



BC Housing

## Community Partnership Initiatives

### Financing for Fully Funded Licensed Care Facilities

#### Fact Sheet

BC Housing provides favourable terms for both interim and long-term financing to non-profit societies to create fully funded licensed care projects through the Community Partnership Initiatives program.

#### **General guidelines for borrower eligibility:**

- The borrower must be a registered non-profit society.
- The society's constitution and bylaws must meet BC Housing's requirements.
- Borrowers must have demonstrated management expertise in operating a licensed care project of a similar type and size.
- The borrower is required to enter into an operating agreement with BC Housing.
- The sponsoring health authority is required to enter into a Memorandum of Agreement for Financing Licensed Care Facilities with BC Housing.
- The sponsoring health authority must provide written approval for the proposed licensed care facility with confirmation for the total number of beds and per diem funding.
- For more information on our interim and long-term construction financing requirements, please request a meeting with our Development Services Branch.

## **Advantages with BC Housing financing:**

**Flexibility** – Non-profit societies may obtain interim and long-term financing for up to 100 per cent of the construction costs for a fully funded license care project.

**Low interest rates** – BC Housing financing provides access to competitive interim construction interest rates as posted on BC Housing’s website under Community Partnership Initiatives at <http://www.bchousing.org/Partners/Opportunities/Current/CPI>

**Loan insurance** – All long-term financing is insured with Canada Mortgage and Housing Corporation.

**Availability** – Financing is available from BC Housing for a range of fully funded licensed care initiatives, including new construction as well as purchases and conversions of existing buildings.

**Low borrowing costs** – *One per cent* loan fees and no application fees are required.

## Common Terms and Conditions

<b>Loan Purpose</b>	To provide interim and long-term financing for the creation of fully funded licensed care facilities for eligible low- to-moderate income seniors and persons with disabilities in British Columbia.
<b>Maximum Loan</b>	A loan for a fully funded licensed care facility may be up to 100 per cent of the total cost to complete construction as determined by BC Housing.
<b>Loan Amortization</b>	The typical amortization period is 25 years.
<b>Minimum Debt Coverage Ratio (DCR)</b>	The minimum debt coverage ratio (DCR) is 1.4 based on projected rents, a 25-year amortization period and a projected take-out interest rate for the first five years. In addition, up to 75 per cent of the operating surplus generated by the 1.4 DCR may be used to increase loan payments and to reduce the amortization period. For the remaining period of the mortgage, a minimum DCR of 1.10 must be maintained.
<b>Mortgage Loan Advances</b>	All mortgage loan advances must be supported by substantiated construction progress claims (up to the approved maximum loan amount).
<b>Borrowing Costs</b>	Include: <ul style="list-style-type: none"><li>• One per cent of maximum loan</li><li>• \$75 per unit up to a maximum of \$5,000 per loan</li><li>• Legal and other costs incurred by BC Housing.</li></ul>

<b>Construction Loan Repayment</b>	During construction, the interim loan is fully repayable on demand. At project completion, BC Housing will make arrangements to take-out the interim loan.
<b>Take-Out Lender</b>	Upon project completion, BC Housing will facilitate a take-out mortgage with a third party lender (the “Take-Out Lender”) to obtain the best interest rate through a competitive bidding and selection process.
<b>Project Monitor</b>	BC Housing may engage a quantity surveyor to retain an independent cost estimate at some, or all of the following project design stages: schematic design, design development, 50 per cent working drawings, and 100 per cent pre-tender working drawings. The quantity surveyor may also be requested to provide loan monitoring services to confirm the contractor’s progress claims during construction and provide a value analysis, if required.
<b>Construction Contract</b>	BC Housing will consider construction methods that are the most suitable for the proposed project culminating with a guaranteed fixed price contract (based on Canadian Construction Documents Committee standards) with BC Housing supplementary general conditions.
<b>Bonding Requirements</b>	Fifty per cent on labour and materials and 50 per cent on performance of all major contracts (such as structural, mechanical, electrical, forms and concrete) is required.
<b>Insurance Requirements</b>	<p>Construction Insurance requirements:</p> <ul style="list-style-type: none"> <li>• The borrower/owner is required to obtain and maintain insurance through the BC Housing Owner-Controlled Insurance Program.</li> </ul> <p>Operating Insurance requirements:</p> <ul style="list-style-type: none"> <li>• The borrower/owner is required to obtain a quote from Marsh Canada who has set up a group insurance program for the non-profit housing societies.</li> </ul>