

August 30, 2018

Mr. Shayne Ramsay  
Chief Executive Officer  
BC Housing  
1701-4555 Kingsway  
Burnaby, BC V5H 4V8

**Re: Flexibilities under the Social Housing Agreement (SHA) in respect of the National Housing Strategy (NHS): i) Limited waiver of clause 9(d) – *Indemnification* and ii) Flexibility available re *Share of the Gain* (clause 8 (e))**

Dear Mr. Ramsay:

As you may recall, in the release of the National Housing Strategy last November, the federal government committed to taking steps to make Social Housing Agreements more flexible and ensure they are coordinated with the National Housing Strategy and its intended outcomes. To this end, CMHC is pleased to provide flexibility under the SHA in respect of clause 9(d) indemnification and clause 8(e) share of the gain.

**Clause 9 (d) Indemnification**

Under Clause 9(d), CMHC is to be indemnified for any losses on loans or future loans owing by third parties related to any property or program in the portfolio where CMHC is the lender or insurer or otherwise involved in the loans. This includes future loans, as well as properties which have been removed from the portfolio or are otherwise no longer subject to the SHA.

As you are aware, CMHC has previously provided exceptions to clause 9(d) for the purpose of future CMHC loans or CMHC loan insurance where, for example, the property was no longer under an arrangement under the SHA or the agreement had reached its natural expiry date or was terminated prematurely by the prepayment initiative approved by CMHC (see attached).

In addition to the previous waiver issued in 2016, CMHC agrees on a blanket basis to waive the application of clause 9(d) of the SHA for new loans under the NHS where CMHC is the lender or insurer. For greater certainty, this waiver would apply even where the property remains under the SHA or where the operating agreement has not expired (either naturally or as a result of prepayment under the prepayment initiative approved by CMHC).

.../2

Note that where CMHC is the insurer or lender on any new loan or new mortgage loan insurance, then CMHC assumes the risks and liabilities only in the capacity of lender or loan insurer. Clause 9(d) will continue to apply except in respect of the new NHS loan made by CMHC or for CMHC loan insurance for an NHS loan.

CMHC emphasizes that the waiver constitutes no assurance that a lender will make or that CMHC will make or insure a new loan, and if so, under what terms and conditions including requirements for guarantees and/or indemnities. In this regard, CMHC has the right to determine additional terms and conditions on which it is prepared to provide insurance and/or financing with respect to the properties to which this waiver may apply.

Except as amended by this letter, all other terms and conditions of the SHA, as amended continue to apply.

**Clause 8 (e): Share of the Gain**

In addition, CMHC will consider additional flexibility with respect to the share of the gain clause 8(e) in the SHA.

Under clause 8(e), until the ownership interest transferred by CMHC to the PT is fully earned, the PT is required to pay CMHC its share of any profits resulting from the sale or disposal of the project outside of the portfolio (Share of Gains).

To provide greater flexibility to PTs to manage the portfolio including the sale or disposal of a property under the SHA, CMHC agrees to waive CMHC's share of the gain arising from the proceeds of sale under clause 8(e) provided that CMHC's share of any profits will be reinvested in Social Housing, and respect the principles of the NHS (including with regard to creating inclusive communities and promoting social inclusion), and so long as the PT meets the following conditions, at a minimum, to:

- Maintain the baseline Social Housing and Community Housing numbers, as agreed to within Schedule C of the Bilateral Agreement under the 2017 National Housing Strategy, for the purposes of Preservation, Repair and Expansion under the NHS;
- Preserve the number of rent/geared-to-income (RGI) units after the sale or disposal of a property;
- Continue to use funding received under the SHA to continue to support households in housing need;
- Reinvest all share of gains funds within 4 years from the date of sale or disposal;
- Provide Auditor confirmation of both the sale or disposal and reinvestment as part of the Annual Statement of Funding and Expenditures process under the SHA.

For greater certainty, where any of the above conditions are not met, the share of the gain provision would continue to apply and be payable in accordance with the SHA, except as may otherwise be agreed to by CMHC.

Except as otherwise modified, all other provisions of the Agreement, including clause 8 of the Agreement would continue to apply.

Sincerely,



Debbie Stewart

Vice-President, Affordable Housing Client Solutions Management

Attachment: 1

c.c. Ms. Jacquie Dawes  
Deputy Minister,  
Municipal Affairs and Housing





AUG 02 2016

Mr. Shayne Ramsay  
Chief Executive Officer, BC Housing  
1701–4555 Kingsway  
Burnaby BC  
V5H 4V8

Dear Mr. Ramsey:

**Re: Limited blanket waiver of Clause 9 (d) of the Social Housing Agreement (SHA)**

I am writing to confirm the announcement made at the May 3, 2016 F/P/T Deputy Ministers' meeting in Victoria, British Columbia with respect to Clause 9 (d) of the Social Housing Agreement (SHA).

Under Clause 9(d), CMHC is to be indemnified for any losses on loans or future loans owing by third parties related to any property or program in the portfolio where CMHC is the lender or insurer or otherwise involved in the loans. This includes future loans, as well as properties which have been removed from the portfolio or are otherwise no longer subject to the SHA.

As announced, *CMHC agrees on a blanket basis, to waive the application of Clause 9(d) of the SHA for the purposes of future CMHC loans or CMHC loan insurance that may be made on that property as long as:*

1. *The property is no longer under an arrangement under the SHA (i.e., there are no outstanding loans or contributions under an SHA program);*
2. *The operating agreement has reached its natural expiry or the operating agreement was terminated prematurely in the context of a prepayment initiative approved by CMHC; and*
3. *Where CMHC is the insurer or lender on any new loan or new mortgage loan insurance, then (CMHC assumes the risks and liabilities only in this capacity. This is also with the understanding that CMHC assume no liability whatsoever that might arise from the removal/sale and redevelopment of the properties and 9(d) will continue to apply except in respect of CMHC loan insurance underwritten by CMHC or a CMHC loan.*

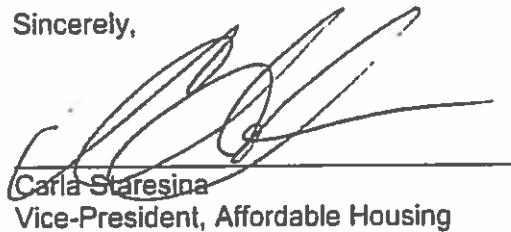
*In addition, CMHC waives the application of 9(d) for proponents who obtain SEED funding or a SEED loan from CMHC in respect of a project that remains under the SHA.*

*CMHC emphasizes that the waiver constitutes no assurance that a lender will make or CMHC will make or insure a new loan on the removed property, and if so, under what terms and conditions including requirements for guarantees and/or indemnities.*

*In this regard, CMHC has the right to determine additional terms and conditions on which it is prepared to provide insurance and/or financing with respect to the removed properties.*

Except as amended by this letter, all other terms and conditions of the SHA, continue to apply.

Sincerely,

A handwritten signature in black ink, appearing to read "Carla Staresina".

Carla Staresina  
Vice-President, Affordable Housing