

To:	Warden Hicks and Members of Grey County Council
Committee Date:	November 12, 2021
Subject / Report No:	FR-CW-26-21
Title:	Golden Town Mortgage
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Reviewed by:	Kim Wingrove
Lower Tier(s) Affected:	None
Status:	

Recommendation

1. **That the mortgage for Golden Town Residential (mortgage loan number 1329261) held by Bank of Nova Scotia that matures December 1, 2021 with a principal and administration fee balance in the amount of \$2,034,653.51 be paid; and**
2. **That as a result of the mortgage being discharged and no expense required for principal and interest repayment, the proposed net levy requirement for the 2022 Housing budget be reduced by \$434,600.**

Executive Summary

In 2018 Grey County (through the Grey County and Owen Sound Housing Corporation) took ownership of the former Non Profit Golden Town Residential complexes at 121 William Street, 130 Albert Street and 80 Victoria Street, Meaford. At that time, it assumed a mortgage loan in favour of the Bank of Nova Scotia. That loan has an outstanding principal and administration fee of \$2,034,653.51 that is scheduled for repayment or renewal by December 1, 2021.

Given the current low investment return rates, staff recommends paying off the mortgage. Instead of self-financing and repaying with interest similar to other County projects such as the renovation and addition to the County Administration Building, the proposed net levy for the 2022 Housing budget can be decreased by the amount in the 2021 budget for principal and interest repayment totaling \$434,600. Investments that have recently matured with funds in the General Bank are available to be utilized for this purpose.

Background and Discussion

In 2018, the County acquired two housing complexes from Golden Town Residential Community Inc. located at 121 William Street, 130 Albert Street and 80 Victoria Street in Meaford, with the purchase itself carried out through the Grey County and Owen Sound

Housing Corporation. The purchase price for the complexes consisted of the County assuming the Golden Town's payment obligations for two existing mortgage loans and in return receiving all of the remaining assets.

One loan was payable to the Bank of Nova Scotia and was mortgaged on all three properties. The other was payable to the Canada Mortgage and Housing Corporation (CMHC) and was only in respect of 121 William Street and 130 Albert Street. The CMHC loan matured and was fully repaid in November 2020.

The remaining Golden Town Residential mortgage matures December 1, 2021 with a balance of \$2,034,653.51 remaining on the mortgage. That balance is reflective of the remaining amortization period of 59 months. The Bank of Nova Scotia has provided a mortgage statement for discharge purposes with payment to be delivered by December 1, 2021

As the existing mortgage was arranged by the Ministry of Municipal Affairs and Housing, the Ministry was contacted to determine steps required prior to the maturity date. The Ministry put out an offer and in September; People's Trust expressed interest in providing a mortgage and offered a rate of 3.8%. In comparison, TD Commercial Banking's rate was 1.38% and both these rates would be adjusted to reflect rates at the time the mortgage is renewed. Interest rates have risen slightly over the past month; Infrastructure Ontario's five year amortizing debenture rate was 1.44% on October 4 and increased to 1.97% on November 2. In comparison, on November 2 the investment opportunity rates from TD for a five year GIC was 1.78% and a term deposit 1.44%.

Staff recommend paying off the mortgage instead of self-financing and repaying, the proposed 2022 Housing budget can be decreased by \$434,600 which represents the amount in the 2021 budget for principal and interest repayment. This would assist the 2022 budget that is in the preliminary stage; as reference a 1% tax increase in 2021 represents \$610,523.

Staff considered the following options:

1. Renew the mortgage for 59 months with an external lender; the rate on November 2 with Infrastructure Ontario was 1.97% (the existing mortgage has a 1.995% interest rate and would result in a similar budget requirement).
2. Self-finance the mortgage for 59 months and repay with an interest rate equivalent to the posted Infrastructure Ontario rate at the time the repayment is due to the Bank of Nova Scotia. This would also result in a similar budget requirement and provide investment income that is perhaps a quarter percent higher than a current posted five year rate.
3. Pay off the mortgage and do not repay; instead, the proposed 2022 Housing budget could be reduced by the amount in the 2021 budget for principal and interest expense that totals \$434,600. Over 59 months at 1.97% interest, this would decrease investment income by approximately \$103,500 but would provide a means of assisting with 2022 budgetary pressures. The 2022 budget is in progress with an update scheduled to be presented to Committee of the Whole on December 9. A 1% tax increase in 2021 represents \$610,523 and the \$434,600 expense reduction is a 0.71% in comparison.

Legal and Legislated Requirements

The mortgage and supporting security documents in favour of the Bank of Nova Scotia

registered on title to the two properties are expected to be released once the mortgage loan is repaid in full.

Financial and Resource Implications

The interest rate on the five year mortgage with Bank of Nova Scotia that matures December 1, 2021 is 1.995% and in comparison, on November 2 the posted Infrastructure Ontario lending rate for a five year amortizing debenture is 1.97%. The difference in interest rates is minimal and given the current low investment rates, staff recommends paying off the mortgage. Rather than self-financing and repaying with interest as has been past practice, the proposed 2022 Housing budget can be decreased by the amount in the 2021 budget for principal and interest expense that totals \$434,600. Investments that have recently matured with funds in the General Bank are available to be utilized for this purpose.

Relevant Consultation

- Internal: Director of Legal Services
- External: Ministry of Municipal Affairs and Housing, TD Commercial Banking, TD Securities, Infrastructure Ontario website

Appendices and Attachments

None