



**City of Kingston
Report to Council
Report Number 15-383**

To:	Mayor and Members of Council
From:	Desirée Kennedy, Chief Financial Officer and City Treasurer
Resource Staff:	Stephen Dickey, Director of Financial Services
Date of Meeting:	September 15, 2015
Subject:	Guarantee for Kingston Frontenac Housing Corporation Loan

Executive Summary:

Kingston & Frontenac Housing Corporation (“KFHC”) is in the process of finalizing a loan agreement with Ontario Infrastructure and Lands Corporation. The purpose of the borrowing is to finance a portion of the construction of an approved housing project at 40 Cliff Crescent, with remaining funding coming from the City and KFHC pay-as-you go contributions. The City contribution is being funded from the Affordable Housing Capital Investment Program and the City administered Investment in Affordable Housing provincial program. The proposed debt financing was approved by the Kingston & Frontenac Housing Corporation Board of Directors and represents 40% of the total project cost.

Ontario Infrastructure and Lands Corporation is requesting that the Corporation of The City of Kingston guarantee the loan for KFHC over the 20-year term of its proposed financing agreement. Staff have reviewed financial information provided by KFHC that confirms sufficient operating cash flows to cover the debt payments. The City uses Infrastructure Ontario for the majority of its long-term debt issues. Infrastructure Ontario provides attractive lending rates and flexible terms as well as efficient processes for issuing and managing long term debt portfolios.

Recommendation:

That Council enter into a guarantor agreement with Ontario Infrastructure and Lands Corporation relating to financing provided to Kingston & Frontenac Housing Corporation in the amount of \$1,798,000, in a manner satisfactory to the City Solicitor; and

That Council authorize the Mayor and City Clerk to execute all necessary documents related to the guarantor agreement with Ontario Infrastructure and Lands Corporation as well any necessary security documents with KFHC.

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Authorizing Signatures:

ORIGINAL SIGNED BY CHIEF FINANCIAL OFFICER AND CITY TREASURER

**Desiree Kennedy, Chief Financial Officer and
City Treasurer**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

Gerard Hunt, Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Cynthia Beach, Corporate & Strategic Initiatives

Lanie Hurdle, Community Services

Denis Leger, Transportation, Facilities & Emergency Services Not required

Jim Keech, President and CEO, Utilities Kingston Not required

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Options/Discussion:

In November 2014, the Board of Directors of Kingston & Frontenac Housing Corporation ("KFHC") approved a \$4.5M budget for the 40 Cliff Crescent development project. The project is to be funded by City contributions (\$1.8M), KFHC contributions (\$900K) and debt financing from Ontario Infrastructure and Lands Corporation ("Infrastructure Ontario") (\$1.8M). The City contributions approved by Council include \$1.1M from the Municipal Affordable Housing Capital Investment Program and \$698K from the City administered Investment in Affordable Housing provincial program. The Corporation of the City of Kingston is the sole shareholder of KFHC.

KFHC is in the process of finalizing the financing agreement with Infrastructure Ontario in the amount of \$1,798,000. The debt financing was also approved by resolution of the Kingston & Frontenac Housing Corporation Board of Directors on November 17, 2014.

In order to enter into a financial agreement with KFHC, Infrastructure Ontario requires that the City, as shareholder of KFHC, guarantee the obligation of the housing corporation over the term of its proposed financing agreement. This guarantee means that in the unlikely scenario that Kingston & Frontenac Housing Corporation fails, at any time during the term of the loan, to repay the debt in accordance with the financing agreement, the City would be responsible for the payments. The City will determine and obtain the necessary security agreements that need to be in place. The guarantee will also provide KFHC the opportunity to obtain favourable borrowing terms and rates. Borrowing rates through Infrastructure Ontario are currently in the range of 3.0% to 3.5% for a 20 year debt term.

The Kingston & Frontenac Housing Corporation's financing agreement with Infrastructure Ontario will be for a period of 20 years and will incorporate a funding structure, similar to the borrowing arrangements that the City currently has with Infrastructure Ontario, including the possibility of interim construction advances that would subsequently be converted into a long term debenture instrument.

The City, as a consolidated municipal service manager, provides an annual housing subsidy to KFHC which requires regular reporting and reconciliation processes, allowing ongoing monitoring of the financial position and cash flows of the corporation. As part of regular reporting processes, city staff will also monitor the status of loan payments to ensure that debt payments under the financing agreement are paid.

A legal review of the requirements of the *Municipal Act, 2001* has been completed and has concluded that the City may grant the guarantor agreement that is being requested. The City is permitted to issue a guarantee to Infrastructure Ontario for the purposes of KFHC pursuant to section 26 of the *Housing Services Act* which provides that such form of assistance does not contravene the bonusing provisions contained in section 106 of the *Municipal Act, 2001*.

Existing Policy/By Law:

There is no existing Policy/By-Law.

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Notice Provisions:

There are no notice requirements under the *Municipal Act, 2001* for this report.

Accessibility Considerations:

This report is available in an alternate format upon request.

Financial Considerations:

The requirement for the City, as shareholder, to guarantee the obligation of Kingston & Frontenac Housing Corporation to Infrastructure Ontario and Lands Corporation is considered acceptable and appropriate business practice.

Contacts:

Desiree Kennedy, Chief Financial Officer and City Treasurer, Extension 2220

Other City of Kingston Staff Consulted:

Susan Nicholson, Director of Legal Services and City Solicitor

Sheldon Laidman, Director, Housing and Social Services

Exhibits Attached:

No Exhibits are attached.