

Calgary Municipal Land Corporation - New Borrowing and Loan Bylaws

RECOMMENDATION(S):

That the Executive Committee recommend that Council:

1. Give first reading to Bylaw 5B2023 (Attachment 2), being the proposed bylaw authorizing The City of Calgary ("The City") to borrow up to the maximum amount of \$45 million for financing capital projects of the Calgary Municipal Land Corporation;
2. Give first reading to Bylaw 6B2023 (Attachment 3), being the proposed bylaw to amend Bylaw 9B2021 authorizing The City to increase the borrowing authority from the maximum amount of \$135 million to \$165 million for financing the development of Phase 1 of the Arts Commons Transformation Capital Project;
3. Give first reading to Bylaw 10M2023 (Attachment 4), being the proposed bylaw authorizing loans in the maximum amount of \$45 million to the Calgary Municipal Land Corporation;
4. Give first reading to Bylaw 9M2023 (Attachment 5), being the proposed bylaw to amend Bylaw 56M2021 authorizing the increase of the amount of loans to the Calgary Municipal Land Corporation from the maximum amount of \$135 million to \$165 million;
5. Withhold second and third readings until the advertising requirements set out in the *Municipal Government Act*, RSA 2000, c. M-26, have been met; and
6. Direct Administration to amend any existing agreements between The City and the Calgary Municipal Land Corporation as applicable and in accordance with the Credit Documentation – Loans and Loan Guarantees Policy and Procedures.

HIGHLIGHTS

- The Calgary Municipal Land Corporation has requested The City to borrow and on-lend \$75 million to fund ongoing development capital projects in the Rivers District.
- Calgary Municipal Land Corporation's 2023 Business Plan and 2020-2024 Strategic Plan Update, included as Attachment 6, was approved by Council as Shareholder in December 2022. It provided for the allocation of Community Revitalization Levy ("CRL") to fund these capital projects.
- Council approval of the proposed bylaws is required to enable the borrowings to finance costs incurred in the near term. CRL will be used to repay the requested borrowings over the remaining term of the CRL ending in 2047.
- The requested borrowings are to support; 1) strategic projects and 2) new project interfaces and market escalation for Rivers District projects currently underway (\$45 million), and 3) market escalation related to the development of Phase 1 of the Arts Commons Transformation project (\$30 million). The projects are more fully described in the Calgary Municipal Land Corporation's 2023 Business Plan and 2020-2024 Strategic Plan Update.
- ***What does this mean to Calgarians?***
These additional borrowings are intended to ensure the Calgary Municipal Land Corporation's continued and successful development in the Rivers District.
- ***Why does this matter?***
The additional borrowing capacity requested in this report supports sustainability initiatives and new or ongoing interface projects that are vital to the infrastructure requirements that arise between the River District's diverse array of vertical builds.

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- The additional borrowing capacity requested for the financing of Phase 1 of the Arts Commons Transformation (“ACT Phase 1”) will enable the Calgary Municipal Land Corporation to address the funding commitments to the project in combination with funding from the Community Revitalization Levy, The City and Government of Canada.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

- The Calgary Municipal Land Corporation has administered the CRL and received the revenue since 2008, while relying on assessed values inside the Rivers District as a baseline to measure incremental increases in the CRL attributed to the Rivers District Community Revitalization Plan.
- Through channeling growth in assessed values spurred by public and private investments in infrastructure improvements and place making initiatives, the CRL enables the Calgary Municipal Land Corporation to repay funds borrowed to finance redevelopment of public infrastructure within the Rivers District.
- In 2020, the Calgary Municipal Land Corporation completed a review of all projects to prioritize investments that will bring the most value to the Rivers District and has sequenced them to achieve completion prior to the end of the term of the CRL in 2047.
- In 2021, the Calgary Municipal Land Corporation identified some strategic projects to support special community-building opportunities that were not in the original Rivers District master plan. These projects required an increase in funding of \$30 million for execution. An additional \$15 million of funding was identified for projects currently underway in the Rivers District to address the impact of market escalation of costs of construction.
- The incremental cost of inflation and market escalation has also impacted the cost estimate for ACT Phase 1 requiring an additional \$30 million funding, for a total capital cost of \$270 million.
- On 2022 December 5, the shareholder approved the Calgary Municipal Land Corporation’s 2023 Business Plan which appropriated this total budget of \$75 million from future CRL revenues to fund these new initiatives and impacts of higher inflation and market escalation.
- The timing difference between the \$75 million in expenditures for these new initiatives and the future CRL revenues requires the Calgary Municipal Land Corporation to borrow the funds for these projects.
- The Calgary Municipal Land Corporation’s contribution to ACT Phase 1 project will increase from \$135 million to \$165 million, excluding financing costs, and the remaining \$105 million in funding is from the Government of Canada and The City.
- The Calgary Municipal Land Corporation continues to monitor its CRL revenue against its forecasts and has the ability to defer some borrowing activity as warranted. The impacts from COVID-19 are having longer term economic implications and resulted in the Calgary Municipal Land Corporation proactively accelerating their annual forecasting exercise to be in a better position to identify and mitigate risk. The Calgary Municipal Land Corporation remains confident in its forecasts and ability to meet current and proposed obligations as a result.
- City Treasury has reviewed the Calgary Municipal Land Corporation’s updated cash flows projections that support its ability to repay both current and this proposed obligations/ indebtedness.

