



Notice of Meeting and Meeting Agenda Capital Region Housing Corporation Board

Wednesday, June 8, 2022

1:00 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. [22-361](#) Minutes of the May 11, 2022 Capital Region Housing Corporation Board

Recommendation: That the minutes of the Capital Region Housing Corporation Board meeting of May 11, 2022 be adopted as circulated.

Attachments: [Minutes - May 11, 2022](#)

4. REPORT OF THE CHAIR

5. PRESENTATIONS/DELEGATIONS

The public are welcome to attend CRD Board meetings in-person.

Delegations will have the option to participate electronically. Please complete the online application for "Addressing the Board" on our website and staff will respond with details.

Alternatively, you may email your comments on an agenda item to the CRD Board at crdboard@crd.bc.ca.

6. CONSENT AGENDA

7. ADMINISTRATION REPORTS

8. REPORTS OF COMMITTEES

8.1. [22-344](#) Caledonia Redevelopment Mortgage and Final Project Approval

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

- 1) That the resolutions, attached as Appendix A and Appendix B and required by BC Housing Management Commission to authorize the execution of the Section 219 Covenants and the Loan and Mortgage documents for the Caledonia Redevelopment be approved;
- 2) That the Cost Overrun Agreement, attached as Appendix C, be approved;
- 3) That Robert Lapham, Chief Administrative Officer, and Nelson Chan, Chief Financial Officer, or their duly-authorized delegates, or any two directors or officers of the Corporation be authorized to do all things necessary to effect the project and take such steps as are required to conclude the financing, construction and operation of the Caledonia Redevelopment project; and
- 4) That the Capital Region Housing Corporation Major Capital Plan (2022-2026) be amended.

Attachments: [Staff Report: Caledonia Redvlt Mortgage & Final Proj't Approval](#)
[Appendix A: Draft Certified Resolution of Dirs–CHF Repayable Loan](#)
[Appendix B: Draft Certified Resolution of Dirs–CHF Forgivable Loan](#)
[Appendix C: Cost Overrun and Completion Agreement](#)

9. NOTICE(S) OF MOTION

10. NEW BUSINESS

11. ADJOURNMENT

Meeting Minutes

Capital Region Housing Corporation Board

Wednesday, May 11, 2022

1:00 PM

6th Floor Boardroom
625 Fisgard Street
Victoria, BC

PRESENT:

Directors: J. Loveday (Chair), D. Blackwell, P. Brent (for D. Howe), S. Brice, B. Desjardins, L. Helps, F. Haynes, M. Hicks (EP), G. Holman, B. Isitt, R. Martin, C. McNeil-Smith, R. Mersereau, K. Murdoch (EP), G. Orr, C. Plant, J. Ranns, L. Seaton, M. Tait (EP), N. Taylor (EP), K. Williams, R. Windsor (EP), G. Young

Staff: R. Lapham, Chief Administrative Officer; N. Chan, Chief Financial Officer; L. Hutcheson, General Manager, Parks and Environmental Services; K. Lorette, General Manager, Planning and Protective Services; K. Morley, General Manager, Corporate Services; T. Robbins, General Manager, Integrated Water Services; M. Lagoa, Deputy Corporate Officer; S. Orr, Senior Committee Clerk (Recorder)

EP - Electronic Participation

Regrets: Directors Howe, Screech

The meeting was called to order at 1:08 pm.

1. TERRITORIAL ACKNOWLEDGEMENT

A Territorial Acknowledgement was provided in the preceding meeting.

2. APPROVAL OF THE AGENDA

MOVED by Director Blackwell, **SECONDED** by Director Mersereau,
That the agenda for the May 11, 2022 Session of the Capital Region Housing Corporation Board be approved.

CARRIED

3. ADOPTION OF MINUTES

3.1. [22-315](#) Minutes of the April 13, 2022 Capital Region Housing Corporation Board

MOVED by Director Mersereau, **SECONDED** by Director Blackwell,
That the minutes of the Capital Region Housing Corporation Board meeting of April 13, 2022 be adopted as circulated.

CARRIED

4. REPORT OF THE CHAIR

The Chair referred to his comments regarding the strategic plan at the preceding Committee of the Whole meeting.

5. PRESENTATIONS/DELEGATIONS

There were no presentations or delegations.

6. CONSENT AGENDA

MOVED by Director Blackwell, **SECONDED** by Director Helps,
That consent agenda items 6.1. and 6.2. be approved.
CARRIED

6.1. [22-178](#)

Capital Region Housing Corporation 2021 Audit Findings Report and Audited Financial Statements

That the Capital Region Housing Corporation 2021 Audited Financial Statements be approved.
CARRIED

6.2. [22-292](#)

Mortgage Renewal - Kings Place

1) That the resolution required by BC Housing Management Commission to renew the mortgage for Kings Place for a term not to exceed the expiry of the existing Operating Agreement be approved; and
2) That Robert Lapham, Chief Administrative Officer and Nelson Chan, Chief Financial Officer, or their duly authorized delegates be authorized to sign any documents related to the mortgage renewal.
CARRIED

7. ADMINISTRATION REPORTS

There were no Administration Reports.

