# THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
February 14, 2007
Report of the
General Manager

## HOUSING YORK INC.
## MORTGAGE RENEWAL MULOCK VILLAGE

## 1. RECOMMENDATIONS

It is recommended that:

1. The Corporation, utilizing the services of the Ministry of Municipal Affairs and Housing (MMAH), refinance the existing mortgage against Mulock Village, 507 Needler Place, in the Town of Newmarket, maturing on March 1, 2007.

2. The Corporation's Chair and Secretary be authorized to execute all documents necessary to give effect thereto, subject to the prior review by the Corporation's Solicitor and Treasurer, as applicable.

## 2. PURPOSE

Housing York Inc. has fixed-term mortgages on each of nine Provincial Reform properties that periodically expire and must be renewed. Mulock Village is a 104 unit townhouse complex located near the intersection of Mulock Drive and Bathurst Street in the Town of Newmarket. The mortgage expires on March 1, 2007 with an estimated principal balance of $12,734,076.61 at the end of its five-year term.

## 3. BACKGROUND

On January 1, 2001 the MMAH assumed the responsibility of facilitating and coordinating mortgage renewals for housing provider properties. A centralized and unified mortgage renewal process permits consistent negotiation with lenders which results in favourable interest rates. It also provides a single point of contact for housing providers during the renewal process.

The MMAH researches rates available through different sources, particularly: The Ontario Financing Corporation (the funding authority for the Province), Canada Mortgage and Housing Corporation (CMHC), and financial markets. Historically, the mortgage rates obtained through the MMAH have been the best attainable.

The MMAH has advised Housing York Inc. that the mortgage at Mulock Village is due for renewal.

## 4. ANALYSIS AND OPTIONS

According to the *Social Housing Reform Act, 2000* and regulations, housing providers are required to participate in the MMAH renewal process (*SHRA,2000*, Section 93 (2)(h), Regulations 339, Sec 38). Housing York Inc. also uses its borrowing by-law to facilitate the financing of its buildings.

The existing rate on the Mulock Village mortgage is 5.157%. Based on current market conditions, it is likely that renegotiated rates will be lower than the existing rate. A rate between 4% and 4.5% is possible.

Due to the favourable rates, it is advantageous to lock into a longer term and a ten year period will likely be recommended by the MMAH and by the Region's Finance Department.

Mulock Village is the only property where a mortgage renewal is scheduled during 2007. The next renewal will take place on February 1, 2008 for the Hadley Grange building located in the Town of Aurora. Another Board report will be submitted at that time to update borrowing conditions.

## 5. FINANCIAL IMPLICATIONS

Under the new funding model that was implemented for the Provincial Reform program in 2006, housing providers fund a portion of their own mortgage costs based on formula driven calculations. The mortgage amount that the provider is responsible for is known as the "affordable mortgage payment". The Region, as Service Manager, makes up the difference of the full mortgage payment through subsidy to the provider.

For properties where the mortgage is subject to renewal, lower interest rates for the past two years have realized overall lower financing costs. These savings benefit the Service Manager resulting in lower subsidy payments to the housing provider under the notion that the provider's affordable mortgage payment remains unchanged.

The portion of the mortgage subsidy borne by The Regional Municipality of York is included as a Social Housing Program expenditure in the Community Services and Housing Department budget. These program costs are partially offset by Federal Housing program subsidies received by York Region.

## 6. LOCAL MUNICIPAL IMPACT

There is no direct impact on local municipalities.

## 7. CONCLUSION

Housing York Inc. expects to achieve a reduced rate and cost of financing for Mulock Village through the renewal of the mortgage with MMAH.

For more information on this report contact Doug Manson, Manager, Housing York Inc., Housing Services Branch in the Community Services and Housing Department.

The Senior Management Group has reviewed this report.

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January 24, 2007

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