



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Transportation Planning and Parking Division

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	April 23, 2018
SUBJECT/REPORT NO:	Hamilton Car Share Loan Agreement Transfer (City Wide) (PED18084)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Peter Topalovic (905) 546-2424 Ext. 5129
SUBMITTED BY:	Steve Molloy Acting Manager, Transportation Planning Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That Community CarShare Co-Operative Inc. ("Car Share")'s request to assign its May 30, 2012 Loan Agreement with the City (the "Agreement") to Virtue Transportation Systems Incorporated ("Vrtucar") on the terms and conditions outlined in Report PED18084, including that Vrtucar assumes all of Car Share's rights, responsibilities, obligations and covenants under the Agreement, be approved;
- (b) That the General Manager, Planning and Economic Development, be authorized, on behalf of the City, to negotiate, enter into and execute an agreement and any ancillary documents required to give effect to this assignment in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

Community CarShare Co-Operative Inc., operating as Community CarShare (CCS), has operated in the City of Hamilton since 2009 as a local non-profit car sharing co-operative. Car sharing is an on-demand alternative to the privately-owned vehicle, which supports the City's strategic plan priority area "Built Environment and Infrastructure: Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City."

On November 22, 2017, the CCS members voted to dissolve the cooperative as a solution to concerns over the non-profit's financial viability. This decision was reached after receiving a letter of intent from Virtue Transportation Systems Incorporated to

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purchase CCS. Virtue Transportation Systems Incorporated, also known as Vrtucar, is a for-profit car sharing company in Ontario which operates in Ottawa, but also intends to operate CCS's systems. Vrtucar's parent company is Communato Inc. of Montreal, QC which operates in Quebec, Ontario and Nova Scotia, as well as Paris, France. The intent of the sale of CCS to Vrtucar is to continue car share operations that are currently being operated by CCS including: Hamilton, Waterloo Region, Guelph and London. The sale would be an asset sale in which Vrtucar would acquire substantially all of CCS's assets and debts. City staff has been informed that it would be CCS's intention to dissolve CCS post asset sale.

The City, through Report PW11081 dated November 14, 2011, has provided a \$150,000 revolving line of credit to CCS with a 4% annual interest rate, expiring on May 30, 2022.

In order to maintain the availability of an established, publically accessible, car sharing service, staff recommend the assignment and amendment of the Line of Credit Agreement, to Vrtucar be negotiated and completed to the satisfaction of the City Solicitor.

City staff recommend this option to maintain continued car sharing services in the community and to ensure that the City collects the principal amount of the loan (\$150,000). It is also noted that the Line of Credit Agreement terminates within less than four years, and that the assignment of the Line of Credit is considered to be a short-term solution.

Alternatives for Consideration – See Page 5

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The current balance of the Community Car Share loan is \$144,845.87. The loan has a ten-year term beginning May 30, 2012 with a maturity date of May 30, 2022. The loan agreement does not stipulate principal payments during the term of the loan. The full balance is due upon maturity. CCS has kept current with their interest payments, but no pre-payment of principal has been made.

Review of CCS' most recent audited financial statements indicates an inability to pay their debts. Since the City of Hamilton is an unsecured creditor, the chance of recovering the loan principal is unlikely in the event of the dissolution of the corporation.

Vrtucar has agreed to assume the Hamilton Car Share loan with the same financial obligations and maturity date included in the original loan agreement. A review of unaudited financial statements of Vrtucar

indicates sufficient assets and revenue streams to support repayment of the loan.

The City's external Loan Guideline identifies that only Registered Not-for-profit organizations are eligible for external funding. Although Vrtucar is a for-profit corporation, the assignment of the Line of Credit Agreement to Vrtucar is likely the best option to recover the outstanding funds owed to the City due to relative uncertainty related to the long-term financial viability of the Community Car Share Co-operative.

The Region of Waterloo, City of Waterloo and City of Kitchener have approved the transfer of similar lines of credit from CCS to Vrtucar.

Staffing: There are no staffing implications.

Legal: Legal Services will draft an assignment agreement incorporating the terms and conditions contained in the original agreement, including appropriate security documentation.

HISTORICAL BACKGROUND

Community Car Share (CCS) began operating in Hamilton in 2009 with three vehicles and under 100 members. In the nine years since launching the service, CCS now has 623 members and 23 vehicles in Hamilton who took 8,190 car sharing trips over 406,000 kms in 2017 alone.

In 2011, CCS approached the City to enter into a revolving line of credit and begin a Corporate Car Sharing Program in the City of Hamilton. Council approved the revolving line of credit loan to an upset limit of \$150,000 and the Corporate Membership Program (as outlined in Report PW11081).

