

Annual Report on City's Loan and Loan Guarantee Portfolios

Date: June 27, 2022

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report provides an annual update on the City's loan and loan guarantee portfolios, along with the details associated with each of the credit arrangements.

Under existing policies, as at December 31, 2021, the City has guaranteed operating lines of credit amounting to approximately \$6 million, and almost \$59 million in capital loans.

In addition, the City has an outstanding amount of \$48 million in direct loans to City agencies and corporations which contribute to the financing of projects that create or enhance municipal capital facilities. None of these loans were in default during this reporting period. One loan of approximately \$12 million to the Bloor Street Transformation Project was fully repaid during this period.

Regular monitoring makes it possible to identify potential financial risks, and to take action to avoid or mitigate potential losses.

This report recommends a three-year term extension (to 2025) of an outstanding capital loan of \$4.048 million to Lakeshore Arena Corporation. This entity is currently undertaking a strategic planning exercise, the result of which may result in a recommended restructuring of outstanding loan balances, and therefore it is prudent to allow for the completion of this exercise before undertaking any third-party refinancing.

Additionally, this report recommends the provision of a letter of guarantee by the City, on behalf of Toronto Seniors Housing Corporation, to OMERS. This letter of guarantee would be for up to 120 days of projected employer and employee

OMERS contributions to be made by TSHC, currently estimated at \$1.34 million, plus associated costs.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council approve the renewal of the outstanding capital loan issued by the City to the Lakeshore Arena Corporation in the amount of \$4,047,660 (interest payments only) for a three-year period commencing on November 1, 2022 and ending October 31, 2025; and
2. City Council authorize the Chief Financial Officer and Treasurer to execute on behalf of the City a letter of guarantee, in a form approved by the City Solicitor, guaranteeing the due and punctual payment to the OMERS Sponsors Corporation (OMERS) of all obligations owing by the Toronto Seniors Housing Corporation (TSHC) to OMERS arising from the TSHC's obligation to pay employer and employee contributions to OMERS in respect of the employees employed by the TSHC who are members in the OMERS pension plan(s) upon a failure by the TSHC to remit such contributions when due for 120 consecutive days; and direct the Chief Financial Officer and Treasurer to review the continuing need for such guarantee every five years.

FINANCIAL IMPACT

A loan guarantee is considered as a financial commitment of the City, and therefore, depending on the magnitude, may have potential impacts on the City's borrowing capacity and credit rating. While there are no direct costs to the City for providing a loan guarantee, should a supported borrowing entity default on its obligations, the City would be required to pay out all or a portion of the loan guarantee, which supports the outstanding principal and interest, to the lender. Should this occur, the City would seek to recover those funds paid out under the guarantee from the supported borrowing entity over time.

The table 1 below summarizes the outstanding City loans and loan guarantees as at December 31, 2021, none of which were in default.

Table 1: City Loans and Loan Guarantees as at December 31, 2021

City Loans and Loan Guarantees as at December 31, 2021		
	No.	Total Exposure (\$000's)
Line of Credit Guarantees	3	\$5,995
Capital Loan Guarantees	7	\$58,785
Direct City Loans	6	\$47,100
Line of Credit	1	\$1,000
Total @ 31 Dec. 2021	17	\$112,880

An outstanding interest-only City loan in the amount of \$4,047,660 to the Lakeshore Arena Corporation (LAC), set to expire in October of 2022, is being recommended for renewal for a three-year term. This City loan was intended to have been assumed by Infrastructure Ontario (IO) prior to its expiry. However, as LAC is currently undertaking a strategic planning exercise that will include an examination of existing debts, it would be prudent to wait until the completion of this exercise to proceed with any third-party loan refinancing. The continuance of the loan for an additional three-year period will not have any further net financial impact on the City.

This report also recommends the provision of a letter of guarantee by the City, on behalf of Toronto Seniors Housing Corporation (TSHC) (which commenced operations on June 1, 2022), to OMERS. This letter of guarantee would be for up to 120 days of past-due employer and employee OMERS contributions to be made by TSHC, which are currently estimated at \$1.34 million, plus associated costs (such as interest). There are no direct costs to the City for providing this letter of guarantee. In the case of TSHC default, the City would fund up to 120 days of contributions and related costs with recovery requested from TSHC.

The Chief Financial Officer and Treasurer review and reports annually on the City's loan and loan guarantee portfolios.

