



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

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	March 25, 2021
SUBJECT/REPORT NO:	Authority to Negotiate and Place a Debenture CityHousing Hamilton (CHH) Project - 500 MacNab Street (FCS19068(b)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Kirk Weaver (905) 546-2424 Ext. 2878
SUBMITTED BY:	Brian McMullen Director, Financial Planning, Administration and Policy Corporate Services Department
SIGNATURE:	

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 500 MacNab Street 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 \$3,950,000 Canadian currency in support of CityHousing Hamilton for project at 500 MacNab Street;

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

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- (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(b) 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(b) and in order to secure the terms and issuance of the debenture issue(s) described in Recommendation (b) to Report FCS19068(b) 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(b);
- (f) That the City of Hamilton will act as guarantor of the long-term financing identified in Recommendation (b) to Report FCS19068(b) not to exceed \$3,950,000 sought by CityHousing Hamilton Corporation for the 500 MacNab Street Project and that the General Manager, Finance and Corporate Services, and City Clerk be authorized to execute any agreements and ancillary documents relating to the guarantee;
- (g) That the General Manager, Finance and Corporate Services or designate, be authorized to enter into an amending agreement to the existing loan agreement of \$9,229,500 with CityHousing Hamilton for the 500 MacNab Street Project, in a form satisfactory to the City Solicitor, that will permit the use of the additional financing received on the project;
- (h) That staff be directed to prepare, for Council's consideration, all necessary by-law(s) to authorize and implement the CityHousing Hamilton Corporation projects at 500 MacNab Street 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(b) and any by-laws necessary to negotiate, place and secure the required capital funding in accordance with Recommendation (a) to Report FCS19068(b).

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EXECUTIVE SUMMARY

The Board of Directors of CityHousing Hamilton Corporation (CHH) have passed resolutions at their January 25, 2021 meeting seeking authority to take on additional debt (through Canada Mortgage and Housing Corporation (CMHC)) totalling \$3.95 M and requesting the City of Hamilton to act as guarantor of that debt.

The purpose of Report FCS19068(b) is to:

Request the authority to negotiate, secure and guarantee debenture issues, where required, for CHH debt of \$3,950,000;

Request the authority to amend the existing loan agreement of \$9,229,500 approved through Report FCS19090 to allow the additional financing to be applied to 500 MacNab Street project costs instead of reducing the loan amount; 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 2021 Annual Repayment Limit (ARL) sent by the Ministry, the City Treasurer has calculated an updated ARL of \$221.2 M, shown on Appendix "A" to Report FCS19068(b). According to this calculation, the updated ARL of \$221.2 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 this CHH project of \$3,950,000 results in projected total debt servicing costs well below the updated ARL of \$221.2 M.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The City's Capital Financing Plan considers 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.

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The City's total municipal and outstanding debt, as at December 31, 2020, was \$392.0 M which is below the statutory limits of \$2,640,238,904.

Negotiating, securing and guaranteeing debenture issues, where required, for CHH debt of \$3,950,000 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 January 25, 2021 (confidential Report CHH Report #17021(e)).

Staffing: N/A

Legal: Legal Services staff will review any agreements or ancillary documentation related to this project to ensure they are in a form satisfactory to the City Solicitor.

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 the Audit, Finance and Administration Committee Report 18-004 which included debt for the following locations:

- \$9,750,000 500 MacNab
- \$8,533,000 Bay-Cannon
- \$1,656,000 Wellington-King William
- \$4,600,000 Macassa

On June 10, 2019, the Board of Directors of CHH passed resolutions through Confidential Report #17029(d), as an update to Report #17029(c), respecting the Roxborough Park Development Opportunity.

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On July 18, 2019, the Board of Directors of CHH passed resolutions through confidential Report #18012(c) respecting the 500 MacNab Tower Renewal Update. City Council has previously approved up to \$12 M in debt financing and debt guarantees on this project through Report FCS18011 on April 11, 2018 (Audit Finance and Administration Committee Report 18-004) and Report FCS19068 on August 16, 2019 (Audit, Finance and Administration Report 19-011).

Council previously approved a loan of \$9.22M to CHH to support this project through Report FCS19090 on February 12, 2020 (Audit, Finance and Administration Report 19-019). Terms and conditions of the loan were provided in Appendix “B” to Report FCS19090.

The Board of Directors of CityHousing Hamilton Corporation (CHH) have passed resolutions at their January 25, 2021 meeting seeking authority to take on additional debt (through CMHC) totalling \$4.95 M and requesting the City of Hamilton act as guarantor of that debt. CMHC has confirmed that \$1 M of this amount will be treated as a contribution not requiring the City of Hamilton act as guarantor so \$3.95 M needs to be guaranteed.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Report FCS19068(b) meets the requirements of the City of Hamilton’s Debt Policy, whereby Council authority is required to issue debt and Lease Financing Policy.

RELEVANT CONSULTATION

Legal and Risk Management Services Division, Corporate Services Department
Housing Services Division, Healthy and Safe Communities Department

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

The Recommendations in Report FCS19068(b) will allow the General Manager, Finance and Corporate Services, to negotiate the terms and issuance of a loan, debenture(s) or other form of long-term debt up to \$3,950,000 over several years to finance a CityHousing Hamilton Corporation (CHH) project at 500 MacNab Street.

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.

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Using the 2021 Annual Repayment Limit (ARL), sent by the Ministry, the City Treasurer has calculated an updated ARL of \$221.2 M, shown on Appendix “A” to Report FCS190068(b). According to this calculation, the updated ARL of \$221.2 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 this CHH project of \$3,950,000 results in projected total debt servicing costs well below the updated ARL of \$221.2 M. The City of Hamilton’s updated ARL is attached as Appendix “A” to Report FCS19068(b).

The Housing Services Division of Healthy and Safe Communities Department, as the Service Manager, was consulted with respect to any additional consents that may be required and advised that no further consents were required beyond the consent originally provided on April 9, 2018 for 500 MacNab Street.

Council previously approved a loan of \$9.22 M to CHH to support this project through Report FCS19090 on February 12, 2020 (Audit, Finance and Administration Report 19-019). The loan agreement contains a clause indicating that any additional funding received on this project from other sources would be used to repay the loan. With the revised financing strategy, CHH is requesting that this condition be amended to allow the additional \$3.95 M in financing to be applied to project costs. The loan would continue to be repaid according to the existing repayment schedule.

Previous Council approval outlined in the Historical Background section of Report FCS19068(b) provided authority for the City to issue and guarantee up to \$12 M in long-term debt for the 500 MacNab Street project. Financial details on CHH’s updated development strategy were approved at the CHH Board meeting of January 25, 2021 (confidential Report CHH Report #17021(e)) resulting in a request for the City of Hamilton to authorize and guarantee an additional \$3.95 M in long-term debt for this project.

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.

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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” to Report FCS19068(b) – City of Hamilton Treasurer's Updated 2021 Annual Repayment Limit

KW/dt