

The Regional Municipality of York

Housing York Inc.
May 7, 2015

Report of the
General Manager

Mortgage Renewal Analysis

1. Recommendation

It is recommended that the Board of Directors receive this report for information.

2. Purpose

This report provides the Board of Directors with an analysis on the potential for early mortgage renewals for Housing York Inc.'s outstanding mortgages.

3. Background

Housing York Inc. has seven mortgages with renewal dates between 2017 and 2025

Housing York Inc. (Housing York) has outstanding mortgages for twelve properties. These mortgages are held by various financial institutions; however, all mortgage renewals are coordinated by the Ministry of Municipal Affairs and Housing (MMAH).

At the January 8, 2015 Housing York Board meeting, approval was received to renew four mortgages in 2015 - Glenwood Mews, Trinity Square, Oxford Village, and Heritage East. The Woodbridge Lane mortgage also comes up for renewal in April 2015; however, this mortgage will be paid in full at renewal to allow for the redevelopment of the Woodbridge site.

During the Board meeting, Board members inquired whether the remaining mortgages could be renewed early given the historic low rates currently available.

Staff worked with MMAH to analyze each of the remaining seven Housing York mortgages that have renewal dates spanning from 2017 to 2025 to determine the potential for early mortgage renewals.

4. Analysis and Options

Ministry of Municipal Affairs and Housing is responsible for social, non-profit housing mortgage renewals in the Province of Ontario

As of January 1, 2001, MMAH assumed responsibility for facilitating and coordinating social, non-profit housing mortgage renewals within the Province of Ontario, with the exception of the federal co-operatives.

A centralized and unified mortgage renewal process enhances the Province's bargaining power with lenders which results in favourable interest rates. It also provides a single point of contact for housing providers during the renewal process.

The possibility of early mortgage renewal is dependent on the mortgage carrier

Mortgages are placed in either a mortgage-back security pool or financed via the direct lending program depending on the program that the original property began from. Properties that had their origins from a federal or federal/provincial program were generally financed using the direct lending program, whereas the mortgage-backed security pool is generally used for properties under the provincial program. The majority of Housing York's properties fall under the provincial program. The prepayment/early renewal rules differ depending on how the mortgage was financed.

If a mortgage is placed in a mortgage-backed security pool, the mortgage is locked-in until its next renewal date and no prepayment or early renewal of the mortgage is allowed while in term.

If a mortgage is financed directly by Canada Mortgage and Housing Corporation (CMHC), prepayments may be permissible under certain circumstances, provided that an interest penalty is paid. The interest penalty is calculated from the date of prepayment until the next scheduled mortgage renewal date.

All social non-profit housing mortgages are insured by CHMC

All social, non-profit housing mortgages, regardless of whether they are financed directly by CMHC or not, are insured by CMHC under the *National Housing Act*, and are subsequently guaranteed by the Province.

Mortgage Renewal Analysis

Lower interest rates forecasted for Housing York's 2015 mortgage renewals

Housing York completed the Glenwood Mews mortgage renewal on February 1, 2015 with CHMC. This is the first of the four 2015 mortgage renewals approved by the Board on January 8, 2015. The interest rate dropped on renewal from 4.540% to 1.120%.

The Trinity Square mortgage renewal was completed on April 1, 2015 with CHMC. This is the second of the four 2015 mortgage renewals. The interest rate dropped on renewal from 4.609% to 2.315%.

The remaining two 2015 mortgages will be renewed at various points throughout the year at the best available rates.

Six out of seven Housing York outstanding mortgages are not eligible for early renewal

Six out of the seven Housing York's remaining mortgages are locked in an mortgage-backed security pool and are not eligible for early renewal or prepayment.

The only remaining mortgage that is not locked into an mortgage-backed security pool is Rose Town. This mortgage is financed directly with CMHC and was renewed in 2012 for ten years at an interest rate of 1.88%. If this mortgage was to be renewed early, an interest penalty would be payable, however it is irrelevant as there would be no savings because current ten-year interest rates would exceed our current secured rate.

Table 1 lists all twelve mortgages, their renewal dates, and the early renewal status.