DECISION HISTORY

In April 2013, City Council adopted a revised framework for loans and loan guarantees made by the City. That report arose as a result of recommendations

made by the City's Internal Audit group to strengthen controls and oversight of the line of credit guarantee and loan guarantee undertakings, including formal monitoring and reporting on the status of all loan and loan guarantees under this policy.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX31.14>

In the 2014 Annual Report on the City's loan and loan guarantee portfolio, additional criteria were added in relation to capital fundraising plans to repay loans.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.EX41.10>

The 2015 Annual Report on the City's loan and loan guarantee portfolio directed the development of a refinancing plan for Lakeshore Arena Corporation.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX5.14>

A subsequent November 2015 report then provided the financing plan for Lakeshore Arena Corporation, including a loan, a capital loan guarantee, and debt forgiveness.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX9.10>

Additional annual reporting on loans and loan guarantees may be found at the following links:

2016

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX14.11>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX16.14>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX20.16>

2017

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2017.EX24.12>

2018

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX33.12>

2019

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX4.7>

2020

Through this report, Council authorized a one-year extension to October 2021, of the direct City loan to Lakeshore Arena Corporation.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EX15.9>

2021

Through this report, Council authorized a one-year extension, to October 2022, of the direct City loan to Lakeshore Arena Corporation.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX25.7>

April 6, 2022

Through this member motion, Council provided authority to release section 37 funds in support of a previously-approved (2016) City contribution to a YMCA community centre project at 505 Richmond Street.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.MM42.22>

Toronto Seniors Housing Corporation:

On July 16, 2019, City Council adopted Implementing Tenants First - A New Seniors Housing Corporation and Proposed Changes to TCHC's Governance, including the approval in principle of the creation of a new seniors housing corporation to operate the 83 seniors-designated buildings in TCHC's portfolio.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EX7.1>

COMMENTS

Non-profit organizations often operate in a different financial environment than for-profit enterprises. Operating deficits from own revenues are not uncommon, and fundraising and government subsidies are sometimes core to not-for-profit sustainability.

Non-profit entities that have existing financial relationships with the City sometimes require supportive City loan guarantees in order to obtain the necessary operating or capital credit facilities from third parties.

Providing loan guarantees to eligible organizations is also beneficial to the City, given that these entities provide important services to the community which complement or offset the need for government to provide those services.

Under existing policies, the City offers the following loan guarantees and direct loans to eligible entities.

i) Consolidated and Amended Line of Credit Guarantees Policy:

Under this policy, the City provides line of credit guarantees to eligible non-profit cultural and community organizations, in order to afford these entities operational support to obtain lines of credit for working capital purposes, addressing such issues as seasonal or other timing-related fluctuations in cash flow.

These entities may qualify for a line of credit guarantee if they are able to provide documentation demonstrating that they have been denied sufficient and reasonable funding from all other sources.

These entities must provide a business plan demonstrating their financial viability and capacity to repay the funds to the satisfaction of the City Chief Financial Officer and Treasurer.

ii) Consolidated and Amended Capital Loan Guarantees Policy:

Under this policy, the City provides capital loan guarantees to eligible non-profit cultural, community and recreational based organizations to provide support in securing credit facilities as may be required to acquire or improve capital assets important to their operations.

These entities may be considered for a capital loan guarantee if they are able to provide documentation demonstrating that they have been denied sufficient and reasonable funding from all other sources.

These entities must provide a business plan demonstrating their financial viability and capacity to repay the funds to the satisfaction of the City Chief Financial Officer and Treasurer. Capital loans must not be used for operating purposes or to address operating deficits.

iii) Consolidated and Amended Direct City Loan Policy:

City policy also allows for occasional direct loans to City agencies and corporations, to contribute to the financing of projects that create or enhance a municipal capital facility. These direct loans help to increase the value of City assets, and support new activities and/or expansion of activities which directly benefit the public. Consideration of a potential loan must be also review all other funding options for a particular project.

Aside from the above, there are also a number of loans that were extended from City reserve funds under various programs. Loan balances within reserve funds are reported separately on a regular basis, within quarterly reserve and reserve fund variance reports to Budget Committee

Providing City loans and loan guarantees are not without risk. Conditions may arise that impact the ability of the borrower to manage its debt payments. This could lead to a demand for payment by a lender of all or a portion of a City loan guarantee.

When and if such conditions appear, the City would work with the affected entity to remedy its difficulty to address loan repayments. This is not only important for

the borrowing entity, but is also important for the City to mitigate potential negative impacts of the realization of a City loan guarantee.

Typically, loans have a notice and remedy period wherein the borrower, lender and City could work together in an attempt to address the financial difficulties. Failing that, the City could assume control of the operation in order to minimize its losses, or exercise on any security that may have been provided as part of the loan guarantee. Also, in the event that the loan was made to the affected entity by the City, agreement could be made to defer loan repayments for a time.