The Corporate Program for City staff has over 40 members and helps reduce the need for the purchase and maintenance of fleet vehicles. The staff who use the service are in areas where there are no fleet vehicles or where they are being phased out. It also encourages sustainable forms of travel to the workplace by offering staff a shared car service for meetings; enabling them to walk, cycle, carpool and take transit to work.

The City of Kitchener, City of Waterloo and the Region of Waterloo have a similar relationship with CCS, as the co-op originated in the Waterloo region as Grand River Car Share. The Region of Waterloo has a similar loan arrangement with CCS, and Regional staff have made a similar recommendation to their Council, which was subsequently approved, that Vrtucar assume the assets and the loans of CCS and pay them back on schedule.

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POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION

- Finance and Administration, Corporate Services
- Legal Services, Corporate Services

ANALYSIS AND RATIONALE FOR RECOMMENDATION

City staff make the recommendations in this Report in order to ensure that the City collects the principal amount of the loan (\$150,000) and to maintain continued car sharing services in the community. Since the Line of Credit Agreement terminates in less than four years, the assignment of the Line of Credit is considered to be a short-term solution.

The 2016-2017 CCS financial statement (ending April 30, 2017) indicated that the long-term financial viability of the non-profit is of concern and that the increased level of losses threatened the continued operation of the co-operative. As identified by CCS, to continue existing as a co-operative, CCS would need to raise funds to address immediate cash flow issues, find sustainable ways of getting access to capital, and make significant changes to current operations. They also investigated alternatives to operating as a non-profit co-operative.

On November 22, 2017, the members of the CCS voted to dissolve the cooperative. This decision was reached after receiving a letter of intent from Vrtucar (a subsidiary of Communauto Inc. of Montreal, QC) to purchase CCS. If executed, the sale would be an asset sale in which Vrtucar would acquire substantially all of CCS assets and debts. City staff has been informed that it would be CCS intention to dissolve the corporation post-asset sale.

Virtue Transportation Systems Incorporated (whose parent company is Communauto Inc. of Montreal) is a private car sharing company based in Ottawa that is interested in growing its business, and expressed interest in acquiring CCS debts and assets. Communauto is a for-profit car sharing company that has the intention of continuing to provide car sharing in Southern Ontario. Communauto was originally founded in 1994 in Montreal and merged with Vrtucar in 2016. They currently operate in Montreal, Quebec City, Sherbrooke, Gatineau, Ottawa, Kingston, Halifax, and Paris, France. They have a fleet of almost 2,000 vehicles, and have financial backing from partners such as the manufacturer of Peugeot and Citroën, and as well as the merchant bank MacKinnon Bennett & Co.

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On November 30, 2017, Vrtucar issued a letter (see Appendix “A” to Report PED18084) to City staff requesting that the City consider assigning the Line of Credit Agreement from CCS to Vrtucar. CCS has also requested the City sign a letter confirming the transfer of the Line of Credit Agreement to Vrtucar moving forward (see Appendix “B” to Report PED18084).

Similar letters were issued to the other cities CCS operates in: Kitchener, Waterloo, Waterloo Region, London and Guelph. The approach of the City of Hamilton is consistent with the approach of these municipalities and regions. Kitchener and Waterloo Regions were consulted specifically because they also provide loans to CCS and are in the process of transferring those loans to Vrtucar in a similar way as outlined in this Report. The other cities do not have loans with CCS.

ALTERNATIVES FOR CONSIDERATION

Do Not Approve the Assignment of the Loan Agreement to Vrtucar

According to paragraph 8.1.1 of the revolving Line of Credit Agreement between the City of Hamilton and the Community Car Share Co-operative, upon dissolution of the co-operative the Line of Credit is in default. The City could choose to allow this to happen, rather than assigning the Line of Credit Agreement to Vrtucar, who wishes to purchase the CCS. The CCS would then be required to pay the entirety of the Line of Credit balance of \$144,845.87.

However, in doing so, CCS would likely not be able to pay back the loan, given its financial situation, and the likelihood of the City of Hamilton receiving the outstanding balance owing would be jeopardized. Furthermore, there could be a disruption to or dissolution of the car sharing service in the City, which would not be consistent with the City’s strategic priorities. City staff does not recommend this option.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Healthy and Safe Communities

Hamilton is a safe and supportive city where people are active, healthy, and have a high quality of life.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” – Letter from VRTUCAR, January 31, 2018

Appendix “B” – Letter from Community Car Share, January 25, 2018