8. REPORTS OF COMMITTEES

There were no Reports of Committees.

9. NOTICE(S) OF MOTION

There were no Notice(s) of Motion.

10. NEW BUSINESS

There was no new business.

11. ADJOURNMENT

MOVED by Director Mersereau, **SECONDED** by Director Blackwell,
That the May 11, 2022 Capital Region Housing Corporation Board meeting be adjourned at 1:11 pm.
CARRIED

CHAIR

CERTIFIED CORRECT:

CORPORATE OFFICER

**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, JUNE 01, 2022**

SUBJECT **Caledonia Redevelopment Mortgage and Final Project Approval**

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 mortgage documents relating to the Caledonia Redevelopment project.

The Policy to Determine Delegation of Authority for the CRHC requires that all documents relating to mortgages valued over \$500,000, and legal documents pertaining to restrictive covenants and a cost overrun agreement be approved by the CRHC Board.

BACKGROUND

Caledonia is an 18-unit affordable housing complex located at 1211 Gladstone Avenue in the Fernwood neighbourhood, adjacent to Victoria High School. The land is currently owned by the Board of Education of School District No. 61 (SD61) and has been leased to CRHC since 1992. The term of the lease is 60 years. The proposed redevelopment includes the transfer and consolidation of nine land parcels between Gladstone Avenue and Grant Street, adjacent to the Victoria High School track (Caledonia Redevelopment). The land exchange and consolidation is the result of a partnership between the CRHC, the City of Victoria (the City), Provincial Rental Housing Corporation and SD61. Once the land exchanges are complete, SD61 will be the sole owner of the nine parcels which will then be consolidated into a single land parcel. Once consolidated, CRHC will enter into a new 62-year lease with SD61 prior to the start of construction. The proposed development will provide 158 new affordable housing units spread across five buildings (two apartments and three townhouse blocks), all sharing one common underground parkade that will be accessed from Grant Street and Caledonia Avenue.

Key steps to-date include:

- In August 2016, the CRHC Board approved the *CRHC Portfolio Renewal, Redevelopment and Development Strategy* that included advancing the renewal of the existing Caledonia townhouses due to an ailing building envelope. A building envelope consultant was contracted to carry out a building envelope condition assessment and determine an order of magnitude cost for the potential remediation.
- In October 2017, the CRHC Board directed staff to negotiate redevelopment options with the surrounding land owners.
- In September 2018, CRHC entered into a Letter of Intent with the City and SD61 to confirm the mutually agreed intentions of the proposed Caledonia Redevelopment.
- In November 2018, CRHC was informed that the Caledonia Redevelopment was selected to proceed through the Building BC: Community Housing Fund (CHF) program.
- In September 2019, CRHC applied to the City for a project-specific Official Community Plan (OCP) amendment, rezoning approval and Development Permit (DP) for the Caledonia Redevelopment.
- In June 2021 the CRHC Board approved CRHC to enter into a Master Agreement, Lease and License Agreement with SD61 and to accept grant funding to enable the Caledonia Redevelopment.
- In October 2021, the OCP amendment, rezoning and DP were approved by the City.

- In December 2021, the CRHC Board approved pre-development funding (PDF), at a value of \$3M, in order to advance the project. The PDF loan, provided by BCHMC, was secured by way of a first priority mortgage loan that was registered against the CRHC-owned Olympic View property at 4511 Chatterton Way.
- Final project approval was granted by BCHMC on May 25, 2022, confirming grant funding, operating subsidies and financing for the Caledonia Redevelopment project.

ALTERNATIVES

Alternative 1

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

- 1) That the resolutions, attached as Appendix A and Appendix B and required by BC Housing Management Commission to authorize the execution of the Section 219 Covenants and the Loan and Mortgage documents for the Caledonia Redevelopment be approved;
- 2) That the Cost Overrun Agreement, attached as Appendix C, be approved;
- 3) That Robert Lapham, Chief Administrative Officer, and Nelson Chan, Chief Financial Officer, or their duly-authorized delegates, or any two directors or officers of the Corporation be authorized to do all things necessary to effect the project and take such steps as are required to conclude the financing, construction and operation of the Caledonia Redevelopment project; and
- 4) That the Capital Region Housing Corporation Major Capital Plan (2022-2026) be amended.

Alternative 2

That the Caledonia Redevelopment Mortgage and Final Project Approval report be referred back to staff for additional information based on Hospital and Housing Committee direction.

IMPLICATIONS

Financial Implications

On May 25, 2022, BCHMC approved the Caledonia Redevelopment final project budget of \$71.0 million (M). The project will receive funding through the CHF and Victoria Housing Reserve Fund (VHRF). The value of equity funding, including a \$1M CRHC contribution, totals \$20.5M. CRHC will take on a mortgage debt of \$50.5M. Resulting in an equity contribution of 28.9% down from 31.9% from the original estimate.