Over time, a number of projects have experienced financial difficulties requiring financial intervention by the City. Since the commencement of annual reporting of this portfolio in 2013, the City has written-off approximately \$29 million in debt on six loans/loan guarantees, out of a total of \$224 million in loans/loan guarantees.

A Doubtful Loan Guarantee Reserve was created in 2013 to provide a first source of funds in the event that the City is obligated to make payment as a result of a default of a loan for which a City guarantee has been issued, or a direct loan, to provide time for solutions to be found.

No loans are in default during this reporting period. Regular monitoring makes it possible to identify financial risks earlier, and to take action to avoid or mitigate potential losses.

Front-line responsibility for monitoring the operating and financial status of an organization resides with the responsible program area, as regular monitoring allows for early detection/addressing of potential difficulties. Loans provided from reserve funds have been monitored by program areas that have had a funding relationship with the borrower.

Additionally, as part of the annual review of loan guarantees and loans provided by the City to its agencies and corporations, and to other sports, cultural and community organizations, the Chief Financial Officer and Treasurer receives and reviews each entity's audited financial statements, along with the status of loan payments and other pertinent information.

A. Line of Credit Guarantees:

Under the City's current policy, line of credit guarantees are only made available to cultural and community organizations which have existing financial relationship with the City. The intended purpose of such guarantees is to enable eligible organizations to obtain a line of credit for working capital purposes, which is generally used to address timing (e.g. seasonal) fluctuations in cash flow. In order to apply for this support, eligible entities must submit audited financial

statements, as well as a business plan demonstrating the entity's financial viability/capacity to repay the funds, to the satisfaction of the Chief Financial Officer and Treasurer.

Recipient entities must also submit annual audited financial statements and operating budgets on an ongoing basis to the responsible program area so long as the line of credit guarantee remains in effect. The maximum total amount of all line of credit guarantees provided by the City under this policy is limited at \$10 million.

As detailed in table 2 below, as of December 31, 2021, there were three outstanding line of credit guarantees for a total of approximately \$6.0 million. Additional details relating to each of these line of credit guarantees follow.

Table 2 - Summary of Line of Credit Guarantees

Most Recent Date Approved	Name of Organization	Relationship to City	Amount Authorized (000's)	Expiry Date	Responsible Program Area	Loan Status Dec 31/21	Security
July 2020	Young People's Theatre	Registered Charity	\$175	December 2023	Economic Development & Culture	In Good Standing	City Grants (via TAC)
April 2017	Canadian Stage	Registered Charity	\$820	October 2023	Economic Development & Culture	In Good Standing	City Grants (via TAC)
July 2021	Toronto Symphony Orchestra	Registered Charity	\$5,000	October 2024	Economic Development & Culture	In Good Standing	City Grants (via TAC)
	Total		\$5,995				
	Aggregate Limit		\$10,000				

Young People's Theatre

Young People's Theatre (YPT) is the only large-scale theatre in Ontario dedicated to producing and presenting shows specifically for young people. More than 85,000 people attend YPT's theatrical productions and educational programs annually. YPT operates in a City Below-Market-Rent facility at 165 Front Street, and renewed its lease in fiscal 2021 for an additional ten years, to August 31, 2031.

YPT has had a City line of credit guarantee dating back to the early 1990's. YPT has had a successful history in meeting its financial obligations to both its financial institution, and to the City under the existing terms and conditions of the guarantee.

Of note, YPT receives annual Toronto Arts Council funding of \$326,000, and in addition, it has an endowment fund controlled and managed held by Ontario Arts Foundation (valued at \$675,000 as at June 30, 2021).

YPT anticipates the continued need for the current line of credit guarantee of \$175,000. This line of credit remains in good standing. The City line of credit guarantee expires in December 2023.

Canadian Stage

Canadian Stage produces and presents Canadian and international contemporary performance and theatre, and supports emerging and established artists. It operates in a City Below-Market-Rent facility at 26 Berkeley Street, and is also a legacy tenant of the St. Lawrence Centre for the Arts, and the primary licensee of the High Park Amphitheatre.

Canadian Stage has had some form of line of credit guarantee from the City since 2001. The City currently provides a guarantee for its \$820,000 lines of credit, which are comprised of a \$745,000 line of credit with a Canadian Chartered bank, and a \$75,000 credit facility from Global Payments Direct, Inc. (guarantees the Company's potential obligation against deferred subscriptions).

Canadian Stage receives annual Toronto Arts Council grants in the amount of \$832,000, which approximates the level of the line of credit guarantee, and acts as security to the City. Also, of note, Canadian Stage receives other separate funding from the Ontario Arts Foundation (valued at \$2 million as at June 30, 2021).

Canadian Stage's line of credit remains in good standing. The City line of credit guarantee expires in October 2023.

