



Notice of Meeting and Meeting Agenda Capital Region Housing Corporation Board

Wednesday, November 18, 2020

12:45 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

SPECIAL INAUGURAL MEETING

The Capital Regional District strives to be a place where inclusion is paramount and all people are treated with dignity. We pledge to make our meetings a place where all feel welcome and respected.

1. CALL TO ORDER
2. TERRITORIAL ACKNOWLEDGEMENT
3. ELECTION OF THE CHAIR OF THE HOUSING CORPORATION BOARD
4. ELECTION OF THE VICE CHAIR OF THE HOUSING CORPORATION BOARD
5. APPROVAL OF THE AGENDA
6. INAUGURAL ADDRESS OF THE CHAIR
7. PRESENTATIONS/DELEGATIONS
8. CONSENT AGENDA

8.1. [20-688](#) Capital Region Housing Corporation Operational Update - Third Quarter

Recommendation: The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
That the Capital Region Housing Corporation Operational Update - Third Quarter report be received for information.

Attachments: [Staff Report: CRHC Operational Update – Third Quarter](#)
[Appendix A: CRHC Operational Update - Third Quarter](#)

8.2. [20-689](#) Spencer Close Redevelopment Mortgage Registration: 2763 Spencer Road

- Recommendation:** The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
- 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 2763 Spencer Road be approved; and
 - b) That Staff be authorized to execute any agreements with Capital Regional District and BC Housing Management Commission and to take steps necessary to conclude the purchase of 2763 Spencer Road, Langford, BC.

Attachments: [Staff Report: Spencer Close Redevelopment Mortgage Registration](#)
[Appendix A: Spencer Close Resolution of Directors](#)

9. ADMINISTRATION REPORTS

9.1. [20-723](#) Mortgage Renewal - The Hamlet

- Recommendation:** a) That the resolution required by BC Housing Management Commission to renew the mortgage for The Hamlet 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.

Attachments: [Staff Report: Mortgage Renewal - The Hamlet](#)

10. REPORTS OF COMMITTEES

11. MOTION TO CLOSE THE MEETING

12. ADJOURNMENT

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, NOVEMBER 04, 2020**

SUBJECT **Capital Region Housing Corporation Operational Update – 3rd Quarter**

ISSUE SUMMARY

To provide quarterly updates to the Hospitals and Housing Committee on the Capital Region Housing Corporation (CRHC) including operations, capital plan and development projects.

BACKGROUND

The CRHC owns and operates 1,491 units of affordable housing within the capital region for low to moderate income households. Currently there are 402 new units under construction and 313 units in development. The CRHC has a five year \$13 million (M) capital replacement plan that is updated annually.

The attached report (Appendix A) summarizes the CRHC 3rd quarter activities and progress.

IMPLICATIONS

Operational Implications

At the CRHC Board meeting of October 14, 2020 the Board debated the Applicant Eligibility Policy as it related to applicant selection for subsidized units. There was a request to report back more information related to using facilitated tenant education programs in lieu of two years favourable landlord references.

CRHC has had success recommending the RentSmart program (formerly known as Ready to Rent) named in the policy. The practise of using this program as an alternative to references has been in place since 2010 and is now utilized as a tool for eviction prevention during tenancies as well.

Typically an in person course, RentSmart is now offering a virtual format in response to the pandemic. The cost for the course is low and RentSmart commits to 'walk with' services after completion in order to support graduates to maintain successful tenancies. RentSmart anticipates scheduling 12-15 courses per year and have recently offered landlords the ability to host additional courses. This option is available if a landlord has a specific need or volume of applicants which doesn't align with waiting for the publicly offered courses. More information has been requested for this arrangement.

Staff attribute long term success of the applicants who hold a RentSmart certificate to the behavioural changes that occur from the program including life and social skills development. Such as, creating positive relationships with neighbours and the importance of budgeting which also play a part in successful tenancies.

Other programs offered such as Renting It Right focus on the basics of residential tenancy which does not always address the underlying reasons that applicants may not have had successful landlord references.

CRHC has not kept statistics on how many tenants have utilized the certificate in lieu of references over the past decade; however, six RentSmart certificate holders became tenants during the rent up at Westview this past summer.

Financial Implications

Vacancies

Millstream Ridge was the building most impacted by vacancies due to COVID, and a Building Operating Budget Amendment was presented and approved at the October 14, 2020 CRHC Board meeting.

Rent Arrears

As of October 1, 2020, rent arrears accounts for 0.35% of the overall annual budgeted rental revenue. Staff have created repayment plans with affected tenants and these arrears are not considered a significant risk to operations.

