



CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

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| TO: | Chair and Members Audit, Finance and Administration Committee |
| COMMITTEE DATE: | December 10, 2020 |
| SUBJECT/REPORT NO: | Authority to Negotiate and Place a Debenture Issue(s) for CityHousing Hamilton Corporation (CHH) Projects (FCS19068(a)) (City Wide) |
| WARD(S) AFFECTED: | City Wide |
| PREPARED BY: | Kirk Weaver (905) 546-2424 Ext. 2878 Brian McMullen (905) 546-2424 Ext. 4549 |
| SUBMITTED BY: SIGNATURE: | Mike Zegarac General Manager, Finance and Corporate Services Corporate Services Department |

RECOMMENDATION(S)

- (a) That the General Manager, Finance and Corporate Services, be authorized to enter into and execute any necessary agreements, including any agreements with Infrastructure Ontario's Loan Program, to secure the capital funding required for CityHousing Hamilton Corporation project at 55 Queenston Road with content acceptable to the General Manager, Finance and Corporate Services and in a form satisfactory to the City Solicitor;
- (b) That the General Manager, Finance and Corporate Services, be authorized and directed to negotiate and confirm the terms, placement and issuance of all debenture issue(s) and / or private placement debenture issue(s), in either a public or private market and / or bank loan agreements and debenture issue(s) and / or variable interest rate bank loan agreements and debenture issue(s), in an amount not to exceed \$4,200,000 Canadian currency in support of CityHousing Hamilton for project at 55 Queenston Road;

- (c) That the General Manager, Finance and Corporate Services, be authorized and directed to enter into and execute any necessary agreements, to engage the services of all required persons, agencies and companies to secure the terms and issuance of the debenture issue(s) described in recommendation (b) to Report FCS19068(a) including, but not limited to, external legal counsel, fiscal agents and financial professionals, with content acceptable to the General Manager, Finance and Corporate Services and in a form satisfactory to the City Solicitor;
- (d) That the General Manager, Finance and Corporate Services, Mayor and City Clerk are individually authorized and directed to enter into and / or execute, on behalf of the City of Hamilton, all agreements and necessary ancillary documents to implement Recommendation (b) to Report FCS19068(a) and in order to secure the terms and issuance of the debenture issue(s) described in Recommendation (b) to Report FCS19068(a) with content acceptable to the General Manager, Finance and Corporate Services and in a form satisfactory to the City Solicitor;
- (e) That the General Manager, Finance and Corporate Services be authorized and directed to administer all agreements and necessary ancillary documents described in Recommendations (a), (c) and (d) to Report FCS19068(a);
- (f) That staff be directed to prepare, for Council's consideration, all necessary By-law(s) to authorize and implement CityHousing Hamilton Corporation projects as attached in Appendix "A" to Report FCS19068(a) including By-laws for the purpose of authorizing the debenture issue(s) in accordance with Recommendations (b), (c), (d), (e), and (f) to Report FCS19068(a) and any by-laws necessary to negotiate, place and secure the required capital funding in accordance with Recommendation (a) to Report FCS19068(a).

EXECUTIVE SUMMARY

The Board of Directors of CityHousing Hamilton Corporation (CHH) have passed resolutions at their September 29, 2020 Board meeting for additional debt financing of \$8,144,000 for CHH projects. This report seeks authority for \$4,200,000 of that request related to the project at 55 Queenston Road.

There are five projects in development that are related to the additional financing request:

55 Queenston Road (Queenston)
104-106 Bay Street North (Bay-Cannon)
253 King William Street (Wellington-King William)
701 Upper Sherman Avenue (Macassa)
150 Violet Drive (Riverdale)

CHH undertook a review and analysis of the costs for each project given that the original project costing was undertaken in 2017. Since that time, significant construction cost escalation has occurred in the market resulting in identified increases in costs. CHH Report 17021(c) outlines several measures the Board is planning to take to address these cost pressures. One of these measures involves seeking additional debt financing beyond what had been previously approved for some of these projects.

The purpose of Report FCS19068(a) is to:

Request the authority to negotiate, secure and guarantee debenture issues, where required, for CHH debt of \$4,200,000; and

Provide Council with an updated Annual Debt Repayment Limit as required by Ontario Regulation 403/02 of the *Municipal Act*.

The City of Hamilton issues or secures debt instruments (debentures or loans) when the need exists and market conditions are right to attain funds to finance Capital Projects in accordance with the City's Debt Management Policy and Lease Financing Policy (Report FCS13074). Before authorizing any capital project or class of work or any increase in expenditure for a previously authorized capital project or class of work that would require a long-term debt or financial obligation, the municipal Treasurer shall calculate an updated repayment limit.

Using the 2020 Annual Repayment Limit (ARL), sent by the Ministry, the City Treasurer has calculated an updated ARL of \$201.2 M, shown on Appendix "A" to Report FCS19068(a). According to this calculation, the updated ARL of \$201.2 M represents a maximum amount which the City could commit to payments related to debt and financial obligations before the statutory limit is breached. The annual debt service requirement for the additional debt requested for these CHH projects of \$4,200,000 results in projected total debt servicing costs well below the updated ARL of \$201.2 M.

Appendix "B" to Report FCS19068(a) provides a summary of the request from CityHousing Hamilton. Additional information and recommendations related to Service Manager Consents for two of these projects (Queenston and Bay-Cannon) are contained in Report HSC20055 scheduled to be considered by Emergency and Community Services Committee on December 10, 2020.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The City's Capital Financing Plan takes into account borrowing to finance municipal capital projects with the associated debt charges included in the Tax Supported Operating Budget and the Rate Supported Water, Wastewater, Stormwater Operating Budget.

The City's total consolidated municipal and housing corporation (CityHousing Hamilton Corporation (CHH)) outstanding debt, as at December 31, 2019, was \$432,709,000 which is below the statutory limits of \$2,088,609,171.

Negotiating, securing and guaranteeing debenture issues, where required, for CHH debt of \$4,200,000 does not impact the City's Tax Supported or Rate Supported Operating Budgets as the debt and related debt servicing costs will be reported by CHH. Financial details on CHH's updated development strategy were approved at the CHH Board meeting of September 29, 2020 (confidential report CHH Report #17021(c)).

Staffing: N/A

Legal: Outside legal counsel is required in order to execute the issuance of debentures.

HISTORICAL BACKGROUND

Council approval is required to authorize the issuance of debentures in accordance with the City's Debt Management Policy and Lease Financing Policy (Report FCS13074).

On March 27, 2018, the Board of Directors of CHH passed resolutions through confidential Report #17021(b) requesting CHH debt of \$24,539,000 for a Development Strategy to renovate, rebuild and build new social and affordable housing.

On April 11, 2018, Council approved CHH debt of \$24,539,000 through Report FCS18011 respecting Authority to Negotiate and Place a Debenture(s) in Audit, Finance and Administration Committee Report 18-004 which included debt for the following locations relevant to Report FCS18011:

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|-------------|-------------------------|
| \$8,533,000 | Bay / Cannon |
| \$1,656,000 | Wellington-King William |
| \$4,600,000 | Macassa |

On September 29, 2020, the Board of Directors of CHH passed resolutions through Confidential Report #17021(c), requesting additional debt financing of up to \$8,144,000 related to the three CHH project sites.

Two of the projects, Queenston and Riverdale, did not previously require debt financing. Housing Services staff through Report HSC20055, scheduled for Emergency and Community Service Committee on December 10, 2020, are seeking to provide Service Manager consent for the Bay / Cannon and Queenston projects. In order to maintain alignment with these consents, staff is recommending that Council authorize the additional debt required for the Queenston project in the amount of \$4,200,000. Further debt authority, if required, would be sought at the time of Service Manager consent on the remaining projects.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Report FCS19068(a) meets the requirements of the City of Hamilton's Debt Policy, whereby Council authority is required to issue debt.

RELEVANT CONSULTATION

Legal and Risk Management Services Division, Corporate Services Department

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

The recommendations in Report FCS19068(a) will allow the General Manager, Finance and Corporate Services, to negotiate the terms and issuance of a debenture(s) up to \$4,200,000 over several years to finance a CityHousing Hamilton Corporation (CHH) project at 55 Queenston Road.

The Provincial Government of Ontario establishes an Annual Repayment Limit representing the maximum amount which a municipality can commit to payments for debt obligations. Before authorizing any capital project or class of work or any increase in expenditure for a previously authorized capital project or class of work that would require a long-term debt or financial obligation, the municipal Treasurer shall calculate an updated limit.

Using the 2020 Annual Repayment Limit (ARL), sent by the Ministry, the City Treasurer has calculated an updated ARL of \$201.2 M, shown on Appendix "A" to Report FCS190068(a). According to this calculation, the updated ARL of \$201.2 M represents a maximum amount which the City could commit to payments related to debt and financial obligations before the statutory limit is breached. The annual debt service requirement for the additional debt requested for these CHH projects of \$4,200,000 results in projected total debt servicing costs well below the updated ARL of \$201.2 M.

The City of Hamilton's updated ARL is attached as Appendix "A" to Report FCS19068(a).

Through the revised CHH Development Strategy approved by the CHH Board on September 29, 2020, the updated cost estimates related to the projects to be undertaken may result in an opportunity to apply additional Development Charges funds to these projects. Staff will review this strategy and advise CHH staff of any available Development Charges funds.

ALTERNATIVES FOR CONSIDERATION

N/A

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Clean and Green

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

Built Environment and Infrastructure

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

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report FCS19068(a) – City of Hamilton Treasurer's Updated 2020 Annual Repayment Limit

Appendix "B" to Report FCS19068(a) – Letter from CityHousing Hamilton Requesting Additional Debt Financing

KW/dt