

Annual Report on City's Loan and Loan Guarantee Portfolios

Date: April 17, 2023

To: Executive Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report provides an update on City loans and loan guarantees which have been reported on yearly, along with the details associated with each of the credit arrangements.

If an organization has an existing financial relationship with the City, line of credit and capital loan guarantees may be provided to non-profit cultural and community organizations and recreational and sports-based organizations.

Providing financial guarantees is beneficial to the City since these groups provide important services to the community. The City also occasionally provides direct loans to its agencies and corporations to contribute to the financing of a project that will create or enhance capital facility.

Policies and parameters that govern these loans and loan guarantees are outlined on pages 5 and 6 in the Comments section of this report.

Under existing policies, as at December 31, 2022, the City had guaranteed operating lines of credit amounting to approximately \$6 million, and almost \$85 million in capital loans, to entities identified in this report. This report recommends extending two line of credit guarantees, both granted to not-for-profit theatre groups (Young People's Theatre and Canadian Stage), for an additional three-year term. Both of these guarantees are currently set to expire later in 2023. Under the City's current policy, both groups qualify for line of credit guarantees as they have existing financing relationships with the City and as both accounts are in good standing.

In addition, the City has an outstanding amount of \$45 million in direct loans to City agencies and corporations which contribute to the financing of projects that create or enhance municipal capital facilities. All loans are in good standing for 2022.

During this reporting period, one direct loan of approximately \$1 million was fully repaid; and loans that had been supported by capital loan guarantees of \$10.95 million were repaid.

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

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council approve the renewal of the following lines of credit guarantees:
 - a. the line of credit guarantee issued by the City on behalf of Canadian Stage (CSC) to its lender in the amount of \$820,000 (inclusive of all interest payable by CSC) be renewed for a three-year period commencing on November 1, 2023 and ending October 31, 2026; and
 - b. the line of credit guarantee issued by the City on behalf of Young People's Theatre (YPT) to its lender in the amount of \$175,000 (inclusive of all interest payable by YPT) be renewed for a three-year period commencing on January 1, 2024 and ending December 31, 2026.

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, although the City's ability to do so may be affected by the solvency of the entity, the security that the City may have taken, and the City's ranking as secured creditor.

Table 1 below summarizes the outstanding City loans and loan guarantees as at December 31, 2022, none of which were in default.

Table 1: City Loans and Loan Guarantees as at December 31, 2022

City Loans and Loan Guarantees as at December 31, 2022			
	No.	Balances Outstanding (000's)	Total Amounts Authorized (000's)
Line of Credit Guarantees	3	Balances fluctuate	\$5,995
Capital Loan Guarantees	5	\$68,704	\$84,460
Direct City Loans	4	\$45,062	\$67,769
Line of Credit	1	\$1,000	\$1,000
Total @ 31 Dec. 2022	13		\$159,224

This report recommends extending the term of two line of credit guarantees for additional three-year terms: one for Canadian Stage; and the other for Young People's Theatre. As both of these underlying lines of credit remain in good standing, there is no additional financial impact with doing so. Under the City's current policy, line of credit guarantees are only made available to non profit cultural and community organizations which have existing financial relationships with the City. Young People's Theatre has had a City line of credit guarantee dating back to the early 1990's and has a successful history in meeting its financial obligations. Canadian Stage has had a line of credit guarantee since 2001 and remains in good standing.

The Chief Financial Officer and Treasurer reviews and reports annually on City loans and loan guarantees as detailed in this report.

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

Council authorized a three-year extension to the line of credit guarantees issued by the City on behalf of Canadian Stage Company, to October 31, 2023; and to Young People's Theatre to December 31, 2023.

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

2021

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 and section 45 funds in support of a previously-approved (2016) City contribution to a YMCA community centre project at 505 Richmond Street. At this time, Council approved the release of funding of up to \$21 million.

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

April 6, 2002

Through this member motion, Council approved, on an exceptional basis, a request for a loan guarantee to be provided in support of the Corporation of Massey Hall and Roy Thomson Hall in order to support capital financing arrangements to complete the

revitalization of the Massey Hall property at 178 Victoria Street, for an amount of up to \$3.0 million, plus potential enforcement costs of up to \$50,000.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.MM42.37>

July 19, 2022

- Council authorized an extension, to October 2025, of a direct City loan to Lakeshore Arena Corporation of \$4.048 million.
- Council authorized the City Chief Financial Officer and Treasurer to provide a City letter of guarantee to OMERS Sponsors Corporation (in a form approved by the City Solicitor), in support of Toronto Seniors Housing Corporation (TSHC), for the purpose of guaranteeing the due and punctual payment of all obligations owing by the TSHC arising from its obligation to pay employer and employee contributions to OMERS in respect of TSHC employees. The value of this guarantee was estimated at \$1.34 million. This report also directed the Chief Financial Officer and Treasurer to review the continuing need for such guarantee every five years.