In December 2021, the CRHC Board approved the Major Capital Plan (2022-2026) which included a project budget of \$64.4M. The budget was based on a Class B estimate which was carried out in August 2021. Class B estimates are based on a minimum of 65% design development drawings and are typically accurate to within 10% to 15%. In April 2022, procurement of 36 subcontracts was carried out to facilitate project delivery under the construction management model. Through this procurement the final control budget has been increased by 10.2% or \$6.6M from the estimated budget in the Major Capital Plan (2022-2026). Costs increases can be attributed to supply chain disruptions, material cost increases, the overall availability of materials and an oversaturated construction market with a shortage of available trade contractors.

Initially, the project will take on short-term construction financing at BCHMC preferred rates and will accrue interest based on the cumulative value of monthly construction claims. At project completion, the short-term construction financing and interest costs to date will convert to take-out financing in the form of a repayable mortgage. The current interest rate projection from BCHMC for take-out financing is 4.00% in 2025. At the time of take-out financing the mortgage

documents will be modified to reflect the final amount, term and interest rate. The mortgages will both have 35-year amortization periods and will be accompanied by terms set out in the Loan Commitment Letter and Operating Agreement.

Table 1: Capital Budget

Budget Description	Amount	% of Budget
Hard Costs	\$ 52,567,707	74.0%
Soft Costs	\$ 6,239,552	8.8%
Land Costs	\$ 4,300,000	6.1%
Borrowing Costs	\$ 1,677,806	2.4%
Contingencies	\$ 6,204,321	8.7%
Total Project Costs	\$ 70,989,386	100.0%
CRHC Equity	\$ (1,000,000)	-1.4%
CHF Grant	\$ (18,475,000)	-26.0%
City of Victoria Contribution	\$ (1,065,000)	-1.5%
Total Equity/Deductions	\$ (20,540,000)	-28.9%
Mortgage Principal	\$ 50,449,386	71.1%

Cost Overrun Agreement

A condition of BCHMC financing is that a cost overrun agreement must be in place prior to the first progress claim to advance funds. The purpose of the cost overrun agreement is to indemnify BCHMC in the event that hard construction costs exceed the approved budget, including the contingency allowance; creating a limit on the total mortgage to be advanced for this project. Hard construction costs are associated with the building's structure, the construction site and the landscaping.

To reduce the risk of a cost overrun, the project will be delivered under the CCDC5A – Construction Management as Agent Contract. Under the CCDC5A delivery model, the Construction Manager will act as a limited agent of the CRHC providing advisory services as well as administering and overseeing the contracts between the CRHC and Trade Contractors.

The CRHC will enter into CCDC17 – Stipulated Price Contracts for Trade Contractors on Construction Management projects. The CCDC17 is a standard contract form between Owner and Trade Contractor to perform the work for a single, pre-determined stipulated price, regardless of the Trade Contractor's actual costs. The CCDC17 is specifically used on projects that are executed under the CCDC5A Construction Management method of contracting. Additionally, contract security, in the form of bonding or an irrevocable letter of credit, will be in place for 73% of the value of all trade contracts. Supply contracts, such as windows, doors and appliances are not bonded as payment is made after materials have been delivered to site.

To further reduce the risk against a cost overrun, the budget includes a contingency of \$6.2M or 8.7% of the total project costs.

If a cost overrun were to occur, the CRHC would assess various options and would return to the Board with a recommendation. In line with current practices, the Board will receive project and budget updates through the quarterly Major Capital Plan Status Reports.

Service Delivery Implications

The goal of the CHF program is to increase the supply and range of affordable and appropriate rental housing for Low and Moderate Income households. Operations and debt servicing will be paid for through tenant rent revenue and an operating subsidy. BCHMC, through the CHF program, is committed to providing an ongoing operating subsidy for this development to ensure the property maintains a Debt Coverage Ratio of 1:1 for the duration of the mortgage terms.

Additionally, mortgage registration requires that a Section 219 Covenant granted in favour of BCHMC be registered on title. A Section 219 Covenant is a means of preserving a property's special attribute; in this case, the use of the buildings for affordable housing. The conditions of the Section 219 Covenant are set out in the CHF Operating Agreement. The CRHC will operate 100% of the units, with the unit composition consisting of 20% shelter rate (deep subsidy) units, 50% rent-gear-to-income (RGI) units and 30% affordable units. Table 2 outlines the residential unit composition and proposed rents.

Table 2: Unit Composition and Proposed Rents

Unit Type	# of Units	Estimated Rent
20.2% of Units : Shelter Deep Subsidy Units		
Studios	14	\$375
1 Bedroom	5	\$375
1 Bedroom Accessible	7	\$375
2 Bedroom Accessible	5	\$570
3 Bedroom Accessible	1	\$665
49.4% of Units : RGI Units		
1 Bedroom	26	\$882
2 Bedroom	42	\$1,133
2 Bedroom Accessible	2	\$1,133
3 Bedroom	4	\$1,467
4 Bedroom	4	\$1,569
30.4% of Units : Affordable Units		
1 Bedroom	7	\$1,500
2 Bedroom	28	\$2,000
3 Bedroom	9	\$2,400
4 Bedroom	4	\$2,700
TOTAL	158	

CONCLUSION

CRHC must secure construction and take-out financing to complete the Caledonia Redevelopment project. The final control budget of \$71.0M was approved by BCHMC on May 25, 2022. The final control budget has increased by \$6.6M or 10.2% from the estimated budget in the CRHC Major Capital Plan (2022-2026).

