



## Report of the General Manager and Chief Financial Officer

### 2020 Mortgage Renewal - Heritage East in the Town of Newmarket

#### Recommendations

1. The Housing York Inc. Board authorize the Ministry of Municipal Affairs and Housing to act on Housing York Inc.'s behalf to negotiate the mortgage renewal, in accordance with the provisions of the attached resolution (see Attachment 1) provided by the Ministry of Municipal Affairs and Housing, for Heritage East, located at 349/351 Crowder Boulevard, Town of Newmarket.
2. The Board pass the attached resolution recommendation.
3. The Board authorize the President to execute the necessary agreements and documents required by the lender to amend or renew the mortgage.
4. The Board authorize the Secretary to certify the attached resolution and provide copies to the Ministry of Municipal Affairs and Housing and the Lender.

#### Summary

This report seeks Board approval to proceed with the mortgage renewal process for Heritage East in the Town of Newmarket, in accordance with Housing York Inc.'s (HYI's) [Borrowing Bylaw 2-07](#). The existing mortgage on this property expires October 1, 2020. The Ministry of Municipal Affairs and Housing (Ministry) requires a Board resolution to act on HYI's behalf to refinance the mortgage.

#### Background

##### Ministry of Municipal Affairs and Housing coordinates Housing York Inc.'s mortgage renewals

On January 1, 2001, the Ministry assumed responsibility for coordinating mortgage renewals for housing providers. A centralized and unified mortgage renewal process has increased the Ministry's bargaining power and resulted in favourable interest rates for housing providers across Ontario. This process also provides a single point of contact for housing providers during the renewal process. The Ministry researches the rates available through different sources, particularly the Ontario Financing Authority Corporation (the funding authority for the Province), Canada Mortgage and Housing Corporation, and financial markets. Historically, mortgage rates obtained by the Ministry have been the best rates available on the market.

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## **Housing York's Inc.'s Borrowing Bylaw enables refinancing of the buildings**

HYI's Borrowing Bylaw allows for the financing of its Provincial Reform buildings (buildings constructed between 1987 and 1996). All buildings in this program with five or more years remaining to maturity are financed by mortgages that have been arranged by the Ministry.

Heritage East is a 121 unit apartment site located in the Town of Newmarket. The existing mortgage expires October 1, 2020, concluding a five year term at 1.85%. The estimated principal balance of the existing mortgage is \$5,539,627.91. The remaining amortization period is 80 months.

### **Analysis**

#### **The renewal rate is expected to be between 1.5% to 2.5%**

The Bank of Canada prime rate was 2.45% on April 28, 2020. Based on the current economic outlook, the COVID-19 pandemic and a recent mortgage renewal, HYI management forecasts that the renewal rate will be between 1.5% and 2.5%.

The mortgage renewal process is lengthy, taking several months to complete. The Ministry requires considerable lead time to identify and negotiate the best terms on behalf of housing providers. Once the details are confirmed, the Ministry will work with HYI to execute the transactions and register the documents.

### **Financial Considerations**

#### **The Region will adjust subsidy funding to Housing York Inc. to reflect the updated mortgage rate**

The Region provides HYI with a subsidy to cover mortgage costs. Mortgage renewals do not have a budget impact for HYI.

Following the mortgage renewal, the Region will recalculate HYI's mortgage subsidy. The Region has budgeted for a 2.5% renewal rate, which would increase the Region's budget by \$94,609 over 60 months.

### **Local Impact**

HYI pays property taxes to the local municipalities based on independent assessments through the Municipal Property Assessment Corporation. The financing structure of the properties does not have a direct impact at the local level.

### **Conclusion**

HYI will renew the mortgage for Heritage East following processes established by the Ministry. The renewal rate is expected to be similar to the existing term and will not result in a budget impact to HYI.

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For more information on this report, please contact Michelle Willson, Chief Financial Officer at 1-877-464-9675 ext. 76064. Accessible formats or communication supports are available upon request.

Recommended by:

Michelle Willson  
Chief Financial Officer, Housing York Inc.

Kathy Milsom  
General Manager, Housing York Inc.

Approved for Submission: Katherine Chislett  
President, Housing York Inc.

May 20, 2020  
Attachment  
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