



**CAPITAL REGION HOUSING CORPORATION
BOARD OF DIRECTORS MEETING**

AGENDA

9:30 a.m. Tuesday, August 28, 2018
625 Fisgard St., Victoria
Room 488
Conference Line 250.360.3250

	Report / Item Number
1. Approval of Agenda	
2. Approval of Minutes of July 24, 2018	18-14
3. Westview Mortgage Registration	PPS/CRHC 2018-34
9. Adjournment	

4. GRANT APPLICATIONS FOR THE CALEDONIA, MICHIGAN SQUARE AND DRAKE ROAD DEVELOPMENTS

Christine Culham presented the report and responded to Board questions on income testing and unit mix, project sustainability, and staff capacity once buildings are operational.

It was **MOVED** by Director Braude, **SECONDED** by Director McIntyre

- a) Authorize the Senior Manager to submit applications for the Caledonia redevelopment to the *Building BC: Community Housing Fund, National Housing Co-Investment Fund, Capital Regional District's Regional Housing Trust Fund* and the City of Victoria Housing Reserve Fund;
- b) Authorize the Senior Manager to submit applications for the Michigan Square redevelopment to the *Building BC: Community Housing Fund, Capital Regional District's Regional Housing Trust Fund* and the City of Victoria Housing Reserve Fund; and
- c) Authorize the Senior Manager to submit applications for the Drake Road development to the *Building BC: Community Housing Fund* and Capital Regional District's Regional Housing Trust Fund.

CARRIED

5. TENANT RELOCATION POLICY

Christine Culham presented the report and the Board engaged in a comprehensive discussion about the policy. The Board raised concerns over the limited availability of alternate housing units for CRHC tenants

Staff were asked to confirm compensation requirements based on the Residential Tenancy Branch legislation and determine whether the compensation is to be offset with costs incurred by CRHC. Staff were asked to clarify several statements which included the terminology "where possible" and "where practical".

The Board agreed that staff could share the details of Item 2.1 (c) of the policy at the upcoming tenant consultation at Michigan Square.

It was **MOVED** by Director Braude, **SECONDED** by Director Carline

Refer the issue back to staff for more information.

CARRIED

6. MORTGAGE RENEWALS – HERON COVE, GLADSTONE, ROSEWOOD AND WILLOWDENE

It was **MOVED** by Director Price, **SECONDED** by Director Braude

- a) That the resolutions required by BC Housing Management Commission to renew the mortgages for Heron Cove, Gladstone, Rosewood and Willowdene through the Canada Mortgage and Housing Corporation Direct Lending Program for a term not to exceed the expiry of the existing operating agreements be approved; and

- b) That any two members of the Capital Region Housing Corporation Executive Committee be authorized to sign any documents related to the mortgage renewal.

CARRIED

7. QUARTERLY FINANCIAL UPDATE

It was **MOVED** by Director Carline, **SECONDED** by Director Braude
That the Quarterly Financial Update be received for information.

CARRIED

8. MANAGEMENT UPDATE REPORT

It was **MOVED** by Director Carline, **SECONDED** by Director Braude

That the Capital Region Housing Corporation Board Chair write to BC Housing to express the Board's concerns with the arrangements regarding Parry Place subsidy.

CARRIED

It was **MOVED** by Director Carline, **SECONDED** by Director Braude

That the Management Update Report be received for information

CARRIED

9. CRHC GOVERNANCE SUGGESTION

Director Carline outlined the letter provided to the Board from himself and Director Braude, offering Governance Suggestions, including the establishment of a CRHC standing committee.

Due to the complexities of the situation it was suggested to refer the matter back to staff for a report.

It was **MOVED** by Director Price, **SECONDED** by Director McIntyre

Refer the issue back to staff for more information, and to prepare a report to the Board.

CARRIED

10. CLIMATE CHANGE, AND MARIJUANA USE IN CRHC HOUSING

Director Braude brought forward two items currently affecting CRHC tenants.

West-facing units become quite warm as the climate is changing, and air conditioners are currently not permitted in units. This should be considered when building new units, and/or consider a change to the policy to ensure tenant comfort.

Marijuana use and growing of marijuana in units is currently being looked at by staff in conjunction with BC Housing. Moving to a smoke-free environment in all buildings is being considered, and would apply to marijuana as well.

There are challenges around medical marijuana and the landlord's duty to accommodate its use. This requires compromise between the landlord and tenant to reduce impact on neighbouring tenants.

11. ADJOURNMENT

It was **MOVED** by Director Braude, **SECONDED** by Director Carline

That the meeting be adjourned.

CARRIED

The meeting was adjourned at 11:25 a.m.

David Screech, Chair

Colleen English, Recorder



PPS/CRHC 2018-34

**REPORT TO CAPITAL REGION HOUSING CORPORATION BOARD OF DIRECTORS
MEETING OF AUGUST 28, 2018**

SUBJECT **Westview Mortgage Registration**

ISSUE

BC Housing Management Commission (BCHMC) requires a resolution from the Capital Region Housing Corporation (CRHC) Board of Directors to authorize the execution of the Westview Mortgage documents by any two Directors.