Equity contributions for the project total \$20.5M and include a forgivable \$18.5M second mortgage, secured against title. Total repayable mortgage debt for this project is estimated to be \$50.5M and will be procured through BCHMC.

The Policy to Determine Delegation of Authority for the CRHC requires that all documents relating to mortgages valued over \$500K, and legal documents pertaining to restrictive covenants and the cost overrun agreement be approved by the CRHC Board.

RECOMMENDATION

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

- 1) That the resolutions, attached as Appendix A and Appendix B and required by BC Housing Management Commission to authorize the execution of the Section 219 Covenants and the Loan and Mortgage documents for the Caledonia Redevelopment be approved;
- 2) That the Cost Overrun Agreement, attached as Appendix C, be approved;
- 3) That Robert Lapham, Chief Administrative Officer, and Nelson Chan, Chief Financial Officer, or their duly-authorized delegates, or any two directors or officers of the Corporation be authorized to do all things necessary to effect the project and take such steps as are required to conclude the financing, construction and operation of the Caledonia Redevelopment project; and
- 4) That the Capital Region Housing Corporation Major Capital Plan (2022-2026) be amended.

Submitted by:	Don Elliott, BA, MUP, Senior Manager, Regional Housing
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	David Hennigan, CPA, CMA, Acting Chief Financial Officer
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

ATTACHMENTS:

Appendix A: Draft Certified Resolution of Directors – CHF Repayable Loan

Appendix B: Draft Certified Resolution of Directors – CHF Forgivable Loan

Appendix C: Cost Overrun and Completion Agreement

CAPITAL REGION HOUSING CORPORATION**RESOLUTION OF DIRECTORS**

WHEREAS Capital Region Housing Corporation (the “Borrower”) has leased or will be leasing lands and improvements to be consolidated and owned by The Board of Education of School District No. 61 (Greater Victoria), located in the City of Victoria, British Columbia, and municipally and legally described as:

1. 1209 North Park Street;
Parcel Identifier: 005-002-443
Lot 4, Spring Ridge, Victoria City, Plan 205;
2. 1211 Gladstone Avenue, Victoria, B.C.
Parcel Identifier: 018-007-503
Lot A, Section 53, Spring Ridge, Victoria City, Plan VIP55528;
3. 1219 North Park Street, Victoria, B.C.
Parcel Identifier: 009-226-338
Lot 5, Spring Ridge, Victoria City, Plan 205;
4. 1218 North Park Street, Victoria, B.C.
Parcel Identifier: 009-226-214
Lot 9, Spring Ridge, Victoria City, Plan 205;
5. 1220 North Park Street, Victoria, B.C.
Parcel Identifier: 009-226-231
Lot 8, Spring Ridge, Victoria City, Plan 205, Except Northerly 56 Feet Thereof;
6. 1219 Vining Street, Victoria, B.C.
Parcel Identifier: 009-226-257
The Northerly 56 Feet of Lot 8, Spring Ridge, Victoria City, Plan 205;
7. 1226 North Park Street, Victoria, B.C.
Parcel Identifier: 009-226-265
Lot 7, Spring Ridge, Victoria City, Plan 205;
8. 1235 Caledonia Street, Victoria, B.C.
Parcel Identifier: 017-710-545
Lot 18, Spring Ridge, Victoria City, Plan 205;
9. 1230 Grant Street, Victoria, B.C.
Parcel Identifier: 009-226-290
Lot 6, Section 50, Spring Ridge, Victoria City, Plan 205; and
10. That portion of Vining Street having an area of approximately 277.5 square meters and that portion of North Park Street having an area of approximately 556.0 square meters labelled “Closed Road” in Reference Plan EPP88785;

(the "Property") and will be constructing and operating a housing project on the Property (the "Project") under the British Columbia Housing Management Commission ("BCHMC") Building BC Community Housing Fund; and

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

BE IT RESOLVED THAT:

1. The Borrower borrow up to a maximum amount of \$50,500,000 by way of a repayable loan secured by a mortgage, including authorization for the long term financing from a takeout Lender, as required to facilitate the leasing and 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, 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 Section 219 covenant, an HPA Covenant, a mortgage, assignment of project agreements (and any assignments, modifications and assumptions thereto as approved by BCHMC), cost overrun and completion agreement, affordable housing agreement (if applicable) and operator/operating agreement; and
3. Robert Kenneth Lapham, Chief Administrative Officer and Nelson Chan, Chief Financial Officer, or their duly authorized delegates, 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.

