



Notice of Meeting and Meeting Agenda Capital Region Housing Corporation Board

Wednesday, February 10, 2021

12:45 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

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. TERRITORIAL ACKNOWLEDGEMENT

2. APPROVAL OF THE AGENDA

3. ADOPTION OF MINUTES

- 3.1. [21-120](#) Minutes of the January 13, 2021 Capital Region Housing Corporation Board Meeting

Recommendation: That the minutes of the Capital Region Housing Corporation Board meeting of January 13, 2021 be adopted as circulated.

Attachments: [Minutes - January 13, 2021](#)

4. REPORT OF THE CHAIR

5. PRESENTATIONS/DELEGATIONS

In keeping with directives from the Province of BC, this meeting will be held by Live Webcast without the public present.

To participate electronically, complete the online application for "Addressing the Board" on our website. Alternatively, you may email the CRD Board at crdboard@crd.bc.ca.

5.1. Presentations

5.2. Delegations

6. CONSENT AGENDA

7. ADMINISTRATION REPORTS

8. REPORTS OF COMMITTEES

- 8.1. [21-091](#) Hockley House Development Mortgage Registration: 830 Hockley Avenue

Recommendation: The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
a) That the resolution attached as Appendix A and required by BC Housing Management Commission to authorize the execution of the Section 219 Covenant and the Loan and Mortgage documents for 830 Hockley Avenue be approved; and
b) That staff be authorized to sign any documents related to the Loan and Mortgage and Section 219 Covenant registration and to take steps necessary to conclude the purchase of 830 Hockley Avenue, Langford, BC.

Attachments: [Staff Report: Hockley House Dev't Mortgage Reg'n-830 Hockley Ave](#)
[Appendix A: Hockley House Resolution of Directors](#)

8.2. [21-093](#) Royal Oak Square Refinancing

Recommendation: The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:
That staff be authorized to apply for, accept and execute all documents related to a \$4,500,000 Canada Mortgage and Housing Corporation insured mortgage with the Toronto-Dominion Bank.

Attachments: [Staff Report: Royal Oak Square Refinancing](#)

9. NOTICE(S) OF MOTION

10. NEW BUSINESS

11. ADJOURNMENT

Meeting Minutes

Capital Region Housing Corporation Board

Wednesday, January 13, 2021

12:45 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

PRESENT

DIRECTORS: L. Helps (Chair), D. Screech (Vice Chair), D. Blackwell, S. Brice, B. Desjardins, F. Haynes, M. Hicks (EP)(12:48 pm), G. Holman, D. Howe (EP), B. Isitt (EP), J. Loveday, C. McNeil-Smith (EP), R. Mersereau, K. Murdoch (EP), G. Orr, C. Plant, J. Ranns, L. Seaton, N. Taylor, K. Williams, R. Windsor (EP)(12:47 pm), G. Young

STAFF: R. Lapham, Chief Administrative Officer; N. Chan, Chief Financial Officer; K. Lorette, General Manager, Planning and Protective Services; K. Morley, General Manager, Corporate Services; T. Robbins, General Manager, Integrated Water Services; D. Elliott, Senior Manager, Regional Housing; M. Lagoa, Deputy Corporate Officer; S. Closson, Committee Clerk (Recorder)

EP - Electronic Participation

Regrets: Directors R. Martin, M. Tait

The meeting was called to order at 12:45 pm.

1. TERRITORIAL ACKNOWLEDGEMENT

Board Chair Plant provided a Territorial Acknowledgement.

2. APPROVAL OF THE AGENDA

MOVED by Director Hicks, **SECONDED** by Director Loveday,
That the minutes of the Capital Region Housing Corporation Board meeting of
January 13, 2021 be adopted as circulated.

CARRIED

3. ADOPTION OF MINUTES

3.1. [21-038](#) Minutes of the December 9, 2020 Capital Region Housing Corporation Board

MOVED by Director Williams, **SECONDED** by Director Blackwell,
That the minutes of the Capital Region Housing Corporation Board meeting of
December 9, 2020 be adopted as circulated.

CARRIED

4. REPORT OF THE CHAIR

Chair Helps thanked staff for the seamless opening of close to 300 new units of

housing run by the CRHC in December. The Chair also noted there is much work for this corporation this year and thanked staff and the Board in advance as there are many more decisions about housing units in the region to be made.

5. PRESENTATIONS/DELEGATIONS

5.1 Presentations

There were no presentations.

5.2 Delegations

There were no delegations.

6. CONSENT AGENDA

There were no Consent Agenda items.