Table 1
Housing York Inc. Mortgages

	Property	Current Mortgage Balance and Interest Rate	Comments
1	Glenwood Mews	\$3,673,116 / 1.120%	Mortgage renewed on February 1, 2015 at 1.120% for a 5-year term.
2	Woodbridge Lane	\$1,446,773 / 4.742%	Mortgage was paid in full on April 1, 2015. Site redevelopment plan in place.
3	Trinity Square	\$8,567,962 / 2.315%	Mortgage was renewed on April 1, 2015 at 2.315% for a 10-year term.
4	Oxford Village	\$2,319,886 / 4.390%	The next renewal is scheduled for June 1, 2015.

Mortgage Renewal Analysis

	Property	Current Mortgage Balance and Interest Rate	Comments
5	Heritage East	\$9,662,028 / 2.693%	The next renewal is scheduled for October 1, 2015.
6	Mulock Village	\$8,953,677 / 4.547%	The next renewal is scheduled for March 1, 2017. Mortgage is with Toronto-Dominion Bank and is in an MBS. This mortgage is locked-in and can't be prepaid prior to the next scheduled renewal date.
7	Thornhill Green	\$4,974,416 / 2.112%	The next renewal is scheduled is for December 1, 2017. Mortgage is with Toronto-Dominion Bank is in an MBS. This mortgage is locked-in and can't be prepaid prior to the next scheduled renewal date.
8	Hadley Grange	\$5,098,970 / 4.486%	The next renewal is scheduled for February 1, 2018. Mortgage is with Murray & Company Holdings Ltd. Who recently acquired this mortgage from OMERS. This mortgage is in an MBS, is locked-in and can't be prepaid prior to the next scheduled renewal date.
9	Porter Place	\$772,379 / 4.443%	The next renewal is scheduled for September 1, 2018. Mortgage is with Scotia Mortgage Corporation in an MBS. This mortgage is locked-in and can't be prepaid prior to the next scheduled renewal date.
10	Rose Town	\$3,440,071 / 1.880%	The next renewal is scheduled for December 1, 2022. Mortgage is with CMHC. This mortgage can be prepaid provided all interest slippage charges, from the date of prepayment to the full maturity on December 1, 2022, is paid. Prepaying at this point may not be very cost effective as the interest rate is 1.88%.
11	Springbrook Gardens	\$8,943,906 / 5.912%	The next renewal is scheduled for January 1, 2024. Mortgage is with Toronto-Dominion Bank and is in an MBS. This mortgage is locked-in and can't be prepaid prior to the next scheduled renewal date.
12	Keswick Gardens	\$6,752,075 / 6.996%	The next renewal is scheduled for January 1, 2025. Mortgage is with Scotia Mortgage Corporation and is in an MBS. This mortgage is locked-in and can't be prepaid prior to the next scheduled renewal date.

Link to key Council-approved plans

Housing York Strategic Plan 2012 to 2016 identifies five key goals and objectives. Managing finances proactively is identified as one of the key goals. A part of this goal is seeking alternatives for potential costs reduction. This is achieved by proactively identifying and analyzing lower interest mortgage renewal opportunities.

5. Financial Implications

There are no financial implications as the servicing costs for the outstanding mortgages are already captured in Housing York's budget and business plan.

6. Local Municipal Impact

There are no local municipal implications associated with this report.

7. Conclusion

Six of the seven remaining mortgages are in a mortgage-backed security pool and are not renewable until the pre-scheduled renewal dates. The seventh mortgage is not in a mortgage-backed security pool and has no restriction for early renewal. However, it would not be cost effective to renew early, as the current interest rate for this mortgage is lower than the interest rates forecasted for the near future.

Staff recommends that Housing York Inc.'s mortgages be renewed on their pre-scheduled dates. Prior to each mortgage renewal, the Board will be presented with information on each mortgage, as well as the best renewal options available at that time.

Mortgage Renewal Analysis

For more information on this report, please contact Rick Farrell, General Manager at ext. 72091.

The Senior Management Group has reviewed this report.

Recommended by:

Approved for Submission:

Rick Farrell
General Manager

Adelina Urbanski
President

April 22, 2015

#6014618

Accessible formats or communication supports are available upon request