CAPITAL REGION HOUSING CORPORATION

RESOLUTION OF DIRECTORS

WHEREAS Capital Region Housing Corporation (the “Borrower”) has leased or will be leasing lands and improvements to be consolidated and owned by The Board of Education of School District No. 61 (Greater Victoria), located in the City of Victoria, British Columbia, and municipally and legally described as:

1. 1209 North Park Street;
Parcel Identifier: 005-002-443
Lot 4, Spring Ridge, Victoria City, Plan 205;
2. 1211 Gladstone Avenue, Victoria, B.C.
Parcel Identifier: 018-007-503
Lot A, Section 53, Spring Ridge, Victoria City, Plan VIP55528;
3. 1219 North Park Street, Victoria, B.C.
Parcel Identifier: 009-226-338
Lot 5, Spring Ridge, Victoria City, Plan 205;
4. 1218 North Park Street, Victoria, B.C.
Parcel Identifier: 009-226-214
Lot 9, Spring Ridge, Victoria City, Plan 205;
5. 1220 North Park Street, Victoria, B.C.
Parcel Identifier: 009-226-231
Lot 8, Spring Ridge, Victoria City, Plan 205, Except Northerly 56 Feet Thereof;
6. 1219 Vining Street, Victoria, B.C.
Parcel Identifier: 009-226-257
The Northerly 56 Feet of Lot 8, Spring Ridge, Victoria City, Plan 205;
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Lot 18, Spring Ridge, Victoria City, Plan 205;
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Parcel Identifier: 009-226-290
Lot 6, Section 50, Spring Ridge, Victoria City, Plan 205; and
10. That portion of Vining Street having an area of approximately 277.5 square meters and that portion of North Park Street having an area of approximately 556.0 square meters labelled “Closed Road” in Reference Plan EPP88785;

(the "Property") and will be constructing and operating a housing project on the Property (the "Project") under the British Columbia Housing Management Commission ("BCHMC") Building BC Community Housing Fund; and

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

BE IT RESOLVED THAT:

1. The Borrower borrow up to a maximum amount of \$18,500,000 by way of a forgivable loan secured by a mortgage, as required to facilitate the leasing and construction of the Project, and grant to BCHMC a covenant restricting the use of the Property, and grant to the Provincial Rental Housing Corporation ("PRHC") an option to purchase in accordance with the Loan Commitment Letter;
2. The Borrower execute and deliver all documents required by PRHC, 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 option to purchase, an HPA Covenant, a mortgage, assignment of project agreements (and any assignments, modifications and assumptions thereto as approved by BCHMC), cost overrun and completion agreement, affordable housing agreement (if applicable) and operator/operating agreement; and
3. Robert Kenneth Lapham, Chief Administrative Officer and Nelson Chan, Chief Financial Officer, or their duly authorized delegates, 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 PRHC, BCHMC or the lender of the monies.

COST OVERRUN AND COMPLETION AGREEMENT

THIS AGREEMENT is dated the _____ day of _____ 20_____.

BETWEEN:

CAPITAL REGION HOUSING CORPORATION
(Inc. No. BC0257647), of 631 Fisgard Street, Victoria,
B.C. V8W 1R7

(the “**Borrower**”)

AND:

BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION
of Suite 1701 - 4555 Kingsway, Burnaby, B.C. V5H 4V8

(the “**Lender**”)

WHEREAS:

- A. The Lender has agreed to make a Construction Loan available to the Borrower on the terms and conditions set out in the Commitment Letter, as hereinafter defined.
- B. It is a condition of the Lender making the Construction Loan available to the Borrower that this Agreement be executed by the Borrower.

NOW THEREFORE THIS AGREEMENT WITNESSES that for good and valuable consideration and of the sum of \$10.00 now paid to the Borrower by the Lender, the receipt and sufficiency of which is hereby acknowledged by the Borrower, the Borrower hereby irrevocably covenants and agrees with the Lender as follows:

1. DEFINITIONS

1.1 Where used in this Agreement the following words shall have the meanings set out below:

- a) “**Agreement**” means this Cost Overrun and Completion Agreement;
- b) “**Budget**” means the capital cost budget attached hereto as Schedule “A” (and any amendments thereto) for the Project prepared by the Borrower and approved by the Lender;
- c) “**Budget Shortfall**” means the amount by which the aggregate cost as determined by the Lender acting on the advice of its quantity cost surveyor, to complete the construction of the Project after applying any cost savings to Cost Overruns, including hard and soft costs and the interest estimated to accrue due on the Construction Loan up to the date of completion of the Project, exceeds the unadvanced portion of the Construction Loan at such time;
- d) “**Commitment Letter**” means that letter which sets out the terms of the Construction Loan issued by the Lender dated ♦, accepted by the Borrower and

all amendments thereto, setting out the terms and conditions of the credit facility offered to the Borrower;

- e) **“Construction Loan”** means one or more construction loans made or to be made by the Lender to the Borrower pursuant to the Commitment Letter;
- f) **“Cost Overrun”** means an amount determined at the sole discretion of the Lender, acting on the advice of its quantity cost surveyor, by which the actual cost of construction of a portion of the Project (determined on a line-by-line basis) exceeds the amount established for construction of that portion of the Project (determined on a line-by-line basis) in the Budget;
- g) **“Lands”** means the lands and improvements to be consolidated and owned by The Board of Education of School District No. 61 (Greater Victoria) and leased or to be leased to the Borrower, located in the City of Victoria, British Columbia, and legally described in the attached Schedule “B”;
- h) **“Project”** means the below market and affordable housing project to be constructed on the Lands; and
- i) **“Project Time Lines”** means the time lines (and any amendments thereto) for the completion of the Project prepared by the Borrower and approved at the sole discretion of the Lender.