7. ADMINISTRATION REPORTS

There were no Administration Reports.

8. REPORTS OF COMMITTEES

Hospitals and Housing Committee

- 8.1. [21-009](#) Capital Region Housing Corporation 2020 Audit Planning Discussion

MOVED by Director Screech, **SECONDED** by Director Mersereau,
That the Capital Region Housing Corporation 2020 Audit Plan developed by
KPMG be approved.
CARRIED

9. NOTICE(S) OF MOTION

There were no Notice(s) of Motion.

10. NEW BUSINESS

There was no new business.

11. MOTION TO CLOSE THE MEETING

- 11.1. [21-046](#) Motion to Close the Meeting

MOVED by Director Blackwell, **SECONDED** by Director Loveday,
That the meeting be closed for Land Acquisition in accordance with Section 90(1)
(e) of the Community Charter.
CARRIED

MOVED by Director Blackwell, **SECONDED** by Director Loveday,
That such disclosures could reasonably be expected to harm the interests of the

Regional District.
CARRIED

The meeting moved into closed session at 12:51 pm.

12. RISE AND REPORT

The meeting rose from closed session at 12:54 pm with no items to report.

13. ADJOURNMENT

MOVED by Director Desjardins, SECONDED by Director Plant,
That the January 13, 2021 Capital Region Housing Corporation Board meeting be
adjourned at 12:54 pm.
CARRIED

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, FEBRUARY 03, 2021**

SUBJECT **Hockley House Development Mortgage Registration: 830 Hockley Avenue**

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 Hockley House mortgage documents.

BACKGROUND

In November 2018, the Regional Housing First Program (RHFP) partnership approved the Hockley House development project, located at 830 Hockley Avenue, Langford, BC. At the same time the CRHC Board of Directors agreed that the CRHC would be the 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 \$32,775,610. The approved project budget included a \$7,200,000 RHFP equity contribution, and a repayable \$25,575,610 mortgage. BC Housing approved this project using the projected interest rate of 2.25%.

At closing (March 2021), the repayable mortgage will be provided initially as short-term financing by BC Housing. BC Housing will undertake a procurement process to place the debt with a lender, and the mortgage will convert to take-out financing in June 2021. From March until June, a variable rate will be charged by BC Housing, and once placed with the lender the rate will become fixed for a term. At the time of take-out financing, the mortgage documents will be modified to reflect the final amount, term, and interest rate.

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.

The Tri-Partite Agreement, which forms part of the mortgage documents, is an agreement between the CRD, the 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 to 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 the 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 resolution attached as Appendix A and required by BC Housing Management Commission to authorize the execution of the Section 219 Covenant and the Loan and Mortgage documents for 830 Hockley Avenue be approved; and
- b) That staff be authorized to sign any documents related to the Loan and Mortgage and Section 219 Covenant registration and to take steps necessary to conclude the purchase of 830 Hockley Avenue, 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 830 Hockley Avenue. The repayable mortgage of \$25,575,610 will bear interest at a variable rate until the interest adjustment date, which is the second month following final advancement of the principal amount. A fixed rate mortgage will commence after the interest adjustment date.

BCHMC will obtain a fixed mortgage through a competitive bidding process. BCHMC approved this project with an estimated fixed interest rate of 2.25%; however the actual rate may end up lower than the estimate given current market rates and recent issues (i.e., Spencer Close at 1.519%).

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 Hockley House development project. BCHMC has provided a repayable \$25,575,610 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 1.519% for the Spencer Close 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 resolution attached as Appendix A and required by BC Housing Management Commission to authorize the execution of the Section 219 Covenant and the Loan and Mortgage documents for 830 Hockley Avenue be approved; and
- b) That staff be authorized to sign any documents related to the Loan and Mortgage and Section 219 Covenant registration and to take steps necessary to conclude the purchase of 830 Hockley Avenue, Langford, BC.

Submitted by:	Don Elliott, Senior Manager, Regional Housing & CRHC
Concurrence:	David Hennigan, CPA, CMA, Acting Chief Financial Officer
Concurrence:	Kevin Lorette, P.Eng., MBA, Acting Chief Administrative Officer

ATTACHMENTS:

Appendix A: Hockley House Resolution of Directors

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

"WHEREAS the Borrower has leased or will be leasing the property at 830 HOCKLEY AVE., VICTORIA, BC legally described as:

PID: 030-609-062, LOT A SECTION 5 ESQUIMALT DISTRICT PLAN EPP84776 (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 of 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. 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."