<https://secure.toronto.ca/council/agenda-item.do?item=2022.EX34.17>

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.

The City offers loan guarantees and direct loans to eligible entities under the following policies.

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 that have an existing financial relationship with the City 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 also review all other funding options for a particular project.

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, assuming that such a security exists, and that there are not any other creditors that rank ahead of the City. 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 were 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.

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, 2022, 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 31/22	Security
July 2020	Young People's Theatre	Registered Charity	\$175	December 2023	Economic Development & Culture	In Good Standing	City Grants (via Toronto Arts Council, or TAC)
April 2020	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. In addition, it has an endowment fund held, controlled and managed by Ontario Arts Foundation (valued at \$571,000 as at June 30, 2022).

This line of credit remains in good standing. YPT anticipates the continued need for the current line of credit guarantee of \$175,000. As the City line of credit guarantee expires in December 2023, this report recommends a further extension for a three-year term to December 31, 2026.

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 an endowment fund held, controlled and managed by Ontario Arts Foundation (valued at \$1.7 million as at June 30, 2022).

This line of credit remains in good standing, and Canadian Stage anticipates the continued need for the current line of credit guarantee of \$820,000. As the City line of credit guarantee expires in October 2023, this report recommends a further extension for a three-year term ending October 31, 2026.

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 \$1,220,000, 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, 2022, there were five authorized outstanding capital loan guarantees totaling approximately \$84.46 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 of Loan Guarantee \$000's	Current Loan Balance (Dec. 31/22) \$000's	Expiry Date	Responsible Program Area	Loan Status Dec 31/22	Security
July 2016	YMCA 505 Richmond	Registered Charity	30,000 converting to 9,500 (at substantial completion)	26,998	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) No longer required	0	Fully Repaid in 2022	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	23,002	October 2042	Parks, Forestry & Recreation	In Good Standing	Leasehold Interest of facility on TDSB lands
2003	Ricoh Coliseum	City Agency	20,000	4,161	July 2025	Exhibition Place	In Good Standing	Leasehold Improvements to City lands
2022	Massey Hall	Registered Charity	3,000*	14,301	Latter of February 28, 2029, or 66 months after TD advances "Take-out loan" to Massey	Economic Development	In Good Standing	2nd charge on assets.
Sub-Total @ Dec. 31/22			83,860	68,462				

*City loan guarantee forms part of the overall support for these loans

Most Recent Date Approved	Name of Organization	Relationship to City	Amount Authorized \$000's	Current Balance (Dec. 31/22) \$000's	Expiry Date	Responsible Program Area	Loan Status Dec. 31/22	Security
Artscape:								
April 2017	Distillery District Studios	Not-for-Profit	250 No longer required	0*	Fully Repaid in 2022	Economic Development and Culture	In Good Standing	Assets (chattels)
April 2017	Wychwood Barns	Not-for-Profit	3,200 No longer required	0**	Refinanced in 2022	Economic Development and Culture	In Good Standing	Leasehold Improvements to City lands
January 2009	FCM – Wychwood Barns	Not-for-Profit	600	242	August 2029	Economic Development and Culture	In Good Standing	Leasehold Improvements to City lands
Sub-Total Artscape @ Dec. 31/22			600	242				
Total @ Dec. 31/22			84,460	68,704				
Total @ Dec. 31/21			92,410	58,785				
Aggregate Limit			300,000					

*repaid and City guarantee released

**refinanced and City guarantee released

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 Infrastructure Ontario (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 (currently anticipated in mid-2023), 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, and in addition, a City reimbursement of 2/3 of the interest cost of the construction loan. Subsequently, at its meeting of April 6, 2022, Council authorized the release of \$21 million in section 37 and section 45 funds within the King Spadina Secondary Plan Area to meet these obligations.

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, 2022, the remaining loan balance was \$26,997,980 (December 31, 2021: \$25,949,900). Substantial construction completion is currently anticipated in mid-2023.

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.

As at December 31, 2022, this loan was completely repaid (December 31, 2021 loan balance: \$688,000).

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.

In 2022, LAC initiated 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. Council has approved extensions to the City's loan which is currently scheduled to expire in October 2025.

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, and it remains outstanding.

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

Table 4 - Summary of LAC Outstanding Debt

	December 31, 2022	December 31, 2021
	(\$000's)	
IO Capital Loan- Guaranteed by City	23,002	23,794
Direct City Loans:		
Interest Only Capital Loan	4,048	4,048
Line of Credit	1,000	1,000
Better Buildings Partnership (City) Energy Loan	0	20
Total Loans and Loan Guarantees	28,050	28,862

As at December 31, 2022, LAC had payment delays of \$187,253, which was resolved subsequent to year end.

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, 2022, the outstanding loan balance was \$4,161,000 (December 31, 2021: \$5,601,000).

Massey Hall

In April 2022, Council approved, on an exceptional basis, the provision of a capital loan guarantee to be provided in support capital financing arrangements to complete the revitalization of the Massey Hall property at 178 Victoria Street, for an amount of up to \$3.0 million, plus potential enforcement costs of up to \$50,000.

The revitalization project of Massey Hall is considered a project of national significance, with the benefit accruing most substantially to the City of Toronto. The total project cost is estimated at \$189.5 million.

The federal and provincial governments committed \$46.3 million and \$42 million respectively to this project, and the City contributed \$2.55 million in Section 37 funds (Ward 13).

Massey has also raised funds through corporate and philanthropic contributions, as well as through its own operational revenues. Financing, for which the City provided its guarantee, was necessary to complete the revitalization project. The City loan guarantee forms part of an overall loan support package, which also includes future operational revenues, pledges and contributions.

TD's capital loan to Massey, which was supported by the City's guarantee, includes a demand loan of up to \$22 million, structured as a bridge loan which would be replaced by a "take-out" loan of up to \$21 million by December 31, 2023.

Upon approving the City's capital loan guarantee, Council directed that, should the City's loan guarantee to Massey Hall become payable to the bank by the City, the payment would be accommodated through a reallocation of funds within the Economic Development and Culture Approved Operating Budget.

As at December 31, 2022, Massey Hall's construction loan balance was \$14,300,999.70, and was in good standing.

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.

The development/increase of Artscape assets has enabled Artscape to reduce its reliance on City capital loan guarantees. Two of the three recent project financings that were supported by City guarantees no longer require City support 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.

Artscape has fully repaid this loan in June 2022, and the City guarantee was released.

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. In March 2022, Artscape refinanced the balance of this loan, and the related City loan guarantee was released.

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-year 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. This loan remains in good standing, and as at December 31, 2022, the outstanding balance was \$242,000 (December 31, 2021: \$273,000).

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, 2022, there were six direct capital loans under this policy with an outstanding balance of \$45.1 million (December 31, 2021: \$47.1 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.

It should be noted that various other direct loans have been separately approved by Council to similar entities, under the provisions of different divisional policies (such as energy retrofit loans).

Table 5 - Summary of Direct City Loans

Most Recent Date Approved	Name of Organization	Relationship to City	Amount Authorized \$000's	Balance December 31/22 (\$000's)	Expiry Date	Responsible Program Area	Loan Status Dec 31/22	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								
November 2015	Lakeshore Arena Corporation	City Services Corporation	11,792	4,048	None	Parks, Forestry and Recreation	Interest payment of \$187.3K outstanding- received subsequent to year end.	Leasehold Interest
December 2016	Leaside Arena	City Agency	7,302	6,126	November 2043	Arena Board	Payment of \$133.3K outstanding- received subsequent to year end	City Property
December 2016	Conference Centre at Exhibition Place	City Agency	38,675	27,831	2040	Exhibition Place	In Good Standing	City Property
2014	Expansion of BMO Field at Exhibition Place	City Agency	10,000	7,057	2034	Exhibition Place	Q4 payment of \$109.7K outstanding- received subsequent to year end	City Property
Total @ Dec. 31/22			67,769	45,062				
Total @ Dec. 31/21			80,744	47,100				
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.

In 2020 and 2021, pandemic-related restrictions had impacted cash flows as they had 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, 2022, payments on this loan were up to date, with an outstanding loan balance of \$27.83 million (December 31, 2021: \$28.77 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 \$7.057 million as at December 31, 2022 (December 31, 2021: \$7.81 million). Table 5 notes year-end payment delays of \$109,670, which was resolved subsequent to year end.

Lakeshore Arena Corporation

Please see the details provided above in the section relating to Loan Guarantees.

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 at December 31, 2022, the total outstanding direct City loan balance was \$6,126,000 (December 31, 2021 balance: \$6,452,000). Leaside was in arrears by \$113,331, relating to a loan payment due on November 30, 2022.

As at December 31, 2022, the outstanding balance of the non-recourse IO loan was \$623,943 (December 31, 2021: \$722,800). Leaside was in arrears on this loan by \$20,051, relating on a loan payment due on December 16, 2022. All arrears were resolved subsequent to year end.

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SIGNATURE



Heather Taylor

Chief Financial Officer and Treasurer