2. Guaranteed Payment of Budget Shortfall Amounts and Completion of Project

- 2.1 If during the term of the Construction Loan the Lender determines that a Cost Overrun has occurred or is about to occur it will provide notice of the Cost Overrun to the Borrower which notice shall require that the Borrower prepare a revised Budget for review by the Lender within five (5) business days of receipt of the notice by the Borrower. If the Borrower fails to submit the revised Budget to the Lender, the Lender will, at the expense of the Borrower, have its quantity cost surveyor prepare a revised Budget. Upon review of the revised Budget, the Lender acting on the advice of its quantity surveyor, will determine if a Budget Shortfall has occurred or is about to occur.
- 2.2 If a Budget Shortfall is deemed by the Lender to have occurred or is about to occur, the Borrower shall on demand by the Lender, forthwith pay to the Lender such monies as are required to satisfy the Budget Shortfall amount, so that the unadvanced portion of the Construction Loan will be sufficient to complete the Project in accordance with the revised Budget.
- 2.3 The monies paid to the Lender pursuant to Section 2.2 shall be held by the Lender as cash collateral to secure the obligations of the Borrower to the Lender until released by the Lender in its discretion for injection by the Borrower into the Project to satisfy the Budget Shortfall.
- 2.4 The Borrower shall complete the Project in accordance with the terms and conditions of the Budget (or revised Budget, if applicable) and the plans, drawings and specifications approved in writing by the Lender.
- 2.5 The Borrower shall complete the Project promptly and in any event within the Project Time Lines.

- 2.6 The Borrower will provide the Lender with written confirmation of the Borrower's equity contributions, if applicable, to the Project on a regular basis and in any event not less than quarterly.
- 2.7 The Lender may make more than one demand under Section 2.1 or Section 2.2.
- 2.8 The records of the Lender shall be prima facie evidence of the amount payable under Section 2.2 from time to time, and of the failure of the Borrower to pay any such amount on time.

3. Indemnity

- 3.1 The Borrower hereby promises and agrees to indemnify and hold harmless the Lender from any and all loss, costs, damages, liabilities, debts, demands and expenses (including without limitation solicitor's fees and disbursements on an indemnity basis) due to, arising from or in any manner whatsoever relating to any default hereunder by the Borrower or any failure of the Borrower to satisfy any payment obligation under section 2.2 hereof.

4. Default

- 4.1 Any breach or default by the Borrower hereunder shall constitute an event of default under the Construction Loan and the Security Documents.

5. Miscellaneous

- 5.1 This Agreement shall be in addition to and not in substitution for the security documents and additional security (as contemplated in the Commitment Letter") or other security now held or hereinafter provided by the Borrower to the Lender (collectively the "**Security Documents**") and the Lender may do all or any of the following:

- a) grant time, renewals, extensions, indulgences, releases and discharges to;
- b) take securities from;
- c) abstain from taking additional security from;
- d) abstain from perfecting securities of;
- e) accept compositions from; and
- f) otherwise deal with,

the Borrower and all other persons and securities, including the Security Documents as the Lender may see fit and without prejudice to the rights of the Lender under this Agreement or any other securities, including the Security Documents held by the Lender from time to time.

- 5.2 This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia.
- 5.3 The taking of judgment on any covenant contained herein shall not operate to create any merger or discharge of any liability or obligation of the Borrower to the Lender.
- 5.4 If any one or more of the provisions contained in this Agreement should be determined to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions herein shall not in any way be affected or impaired thereby.
- 5.5 This Agreement shall enure to the benefit of the Lender and its successors and assigns and shall be binding upon the Borrower and its successors and assigns.

- 5.6 Whenever the singular number or the masculine gender is used in this Agreement, it shall be deemed to include the plural or the feminine or the body corporate where the context or the parties so require.
- 5.7 The headings of this Agreement have been inserted for convenience of reference only and do not form part of this Agreement.
- 5.8 This Agreement may be executed in counterparts and all counterparts so executed (including those executed and delivered by fax) will constitute one Agreement binding on the parties effective upon execution.
- 5.9 All reasonable legal costs (if any) incurred by the Lender in the enforcement of this Agreement shall be for the account of the Borrower.
- 5.10 All rights, powers and remedies of the Lender hereunder and under any other agreement now or at any time hereafter in force between the Lender and the Borrower shall be cumulative and shall be in addition to and not in substitution for all rights, powers and remedies of the Lender at law or in equity.
- 5.11 This Agreement shall not be amended or varied or deemed to be amended or varied unless amended or varied by written instrument signed by a duly authorized signatory of the Lender.