Additionally, the CRHC Delegated Signing Authority Policy requires that the CRHC Board approve all legal documents pertaining to land acquisition and disposal of land relating to purchases, easements, rights-of-way, encroachment agreements and restrictive covenants.

BACKGROUND

Financial Commitments

In August 2018, BCHMC approved the Westview final project budget of \$21,126,170.86, including a \$4.5 million land valuation. The approved project budget included a CRHC \$1 million equity contribution, a repayable \$8,469,508.86 first mortgage, and a forgivable \$7,156,662 second mortgage in favour of BCHMC through the Investment in Housing Innovation (IHI) program. These amounts are needed to ensure the successful construction of the Westview project. Both mortgages have 35-year amortization periods and are accompanied by terms as set out in the mortgage documents.

The repayable mortgage will be charged initially as construction financing and will convert to take-out financing at the end of construction. During construction, a variable rate will be charged under the loan and a fixed rate during take-out financing. At the time of take-out financing, the mortgage documents will be modified to reflect the final amount, term, and interest rate.

Mortgage Documents Registered on Title

Mortgage registration requires registration of a Section 219 Covenant granted in favour of BCHMC and registered on title. A Section 219 Covenant is a means of preserving a property's special attribute; in this case, the use of the building for affordable housing. The conditions of the Section 219 covenant are set out in the IHI Operating Agreement. The IHI Operating Agreement states that CRHC has agreed to construct Westview with the assistance of funding under IHI and that the development will provide housing to households with low-to-moderate incomes.

Tri-Partite Agreement

The Tri-Partite agreement, which forms part of the mortgage documents, is an agreement between the CRD, CRHC, and BCHMC. This agreement overlaps with the Landlord Estoppel Certificate and is in place because the land being developed at 3816 Carey Road is leased to CRHC by the Capital Regional District (CRD). As a condition of making the loan, the lender wishes to use this Tri-Partite agreement to set out rights and obligations relating the lease and mortgage. The agreement will ensure that the lease remains in force and in effect, and the parties agree to keep the lease in good standing. It also prevents the CRHC and CRD from terminating their lease agreement without written consent of BCHMC.

ALTERNATIVES

Alternative 1:

- a) That the resolutions required by BC Housing Management Commission to authorize the execution of the Section 219 Covenant and the Loan and Mortgage documents for the Westview project be approved; and
- b) That any two members of the Capital Region Housing Corporation Executive Committee be authorized to sign documents related to the Loan and Mortgage and Section 219 Covenant registration.

Alternative 2:

Refer back to staff.

IMPLICATIONS

Construction and take-out financing must be secured in order to advance successful completion of the Westview project. A Board decision to not approve the mortgage registration would necessitate a stoppage to the project.

Should the Board direct staff to pursue alternative financing opportunities outside of BC Housing, the \$7.1 million IHI forgivable mortgage may be at risk, and significant costs and time loss will be incurred.

Forgivable Mortgage

In the event that the project costs are less than anticipated, the forgivable mortgage principal amount of \$7,156,662 will be reduced. If the project costs are more than anticipated, CRHC will seek additional funds from BC Housing that will either increase the repayable or forgivable mortgage amounts. Interest payments will not be required unless there is a default under the loan or operating agreement. In the event of a default, interest will be payable on the balance of the principal amount at the date of default at 2% per annum above the prime rate, compounded semi-annually. The prime rate means the floating annual rate of interest established and recorded by the Royal Bank of Canada.

The forgivable mortgage has no reduction in the principal amount for the first 10 years of the term. If CRHC continues to use the development for the intended purposes of housing low-to-moderate income households, the loan will be forgiven by an amount equal to 1 divided by the number of years remaining in the term, commencing in the 11th year of the mortgage. The principal amount reduces to \$0 at the end of the 35-year mortgage term.

The proposed agreement between CRHC and BCHMC requires that CRHC commit to mortgaging the land as security for repayment of the mortgage and for the performance of the borrower's promises. This will be in the form of a charge against the leasehold interest on the unexpired term of the lease, since the land is being leased to CRHC by the CRD.

Repayable Mortgage

The repayable mortgage of \$8,469,508.86 will bear interest at both a variable and a fixed rate. The variable rate will be from mortgage's first draw until the interest adjustment date, which is the first month following final advancement of the Principal Amount. The fixed rate will commence after the interest adjustment date. The variable interest rate is calculated as a weighted average of the Ministry of Finance's rate charged to BCHMC plus a spread of up to 9/16% and in any event, no more than Royal Bank's prime rate plus 1%.

As such, BCHMC has not committed to a definite rate, but has limited the spread and has committed to obtaining a fixed rate through a competitive bidding process. The Ministry of Finance's floating rate for short-term financing has varied between 2.13% and 2.32% for 2018 and BCHMC has assumed a construction financing rate between 2% and 2.75%. The Ministry of Finance's 10-year rate is 3.10% and

BCHMC has assumed a take-out financing rate between 3.5% and 4.25% in the Westview proforma. The Ministry of Finance's rates are known to be among the lowest rates in the market.