Rent Freeze

Due to COVID, staff were unable to apply the majority of the budgeted \$94,000 rent increases in 2020, and staff are waiting for confirmation before applying future increases. However, due to a longer development process of capital redevelopment projects, some tenants have remained in place longer than anticipated, resulting in a favourable variance of approximately \$136,000. Overall, excluding Millstream Ridge, rents are forecast to exceed the 2020 budget.

Capital Replacement Spending

Estimated 2020 spending is 1.8M which is lower than the planned 3.4M. The CRHC is required to report to BC Housing if the annual capital variance on Umbrella Operating Agreement (UOA) buildings exceeds 10%. BC Housing has been notified that CRHC will be unable to achieve spending within 10% of our approved capital plan in 2020, and a formal report will be sent at year end. Work that was unable to be completed in 2020 will be redistributed across the remaining years of the 2020-2024 UOA to ensure the total spending requirements are met.

ALTERNATIVES

Alternative 1

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation Operational Update – 3rd Quarter report be received for information.

Alternative 2

That the Capital Region Housing Corporation Operational Update – 3rd Quarter report be referred back to staff for additional information.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

That the Capital Region Housing Corporation Operational Update – 3rd Quarter report be received for information.

Submitted by:	Sharon Grigg, CRHC Manager, Operations, Regional Housing
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT

Appendix A: Capital Region Housing Corporation Operational Update – 3rd Quarter

Capital Region Housing Corporation Quarterly Operational Report Period Ending September 30, 2020

The Capital Region Housing Corporation (CRHC) owns and operates 1,491 units of housing.

1. COVID-19 Impacts to CRHC

Provincial changes to Residential Tenancy ease which had impact on residential tenancies and the work of CRHC.

Rent Arrears created during Phase 1 & 2

The state of emergency temporarily suspended a landlord's ability to end a tenancy if a tenant did not pay the rent in full and on time. Effective September 1, 2020, the ability to evict for unpaid rent has been restored to the landlord. The legislation outlined direction to landlords on how to collect rent arrears for the period of April 1 and August 31, 2020 to ensure leniency and prevent evictions. Staff have prepared repayment plans, as per the legislation, for all tenants who have rent arrears from this time period.

Effective October 1, 2020, 34 households are to begin arrears repayment of \$52,000. This figure reflects changes from the 42 households owing \$52,000 at the end of the 2nd quarter and the 74 households owing \$76,000 from April 2020.

Rent Freeze

During the state of emergency a landlord was prevented from issuing annual notices of rent increase. In September, it was announced that the restrictions would be lifted to allow landlords to issue notices of increase for 2021 at a maximum allowable rent increase of 1.4%. This is lower than previous annual increases of 2.6%. Staff will confirm post-election if the rent freeze will continue or be removed.

Westview Rentals

Westview received its occupancy permit on April 30, 2020 and CRHC began housing tenants on May 15, 2020. It was originally anticipated that all units would be rented by July 2020. Due to COVID 19, staff extended this to end of August 2020. As of October 15, 2020 the building will be 100% rented. The additional delay was due to some prospects rescinding their interest in moving even though COVID restrictions had eased into Phase 3.

Due to the project being under budget, BC Housing has agreed to allow CRHC to lower the rents, making the property more affordable than originally projected. Now that the take out mortgage has been finalized, rent levels will be adjusted as turn over occurs.

Capital Spending

Seasonal and annual exterior capital work was impacted this year by COVID 19. Contractors had a hard time retaining and remobilizing staff as a result of the state of emergency and subsequent access to the Canada Emergency Response Benefit (CERB). Staff are currently completing capital plan review for work that can be accomplished in the 4th quarter. Work that will not be completed this year will be redistributed in future years 2021-2024 to ensure that the \$11M

spending requirements of the Umbrella Operating Agreement (UOA) are met. Estimated 2020 spending is \$1.8M which is lower than the planned \$3.4M. More comprehensive budget information will come forward to the Board at the December meeting.

2. Staffing

Nine new operations staff were approved in the 2020 budget process to manage Westview, Spencer Close and West Park. Seven have been hired and offers of employment have been made for the final two caretaking staff for Spencer Close and West Park to ensure their readiness when the buildings open.

3. Developments

West Park (152 units)

- Phase 1: Occupancy permit was issued on September 15, 2020.
- Phase 1: Capital Regional District (CRD) third-party inspections are underway.
- Phase 2: Deficiency repairs and final cleaning underway.
- Phase 2: Commissioning, testing, balancing and inspections are underway.
- Phase 2: Anticipated occupancy permit date is October 9, 2020.
- CRD/CRHC project closing is scheduled for November 2, 2020.

