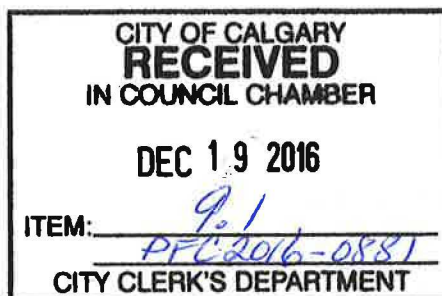


Chief Financial Officer's Report to  
Priorities and Finance Committee  
2016 December 13



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## CALGARY MUNICIPAL LAND CORPORATION - INTERNAL LOAN REQUEST

### EXECUTIVE SUMMARY

To seek approval to provide an internal loan of up to \$57.5 million to the Calgary Municipal Land Corporation ("CMLC") for the construction of a parking structure (the "**Parking Structure**") which will include approximately 510 to 600 parking stalls on behalf of Calgary Parking Authority ("CPA"), a committee of Council of The City of Calgary ("The City"). The requested internal loan will be funded by The City from CPA reserves and repaid or offset from the purchase price for the Property (as defined below) to be paid by The City (on behalf of CPA) to CMLC.

### ADMINISTRATION RECOMMENDATIONS

That the Priorities and Finance Committee:

1. Direct Administration to prepare a Loan Bylaw 50M2016 to support a loan of up to \$57.5 million for a period ending not later than 2020 December 31 and;
2. Direct the Report and Loan Bylaw 50M2016 be forwarded to the 2016 December 19 Council as an item of urgent business and;
3. Recommend Council give first Reading to Loan Bylaw 50M2016.

### RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, DATED 2016 DECEMBER 13:

That Council give first Reading to Proposed Bylaw 50M2016.

### PREVIOUS COUNCIL DIRECTION / POLICY

In 2007 (C2007-14) Council approved a loan (Bylaw 28M2007) to a maximum sum of \$135 million for the initial projects of The Rivers District Community Revitalization Plan which includes rivers district work for the storm sewer and underground distribution network, road and lane development, sidewalk and streetscape upgrades, parks and open space development, Riverwalk and pathway improvement. In addition, Council approved an internal loan (Bylaw 32M2007) to a maximum sum of \$10 million for the financing of CMLC's operating expenditures.

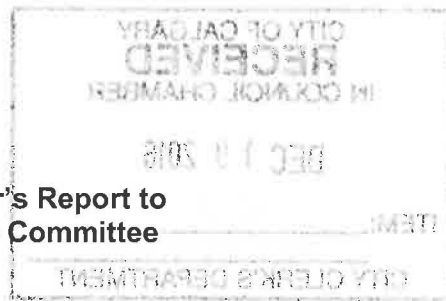
In 2008 (Bylaw 34M2008) Council approved a loan to a maximum sum of \$57.5 million for work on the 4<sup>th</sup> Street underpass, environmental remediation, and Heritage Buildings.

In 2010 (Bylaw 8M2010) Council approved a loan to a maximum sum of \$45 million for work on St. Patrick's Island Project and bridge, and a loan to a maximum sum of \$18 million for financing land acquisitions and tenant improvements.

In 2014 (Bylaw 71M2014) Council approved a loan to a maximum sum of \$20 million for work on the East Village infrastructure.

### BACKGROUND

Founded in 2007, CMLC's mandate is to bring fruition to The Rivers District Community Revitalization Plan, a public infrastructure program approved by The City and the Province of Alberta for urban renewal. CMLC has also been given the responsibility to build the New Central Library to be completed by 2018. CMLC has \$285.5 million in Council approved loan bylaws for



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specific projects within the Rivers District. The source of repayment is a Community Revitalization Levy ("CRL") created in 2007 for a period of 20 years.

(\$ millions)	Authorized	Outstanding	Available to Draw
As of December 31, 2016			
Bylaw 28M2007	\$135.0	\$118.3	\$7.0
Bylaw 32M2007	\$10.0	--	--
Bylaw 34M2008	\$57.5	\$42.2	\$13.5
Bylaw 8M2010	\$63.0	\$32.9	\$12.0
Bylaw 71M2014	\$20.0	--	\$20.0
<b>Total Loan Facilities</b>	<b>\$285.5*</b>	<b>\$193.4</b>	<b>\$52.5</b>

\*does not include Shareholder approved \$11 million of incremental financing for Riverwalk Phase 2 (Bylaws to be raised)

CMLC is in the process of acquiring existing surface parking lots called lot 62 located at 363 9<sup>th</sup> Avenue SE and lot 62B located at 407 9<sup>th</sup> Avenue SE (collectively, the "**Lands**"). The intent of the acquisition is to encourage the redevelopment of the combined site in keeping with The City policies for the East Village area, with the requirement that any redevelopment include the construction of the Parking Structure, of which approximately 510 to 600 parking stalls are to be sold back to The City (on behalf of CPA). CPA is not a legal entity and cannot lend money or own real property. As such the agreements relating to the financing of the Parking Structure, the purchase of the Lands by CMLC and the subsequent purchase of a portion of the Lands containing approximately 510 to 600 parking stalls (the "**Property**") from CMLC, are between CMLC and The City (on CPA's behalf).

CPA proposes using its reserves to fund design, development and construction of the Parking Structure by way of an interest free loan to CMLC. As CMLC will own the Lands, the funding for the construction of the Parking Structure will be structured as a loan to CMLC. Therefore a loan bylaw will be required to be approved by Council prior to The City providing construction payments to CMLC. A credit agreement between The City and CMLC will also need to be executed as well as a documented arrangement between The City and CPA.

There will be three stages for the project:

### Stage 1 CMLC Acquisition of the Lands from The City

The acquisition of the Lands is anticipated to close shortly after CMLC obtains shareholder approval. The shareholder meeting is scheduled in 2016 December.

### Stage 2 CMLC Construction of the Parking Structure

By the end of 2017, CMLC is anticipating to begin construction of the Parking Structure. Preliminary estimates indicate a budget of approximately \$50 million to construct the Parking Structure and the related ancillary work. The completion of the construction could take up to two

## **CALGARY MUNICIPAL LAND CORPORATION - INTERNAL LOAN REQUEST**

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years. The loan bylaw incorporates additional loan capacity and time in the event of unforeseen potential changes in costs or construction delays. CMLC is acting as the project manager and will be hiring a construction manager; therefore CMLC will be earning only a management fee. During the construction period, the construction manager would invoice CMLC who would then access loan funds to pay for each construction draw.

### Stage 3 CMLC Sale of the Property

After the completion of construction of the Parking Structure, CMLC will sell the Property back to The City (on behalf of CPA). When the Property is sold back to The City, the outstanding balance of the internal loan will be repaid or offset from the purchase price payable for the Property. It is anticipated that the internal loan to CMLC will be fully extinguished at that time.

## **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

### **Stakeholder Engagement, Research and Communication**

CMLC and CPA have reviewed and concur with this report.

### **Strategic Alignment**

This request aligns with The City's East Village Area Redevelopment Plan.

### **Social, Environmental, Economic (External)**

With the revitalization of the Rivers District and increased density from the New Central Library, new residential condos and businesses, there will be increased need for parking. Additionally, the East Village Area Redevelopment Plan identified the subject Lands as the location for the new Parking Structure.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

CMLC does not receive any grant funding from The City.

#### **Current and Future Capital Budget:**

CPA has an approved capital budget for the East Village Parkade (106-031) of \$62.5 million. Based on the current high level estimates provided by CMLC the estimate for the Parking Structure is \$50 million. The loan is for up to \$57.5 million to cover potential changes in costs as the construction scope is further refined.

### **Risk Assessment**

This internal loan will not impact The City's debt limits. However there exists the possibility that CMLC may not complete the Parking Structure within budget. To mitigate this risk, CMLC will be working with a third-party construction cost consultant to have a more accurate estimate of costing. CMLC will be going through a proper procurement process for the rating and selection of construction managers. CMLC will also be entering into a stipulated price contract to establish a pre-determined fixed price. It is also anticipated that the internal loan draws from The City will be disbursed based on invoices approved by CPA and/or such other mechanism acceptable to Administration. There is also a risk that CMLC may transfer to The City only a portion of the parking stalls or no parking stalls at all. To help mitigate the risk that the internal loan will not be extinguished at the time of the transfer of the Property to The City, The City (on

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behalf of CPA) will only lend funds to CMLC for costs in relation to what the City acquires from CMLC. CMLC has agreed to repay any residual loan balance from its own resources. A mortgage in favour of The City will also be registered against the title to the Lands securing the \$57.5 million. In addition, CMLC has significant experience in development with the most recent project being the New Central Library that is currently on track and on budget.

**REASON(S) FOR RECOMMENDATION(S):**

This funding request by CMLC does not materially increase The City's current financial risk:

- CMLC's business model has shown to be viable;
- CMLC is a proven wholly owned subsidiary that has significant experience in construction and development;
- CPA reserves have already been allocated for the construction of this project.

The City's internal loan will assist CMLC in making a significant contribution to The City's East Village Redevelopment Plan.

**ATTACHMENT(S)**

**Proposed Bylaw 50M2016**