



IN CAMERA

REPORT

Report Date: March 10, 2022
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Meeting Date: March 29, 2022

TO: Vancouver City Council

FROM: General Manager of Finance, Risk and Supply Chain Management/Director of Finance

SUBJECT: Funding Agreement for Housing at Coal Harbour School, Childcare and Affordable Housing Project

IN CAMERA RATIONALE

This report is recommended for consideration by Council on the In Camera agenda as it relates to Section 165.2(1) of the *Vancouver Charter*:

(k) negotiations and related discussions respecting the proposed provision of an activity, work or facility that are at their preliminary stages and that, in the view of the Council, could reasonably be expected to harm the interests of the city if they were held in public.

RECOMMENDATIONS

A. THAT Council approve an adjustment to the approved funding sources for the multi-year capital project budget for the Coal Harbour School, Childcare and Affordable Housing Project by replacing the funding from Replacement Housing Development Cost Levies on the housing component of the Project with a \$3,540,550 grant ("FCM Grant") and a \$3,540,550 loan ("FCM Loan) from the Federation of Canadian Municipalities ("FCM"), subject to the City and FCM executing a loan and grant agreement.

FURTHER THAT Council approve the repayment of the FCM Loan and associated interest from the Replacement Housing Development Cost Levies on the housing component of the Project.

AND FURTHER THAT Council approve the varying of \$3,540,550 of borrowing authority in the 2019-2022 Capital Plan for "3A Replacement of existing

community facilities” to the Coal Harbour School, Childcare and Affordable Housing Project to enable the City to leverage this external loan and grant funding opportunity and reduce the City’s overall contribution to the Project.

- B. THAT, subject to the approval of Recommendation A, Council authorize the Director of Legal Services, in consultation with the General Manager of Finance, Risk and Supply Chain Management/Director of Finance, to, on behalf of the City, negotiate and execute an agreement with the Federation of Canadian Municipalities for a loan of up to \$3,540,550 and a grant of \$3,540,550 to fund the Project.

Variation of borrowing authority (Recommendation A) requires 2/3 affirmative votes of all Council members, per S. 245(3) of the Vancouver Charter.

REPORT SUMMARY

In November 2020, Council approved the 480 Broughton St (now known as 488 Broughton St) Coal Harbour School, Childcare and Affordable Housing Project (the “Project”). The funding strategy for this Project included pursuing senior government funding.

In March 2021, Council approved an application to the Federation of Canadian Municipalities' Green Municipal Fund Sustainable Affordable Housing Program (“FCM GMF SAH Program” or the “Program”) for a loan of up to \$3.7 million and a grant of up to \$3.7 million for the Affordable Housing component of the Project.

In December 2021, FCM issued notice, in confidence, that FCM will provide a loan of up to \$3,540,550 (the “FCM Loan”) and a grant of up to \$3,540,550 (the “FCM Grant”) to the City, subject to the signing of a funding agreement.

Given the size of the FCM Grant and after factoring in the interest on the FCM Loan, the City’s contribution to the project will be reduced by approximately \$3 million as a result of the successful application to the FCM GMF SAH Program.

Council approval is, therefore, being sought to revise the funding strategy for the Project to incorporate the FCM Grant. The FCM Loan, which is a necessary condition for the FCM Grant, will require a modification to the borrowing authority approved pursuant to the 2019 – 2022 Capital Plan. This modification will require two-thirds affirmative votes of all Council members.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

November 25, 2020: Council approved the development and budget of the Coal Harbour School, Childcare and Housing Project.

March 30, 2021: Council approved an application to the Federation of Canadian Municipalities' Green Municipal Fund Sustainable Affordable Housing Program (“FCM GMF SAH Program” or the “Program”) for a loan of up to \$3.7 million and a grant of up to \$3.7 million for the Affordable Housing component of the Coal Harbour School, Childcare and Affordable Housing Project

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

The City's recalibrated 2019-2022 Capital Plan funding strategy identifies securing of senior government contributions as a funding source to achieve a number of Council priorities.

The GMF provides low-interest loans in combination with grants to implement capital projects that demonstrate innovative solutions or approaches to municipal environmental issues and generate lessons and models for municipalities of all sizes across Canada. The general GMF program supports projects in the following areas: energy, transportation, waste and water.

The Sustainable Housing Program is a new \$300 million sub-stream of the GMF that offers support to local affordable housing providers including municipalities to construct energy efficient new buildings that emit lower GHG emissions. Such new buildings must be working towards net-zero energy (NZE) or net-zero energy ready (NZER). This requirement can be achieved through a range of building performance standards (e.g., Passive House®, LEED® Platinum, or Canada Green Building Council's Zero Carbon Building). A NZER building is a high performance building with low enough energy demand such that it is able to meet all its energy needs with an on-site renewable energy system.

The FCM GMF SAH Program offers a combination of 50% grant and 50% loan for up to 20% of total eligible project costs, subject to a maximum of \$10 million. The FCM application process has two stages. The first phase is an initial proposal, which the City submitted in December 2020. In January 2021, the City was invited to move to the 2nd stage, which is a full proposal. Following Council approval in March 2021, the full proposal for the Coal Harbour Project was submitted.

In December 2021, the FCM issued notice that FCM will provide a loan of up to \$3,540,550 and a grant of up to \$3,540,550, subject to the signing of a loan and grant agreement. The actual amount will be calculated based on 20% of total eligible costs when the project is finished, subject to these maximums (\$3,540,550 for the loan and \$3,540,550 for the grant).

Staff is now seeking Council approval to enter into the loan and grant agreement with the FCM.

Strategic Analysis

The FCM GMF SAH Program provides loans in combination with grants to enable cost-effective financing for eligible capital projects. The grant component, which is set at 100% of the loan amount, is intended to defray a material portion of the Project costs including borrowing costs associated with taking the FCM loan.

For this loan, the loan interest rate is the greater of:

1. Government of Canada benchmark bond yield plus an FCM Spread of zero point eighty-eight percent (0.88%); and
2. FCM Minimum Interest Rate: two point five percent (2.50%).

Based on recent ten-year benchmark bond yields, the FCM loan interest rate is projected to be in the range of 2.50% to 3.00%.

The combination of the loan and grant from the FCM GMF is forecast to reduce the City contribution to the project by approximately \$3.0 million after factoring in the interest associated with the loan.

Subject to Council approval, the General Manager of Finance, Risk and Supply Chain Management/Director of Finance will enter into direct negotiations with the FCM to finalize detailed loan conditions and terms and bring a completed By-law back to Council for approval at the time the loan is made.

Financial

Principal and interest payment over the 10 year term of the FCM Loan are estimated at approximately \$4.1 million and will be repaid with a portion of the \$7.1 million of Replacement Housing Development Cost Levies (DCLs) the FCM funding is replacing. Overall, the funding arrangement will result in varying the borrowing authority in the 2019-22 Capital plan for “3A Replacement of existing community facilities” to the Project and free up approximately \$3.0 million of Replacement Housing DCL funding for other affordable housing projects.

Legal

Subject to Council approval to enter into the loan agreement with the FCM, a Borrowing By-law will be brought back to Council for approval at the time the loan is to be made.

CONCLUSION

Staff recommend that Council authorize the Director of Legal Services, in consultation with the Director of Finance, to enter into a loan agreement with the FCM GMF for up to \$3,540,550 for the Coal Harbour School, Childcare and Affordable Housing Project. The combination of the FCM Loan and FCM Grant will result in varying the borrowing authority in the 2019-22 Capital plan for “3A Replacement of existing community facilities” to the Project and allow the City to save approximately \$3.0 million of its funding for future affordable housing projects.

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