Spencer Close (130 units)

- Phase 1: Floors 6-2 are 98% complete with deficiency repairs underway. Floor 1 is 85% complete with final paint underway.
- Phase 2: Floors 6-3 are 98% complete with deficiency repairs underway. Floors 2-1 are 85% complete with final paint underway.
- Carpet in the common stairwells and corridors is complete on floors 6-3.
- Parking lot paving and line painting is underway.
- Commissioning, testing, balancing and inspections will commence in the second week of October.
- The anticipated occupancy permit date is October 30, 2020.
- CRD/CRHC project closing is scheduled for November 20, 2020.

Hockley House (120 units)

- Phase 1: Drywall, cabinet installation and vinyl flooring are complete with second coat painting underway.
- Phase 2: Drywall installation and first coat paint underway.
- The building is watertight with roofing and rain screen complete. Cladding is 25% complete. Anticipated completion of the building envelope system is November 20, 2020.
- Elevator installation is underway.
- Offsite water connections are complete for domestic and fire suppression systems.
- Project completion estimated for March 2021.

Michigan Square Redevelopment (97 units)

- 15 units have received \$4.5 million through the Regional Housing First Program; 38 units have been approved for \$570,000 through the Regional Housing Trust Fund; and 44 units are pending approval through Building BC: Community Housing Fund (CHF).
- City of Victoria has scheduled the Public Hearing date for October 22, 2020.
- Design development will commence once the Development Permit has been issued.

- The tenant relocation process will commence in November 2020, once the Development Permit has been issued.
- Anticipated construction start is November 2021.

Caledonia Redevelopment (158 units)

- CRHC and the City of Victoria are working towards confirming the Public Hearing date. At present, the City of Victoria has indicated that a November 2020 hearing is probable.
- Design Development is underway with an anticipated building permit submission in January 2021.
- Anticipated construction start is May 2021.

Triway (58 units)

- Rezoning of the Triway lands was approved on August 26, 2020.
- The project was selected to move forward through BC Housing's Building BC: CHF on September 20, 2020.
- Design development for the 58 unit affordable seniors building is underway.
- Building permit submission is anticipated for December 2020.
- Anticipated construction start is January 2021.

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, NOVEMBER 04, 2020**

SUBJECT **Spencer Close Redevelopment Mortgage Registration: 2763 Spencer Road**

ISSUE SUMMARY

BC Housing Management Commission (BCHMC) requires a resolution from the Capital Region Housing Corporation (CRHC) Board of Directors to authorize the execution of the Spencer Close mortgage documents.

BACKGROUND

Financial Commitments

In November 2018, the Regional Housing First Program (RHFP) partnership approved the Spencer Close development project, located at 2763 Spencer Road. At the same time the CRHC Board of Directors agreed that the CRHC would be operator of this property.

The Capital Regional District (CRD) will purchase this property and hold 100% ownership. Canada Mortgage and Housing Corporation (CMHC) will provide a grant for 20% of the units through CMHC's contribution to the RHFP to the CRD. The CRHC will enter into a 60-year prepaid lease agreement with the CRD equal to the amount of the mortgage. The CRHC will also enter into an operator agreement with the CRD to ensure that the CRHC meets the terms of the RHFP. The CRHC will operate 100% of the units and will be responsible for financing the remaining 80% of the cost of the project. This will be financed through the BC Housing Community Partnership Initiative (CPI) Financing Program. Operations and debt financing will be paid for through the tenant rent revenue. No ongoing subsidy is required.

The final project budget is \$38,263,972. The approved project budget included a \$7,800,000 RHFP equity contribution, and a repayable \$30,463,972 mortgage. BC Housing projected interest rate forecast for 2021 is 2.25%.

As planned, the repayable mortgage will be charged initially as short-term financing and will convert to take-out financing in January 2021. Until January, 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 CPI Operating Agreement. The CPI Operating Agreement states that the CRHC 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 and improvements will be leased to the CRHC by the 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:

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

- 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 2763 Spencer Road be approved; and
- b) That Staff be authorized to execute any agreements with Capital Regional District and BC Housing Management Commission and to take steps necessary to conclude the purchase of 2763 Spencer Road, Langford, BC.

Alternative 2:

That staff be directed to review other financing options based on Hospitals and Housing Committee direction.

IMPLICATIONS

Financial Implications

Short-term financing and take-out financing must be secured in order to advance the purchase of 2763 Spencer Road. The repayable mortgage of \$30,463,972 will bear interest at a variable rate until the interest adjustment date, which is the first month following final advancement of the principal amount. A fixed rate mortgage will commence after the interest adjustment date.

