THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
September 15, 2010
Report of the
General Manager

MORTGAGE RENEWAL HERITAGE EAST

1. RECOMMENDATIONS

It is recommended that:

1. The Board approve a resolution for the Ministry of Municipal Affairs and Housing to proceed with the mortgage renewal for Heritage East located at 349/351 Crowder Blvd. in the Town of Newmarket.

2. The Board authorize the Corporation's Chair and Secretary to execute all subsequent documents necessary to complete the transaction in accordance with the Corporation's signing authorities, subject to the prior review of the Solicitor and the Treasurer, as applicable.

2. PURPOSE

This report seeks Board approval to proceed with the mortgage renewal process for Heritage East. The Ministry of Municipal Affairs and Housing (Ministry) has advised Housing York Inc. (HYI) that the existing mortgage will expire on October 1, 2010 and that a Board resolution is required to refinance the building.

3. BACKGROUND

All Housing York Inc. mortgage renewals are coordinated through the Ministry of Municipal Affairs and Housing

On January 1, 2001, the Ministry assumed the responsibility 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 Ministry researches rates available through different sources, particularly: Ontario Financing Corporation (the funding authority for the Province), Canada Mortgage and

Housing Corporation, and financial markets. Historically, the mortgage rates obtained through the Ministry have been the best attainable.

Housing York Inc. borrowing by-law enables refinancing of the buildings

HYI uses its borrowing by-law to facilitate the financing of its Provincial Reform buildings. All buildings in this program are financed by mortgages that have been arranged through the Ministry.

Heritage East is a two-wing apartment building which includes 66 family units and 54 seniors' units. Of the 120 units, 97, or 80%, are designated as RGI and are eligible for subsidy funding.

The existing mortgage for Heritage East expires on October 1, 2010 concluding a ten year term. The estimated principal balance of the existing mortgage is $12,438,706.

HYI's last mortgage renewal was completed in 2008 for Blue Door Shelters, Porter Place building, located in the Town of East Gwillimbury. The next mortgage renewal is scheduled in December 2012 for the Rose Town building in the Town of Richmond Hill.

4. ANALYSIS AND OPTIONS

Renegotiated rate expected to be between 3.5 – 4.0%

The existing rate on the Heritage East mortgage is 6.416%. Based on current market conditions, it is likely that the renegotiated rates will be lower. Another ten-year term may be negotiated to take advantage of lower rates for an extended period.

The mortgage renewal process takes about four months to complete. Considerable lead time is required to identify and negotiate the best terms on behalf of the housing provider. Once these details are set, the Ministry will work with HYI to execute the transaction and register the documents.

The Service System Manager is fully informed of the details as the renewal transaction progresses.

5. FINANCIAL IMPLICATIONS

Subsidy funding is adjusted to reflect the updated mortgage rate

Refinancing a mortgage does not create a budget impact for HYI. Subsidy eligibility is recalculated by the Region following a mortgage renewal. Due to the anticipated lower interest rate, a lower subsidy payment will flow to HYI to offset the decrease in the mortgage. The difference between the existing mortgage payment and the refinanced mortgage payment is not considered to be material.

6. LOCAL MUNICIPAL IMPACT

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

7. CONCLUSION

HYI will renew the mortgage for Heritage East following the processes established by the Ministry. The renewal rate is expected to be lower than the existing terms but will not carry any budget impact due to funding formula provisions.

For more information on this report contact Sylvia Patterson, Assistant General Manager, Housing York Inc., at Ext. 2091.

The Senior Management Group has reviewed this report.

Recommended by:	Approved for Submission:
Sylvia Patterson Assistant General Manager	Adelina Urbanski General Manager

September 1, 2010

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