



## Slicing up the Cake: Making Stock Transfer Happen in Canada

SHARE Webinar Nov 17, 2015

Speaker- Shayne Ramsay, CEO, BC Housing

**Note: During the webinar specific questions were asked by attendees. Most of the questions were responded to during the webinar. Shayne Ramsay has provided additional notes below as they pertain to the content of the webinar and slide deck.**

### Slide 10: "Current Challenges"

- Continued fiscal constraint: limited government funding for new development and operating costs and growing demand for new builds with no matching financial investment
- Aging infrastructure: billions needed for capital repairs
- Expiries of operating agreements are happening across Canada. Over the next two decades, approximately \$135 million in federal subsidies will expire in agreements throughout B.C. Operating agreements generally expire when mortgage are paid off. Expectation is that without the mortgage payment, the society will be able to cover operating costs through rental or other revenues. Approximately 6,000 housing units will have operating agreements expire over the next five years in B.C. By 2029/30, 67% of agreements will have expired.

### Slide 11: Non-Profit Asset Transfer Program (NPAT Overview)

- Provincial housing strategy, Housing Matters BC, was updated in 2014 and included a number of initiatives to strengthen the non-profit housing sector
- As part of the update, BC Housing is transferring ownership of select Provincial Rental Housing Corporation lands that are currently leased to eligible non-profit housing societies in good standing
  - Up to 350 properties have been identified for possible transfer
  - To date, we have transferred over 110 properties since the program started
  - Remaining properties will be transferred over the next few years
- BC Housing is also transferring ownership of select public housing sites:
  - First two are Stamps Place and Nicholson Tower in Vancouver
  - Preferred proponents were chosen through an Expressions of Interest process
- No other jurisdiction in Canada is undertaking such a major transformation of social housing ownership and management

## Slide 12: Opportunities

- Non-profits have been asking for the transfer of these properties for many years
- Non-profits are best suited to manage social housing; sector already delivers 90% of social housing in province
- Strengthen non-profit housing sector
  - Having ownership of the land will improve a non-profit's ability to support better long-term planning and self-sufficiency
  - Owning the lands they operate on will also help non-profits secure the financing they need to be sustainable
- Leverage assets
  - Non-profits gain increased ability to leverage assets for capital repair projects and new housing development
  - Goal is to put assets in their hands so they can make best use of them over time
- Support transformation of sector
  - A new breed of non-profits are emerging to respond to challenges; more entrepreneurial, have boards and staff that understand how to partner with the private sector and properly assess risks, have willingness to enter into business agreements

## Slide 13: Proceeds from Assets

- All cash proceeds (\$500 million) reinvested into social housing
- First \$150 million allocated to provincial-federal cost-matching program
- Remainder (approximately \$350 million) will be allocated to new affordable housing construction and renovation projects
- Proceeds from Assets
  - Total assessed value of transfers = \$2.1 billion
  - Total transfer price = \$740 million
  - All proceeds (\$500 million) will be reinvested into social housing
  - Firstly \$150 million has been allocated to the provincial cost matching requirement of the provincial-federal Investment in Affordable Housing (IAH) program.
- Investment in Affordable Housing (IAH) Program
  - Remainder of proceeds (estimated \$350 million) will be allocated to new affordable housing construction and renovation projects over the next 4 to 5 years as the proceeds are realized

#### Slide 14: Leased Properties

- Market assessed value based on BC Assessments for the sites at the time of transfer.

#### Slide 15: Leased Properties – Affordable Housing Societies (Family Housing; Seniors Housing)

- Family housing
  - Mission Heights, Mission, 33 units (top left)
  - Meadows, Pitt Meadows, 41 units (bottom left)
- Seniors housing
  - West End Manor, Vancouver, 50 units
  - Granville House, Vancouver, 84 units

#### Slide 16: Transfer of Selected Public Housing Sites (Nicholson Tower and Stamps Place)

- Examples of land transfers- Nicholson Tower and Stamps Place in Vancouver
- 598 units and a value of more than \$70 million
- To increase oversight, BC Housing's Board formed an advisory committee to oversee Expressions of Interest process for Stamps and Nicholson
- Selected proponents:
  - New Chelsea Society for Stamps Place
  - Bloom Group of Nicholson Tower
- Both non-profits selected are well-established and familiar with tenant mix similar to the communities that exist at the sites
- Both will have long-term operating agreements that require them to maintain the housing for low and moderate-income families, seniors, and people with disabilities
- No change in rents and total number of units and rent agreements will remain the same.
- BC Housing is working closely with tenants and community groups to address their concerns.
- No job loss.