Toronto Symphony Orchestra

Founded in 1922, the Toronto Symphony Orchestra (TSO) is one of Canada's largest orchestras, serving audiences and communities from all parts of Toronto. The TSO also offers one of the largest educational programs in Canada, with school concerts for thousands of students, free open rehearsals, and the tuition-free Toronto Symphony Youth Orchestra.

TSO receives annual Toronto Arts Council funding in the amount of \$1,200,000, which acts as security for the City line of credit guarantee. Of note, TSO is also supported by the Toronto Symphony Foundation through annual distributions.

In 2021, Council renewed the City guarantee for TSO's \$5 million line of credit until October 31, 2024. TSO forecasts the continued need for this guarantee. This line of credit remains in good standing.

B. Capital Loan Guarantees:

Under the City's current policy, capital loan guarantees may be provided to non-profit community organizations and recreational and sports-based organizations which have an existing financial relationship with the City. The intended purpose of City capital loan guarantees is to enable eligible organizations to acquire or upgrade community facilities to further initiatives that assist in increasing participation in cultural, sports or recreational activities, and to also ensure the viability and sustainability of these organizations.

Such organizations seeking to improve properties may require a City capital loan guarantee to obtain financing, as they may not own, and therefore would not be able to pledge the underlying properties as security for a loan. In other cases, where such an organization is seeking to purchase a property, while a mortgage may be granted, a City loan guarantee may be required for any unsecured loan amounts.

The request for a City capital loan guarantee must be based on a sound business case, supported by current recreational needs and requirements, and a demonstrated community benefit.

The maximum total amount of capital loan guarantees provided by the City under this policy is limited at \$300 million. As at December 31, 2021, there were seven outstanding capital loan guarantees totaling approximately \$59 million in aggregate, as detailed in Table 3 below. Additional details relating to each of these loan guarantees follow.

Table 3 - Summary of Capital Loan Guarantees

Most Recent Date Approved	Name of Organization	Relationship to City	Amount Authorized \$000's	Current Balance (Dec. 31/21) \$000's	Expiry Date	Responsible Program Area	Loan Status Dec 31/20	Security
July 2016	YMCA 505 Richmond	Registered Charity	30,000 converting to 9,500	25,950	2023 2049	Parks, Forestry & Recreation	In Good Standing	Second Charge and assignment rights
August 2014	Evergreen at the Brickworks	Registered Charity	7,500 (jointly with TRCA)	688	June 2023	Economic Development & Culture, Parks, Forestry & Recreation, TRCA	In Good Standing	Leasehold Improvements to City/TRCA lands
April 2017	Lakeshore Arena Corporation	City Services Corporation	30,860	23,794	October 2042	Parks, Forestry & Recreation	In Good Standing	Leasehold Interest of facility on TDSB lands
2003	Ricoh Coliseum	City Agency	20,000	5,601	July 2025	Exhibition Place	In Good Standing	Leasehold Improvements to City lands
Sub-Total @ Dec. 31/21			88,360	56,033				

Most Recent Date Approved	Name of Organization	Relationship to City	Amount Authorized \$000's	Current Balance (Dec. 31/21) \$000's	Expiry Date	Responsible Program Area	Loan Status Dec. 31/20	Security
Artscape:								
April 2017	Distillery District Studios	Not-for-Profit	250	15.7*	October 2022	Economic Development and Culture	In Good Standing	Assets (chattels)
April 2017	Wychwood Barns	Not-for-Profit	3,200	2,463**	June 2022	Economic Development and Culture	In Good Standing	Leasehold Improvements to City lands
January 2009	FCM – Wychwood Barns	Not-for-Profit	600	273	August 2029	Economic Development and Culture	In Good Standing	Leasehold Improvements to City lands
Sub-Total Artscape @ Dec. 31/21			4,050	2,752				
Total @ Dec. 31/21			92,410	58,785				
Total @ Dec. 31/20			92,410	52,020				
Aggregate Limit			300,000					

*to be fully repaid June 29, 2022, after which City guarantee will no longer be required

**refinanced and City guarantee released subsequent to year-end, in March 2022

YMCA

In July 2016, City Council approved the provision of a capital loan guarantee on behalf of the YMCA, in support of financing for the construction of a 55,000 sq. ft. YMCA community centre, itself part of the redevelopment of a former City-owned property at 505 Richmond Street West. The City also entered into a related Community Use Agreement with the YMCA for a 30-year term.

Project financing was arranged with IO as lender to the YMCA, along with the City providing supportive capital loan guarantees. The IO terms include an interest-only Construction Loan, supported by a Council authorized loan guarantee in an amount not to exceed \$30.0 million (inclusive of all interest costs payable) during the construction period.

