Park for a term not to exceed the expiry of the existing operating agreement be approved; and
- 2) That the Chief Administrative Officer and Chief Financial Officer be authorized to sign any documents related to the mortgage renewal.

Submitted by:	Don Elliott, BA, 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
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ATTACHMENT

Appendix A – Resolution of Directors