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 HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, FEBRUARY 03, 2021**

SUBJECT Royal Oak Square Refinancing

ISSUE SUMMARY

The Capital Region Housing Corporation's (CRHC) commitment to mortgage financing requires the approval of the CRHC Board of Directors, and the authorization of the Board to permit any two members of the Executive Committee to sign all documentation required to fund the mortgage.

BACKGROUND

The Regional Housing First Program (RHFP) was established in 2016 to facilitate the creation of suitable affordable rental housing in the capital region through a Partnering Agreement with the Capital Regional District (CRD), BC Housing Management Commission (BCHMC) and Canada Mortgage and Housing Corporation (CMHC). Each party committed an initial \$30 million (M) in 2016 and an additional \$10M in 2020 to address escalating land acquisition and construction costs.

As part of the \$40M CRD commitment to the RHFP, the CRHC is contributing \$4.5M to be sourced through refinancing existing properties whose mortgages have matured. On August 12, 2020, the CRD Board approved the \$4.5M allocation through the RHFP towards the redevelopment of Michigan Square that will see 97 new affordable rental units developed within two – 4 storey apartments in James Bay.

The CRHC sought mortgage financing proposals from seven financial institutions. The proponents were requested to submit their financing proposals based on a pledge of collateral from the Royal Oak Square and Portage Place properties as required. Mortgage financing was targeting a 25 year amortization with a 5 year initial term. In addition, all fees and document requirements were requested so that CRHC would be able to calculate the overall cost of the mortgage.

All proponents submitted responses. The responses were assessed based on a total cost of financing basis. The most competitive total cost of financing submission came from the Toronto-Dominion Bank, whose proposed terms are as follows (rates are subject to change based on future general economic conditions):

Toronto-Dominion Bank

CMHC-insured mortgage: \$4,500,000

25 years with a 5 year initial term

Proposed financing rate: 1.25%

Total Cost of Financing - Effective Rate (includes impact of all fees): 1.27%

TD application fee: \$6,750

CMHC insurance premium: \$76,500

ALTERNATIVES

Alternative 1

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

That staff be authorized to apply for, accept and execute all documents related to a \$4,500,000 Canada Mortgage and Housing Corporation insured mortgage with the Toronto-Dominion Bank.

Alternative 2

That the Royal Oak Square Refinancing report be referred back to staff for additional information based on Hospitals and Housing Committee direction.

IMPLICATIONS

The Toronto-Dominion Bank CMHC-insured mortgage is the most competitively priced option based on an assessment of the mortgage interest rate, although these interest rates are estimates only and will not be confirmed until the loan application is submitted and processed closer to the date of funding in mid-2021. Also the application fee is a key component of the cost of procuring funding impacting the total cost of financing. After detailed review of all submissions, the Toronto-Dominion Bank is considerably more competitive compared to all other proposals submitted on a total cost of financing basis. The CMHC application process takes approximately four to six months to complete. The application process is led by the bank selected to fund this project.

The approximate mortgage payments required by this refinancing are anticipated to be \$215,000 per year. Royal Oak Square had operating cashflows in 2019 of \$288,000, which would represent a debt servicing ratio of 1.3, and should satisfy the lender's requirements. If operating cashflows at Royal Oak Square do not meet lender requirements, CRHC may be required to encumber Portage Place as additional collateral. Portage Place had operating cashflows of \$120,000 in 2019.

By pursuing a CMHC-insured mortgage, the Royal Oak Square and Portage Place (if required) properties' equity will be encumbered and hence not available for other uses. The benefits of the CMHC-insured mortgage are access to extremely low interest rates and more forgiving debt covenants governing the mortgage contract. The proceeds of the mortgage on these properties will be available to finance the construction of the Michigan Square project.

CONCLUSION

CRHC has committed to allocating \$4.5M as part of the CRD's overall contribution to the RHFP. Staff have obtained competitive bids from a variety of financial institutions to borrow the equity from the Royal Oak property. The Toronto-Dominion Bank CMHC-insured mortgage option is the most financially competitive option received on a total cost of financing basis.

RECOMMENDATION

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

That staff be authorized to apply for, accept and execute all documents related to a \$4,500,000 Canada Mortgage and Housing Corporation insured mortgage with the Toronto-Dominion Bank.

Submitted by:	Don Elliott, Senior Manager, Regional Housing & CRHC
Concurrence:	Rianna Lachance, BCom, CPA, CA, Acting Chief Financial Officer
Concurrence:	Kevin Lorette, P.Eng., MBA, Acting Chief Administrative Officer