At the time of construction substantial completion (anticipated at the end of 2022), the YMCA will refinance the Construction Loan with IO into a smaller "take-out" mortgage loan. Council has authorized the contribution of up to \$19.0 million at substantial completion, as the City's share of the project, to be used to repay a portion of the construction loan. Council has also authorized a City reimbursement of 2/3 of the interest cost of the construction loan. The City's contribution is to be funded from Section 37 funding within the King Spadina Secondary Plan Area. (At its meeting of April 6, 2022, Council authorized the release of the necessary section 37 funds.)

Upon refinancing, the City's \$30 million loan guarantee will be replaced by a smaller loan guarantee, in an amount not to exceed \$9.5 million, inclusive of all interest costs, for a term not to exceed 30 years.

As at December 31, 2021, the remaining loan balance was \$25,949,900 (December 31, 2020: \$16,226,000). Substantial construction completion is currently anticipated at the end of 2022.

Evergreen Brick Works

Evergreen is a national charity with a mandate to make cities more liveable through green design and urban sustainability. In 2006, Evergreen entered into a ground lease with TRCA and the City for the restoration and adaptive re-use of heritage structures at the Don Valley Brick Works, and commenced site operations and programming in 2010, providing a dynamic public space in the heart of Toronto's Don Valley. This facility engages visitors through interactive workshops and community festivals, and offers a full suite of programs combining ecology, design, technology and the arts in a hands-on educational experience.

The project reached substantial completion in December 2010. At that time, Evergreen raised project funding and financing, including a loan guarantee from City/TRCA of \$7.5 million (joint and several), in support of a loan that was to be

retired by December 31, 2014. However, as a result of Evergreen fundraising shortfalls, the City consented to loan term extensions to June 30, 2023. Evergreen now addresses loan repayments solely from its operating funds.

As at December 31, 2021, the remaining loan balance was \$688,000 (December 31, 2020: \$1,376,000).

Lakeshore Arena Corporation

The Lakeshore Arena is a state-of-the-art facility with three NHL regulation pads and one Olympic-sized pad, with expandable seating for up to 4,500 people. Its tenants include the Toronto Maple Leafs, Toronto Marlies, Hockey Canada, and the NHL Players Association, and the Arena has also hosted three seasons of CBC's Battle of the Blades.

This facility was conceived, originally, by the Lakeshore Lions club, wherein the City provided the land and a capital loan guarantee to a third-party lender. In September 2011, the City assumed control of the Lakeshore Arena, establishing Lakeshore Arena Corporation (LAC) as a City Services Corporation. The City has also made available to LAC, a line of credit in support of its operations.

In October 2017, LAC refinanced its capital loans with IO, who offered a consolidated long-term capital loan of up to \$30.86 million. The City continued to provide a supportive capital loan guarantee, which was not to exceed \$30.86 million (inclusive of interest and any other costs).

However, IO initially only made available a long-term capital loan of \$26.7 million, giving consideration to potential risks associated with unwinding the loan in the event of a non-remedied default. The City provided an interest-only loan to LAC to cover the balance of \$4.048 million, which was ultimately to be replaced by IO financing. The City's loan was set to expire in October 2020, but due to pandemic economic shutdown considerations, IO preferred to wait with any replacement financing. Therefore, Council approved extensions to the City's loan which is currently scheduled to expire in October 2022.

LAC is currently undertaking a strategic planning exercise, including both an operational and a capital review. Giving consideration to this ongoing work, it would be prudent to wait for the results of the review before requesting that IO refinance the City's outstanding loan of \$4.048 million. This report therefore recommends a further three-year extension to the City's loan to LAC, to expire in October 2025. Dependent on the results of the LAC strategic planning exercise, it may become possible to refinance the City loan at an earlier date.

The City also continues to make available a \$1 million line of credit to LAC at 3% interest per annum, to address operating requirements. LAC borrowed this amount in 2020 as a result of the pandemic economic shutdown conditions. Also giving

recognition to pandemic economic shutdown conditions, the City provided further assistance to LAC of: (2020) \$400,000 Safe Restart Funding; and (2021) \$200,000 in emergency funding, and (reimbursable) assistance of \$950,000 towards meeting its IO loan payment obligations.

A summary of the total outstanding LAC debt is as follows.

Table 4 - Summary of LAC Outstanding Debt

	December 31, 2021	December 31, 2020
	(\$000's)	
IO Capital Loan- Guaranteed by City	23,794	24,559
Direct City Loans:		
Interest Only Capital Loan	4,048	4,048
Line of Credit	1,000	1,000
Better Buildings Partnership (City) Energy Loan	20	100
Total Debt	28,862	29,707

Ricoh Coliseum/BPC Coliseum Inc

Located on the Exhibition Place grounds, Ricoh (now called "Coca Cola") Coliseum is home to AHL's Toronto Marlies Hockey Club. This 8,300 seat arena, designed with sightlines and acoustics in mind, offers ice rentals, concerts, special and corporate events.

In 2002-3, the City/Exhibition Place, BPC Coliseum Inc. (an affiliate of OMERS), and the Coliseum Renovation Corp began moving forward with a \$38 million renovation of Ricoh Coliseum. The funding and financing for this arrangement involved equity participation from both the City and OMERS, along with third-party debt financing. The City also provided a 49-year lease to BPC for the use of the facility (BPC has a sub-lease agreement with Maple Leafs Sports Entertainment).

The project involved third-party debt financing of \$20 million, requiring a City capital loan guarantee. The City provided a capital loan guarantee through a tripartite "Put Agreement" involving the Bank of Montreal (lender), BPC Coliseum Inc. (borrower), and the City (guarantor). This agreement provides the lender with an option (the "Put") to require the City to purchase the total outstanding loan receivable from the bank (principal, interest, and enforcement costs), in the event of a loan default by the

borrower. As this arrangement offers the lender protection against a potential loan default, it acts as a capital loan guarantee.

The underlying BPC loan remains in good standing. As at December 31, 2021, the outstanding loan balance was \$5,601,000 (December 31, 2020: \$6,955,000).

Artscape

Toronto Artscape Inc. ("Artscape") is a not-for-profit corporation, established in 1986, with the mandate of developing and managing affordable working and living space for artists and to promote cultural activities in the community.

City capital loan guarantees have assisted Artscape raise the necessary financing to enable its development. Artscape currently operates multi-tenant complexes in Toronto including Artscape Wychwood Barns, Artscape Daniels Lauchpad and Spectrum, Artscape Youngplace, Artscape Gibraltar Point, Artscape Distillery Studios, Parkdale Arts and Cultural Centre, Artscape West Queen West, Artscape Triangle Lofts, Artscape Weston Commons and Artscape Sandbox.

As at December 31, 2021, Artscape had three projects that were supported by City capital loan guarantees, with a total outstanding loan balance as at year-end of \$2,752,000 (December 31, 2020: \$2,904,000).

The development/increase of Artscape assets has enabled Artscape to reduce its reliance on City capital loan guarantees, with two of the three City capital loan guarantees no longer required in 2022 (detail provided below).

i) Artscape Distillery Studios

In order to attract the arts community and other creative entrepreneurs, the owners of the Gooderham & Worts Distillery site provided below-market rent leases to Artscape for two buildings in the Distillery District. In 2003, Artscape renovated the Case Goods Building, as well as the Cannery Building, which are now home to sixty-three work and retail studios, offices, rehearsal and performance spaces for artists and creative entrepreneurs.

This term loan has been paid according to schedule and had an outstanding balance of \$15,700 as at December 31, 2021 (December 31, 2020: \$46,300).

A City capital loan guarantee in support of this project expires on October 31, 2022. Artscape has advised that it anticipates paying this loan in full by June 2022, at which time the City guarantee will no longer be required.

ii) Artscape Wychwood Barns

Artscape has a 50-year lease (commencing 2010) on a City-owned facility at Wychwood and Benson Avenue. This property was a former streetcar facility, which was transformed into: an affordable accommodation for 26 artists and their families, 17 individual artist work studios, programming and office space for 13 not-for-profit arts and environmental organizations; and also has a community gallery, programmable event space and a sustainable food education centre for the local community and the public.

In 2010, Council authorized a capital loan guarantee, in the amount of \$3.2 million, in support of this transformation project. The repayment of the underlying loan is up-to-date, with an outstanding balance of \$2,463,000 as at December 31, 2021 (December 31, 2020: \$2,554,000).

Subsequent to year-end, Artscape has advised that this City loan guarantee is no longer required. In March 2022, Artscape refinanced the balance of this loan, and released the related City loan guarantee.

iii) FCM Artscape Wychwood Barns

In August 2009, the City borrowed \$600,000 from the Federation of Canadian Municipalities (FCM), under the Green Municipal Fund Initiative, on behalf of Artscape, for the purpose of financing an energy efficiency project at the Artscape Wychwood Barns.

This loan is to be repaid by Artscape to the City over a 20 period, ending in August 2029, pursuant to a loan agreement between the City and Artscape. By borrowing on behalf of Artscape, the City has, in effect, guaranteed to FCM that the loan will be repaid. All payments are up-to-date, with an outstanding balance of \$273,000 as at December 31, 2021 (December 31, 2020: \$304,000).

C. Direct City Loans

Under the City's current policy, direct City capital loans may be provided to City agencies and corporations, to contribute to the financing of a project that will create or enhance a capital facility.

In considering such requests, the City agency or corporation must demonstrate that all other potential sources of funding have been exhausted. The loan must be used to upgrade or establish capital facilities and not to fund operations or support operating deficits. The need for the facility proposed must be supported by a sound business case, and the duration of the loan must not exceed the life of the facility to be constructed.

The loan provided by the City must be self-liquidating, in that revenues generated by, or in respect of, the underlying project are sufficient to repay the loan in the timelines set out in the loan agreement. Clear community benefit must also be demonstrated by the project in order to demonstrate that it is in the interest of the City.

Total direct loans to be provided by the City under this policy are limited at \$125 million. As at December 31, 2021, there were six direct capital loans under this policy with an outstanding balance of \$47.1 million (December 31, 2020: \$50.6 million), as shown in Table 5 below. Additional details relating to each of these direct loans follow.

Table 5 also notes one direct line of credit made to a City Services Corporation of \$1 million.

Table 5 - Summary of Direct City Loans

Most Recent Date Approved	Name of Organization	Relationship to City	Amount Authorized \$000's	Balance December 31/21 (\$000's)	Expiry Date	Responsible Program Area	Loan Status Dec 31/21 \$000s	Security
September 2011	Lakeshore Arena Corporation	City Services Corporation	Line of Credit 1,000	1,000	None	Parks, Forestry and Recreation	In Good Standing	unsecured
Direct City Capital Loans								
July 2011	Lakeshore Arena Corporation	City Services Corporation	1,000	20 (repaid Jan 2022)	January 2022	Parks, Forestry and Recreation	In Good Standing	unsecured
November 2015	Lakeshore Arena Corporation	City Services Corporation	11,792	4,048	None	Parks, Forestry and Recreation	In Good Standing- Interest of \$183 - paid subsequent to year end	Leasehold Interest
December 2016	Leaside Arena	City Agency	7,302	6,452	November 2043	Arena Board	Deferred payments of \$566.5	City Property
December 2016	Conference Centre at Exhibition Place	City Agency	38,675	28,773	2040	Exhibition Place	In Good Standing	City Property
2014	Expansion of BMO Field at Exhibition Place	City Agency	10,000	7,807	2034	Exhibition Place	In Good Standing - Deferred payments of \$749 resolved subsequent to year end	City Property
2008	Bloor Street Transformation Project	BIA	11,975	0	2027	Transportation Services	Fully paid	Priority Lien
Total @ Dec. 31/21			80,942	47,100				
Total @ Dec. 31/20			80,942	50,602				
Aggregate Limit			125,000					

Conference Centre at Exhibition Place

In 2007, City Council authorized a loan of \$35.6 million (\$38.68 million inclusive of interest) to the Board of Governors of Exhibition Place for the construction of a conference centre within the existing Automotive Building. This loan is to be paid over 25 years.

Recent pandemic-related restrictions have impacted income and cash flows for Exhibition Place during the lockdown period, as they have for the rest of the economy. In order to assist Exhibition place in meeting its loan payment obligations during this period, Council approved draws from the *Conference Centre Reserve Fund* (created for this purpose) of \$1.7 million in 2020, and \$2.3 million in 2021.

As at December 31, 2021, payments on this loan are up to date, and the outstanding loan balance is \$28.77 million (December 31, 2020: \$29.67 million).

BMO Field Expansion at Exhibition Place

In April 2014, City Council authorized a contribution of \$10.0 million to the Board of Governors of Exhibition Place for the expansion of the BMO Field soccer stadium. The \$10.0 million contribution was debt financed by the City over a 20-year period, with annual loan repayments supported by rent payments which the Board of Governors of Exhibition Place, and Exhibition Place receive from the stadium's tenant, Maple Leaf Sport and Entertainment Ltd.

The outstanding loan balance was \$7.81 million as at December 31, 2021 (December 31, 2020: \$8.01 million). Table 5 notes year-end payment deferrals of \$749,000, relating to the timing of payments, although those deferrals were resolved immediately subsequent to year-end. This loan is in good standing.

Lakeshore Arena Corporation

Please see the details provided on page fourteen above.

Leaside Arena

In January 2012, Council authorized the construction of a second ice pad at Leaside Arena, a City facility operated by the Leaside Arena Board of Management ("Leaside"). The project was completed in 2013, at a total cost of \$12.5 million, and was funded by way of City (\$1 million) and community (\$3 million) capital contributions, and financing as follows:

- City "recoverable" debt of \$7.3 million, inclusive of interest, to be amortized over 30 years (2043), with the debt recoverable from payments to be made to the City by Leaside (the "City loan"). Repayment of the City loan ranks as senior to the loan described below; and
- a non-recourse loan from Infrastructure Ontario (IO) of \$1.052 million, to be amortized over 20 years (2032). This loan is at no recourse to the City.

