

## Silvera For Seniors New Borrowing and Loan Bylaws

### RECOMMENDATION(S):

The Executive Committee recommend that Council:

1. Give first reading to Bylaw 5B2022 on 2022 March 29, authorizing The City of Calgary to incur indebtedness by the issuance of one or more debentures in the total amount of \$8.1 million for refinancing existing debt for Silvera For Seniors;
2. Give first reading to Bylaw 7M2022 on 2022 March 29, being a bylaw of The City of Calgary authorizing municipal loans of \$8.1 million to Silvera For Seniors;
3. Withhold second and third reading until the advertising requirements have been met; and
4. Should the proposed borrowing be fully approved by Council, direct Administration to enter into and execute agreements between The City of Calgary and Silvera For Seniors as applicable and in accordance with the Credit Documentation – Loans and Loan Guarantees Policy.

### HIGHLIGHTS

- Silvera For Seniors (“Silvera”) is a non-profit housing management body under the *Alberta Housing Act* that operates a Lodge Program in Calgary consisting primarily of Government of Alberta owned properties for low income seniors under a Ministerial Order issued by the Government of Alberta. Silvera also delivers other seniors affordable housing options as part of their own portfolio of assets.
- Under The City of Calgary’s (“The City’s”) *Investing in Partnerships Policy*, Silvera is a Civic Partner. The City is also the sole member of Silvera as a housing management body. As such Silvera has approached The City seeking to borrow from The City with funds sourced from the Government of Alberta.
- The money will be used by Silvera to refinance a specific existing debt at a lower cost of borrowing for a property they own and operate known as Varsity Estates Village.
- **What does this mean to Calgarians?** Many of Calgary’s low income seniors struggle to find affordable housing that meets their needs and Silvera’s housing operation helps to provide housing options for such seniors. Providing a lower cost of borrowing helps Silvera direct more of their funding towards accomplishing its objective, which benefits many low income seniors in the City of Calgary and supports organizational sustainability.
- **Why does this matter?** Ensuring there is a broad range of affordable housing options is a priority for The City. Supporting Silvera by approving the authority to borrow aligns with this priority, supports our long standing relationship, and provides Silvera with a responsible business option to leverage alternative funding sources at lower interest rates.
- The proposed Bylaw 5B2022 authorizes The City to incur indebtedness by the issuance of one or more debentures of up to \$8.1 million.
- The proposed Bylaw 7M2022 authorizes The City to lend up to \$8.1 million to Silvera which will be used by Silvera to refinance existing debt on Varsity Estates Village.
- Should the borrowing proposed herein be approved by Council, Administration will enter into and execute a Credit Agreement with Silvera on terms and conditions in accordance

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with The City's Credit Documentation – Loans and Loan Guarantees Policy and Procedures (ELT2021-0047)

- This is the first time Silvera has approached The City with a request to borrow funds.
- Strategic Alignment to Council's Citizen Priorities: A city of safe and inspiring neighbourhoods
- Background and Previous Council Direction is included as Attachment 1.

### **DISCUSSION**

- On 2020 November 1 Silvera entered into an agreement to acquire a 39 unit townhome property on 2.92 acres located at 5200 53 Avenue NW, commonly referred to as "Varsity Estates Village".
- The vendor of the property financed the acquisition for Silvera via a vendor takeback Promissory Note.
- To incentivise Silvera to refinance the Promissory Note with another source of funds the vendor stipulated the rate of interest on the Promissory Note would escalate 1.25 per cent per year every six months after 2021 January 15 until maturity on 2023 November 1.
- The rate of interest on the Promissory Note is currently 4.25 per cent per year and is stipulated to increase to 5.50 per cent per year on 2022 July 15.
- By comparison The Province's indicative interest rate for a 5 year loan term as at 2022 February 15 is 2.94 per cent.
- Silvera is seeking to borrow on an interest only basis until maturity for a 5 year term.
- During the 5 year term of this proposed borrowing Silvera intends to identify and evaluate various scenarios that may be available to it to make the highest and best use of Varsity Estates Village.
- These scenarios could potentially include a future sale of the property for an anticipated significant gain with the proceeds being used to provide other affordable housing for seniors or redevelop the property to a much higher density to be used for affordable senior's housing.
- The scenarios require rezoning the property to increase the property's value prior to sale or to redevelop the property itself based on a higher density rezoning.
- Preliminary discussions with The City's Real Estate & Development Services Business Unit indicate that rezoning the property to higher density is likely to be feasible.
- The City's 2022 aggregate assessed value of all 39 units is \$11 million.

### **STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)**

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

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The City and Silvera have discussed this proposed borrowing and Silvera has reviewed this report. Silvera representatives will be in attendance for this item at Executive Committee.

The current assessed valuation of the property and the feasibility for rezoning to permit a higher density has been discussed with the Coordinator, RE Client Services of The City's Real Estate & Development Services Business Unit.

Finance has discussed and reviewed the contents of this Report and Attachments 1 and 2 with The City's Office of Partnerships.

### **IMPLICATIONS**

#### **Social**

Adequate affordable housing for Calgary's seniors removes barriers to safe and affordable housing solutions and facilitates inclusiveness for senior Calgarians with modest income.

#### **Environmental**

No environmental impacts to the borrowing bylaws.

#### **Economic**

Affordable housing for seniors supports economic resilience and is an important consideration for seniors wanting to remain in or locate to Calgary. Spending for support of and by seniors contributes to the local economy.

#### **Service and Financial Implications**

The City charges a 0.25 per cent per year Administration Fee.

The proposed borrowing is categorized as Self-Supported Debt as defined by The City's Debt Policy and will impact The City's debt limit, but the impact will be very minor.

### **RISK**

Three potential risks have been identified:

1. Silvera's capacity to meet its financial obligations.

The risk is insufficient income from affordable housing to service debt and repay the loan or adhere to the terms and conditions associated with the proposed borrowing.

Mitigated by:

Execution of a Credit Agreement. The Credit Agreement between The City and Silvera will provide legal and financial mitigation measures in relation to the liability and administration of the loan.

Ongoing assessment of financial results and forecasts for Silvera through periodic reporting and as part of the annual Civic Partner Audit Report.

The City will require real property security to be registered against Varsity Estates Village, which will provide foreclosure remedies as a secondary source of repayment.

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City Finance has assessed the cashflow results and forecast of Silvera and The City will request for financial covenants to set financial parameters to ensure adequate capacity for repayment.

2. Availability of financing from the Government of Alberta on terms acceptable to Silvera.

The risk is the potential for changes to the Government of Alberta's lending terms. Currently the Government of Alberta allows municipalities to borrow with interest only repayments until maturity of the loan. While such terms are currently available, the Government of Alberta is currently reviewing available terms for municipalities.

Mitigated by:

Ongoing engagement with the Government of Alberta by Administration to assess the availability of funding on terms that would be acceptable to Silvera.

Administration to investigate sources of cash reserves to provide an internal, interest only repayment loan to Silvera.

3. Per regulation 243/1994 pertaining to the *Alberta Housing Act* Ministerial approval is required by a housing management body to borrow for a term extending beyond its current fiscal year.

The risk is Silvera will not obtain, or will not obtain in a sufficiently timely manner, the approval required from the Minister to authorize a borrowing for the 5 year term contemplated by this financing.

Mitigated by:

Ongoing engagement with the Government of Alberta by Silvera, and monitoring of progress by Administration, to obtain the required Ministerial approval.

Prior to proceeding with any advances, Administration will require confirmation of Silvera's authority for this borrowing and confirmation of Silvera's compliance with applicable laws.

4. Cumulative impact of The City's support to Silvera.

There is an accumulation of financial support being provided to Silvera by The City through operating and capital budgets, the Rapid Housing Initiative and this proposed loan. This creates additional cumulative risk to The City.

Mitigated by:

This risk will be mitigated by the steps outlined above in terms of monitoring and evaluating Silvera's financial performance and monitoring of the individual projects themselves.

## **ATTACHMENT(S)**

1. Attachment 1 - Previous Council Direction, Background
2. Attachment 2 - Silvera Summary of Operating Results
3. Attachment 3 - Proposed Borrowing Bylaw 5B2022
4. Attachment 4 - Proposed Lending Bylaw 7M2022
5. Attachment 5 - Silvera For Seniors New Borrowing and Loan Bylaws Presentation

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Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Chief Financial Office	Approve
Katie Black	Community Services	Inform
Chris Arthurs	Deputy City Manager's Office	Inform