

Chief Financial Officer's Report to
Priorities and Finance Committee
2019 May 14

ISC: UNRESTRICTED
PFC2019-0600

Amendment to Bylaws and New Interim Loan to Calgary Municipal Land Corporation

EXECUTIVE SUMMARY

Calgary Municipal Land Corporation ("**CMLC**") has requested amendments to the terms of the loans from The City of Calgary ("**The City**") to CMLC authorized by Bylaw 37M2018. Loans have not yet been advanced. The loans authorized by Bylaw 37M2018 are related to authorized borrowings by The City from Alberta Capital Finance Authority ("**ACFA**") pursuant to Bylaw 2B2018 and, as such, if the terms of the loans contemplated by Bylaw 37M2018 are amended, corresponding amendments will be required to the terms of the borrowings contemplated by Bylaw 2B2018. Without limitation but most notably, the bylaw amendments requested reflect:

- 1) Increased terms of loans and borrowings from up to 9 years to up to 28 years;
- 2) Amounts of authorized loans and borrowings decreasing from up to \$92 million to a maximum of \$80 million; and
- 3) Removal of the Green Line interface (in Victoria Park) from the capital projects to be funded with the loans and borrowings.

Concurrently, Administration requests approval of a new interim loan by The City to CMLC to provide up to \$4 million of interim financing to CMLC from working capital funds to permit CMLC to advance activity related to the 9th Avenue SE Bridge and 17th Avenue SE Extension projects (the "**Current Capital Projects**"), being 2 of the 3 capital projects contemplated in original Bylaws 37M2018 and 2B2018 (the "**Capital Projects**") in advance of the next available ACFA loan drawdown date of 2019 September 15.

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ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee recommend that Council:

- 1) Give first reading to Bylaw 2B2019, being the proposed bylaw to amend Bylaw 2B2018, being a bylaw of The City of Calgary authorizing The City of Calgary to incur indebtedness by the issuance of debentures for financing capital projects for Calgary Municipal Land Corporation;
- 2) Give first reading to Bylaw 19M2019, being the proposed bylaw to amend Bylaw 37M2018, being a bylaw of The City of Calgary authorizing municipal loans to Calgary Municipal Land Corporation;
- 3) Give first reading to Bylaw 20M2019, being a bylaw of The City of Calgary authorizing municipal loans to Calgary Municipal Land Corporation;
- 4) Direct Administration to amend the existing Second Amended and Restated Credit Agreement between The City and CMLC dated July 23, 2010 in form and content acceptable to the City Treasurer, prior to funds being advanced under the proposed Bylaws; and
- 5) Direct that Attachment 4 remain confidential pursuant to Exceptions to Disclosure Sections 24 and 25 of the *Freedom of Information and Protection of Privacy Act* (Alberta).

PREVIOUS COUNCIL DIRECTION / POLICY

On 2018 September 24, Council passed Bylaw 37M2018 which authorized up to \$92 million in loans (the "**ACFA Loans**") from The City to CMLC pursuant to Sections 264(1)(b) and 265 of the Municipal Government Act (R.S.A. 2000 c. M-26) (the "**MGA**") for financing the Capital Projects, which capital projects were included in CMLC's 2017-2019 Business Plan and Budgets, which were approved by the Council of The City, as shareholder, on 2016 December 15.

On 2018 September 24, Council passed Bylaw 2B2018 which authorized The City to borrow, to issue debentures on behalf of The City for, up to \$92 million to finance the Capital Projects, all pursuant to Sections 251 and 258 of the MGA. It is contemplated that such borrowings would be from ACFA.

On 2019 January 15, Council passed Bylaw 63M2018 which authorized up to \$6 million in short term (maximum 1-year term) loans from The City to CMLC pursuant to Sections 264(1)(b) and 265 of the MGA, for interim financing of the Capital Projects.

On 2007 April 16, Council passed Bylaw 27M2007, being The Rivers District Community Revitalization Levy Bylaw (the "**CRL Bylaw**"), which bylaw contemplated the implementation of a community revitalization levy ("**CRL**") for 20 years to 2027 (the "**Original CRL Term**").

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BACKGROUND

Bylaw Amendments – Increase Term

CMLC is a wholly-owned subsidiary of The City that was formed to implement and execute the Rivers District Community Revitalization Plan, which plan formed part of the CRL Bylaw, with the mandate to kick-start Calgary's urban renewal. CMLC, as a result, manages several construction, design and vision projects within the Rivers District (as that term is defined in the CRL Regulation (defined below)).

When the CRL Bylaw was passed, the City of Calgary Rivers District Community Revitalization Levy Regulation (AR 232/2006) (the "**CRL Regulation**") provided that a community revitalization levy bylaw would terminate on the earliest of a set of dates, one of which was at the end of a period of 20 years from the year in which the initial bylaw was approved by the Lieutenant Governor in Council. On 2018 December 20, the CRL Regulation was amended such that the reference therein to '20 years' was replaced with '40 years'.

On 2019 February 12, the Province of Alberta approved amendments the CRL Bylaw, as made by Bylaw 2M2019, to extend the Original CRL Term by an additional 20 years to 2047 (the "**Extended CRL Term**").