6. NOTICE

Any notice, demand or document referred to herein may be delivered, transmitted by facsimile machine (“fax”) or may be mailed by prepaid ordinary mail to the Lender or the Borrower at the number or address set out below, and the Lender or the Borrower shall be deemed to have received such notice, demand or document on the date of delivery, if delivered, on the day following transmission, if transmitted by fax, or three (3) days after mailing, if mailed.

Lender:	Mail to:	Address noted on page 1 of this Agreement
	Fax to:	(604)

Borrower:	Mail to:	Address noted on page 1 of this Agreement
	Fax to:	(604)

IN WITNESS WHEREOF this Agreement has been executed by the Borrower as of the day and year first above written.

CAPITAL REGION HOUSING CORPORATION

by its authorized signatory(ies):)
)
)
)

_____)
 Authorized Signatory)

_____)
 Authorized Signatory)

SCHEDULE "A"
CONSTRUCTION BUDGET

[NTD: To be attached]

SCHEDULE "B"
LEGAL DESCRIPTION

1. 1209 North Park Street;
Parcel Identifier: 005-002-443
Lot 4, Spring Ridge, Victoria City, Plan 205;
2. 1211 Gladstone Avenue, Victoria, B.C.
Parcel Identifier: 018-007-503
Lot A, Section 53, Spring Ridge, Victoria City, Plan VIP55528;
3. 1219 North Park Street, Victoria, B.C.
Parcel Identifier: 009-226-338
Lot 5, Spring Ridge, Victoria City, Plan 205;
4. 1218 North Park Street, Victoria, B.C.
Parcel Identifier: 009-226-214
Lot 9, Spring Ridge, Victoria City, Plan 205;
5. 1220 North Park Street, Victoria, B.C.
Parcel Identifier: 009-226-231
Lot 8, Spring Ridge, Victoria City, Plan 205, Except Northerly 56 Feet Thereof;
6. 1219 Vining Street, Victoria, B.C.
Parcel Identifier: 009-226-257
The Northerly 56 Feet of Lot 8, Spring Ridge, Victoria City, Plan 205;
7. 1226 North Park Street, Victoria, B.C.
Parcel Identifier: 009-226-265
Lot 7, Spring Ridge, Victoria City, Plan 205;
8. 1235 Caledonia Street, Victoria, B.C.
Parcel Identifier: 017-710-545
Lot 18, Spring Ridge, Victoria City, Plan 205;
9. 1230 Grant Street, Victoria, B.C.
Parcel Identifier: 009-226-290
Lot 6, Section 50, Spring Ridge, Victoria City, Plan 205; and
10. That portion of Vining Street having an area of approximately 277.5 square meters and that portion of North Park Street having an area of approximately 556.0 square meters labelled "Closed Road" in Reference Plan EPP88785, a reduced copy of which is shown below:

REFERENCE PLAN TO ACCOMPANY BYLAW _____ (CITY OF VICTORIA) TO CLOSE PARTS OF ROAD DEDICATED ON PLAN 205 IN SPRING RIDGE, VICTORIA CITY, VICTORIA DISTRICT.

PLAN EPP88785

FURSUANT TO SECTION 120 OF THE LAND TITLE ACT AND SECTION 40 OF THE COMMUNITY CHARTER.

BOGS 928.044

DATUM: NAD83 (CSRS) 3.0.0 BC 1 CRD
 UTM ZONE: 10
 UTM NORTHING: 5384369.824
 UTM EASTING: 474115.838
 ABSOLUTE ACCURACY: 0.01

0 25 50 m
 ALL DISTANCES ARE IN METRES AND DECIMALS THEREOF
 THE INTENDED PLOT SIZE OF THIS PLAN IS 432 m IN WIDTH BY 580 m IN HEIGHT (0.8:0.2) WHEN PLOTTED AT A SCALE OF 1:500
 INTEGRATED SURVEY AREA No. 17 (CITY OF VICTORIA)
 NAD83 (CSRS) 3.0.0 BC 1 CRD

GRID BEARINGS ARE DERIVED FROM OBSERVATIONS BETWEEN GEODETIC CONTROL MONUMENTS 19-36 AND 19-41

THE UTM COORDINATES AND ESTIMATED ABSOLUTE ACCURACY ACHIEVED ARE DERIVED FROM THE INTEGRATED PLANING COORDINATES AND STANDARD DEVIATIONS FOR GEODETIC CONTROL MONUMENTS 19-36 AND 19-41

THIS PLAN SHOWS HORIZONTAL GROUND-LEVEL DISTANCES UNLESS OTHERWISE SPECIFIED. TO COMPUTE GRID DISTANCES, MULTIPLY GROUND-LEVEL DISTANCES BY THE AVERAGE CORRECTION FACTOR OF 0.99995 WHICH HAS BEEN DERIVED FROM CONTROL MONUMENTS 19-36

LEGEND:

SYMBOLS	DESCRIPTION
●	CONTROL MONUMENT
⊙	VICTORIA BORED MONUMENT
○	STANDARD IRON POST
+	LEAD PLUG
■	DENOTES SQUARE METRE(S)
RM	DENOTES REMAINDER
WT	DENOTES WITNESS
NF	DENOTES NOTHING FOUND