BCHMC will obtain a fixed rate mortgage through a competitive bidding process. BCHMC's fixed rate is estimated at 2.25%; however, the actual rate may end up lower than the estimate given current market rates and recent issues (i.e., Westview at 1.63%).

The loan commitment fee of 1% and insurance fee of \$75/unit up to \$5,000 is accounted for in the project budget.

CONCLUSION

CRHC must secure short-term and take-out financing to purchase the Spencer Close development project. BCHMC has provided a repayable \$30,463,972 mortgage. The repayable mortgage rate uses the Ministry of Finance's rate plus a spread of up to 9/16%, which is among the lowest in the market. BCHMC's most recent take-out financing rate was 1.631% for the Westview project. BCHMC has committed to securing take-out financing fixed rates through a competitive process.

RECOMMENDATION

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

- 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 2763 Spencer Road be approved; and
- b) That Staff be authorized to execute any agreements with Capital Regional District and BC Housing Management Commission and to take steps necessary to conclude the purchase of 2763 Spencer Road, Langford, BC.

Submitted by:	Rob Fowles, Manager Construction & Capital Projects, Regional Housing
Concurrence:	Kevin Lorette, P.Eng., MBA, General Manager Planning & Protective Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENT(S):

Appendix A: Spencer Close Resolution of Directors

"Appendix A"

CAPITAL REGION HOUSING CORPORATION
(the "Borrower")
CERTIFIED COPY OF
RESOLUTION OF DIRECTORS

"WHEREAS the Borrower has leased or will be leasing the property at 2763 SPENCER RD, VICTORIA, BC legally described as:

PID: 030-668-638, LOT 1 SECTIONS 5 AND 99 ESQUIMALT DISTRICT PLAN EPP72773 (the "Property") and will be operating a housing project on the Property (the "Project") under the British Columbia Housing Management Commission ("BCHMC") Community Partnership Initiative Program; and

WHEREAS the Borrower needs to borrow money in order to facilitate the leasing the Project;

BE IT RESOLVED THAT:

1. The Borrower borrow monies as required to facilitate the leasing 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, including any takeout lender, in such form and containing such terms, covenants, provisos and conditions as are satisfactory to or required by them, including without limitation a lease, section 219 covenant, mortgage, assignment of rents, security agreement (and any assignments, modifications and assumptions thereto as approved by BCHMC) and affordable housing agreement (if applicable) and operator/ operating agreement; and
3. Robert Kenneth Lapham, Chief Administrative Officer and Nelson Chan, Chief Financial Officer, 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."

I, _____, THE UNDERSIGNED, _____ of **CAPITAL REGION HOUSING CORPORATION** hereby certify the above to be a true copy of a resolution duly passed by the Directors of the Borrower at a meeting held on the ___ day of _____, 20__ (and sanctioned by a special resolution of the Borrower if such sanction is required), and that such resolution has not been rescinded, amended or modified and is now in full force and effect.

WITNESS my hand this ___ day of _____, 20__.

Witness

(Secretary or President)

**REPORT TO CAPITAL REGION HOUSING CORPORATION BOARD
SPECIAL MEETING OF WEDNESDAY, NOVEMBER 18, 2020**

SUBJECT Mortgage Renewal – The Hamlet

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 The Hamlet, 2620 Shakespeare Street.

BACKGROUND

The mortgage for The Hamlet is due for renewal on February 1, 2021.

BCHMC intends to renew the mortgage through Canada Mortgage and Housing Corporation (CMHC) Direct Lending, which offers lower interest rates than other lenders. The rate for a 4-year - 8 month term as of October 2020 for CMHC Direct Lending is currently posted at 0.68%. 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
The Hamlet 10-unit townhouse	3.43%	\$245,555	\$53,091	4 yr. 8 mo.	September 30, 2025 October 1, 2025

ALTERNATIVES

Alternative 1

- a) That the resolution required by BC Housing Management Commission to renew the mortgage for The Hamlet 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 renewal, 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 The Hamlet until the expiry of the operating agreement.

A Board decision to not renew the mortgage 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. As an example, commercial residential mortgages are currently available from Vancity at approximately 2.75%.

Under the MFA option, the CRHC would borrow through the CRD and would require \$245,555 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 five-year MFA rate is 0.91%.

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

CONCLUSION

The mortgage for The Hamlet is due for renewal on February 1, 2021. The most cost-effective option is to renew through CMHC Direct Lending.

RECOMMENDATION

- a) That the resolution required by BC Housing Management Commission to renew the mortgage for The Hamlet 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:	Sharon Grigg, CRHC Manager, Operations, Regional Housing
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Rianna Lachance, BCom, CPA, CA, Acting Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer