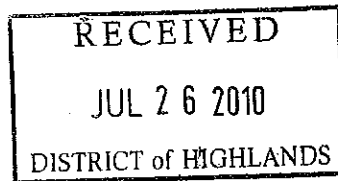




Capital Regional District
625 Fisgard Street, PO Box 1000,
Victoria, BC, Canada V8W 2S6
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July 21, 2010



To Council
August 16, 2010

Ms. Tina Neurauter
Deputy Corporate Officer
District of Highlands
1980 Millstream Road
Victoria, BC, V9B 6H1

File: 0470-35

Dear Ms. Neurauter:

RE: CRD Bylaw 3712, Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010; and Bylaw 3715, Land Assembly, Housing and Land Banking Loan Authorization Bylaw No. 1, 2010

Enclosed please find a copy of CRD Bylaws 3712 and 3715 at third reading. Please place Bylaws 3712 and 3715 on your next Council agenda with a request to give consent to the adoption of the Bylaws in accordance with Section 801.4 of the *Local Government Act*.

The purpose of Bylaw 3712 is to convert the Letters Patent Authority for Land Assembly, Housing and Land Banking to a service establishment bylaw, and to add borrowing authority to guarantee loans and to borrow up to \$25 million, including borrowing on behalf of the Capital Regional Housing Corporation. The maximum requisition remains the same in the bylaw as it is in the Letters Patent. The purpose of Bylaw 3715 is to authorize the borrowing of \$25 million for the service. The costs for borrowing will be recovered by the rental income generated by the Housing Corporation.

The attached staff report to the Planning, Transportation and Protective Services Committee, dated June 23, 2010, provides further background information.

Questions regarding the bylaws may be directed to Bob Lapham, General Manager, Planning and Protective Services (Tel: 250.360.32850) or Amy Jaarsma, Senior Manager, Capital Regional Housing Corporation (250.360.3371).

Yours sincerely,

Carmen I. Thiel
Corporate Officer
Administration Dept.
T 250.360.3128 F 250.360.3130
E cthiel@crd.bc.ca

Encl.

cc Bob Lapham, General Manager Planning and Protective Services
Amy Jaarsma, Senior Manager Capital Regional Housing Corporation



Making a difference...together

**STAFF REPORT TO THE
PLANNING, TRANSPORTATION AND PROTECTIVE SERVICES COMMITTEE
MEETING OF WEDNESDAY, JUNE 23, 2010**

SUBJECT: CONVERSION OF THE LETTERS PATENT AUTHORITY FOR LAND ASSEMBLY, HOUSING AND LAND BANKING TO AN ESTABLISHING BYLAW.

PURPOSE:

This report seeks approval to initiate the conversion of the Letters Patent Authority for Land Assembly, Housing and Land Banking to an Establishment Bylaw for Land Assembly, Housing and Land Banking. The report also intends to update the service authority to enable the Capital Regional District (CRD) to guarantee loans and borrow up to \$25 Million, including borrowing on behalf of the Capital Region Housing Corporation (CRHC), in consideration of changing operational requirements.

BACKGROUND:

In 1974 by supplementary Letters Patent, the CRD was empowered to undertake the function of Division XII – Land Assembly, Housing and Land Banking with all member municipalities participating. In 1982, the CRD requested that the Land Assembly, Housing and Land Banking function be further amended to create one or more corporations to undertake land assembly for the purpose of housing, either public or private, and to provide public housing. This amendment was approved September 30, 1982 and the CRHC was incorporated on December 10, 1982.

Since its incorporation as a non-profit housing provider, the CRHC has established a portfolio of 1268 units in 46 buildings owned and operated with subsidy agreements administered by BC Housing on behalf of the Federal and Provincial governments. To date the CRHC has been largely dependent on the commitment from senior governments to provide ongoing operating subsidies to permit projects to operate and achieve rent levels geared to income. Administration costs associated with maintaining the buildings and administering the program guidelines have also been part of the operating agreements. In order to sustain and enhance CRHC assets and maintain our housing stock, a review of development opportunities was completed in 2009. As part of this report several challenges and opportunities were identified to renew and sustain affordable housing after the expiry of these operating agreements.

The equity of CRHC's portfolio is primarily associated with the former Canada Mortgage and Housing Corporation (CMHC) housing projects, which were partially subsidized by the federal government. These housing projects, on CRHC owned land, are currently restricted by the operating agreements and mortgage financing. The opportunity to manage or invest any equity is currently dependent on BC Housing, which administers these agreements on behalf of the federal government, as they need to agree to allow refinancing under their terms and conditions.

Recent changes in provincial funding for housing will result in a reduction in operating support from BC Housing. To ensure the stability and sustainability of the CRHC, the CRHC Board and staff have recognized the need to potentially seek independent unrestricted alternate financing options.

Therefore, in response to the changes in the housing program and funding, it is proposed that the function for Land Assembly, Housing and Land Banking include provisions for borrowing and loan guarantees by the CRD on behalf of the CRHC.

Under the requirements of the *Local Government Act*, the Board can only amend the activities originally permitted under the supplementary Letters Patent through a conversion to an Establishment Bylaw. The proposed conversion includes the expanded provision for borrowing and loan guarantee, enabling the CRHC to potentially access Municipal Finance Authority (MFA) borrowing or private financing and release itself from the restrictions associated with the current BC Housing operating agreements to sustain its operations and mandate.

ALTERNATIVES

1. Approve the conversion of the authority for Land Assembly, Housing and Land Banking to a Service Establishment Bylaw for Land Assembly, Housing and Land Banking including adding borrowing authority of \$25 Million and increased loan guarantee for the Capital Region Housing Corporation to a maximum of \$25 Million.
2. Do not approve the conversion of the Land Assembly, Housing and Land Banking Supplementary Letters Patent to a Service Establishment Bylaw which includes the addition of borrowing authority and increased corporate loan guarantees.

FINANCIAL IMPLICATIONS:

The CRHC is committed to utilize our existing investment in housing to expand or maintain affordable rental housing in the region. As a significant number of older units approach the end of their operating agreements with senior government, we are presented with an opportunity to utilize existing equity to fund expansion of affordable units or to renovate existing rental units in the community that could be lost to the rental pool. There are also opportunities to acquire sites that could in the future provide an opportunity to develop affordable housing. The CRD can achieve these goals through CRHC with a commitment through the Land Assembly, Housing and Land Banking function, by authorizing borrowing through the MFA or by a guarantee of mortgages through conventional lenders.

The Land Assembly, Housing and Land Banking function currently has a maximum annual requisition authority of \$2.5 Million, of which a portion is utilized for operation of the Housing Secretariat to advance the Regional Housing Affordability Strategy. The effect of the amendment to expand the borrowing authority requires that the limit of borrowing be identified and that a loan authorization be approved. However, it is not necessary to increase the maximum annual requisition at this time given the extent of borrowing contemplated. The CRHC derives its revenue from rents and subsidy payments which fully cover mortgage costs. The use of an expanded borrowing authority or guarantee would allow the corporation to access competitive financing and realize the benefits of the CRD's membership in MFA. The CRD's guarantee would also simplify the mortgage qualification criteria and reduce the cost mortgage financing for affordable rental units by eliminating costs for mortgage insurance and BC Housing administrative and placement fees.

The proposed loan guarantee for the CRHC to a maximum amount of \$25 million represents the maximum borrowing that could be possible under the existing requisition limit, such that the guarantee could be covered in the instance of a default.

While CRHC's assets, if liquefied or re-mortgaged, could cover more than the maximum guarantee, it is necessary to have adequate requisition limit capacity within the service for the inclusion of the borrowing and loan guarantee provisions in the Service Establishing Bylaw.

SUMMARY:

The CRHC faces significant challenges and opportunities to grow and sustain affordable housing after the expiry of the current operating agreements with senior governments. The CRHC has the opportunity to utilize existing assets built over the past 27 years to sustain our existing assets and work to meet the future affordable housing needs in the Capital Region. There is also a need to take steps now to sustain the operation of the CRHC as result of on-going funding reductions by senior governments.

The province has also recommended that Regional Districts replace their letters patent with service establishment bylaws to identify changing environments to ensure clear definition of the service provided. The Letters Patent establishing the CRHC and loan guarantee were approved in 1982 and 1983, and the role of the CRHC and the opportunities have evolved since that time.

Affordable housing is a cornerstone to a sustainable region. With the inclusion of the provision for borrowing or loan guarantees by the CRD on behalf of the CRHC in the new Service Establishing Bylaw, the CRHC can more effectively meet the affordable housing needs of the citizens of this region today and tomorrow.

RECOMMENDATIONS:

That the Planning, Transportation and Protective Services Committee recommend to the CRD Board:

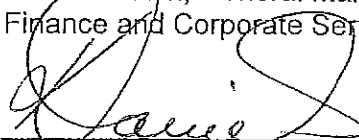
1. Approve the conversion of the authority for Land Assembly, Housing and Land Banking to a Service Establishment Bylaw for Land Assembly, Housing and Land Banking including adding borrowing authority for \$25 Million and increased loan guarantee for the Capital Region Housing Corporation to a maximum of \$25 Million.
2. That Bylaw No 3712, Land Assembly, Housing and Land Banking Establishment Bylaw No. 1, 2010 be introduced and read a first time, read a second time and read a third time.



Robert Lapham, MCIP
General Manager
Planning & Protective Service



Diana Lokken, General Manager
Finance and Corporate Services



Kelly Daniels
Chief Administrative Officer, Concurrence

COMMENTS:

**CAPITAL REGIONAL DISTRICT
BYLAW NO. 3712**

.....
**A BYLAW TO CONVERT THE AUTHORITY FOR LAND ASSEMBLY, HOUSING AND LAND
BANKING TO AN ESTABLISHING BYLAW FOR LAND ASSEMBLY, HOUSING AND LAND BANKING**
.....

WHEREAS:

- A. By Supplementary Letters Patent, Division XII dated July 25, 1974, as amended by further Supplementary Letters Patent, the Capital Regional District was granted the function of Land Assembly, Housing and Land Banking which included the power to undertake land assembly for the purpose of housing, either public or private and, public housing, pursuant to the provisions of the National Housing Act, the Municipal Act of the Province of British Columbia, the Housing Act of British Columbia, and other legislations of the Province of British Columbia pertaining to land assembly and, public housing, as if the regional district were a municipality;
- B. The Board of the Capital Regional District wished to exercise the function granted to it by the Letters Patent in accordance with Part 24 of the Local Government Act subject to all of the terms and conditions contained in the Letters Patent and including all the powers granted by the Letters Patent within all member municipalities and electoral areas.
- C. The Board of the Capital Regional District wished to proceed under section 774.2 of the Local government Act and convert the service to a service exercised under the authority of a bylaw for a portion of the Regional District by bylaw under sections 774.2(3) and 796 of the Local Government Act;
- D. The Board of the Capital Regional District has obtained the consent on behalf of the electors under section 801.4 and 801.5 of the Local Government Act.

NOW THEREFORE the Board of the Capital Regional District in open meeting assembled enacts as follows:

1. Service

- a) The service established by this Bylaw is the conversion of the Authority for Land Assembly, Housing and Land Banking to an Establishment Bylaw for Land Assembly, Housing and Land Banking and includes:
 - i) The power to undertake land assembly for the purpose of housing, either public or private, and public housing;
 - ii) Authorizing the Regional Board to create one or more corporations to undertake land assembly for the purpose of housing, either public or private and, public housing;
 - iii) Authorizing the Regional Board to act as a guarantor for one or more corporations established under ii) above;
 - iv) Authorizing the Regional Board to borrow to a maximum of \$25,000,000 on behalf of the service or for corporations established under ii) above;
 - v) Authorizing the Regional Board to participate in any Provincial or Federal government or related agencies' housing program as if the Capital Regional District were a municipality;
 - vi) Authorizing the Regional Board to enter into housing agreements for a period of up to 25 years;

2. Boundaries

The boundaries of the service are the boundaries of the Capital Regional District.

3. Participating Area

The participating areas of the service include all municipalities and electoral areas of the Capital Regional District.

4. Cost Recovery and Apportionment of Costs

The annual costs for the service may be recovered by one or more of the following:

- a) Property value taxes imposed in accordance with Division 4.3 or Part 24 of the Local Government Act;
- b) Fees and charges imposed under section 363 of the Local Government Act;
- c) Revenues raised by other means authorized by the Local Government Act or another Act;
- d) Revenues received by agreement, enterprise, gift, grant or otherwise.

5. Reporting

The Regional Board shall establish operating and financing reporting requirements for any and all corporations as established under Section 1 of this bylaw.

6. Maximum Requisition

In accordance with Section 800.1(1) (e) of the Local Government Act, the maximum amount that maybe requisitioned for the cost of the Service is the greater of:

- a) Two million four hundred thousand four hundred twenty-three dollars (\$2,423,000);
- b) A property value tax rate of \$.031 per one thousand (\$1,000) dollars that, when applied to the net taxable value of land and improvements in the Service Area, will yield the maximum amount that may be requisitioned for the Service.

7. Citation

This Bylaw may be cited as the "Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010".

CONSENTED TO by two-thirds of the councils of the Municipalities of Victoria, Saanich, Esquimalt, Oak Bay, Sidney, North Saanich, Central Saanich, View Royal, Highlands, Colwood, Langford, Metchosin, Sooke, and the Directors of the Electoral Areas of Juan de Fuca, Salt Spring Island and the Southern Gulf Islands.

READ A FIRST TIME THIS	14 th	day of	July	2010
READ A SECOND TIME THIS	14 th	day of	July	2010
READ A THIRD TIME THIS	14 th	day of	July	2010

APPROVED BY THE INSPECTOR OF MUNICIPALITIES day of 2010

ADOPTED THIS day of 2010

CHAIR

CORPORATE OFFICER

FILED WITH THE INSPECTOR OF MUNICIPALITIES THIS day of 2010

CAPITAL REGIONAL DISTRICT

BYLAW NO. 3715

A BYLAW TO AUTHORIZE THE BORROWING OF TWENTY-FIVE MILLION
DOLLARS (\$25,000,000) FOR THE PURPOSE OF LAND ASSEMBLY, HOUSING AND
LAND BANKING

WHEREAS:

- A. Pursuant to Section 774.2(3) of the *Local Government Act*, the Board of the Capital Regional District adopted Bylaw No. 3712, "Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010", which converted the function and its Letters Patent to a service exercised under the authority of an establishing bylaw to provide a Service ("the **Service**") of land assembly for the purpose of housing, either public or private and, public housing;
- B. The Board of the Capital Regional District wishes to provide funding for the provision of land assembly, either public or private and, public housing;
- C. The estimated cost including expenses incidental thereto to be funded by debt servicing, is the sum of Twenty-Five Million Dollars (\$25,000,000), which is the amount of debt intended to be authorized by this bylaw;
- D. Pursuant to Section 823.1 of the *Local Government Act*, participating area approval is required and shall be obtained by consent on behalf of the municipal participating area under Section 801.4 and 801.5 of the *Local Government Act*;
- E. The approval of the Inspector of Municipalities is required under Section 819 of the *Local Government Act*;
- F. It is proposed that the financing of the Project is to be undertaken by the Municipal Finance Authority of British Columbia pursuant to proposed agreements between that Authority and the Capital Regional District.

NOW THEREFORE the Board of the Capital Regional District in open meeting assembled, enacts as follows:

- 1. The Board is hereby empowered and authorized to undertake and carry out or cause to be carried out the assembly of land, the planning, study, design and construction of works for the provision of and, acquisition of, facilities and equipment in connection with the Service and to do all things necessary in connection with the Service and without limiting the generality of the foregoing:
 - (a) to borrow upon the credit of the Regional District a sum not exceeding Twenty-five Million Dollars (\$25,000,000).
 - (b) to acquire all such real property, easements, rights-of-way, leases, licenses, rights or authorities as may be requisite or desirable for or in connection with the Service.