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- The Calgary Municipal Land Corporation's third-party financial institution provides an operating revolving credit facility to support continued growth in the Calgary Municipal Land Corporation's portfolio of projects and assist with managing timing differences between cash inflows and outflows. The Calgary Municipal Land Corporation's lender remains supportive of their operations and continues to provide them with the required liquidity.
- City Treasury continues to monitor forecasts, the CRL, and the general market conditions to identify risks and work closely with the Calgary Municipal Land Corporation to understand options to mitigate and/or adapt to changing economic conditions.

EXTERNAL ENGAGEMENT AND COMMUNICATION

- | | |
|--|---|
| <input type="checkbox"/> Public engagement was undertaken | <input type="checkbox"/> Dialogue with interested parties was undertaken |
| <input type="checkbox"/> Public/interested parties were informed | <input checked="" type="checkbox"/> Public communication or engagement was not required |

The Calgary Municipal Land Corporation has reviewed and concurs with this report and its attachments.

IMPLICATIONS

Social

The City supports the Calgary Municipal Land Corporation through the provision of municipal loans to implement and execute the Rivers District Community Revitalization Plan – a public infrastructure program approved by The City and the Province of Alberta to kick-start Calgary's urban renewal.

Environmental

The Calgary Municipal Land Corporation manages its land and infrastructure investments to enable long-term environmental resilience. The Calgary Municipal Land Corporation seeks to pursue sustainable development that combines environmental stewardship, social well-being, and economic prosperity.

Economic

The CRL is designed to provide self-sustaining funding for the Rivers District redevelopment with no impact on The City's operating and capital budgets. The Calgary Municipal Land Corporation has administered the CRL and received CRL revenue since 2008.

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Service and Financial Implications

Other: Self Sufficient Tax Supported

\$75 Million

If the recommendation to provide the loans is approved, The City will charge the Calgary Municipal Land Corporation the standard Administration Fee of 0.25 per cent per annum on the outstanding loan balances.

RISK

The Calgary Municipal Land Corporation's financial profile continues to be updated to reflect the extended CRL term ending in 2047, the announcement of new capital projects, and prioritization of existing projects within the Rivers District.

Remaining CRL may be insufficient to fund, in their entirety, all capital projects identified within the Rivers District and additional sources of funding may be required in the event of any deficits experienced over the time horizon of the CRL.

The debt financing for up to \$165 million of the ACT Phase 1 project costs is over an extended design and construction period and could be impacted by interest rates, market conditions and available financing structures.

Many factors influencing CRL generation are beyond the Calgary Municipal Land Corporation's control and the pace of private development is not always predictable; however, the Calgary Municipal Land Corporation actively monitors changes and is in constant communication with the development community to proactively plan and adapt.

ATTACHMENT(S)

1. Background and Previous Council Direction
2. Proposed Borrowing Bylaw 5B2023
3. Proposed Borrowing Bylaw 6B2023
4. Proposed Loan Bylaw 10M2023
5. Proposed Loan Bylaw 9M2023
6. Calgary Municipal Land Corporation 2023 Business Plan and 2020-2024 Strategic Plan Update
7. Presentation

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Corporate Planning and Financial Services	Approve
Lori Kerr	Community Services	Inform