Both Bylaws 37M2018 and 2B2018 contemplated, respectively, loan and borrowing terms of up to 9 years such that the maturity dates would not extend beyond the Original CRL Term. With the Extended CRL Term, CMLC has requested that the term of the loans under Bylaw 37M2018 be amended from up to 9 years to up to 28 years and, if such amendment is to be made, the term of the corresponding borrowings under Bylaw 2B2018 will need to be amended from up to 9 years to up to 28 years. The extended term of the borrowing aligns the borrowing term with the economic life of the assets and supports new private development in the area, generating additional CRL revenue that will continue to support repayment of existing and proposed debt.

Bylaw Amendments – Decrease Amounts and Amend Projects

Proposed amendments to Bylaws provide optionality with respect to how ACFA Loans can be structured, based on individual project requirements and subject to ACFA approval. The total amount of borrowing proposed in the amended Bylaws was decreased to reflect CMLC's near-term project requirements for Current Capital Projects. One of the Capital Projects, construction of the Green Line interface (in Victoria Park) project, currently estimated to cost \$40 million and consist mainly of the 5th Street Underpass SE design and construction, is tentatively scheduled to commence in 2026 and, as such, CMLC does not require funds for this project at this time. The project continues to form part of CMLC's business plan and funding for it will be addressed with a subsequent Bylaw request, once supporting detail is known.

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New Interim Loan

As part of its ongoing business planning, CMLC has identified the need for \$4 million to advance activity related to the Current Capital Projects by 2019 July 31. However, the next allowable drawdown through ACFA is 2019 September 15 and, as such, Administration is requesting approval, through Bylaw 20M2019, to advance \$4 million of working capital funds to CMLC in the form of an interim loan to bridge liquidity until The City can loan the debenture funds contemplated in Bylaw 37M2018, as proposed to be amended in Bylaw 19M2019.

The monies contemplated to be lent by The City to CMLC under authority of Bylaw 20M2019 are interim financing until the monies contemplated to be lent by The City to CMLC under authority of Bylaw 37M2018, as proposed to be amended by proposed Bylaw 19M2019, are advanced. The monies contemplated to be lent by The City to CMLC under authority of Bylaw 37M2018, as proposed to be amended by proposed Bylaw 19M2019, are intended, in part, to refinance the up to \$4 million interim loan contemplated by Bylaw 20M2019 and the up to \$6 million interim loan previously advanced by The City to CMLC under Bylaw 63M2018 on or about 2019 September 15.

General

The CRL is based on future property taxes being collected within the Rivers District resulting in risk associated with planning and constructing large infrastructure projects, which require significant up-front investment and often overlap with other project funding requirements. CMLC requires flexibility to respond to changing demands and assumptions driving continued development, as such, the bylaw amendments and new proposed bylaw reflect the most current information available to enable CMLC to continue delivering on its mandate. With the CRL extension approved and planned projects, increased communication between The City and CMLC regarding current and future revitalization will ensure sustainable development continues within the Rivers District.

Prior to any loans being advanced by The City to CMLC under Bylaw 20M2019 or under Bylaw 37M2018, as proposed to be amended by proposed Bylaw 19M2019, the existing Second Amended and Restated Credit Agreement between The City and CMLC dated July 23, 2010 must be amended to reflect amendments to the authorized terms of the loans and the additional contemplated interim loan in form and content acceptable to the City Treasurer. This is anticipated to be complete by 2019 July 31.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Stakeholder Engagement, Research and Communication

Treasury staff has had ongoing communication with CMLC on financial and operational performance and forecasts. CMLC has reviewed and concurs with this report and Attachment 4. Treasury has worked with City Law on this report and Attachments 1, 2, and 3.

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Strategic Alignment

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

Social, Environmental, Economic (External)

The proposed \$4 million interim loan amount contemplated by Bylaw 20M2019 will be funded through The City's working capital funds subject to being repaid with AFCA Loans on or about 2019 September 15, and will bear interest such that there is no net impact to the City's working capital account.

The City has capacity available in its working capital account due to timing of liabilities and can provide an internal loan for the proposed size for a short term, as recommended, without adversely impacting other obligations.

Financial Capacity

Current and Future Operating Budget:

There is no impact to the operating budget, given the short-term nature of the interim loan requested and interest to be charged.

Current and Future Capital Budget:

None regarding this request.

Risk Assessment

CMLC's financial profile continues to be updated to reflect the Extended CRL Term, announcement of new capital projects, and prioritization of existing projects within the Rivers District. A financial assessment was conducted and is reflected in Attachment 4.

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REASON(S) FOR RECOMMENDATION(S):

Administration Recommends:

1. The amendments to Bylaws 37M2018 and 2B2018, as outlined above to allow for a term consistent with the extended CRL term and to reflect CMLC's near-term project funding requirements;
2. \$4 million in working capital fund be advanced to CMLC as an interim loan until the next ACFA drawdown date of 2019 September 15, for commencing activity related to the Current Capital Projects; and
3. Amending the existing Second Amended and Restated Credit Agreement between The City and CMLC to reflect amendments to the authorized terms of the loans and the additional contemplated interim loan in form and content acceptable to the City Treasurer.

ATTACHMENT(S)

1. Attachment 1 – Proposed wording for Bylaw 2B2019
2. Attachment 2 – Proposed wording for Bylaw 19M2019
3. Attachment 3 – Proposed wording for Bylaw 20M2019
4. Attachment 4 – CMLC Financial Overview - Confidential