The City was required to issue a revenue bond to IO in support of this non-recourse loan. (Revenue bond is secured by non-tax revenues). In the event that Leaside generates insufficient revenues to make debt repayments to IO, conditions of the loan agreement would impact Leaside Arena's ice rental rates.

In addition to the regular loan repayments, Leaside is required to impose a \$20 per hour surcharge on all prime-time ice contracts, to be put into a loan repayment reserve, until such time that one-year's debt service coverage is achieved.

The loan agreement also requires that any Leaside year-end operating deficit be added to the principal amount outstanding on the City loan balance, for its ultimate recovery. In December 2016, Council approved a recommendation to better facilitate the application of any future year operating surpluses toward early debt retirement. As Leaside has not produced annual audited financial statements since 2018, it has not been possible since that time to determine subsequent surpluses or deficits.

During 2020 and 2021, Leaside requested loan deferrals through a process established by the City to help City Agencies manage revenue losses as a result of pandemic shutdowns. In 2021, Council approved a withdrawal of \$266,700 from the Debt Service Reserve fund to address Leaside City loan payments for the second and third fiscal quarters of 2020. As Leaside has not made any payments on the City loan since that time, payment deferrals amount to \$566,500 as at December 31, 2021.

The outstanding balance of the non-recourse IO loan was \$722,800, as at December 31, 2021 (December 31, 2020: \$747,900).

The total outstanding direct City loan balance is \$6,452,000 as at December 31, 2021 (December 31, 2020: \$6,529,000).

Bloor Street Transformation Project

The Bloor Street Business Improvement Area was established in 2006 to finance the Bloor Street Transformation Project, a streetscape improvement plan designed to reinforce Bloor Street's status as a pedestrian-oriented, premier shopping destination. As at December 31, 2021, this loan had been fully repaid (December 31, 2020 balance: \$2.25 million).

Financial Guarantee to OMERS in support of Toronto Seniors Housing Corporation:

City Council established Toronto Seniors Housing Corporation (TSHC) in May 2021 as a wholly-owned City Services Corporation to manage and operate Toronto Community Housing Corporation's 83 seniors-designated buildings. The core mandate of TSHC as described in the shareholder direction, also approved in May 2021, is to provide

subsidized rental housing in a state of good repair to low and moderate income senior households and support aging in place.

TSHC commenced operations as a separate entity on June 1, 2022, and participates in OMERS as an associated employer under paragraph 6(1)1 of the OMERS Act, 2006 ("OMERS Act"). Employees transferring from Toronto Community Housing Corporation to TSHC are already members of the OMERS Pension Plan.

As such, TSHC is responsible for fulfilling all of the employer duties under the OMERS Act which includes remitting employer and employee contributions before the last day of the month following the month to which the contributions are attributable.

As TSHC is a new entity, as an associated OMERS employer, there is a requirement to provide the OMERS Administration Corporation with contribution security, either in the form of a letter of guarantee from an employer who participates in the OMERS Pension Plan pursuant to subsection 5(1) of the OMERS Act, or a letter of credit, equivalent to up to 120 days of member and employer contributions. OMERS is willing to accept a letter of guarantee from the City in support of TSHC.

Through this letter of guarantee, the City of Toronto would be guaranteeing that in the unlikely event that TSHC fails to remit its required contributions, the City would make a payment of up to 120 days of those contributions, plus associated costs, due to OMERS within 10 business days of request. TSHC has currently estimated 120 days of employer and employee contributions, at \$1.34 million.

This letter of guarantee would remain in place until such time as OMERS is satisfied that TSHC has demonstrated its ability over time to meet its member and employer contributions. This report also recommends that the City's Chief Financial Officer and Treasurer review the need for the City to continue to provide this letter of guarantee every five years.

CONTACT

Andrew Flynn, Controller
Email: andrew.flynn@toronto.ca
Tel: 416-392-8427

Hatem Belhi, Director, Pension Payroll & Employee Benefits
Email: hatem.belhi@toronto.ca
Tel: 416-397-4143

Karyn Spiegelman, Senior Financial Analyst, Corporate Financial Strategies and Policy
Email: karyn.spiegelman@toronto.ca
Tel: 416-392-8894

Sam Malvea, Senior Financial Analyst, Corporate Financial Strategies and Policy
Email: samuel.malvea@toronto.ca
Tel: 416-397-9263

SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer