



Planning, Development & Assessment Report to
Priorities and Finance Committee
2014 October 28

ISC: UNRESTRICTED
PFC2014-0844
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ADVANCING GROWTH: EAST AND WEST KEYSTONE FINANCING AND FUNDING PROPOSALS

EXECUTIVE SUMMARY

Administration has worked collaboratively with the developers on terms for the borrowing bylaws and Construction and Financing Agreements (CFAs) related to capital infrastructure advancement in the East and West Keystone areas. Both groups are in general agreement on the terms, although the operating cost calculations are still being resolved.

As directed by Council, the viability of "gifting" infrastructure as a funding option has been reviewed, and was deemed as an inappropriate tool for advancing development.

Administration recommends that Council provide direction to finalize the CFAs, and prepare the supporting borrowing bylaws and budget appropriations for the East and West Keystone areas to implement once Administration and the developers have agreed on the operating cost methodology. Although Administration supports moving forward on these agreements, this process has revealed several risks with using CFAs as a mechanism for advancing development ahead of planned capital budget expenditures. As a result, applying a comprehensive and strategic approach to resolving issues related to accommodating growth is required in order to achieve effective and financially sustainable solutions.

ADMINISTRATION RECOMMENDATION(S)

That the Priorities and Finance Committee:

1. Direct Administration to prepare the following bylaws for East and West Keystone according to the terms outlined and attach them to this report prior to going to the 2014 November 17 meeting of Council:
 - a. Borrowing Bylaw 12B2014 for the interim debt required to a maximum amount of \$25.8 million in self-supported debt for East Keystone;
 - b. Borrowing Bylaw 13B2014 for the long-term debt required to a maximum amount of \$25.8 million in self-supported debt for East Keystone;
 - c. Borrowing Bylaw 14B2014 for the interim debt required to a maximum amount of \$10.5 million in self-supported debt for West Keystone;
 - d. Borrowing Bylaw 15B2014 for the long-term debt required to a maximum amount of \$10.5 million in self-supported debt for West Keystone;
 - e. Borrowing Bylaw 16B2014 for the interim debt required to a maximum amount of \$6.7 million in self-supported debt for East and West Keystone combined;
 - f. Borrowing Bylaw 17B2014 for the long-term debt required to a maximum amount of \$6.7 million in self-supported for East and West Keystone combined.
2. Recommend that Council:
 - a. Approve capital budget appropriations for **2015** in programs 895-000 (Collection Network) of \$15.4 million, and 897-000 (Drainage Facilities & Network) of \$10.4 million for East Keystone **funded by self supported debt**;
 - b. Approve capital budget appropriations for **2015** in programs 895-000 (Collection Network) of \$8.8 million, and 897-000 (Drainage Facilities & Network) of \$1.7 million for West Keystone **funded by self supported debt**;
 - c. Approve capital budget appropriations for **2015** in program 892-000 (Water Distribution Network) of \$6.7 million for both East and West Keystone **funded by self supported**

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debt;

- d. Approve exceeding the drainage debt servicing limit of 40 percent of revenues from 2014 – 2024 to a maximum of 53 percent for the sole purpose of entering into Construction and Financing Agreements associated with the East and West Keystone Financing and Funding Proposals;
- e. Direct Administration to finalize and execute the Construction and Financing Agreements associated with the East and West Keystone Financing and Funding Proposals only if provisions for the payment of operating costs by the developers are included in the agreements;
- f. Give first reading to the proposed Bylaw 12B2014, Bylaw 13B2014, Bylaw 14B2014, Bylaw 15B2014, Bylaw 16B2014 and Bylaw 17B2014 for interim and long-term debt for East and West Keystone and withhold second and third reading pending the execution of the Construction and Financing Agreements associated with the East and West Keystone Financing and Funding Proposals.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2012 October 15, Council adopted PUD2012-0690, approving the Principles and Guidelines for Financing and Funding.

On 2013 December 16, Council adopted PUD2013-0772, directing Administration to “work with industry on both alternative funding and financing agreements which may consist of the permanent area contribution (PAC) hybrid and/or a modified construction financing agreement (CFA) with the end goal of zero costs to the City.”

On 2014 July 28, Council adopted PFC2014-0568 directing Administration to:

1. Investigate the viability of landowner “gifting” proposals in Keystone West and East, with the intent of having no cost to The City now or in the future, including any potential impacts on off-site levies; and to report back to the Priorities & Finance Committee as part of the reporting back on construction financing agreement and borrowing terms; and,
2. To proceed with negotiating construction financing agreements for East and West Keystone for an area not to exceed 1400 units in total; and report back through the Priorities & Finance Committee by 2014 October 28 at the latest, on the terms of the agreement including dollar amounts, impacted budget programs, repayment terms, and impact on the debt.

BACKGROUND

In 2012 October, Council approved the Principles and Guidelines for Financing and Funding to help mitigate The City’s risks and to give direction to developers about the items to be addressed in their financing and funding proposals. The intent of offering alternative financing and funding options, including CFAs, was to allow development to proceed ahead of schedule without affecting The City’s capital and operating budgets by transferring the risk and cost of development to the developers.

In 2013 October, Council identified that the East Keystone Alternative Funding and Financing Proposal be used as a demonstration case to determine if it is an effective tool for funding the