#### Slide 17: Nicholson Tower

- Built in 1970
- Located in the West End of Vancouver beside Nelson Park
- 223 units (186 bachelor units and 37 one-bedroom units)
- Seniors and people living with alcohol, drug and mental health issues
- Retrofitted under Housing Renovation Partnership (HRP) program in 2009
- The Bloom Group is the selected proponent

#### Slide 18: Stamps Place

- Built in 1968, located in Vancouver-Hastings

- 375 units, mix of apartments and townhouses
- Approx 825 residents
- Families, seniors, people with disabilities
- Retrofitted under Housing Renovation Partnership (HRP) program in 2009
- New Chelsea Society is the selected proponent
- Stamps is a good example of a property that was an excellent candidate for non-profit management
- The buildings is in good shape, tenants are well-integrated into the community, good mix of tenants
- New Chelsea Society was the chosen proponent- have experience with tenant mix
- Potential redevelopment in the future
- BC Housing will provide subsidies to offset the principle and interest costs of assuming mortgages for the property
- Currently working on a long-term operating agreement with New Chelsea Society
- Net proceeds will be reinvested into construction of new affordable housing projects or repair/renovations of existing projects.

#### Slide 21: **Selecting Non-Profits**

- Important to note: the choice of transfer ultimately lies with the non-profits
- In general, operating model and self-sustained viability of the sites were the main criteria to be considered for NPAT
- To be selected for land transfer, non-profits must:
  - Own and operate building on land leased from PRHC
  - Be active and in good standing with BC Housing
  - Have operation models that are conducive to long-term operations of the site
- For transfers of public housing sites, non-profits were chosen through an Expressions of Interest (EOI) process
  - Board formed an advisory committee to evaluate and recommend to the Board the non-profits that best satisfied objectives of NPAT
  - Advisory committee: 3 BC Housing board members, CEO or designate (VP of Operations), and two qualified experts in the housing community
  - Respondents had to:
    - Demonstrate necessary resources and expertise to operate the development
    - Ensure its long-term viability for the tenant population and maintain tenant support services
- For both types of transfers, non-profits must agree to:
  - Operating agreement with BC Housing
  - New mortgage on title

- Covenant on title
- Constitution and bylaws (more on these later)

#### Slide 22: **Transfer Process**

- Leases for these lands are typically 60 years, most have about 20 years remaining
- Leases will be cancelled and the title of lands will be transferred to societies in fee simple
- The Province requires the land to be transferred at fair value
  - Each property will be reviewed by an independent third party appraiser using a valuation model to assess land value only
  - Valuation model includes the current year's land assessment from BC Assessment, and also factors in the remaining time on the term of the lease and other considerations that are unique to each property
  - Independent appraiser will provide non-profit society with a Property Valuation Letter
- Contract of purchase and sale
  - Contract of purchase and sale is the legal mechanism we use to transfer land title from government to non-profits
  - This is the industry standard
- No phase-in approach
  - No phase-in approach for non-profits (i.e.: X units to transfer to a non-profit in January, another X units to transfer to the same non-profit in May – we don't have this approach)
  - As transfers did not affect tenants, there was no need for phase-in approach
- Training/capacity
  - We included education materials within the offer package that was presented to the non-profits; a big decision for them so we wanted to make sure they can make an informed decision
  - We're also working with BCNPHA to create an info guide around the asset transfer program to support non-profits, to be released next year

#### Slide 23: **Financing**

- Mortgage
  - BC Housing assists non-profits by arranging for a CMHC insured mortgage
  - Mortgage amortization period typically 35 years
  - BC Housing groups mortgages together in take-out packages and achieves competitive rates with market lenders

- Subsidy
  - BC Housing will adjust the non-profit's annual operating subsidy to cover the additional principal and interest payments
- Legal fees and due diligence costs
  - BC Housing pays for legal fees and due diligence costs involved with the program

#### Slide 24: **Operating Agreements**

- Long-term operating agreements are one way to ensure non-profits maintain housing for existing client groups
- In most cases, the existing operating agreement will expire before the new mortgage is fully amortized
  - In these cases, a new operating agreement will be required to cover the gap between the expiry of existing operating agreement and the amortization of the new mortgage
- In some cases, existing operating agreement term will be long enough to fully amortize the new mortgage before expiring, and no new operating agreement will be required
- New operating agreement will require non-profit housing to be for low to moderate income occupants
  - In nearly all cases, target tenant group and operating model will fall within this requirement
  - This metric allows non-profits the flexibility to make adjustments within their tenant mix as needed
- During transfer process:
  - Team from BC Housing manages and tracks the transfer process
  - BC Housing and non-profit retain legal counsel to ensure registration of all legal documents take place
- For duration of operating agreements, BC Housing has other supports to help non-profits improve financial, operating and governance practices:
  - Financial reviews are conducted annually to ensure non-profits receive correct amount of subsidy and evaluate the non-profit's adherence to the financial management terms
  - Operational reviews are conducted at least every three years to review administration and management of a non-profit's operations and identify areas of strengths and opportunities

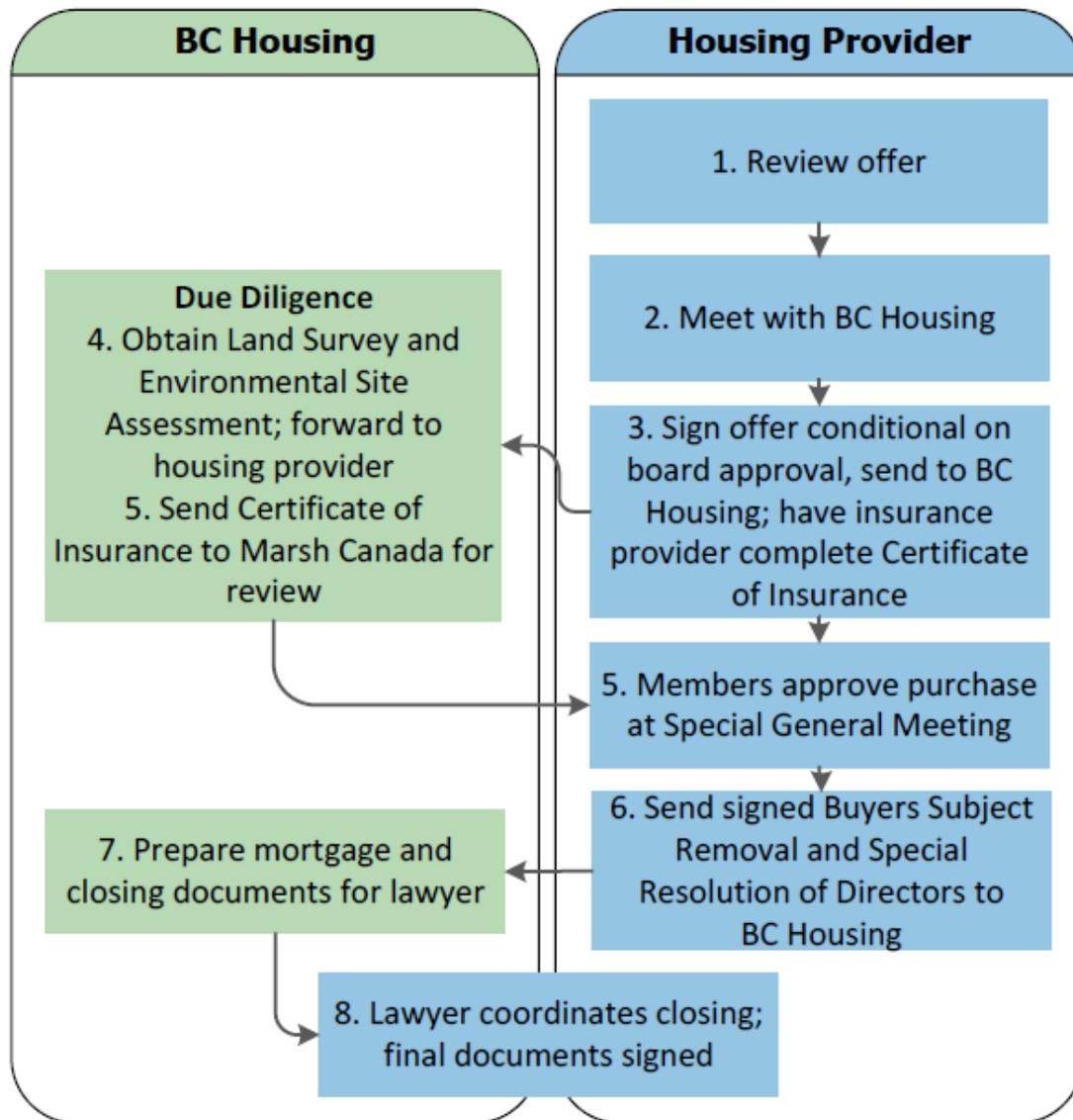
#### Slide 25: Covenants

- Another way to ensure land continues to be used for affordable housing is registering Section 219 Covenants on Titles
- S.219 Covenant under the Land Title Act restricts the use of property to those described in the operating agreement
- In order to receive subsidy for the principal and interest payments on those mortgages, non-profits are required to continue to operate the projects as social housing and comply with s.219 restrictions on use
- Where there is an existing S.219 covenant and option to purchase on title, they will transfer from the leasehold interest to the fee simple interest
- Where no existing option to purchase is registered on title, a standalone S.219 covenant will be registered at the time of transfer

#### Slide 26: Constitution and Bylaws

- Non-profits' constitutions and bylaws provide additional assurance that projects continue to meet affordable housing needs, especially after operating agreements end
- Non-profits are required to have unalterable clauses in their constitution and bylaws that include:
  - An affordable housing purpose
  - Directors will serve without remuneration
  - Upon dissolution, assets distributed to charitable organization in Canada
- BC Housing reviews non-profit's constitutions and bylaws prior to transfer, and indicate whether or not they are compliant with BC Housing's requirements
- If they are not compliant, BC Housing will follow-up with non-profit and ensure requirements are met before property is transferred

## Transfer Process at a Glance



Frequently Asked Questions or additional information about the program can be found here:

[http://www.bchousing.org/Initiatives/Housing\\_Matters/Asset\\_Transfer\\_Program/FAQ](http://www.bchousing.org/Initiatives/Housing_Matters/Asset_Transfer_Program/FAQ)