The loan commitment fee of 1% and insurance fee of \$75/unit up to \$5,000 has already been accounted for in the project budget approved by BCHMC and CRHC Board.

CONCLUSION

CRHC must secure construction and take-out financing to complete the Westview development project. BCHMC has provided a repayable \$8,469,508.86 first mortgage and a forgivable \$7,156,662.00 second mortgage. The repayable mortgage rates uses the Ministry of Finance's rate plus a spread of up to 9/16%, which is among the lowest in the market. Also, BCHMC has committed to securing take-out financing fixed rates through a competitive process.

RECOMMENDATIONS

- a) That the resolutions required by BC Housing Management Commission to authorize the execution of the Section 219 Covenant and the Loan and Mortgage documents for the Westview project be approved; and
- b) That any two members of the Capital Region Housing Corporation Executive Committee be authorized to sign documents related to the Loan and Mortgage and Section 219 Covenant registration.



Paul Kitson
Manager, Capital Projects
Capital Region Housing Corporation



Christine Culham
Senior Manager
Capital Region Housing Corporation



Kevin Lorette, P.Eng., MBA
General Manager
Planning and Protective Services
Concurrence

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- Attachments: Appendix A – Summary of List of Mortgage Documents
Appendix B – Summary of Resolution
Appendix C – Full Loan and Mortgage Documents

Summary of List of Mortgage Documents

General Category	List of Documents	General or Forgivable/ Repayable Mortgage	Action Required
Land Title Document	A Section 219 Covenant with BC Housing financing	General	
Loan Document	Tri-Partite Agreement	General	Signed by CRD
General Document	IHI Operating Agreement	General	
Loan Document	List of Mortgage Docs	Repayable/ Forgivable	For Information Only
Loan Document	BC Housing Loan Commitment Letters, with Schedules	Repayable & Forgivable	
Loan Documents	Schedule A to Commitment Letters – Insurance Certificate	Repayable & Forgivable	
	Schedule B to Commitment Letters – Order to Pay	Repayable & Forgivable	
	Schedule C – CRHC Corporation Information and ID Certificate	Repayable ONLY	
Land Title Documents	Form B Mortgage (and separate Standard Terms)	Repayable	
	Form B Mortgage (no separate Standard Terms)	Forgivable	
	Form C – Assignment of Rents (and separate Standard Terms)	Repayable ONLY	
Loan Documents	Acknowledgement of Receipt of Standard Terms – mortgage and assignment of rents	Repayable ONLY	
Loan Document	Security Agreement (GSA)	Repayable ONLY	
General Document (not on other lists)	Authorization for Lender to Complete documents	Both	
Loan Documents	Corporate Resolution in Certified form	Both	
Loan Documents	Statutory Declaration of Officer of CRHC	Both	
General Document	Form of Borrower's Solicitor's Opinion	Both	
Loan Document	Landlord Estoppel Certificates re Leasehold Interest	Repayable/ Forgivable	CRD to sign

Summary of Resolution**To approve the \$8.4 million repayable mortgage and related commitment letter and loan and security documents:**

BE IT RESOLVED THAT:

1. The Borrower borrow monies as required to facilitate the construction of the Project and grant to BCHMC a covenant restricting the use of the Property in accordance with the Loan Commitment Letter;
2. The Borrower execute and deliver all documents required by BCHMC or the lender of the monies, in such form and containing such terms, covenants, provisos and conditions as are satisfactory to or required by them, including without limitation a Section 219 covenant, an HPO covenant, a mortgage, assignment of rents, security agreement (and any assignments and modifications thereto as approved by BCHMC and affordable housing agreement (if applicable) and operating agreement; and
3. Any two officers or directors of the Borrower for and on behalf of the Borrower be and are hereby authorized to execute and deliver under the seal of the Borrower or otherwise, all such deeds, documents and other writings and to do such acts and things in connection with the Property and the Project as they, in their discretion, may consider to be necessary or desirable for giving effect to this resolution and for the purpose of fulfilling the requirements of BCHMC or the lender of the monies.

To approve the \$7.1 million forgivable mortgage and related commitment letter and loan and security documents:

BE IT RESOLVED THAT:

1. The Borrower borrow up to a maximum amount of \$7,156,662.00 by way of a forgivable loan secured by a mortgage as required to facilitate the construction of the Project and grant to BCHMC a covenant restricting the use of the Property in accordance with the Loan Commitment Letter;
2. The Borrower execute and deliver all documents required by BCHMC or the lender of the monies, in such form and containing such terms, covenants, provisos and conditions as are satisfactory to or required by them, including without limitation a Section 219 covenant, an HPO covenant, a mortgage and affordable housing agreement (if applicable) and operating agreement; and
3. Any two officers or directors of the Borrower for and on behalf of the Borrower be and are hereby authorized to execute and deliver under the seal of the Borrower or otherwise, all such deeds, documents and other writings and to do such acts and things in connection with the Property and the Project as they, in their discretion, may consider to be necessary or desirable for giving effect to this resolution and for the purpose of fulfilling the requirements of BCHMC or the lender of the monies.