THIS PLAN LIES WITHIN THE CAPITAL REGIONAL DISTRICT

NOTE:
 THIS PLAN SHOWS ONE OR MORE WITNESS POSTS WHICH ARE NOT SET ON THE TRUE CORNER(S)
 SOME POSTS ARE ENLARGED FOR CLARITY

THIS PLAN LIES WITHIN THE JURISDICTION OF THE APPROVING OFFICER FOR THE CITY OF VICTORIA

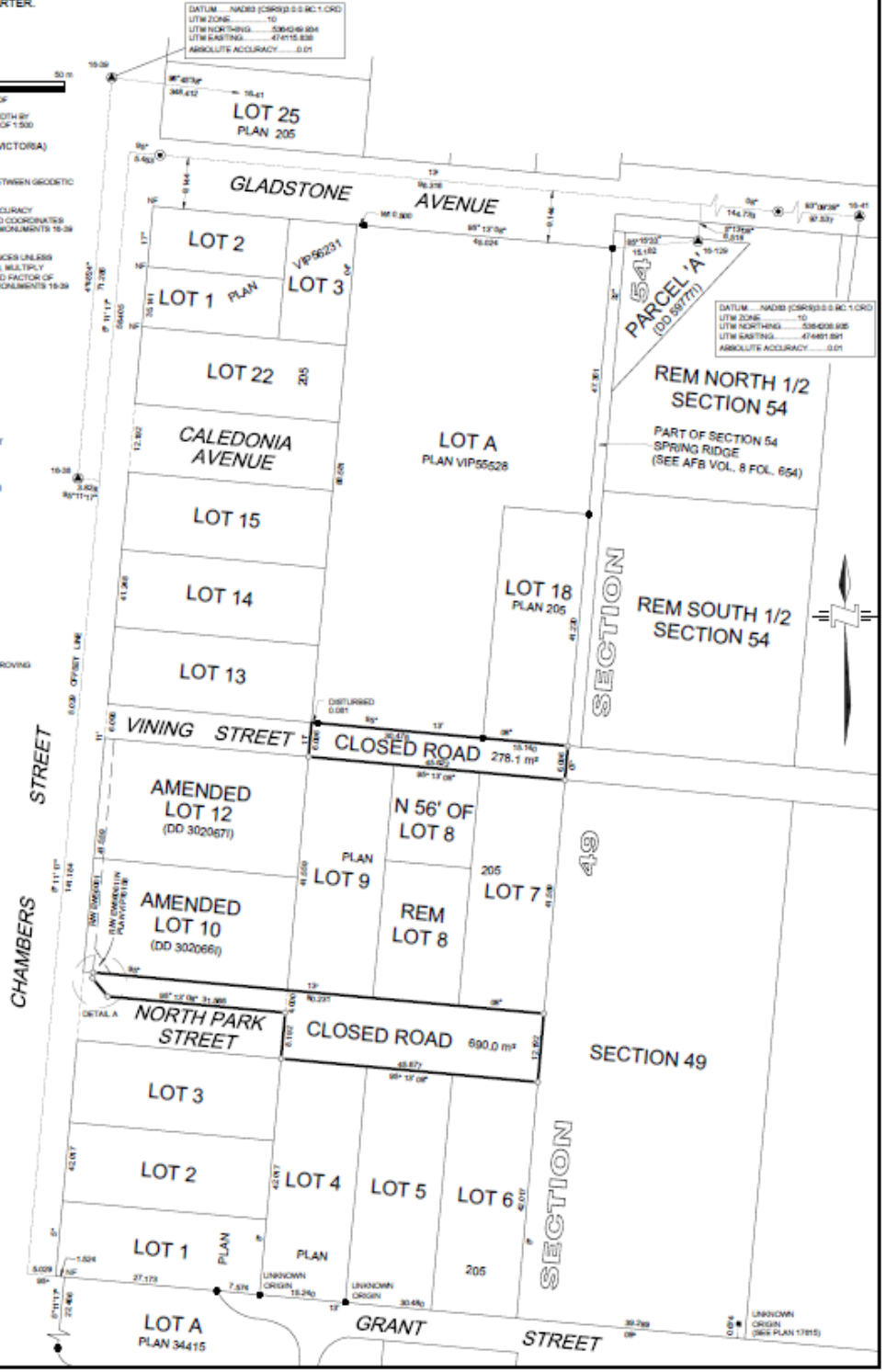


SCALE OF ENLARGEMENT IS 1:100 AT THE INTENDED PLOT SIZE OF PLAN

THE FIELD SURVEY REPRESENTED BY THIS PLAN WAS COMPLETED ON THE 18th DAY OF JUNE, 2020
 GLEN A. QUARMBY, M.C.S. 9770, C.L.S.

McCarthy
 McHANNAY ASSOCIATES
 LAND SURVEYING LTD.
 Suite 503
 3985 Clackin Street
 Victoria BC
 Canada V8C 4A3
 Tel: 250 370 6021

OUR FILE NO. 2241-19562-00
 OUR DRAWING NO. 19562-00-VRF-DWG



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