

REPORT

Council

Meeting Date: May 25, 2021

FROM: Finance Department

DATE: May 18, 2021

SUBJECT: Oakville Municipal Development Corporation 2021 Request for Funding

LOCATION:

WARD: Town-wide

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RECOMMENDATION:

1. That the report dated May 18, 2021 entitled *Oakville Municipal Development Corporation 2021 Request for Funding* be received.
2. That the town lend \$2,100,000 to the Oakville Municipal Development Corporation from the tax stabilization reserve for 2021-2023 administrative and project costs.
3. That the loan be provided in annual increments of \$700,000, with the provision of the 2022 and 2023 increments subject to the Town receiving an annual business update from Oakville Municipal Development Corporation.
4. That all loans with Oakville Municipal Development Corporation be combined into one promissory note in form and substance satisfactory to the Treasurer and Town Solicitor.
5. That the 2021-2023 Oakville Municipal Development Corporation Business Plan be received.

KEY FACTS:

The following are key points for consideration with respect to this report:

- There is a companion confidential report listed on the confidential agenda of May 25, 2021.
- OMDC has updated their Business Plan for 2021-2023, confirming the potential to generate revenue from various land development initiatives.
- OMDC is continuing to move forward with various land development projects and requires financing to facilitate this work.

- The Town, as the sole shareholder, may provide financing to OMDC. This report has been prepared to outline the nature and details of the financing request.

BACKGROUND:

The Oakville Municipal Development Corporation (“OMDC”) was created in 2018 to maximize the value of surplus town owned properties. The town is the sole shareholder of OMDC.

In May 2021, OMDC presented their updated Business Plan to their Board of Directors for approval. The purpose of the Business Plan is to provide a roadmap and framework in which OMDC will operate for 2021-2023. It outlines the mandate and goals of the organization, how it functions, what projects are being considered for sale and/or development in the upcoming years, potential revenues, and what the financial implications of the Business Plan are. The full Business Plan can be seen in Appendix A of the staff report on the confidential agenda.

COMMENT/OPTIONS:

Section 8.0 of the Business Plan provides a high level budget of the OMDC’s projects and operations for 2021-2023 and the Appendix provides high level revenue possibilities for various potential projects. In order to move forward with these project opportunities, OMDC has forecasted project and administrative costs of \$1,100,000 and \$1,150,000 respectively, to the end of 2023. Together, this results in OMDC’s request for financing of \$2,250,000. At the February 2021 Council meeting, Council approved the provision of additional financing for OMDC for 2020 costs incurred and for costs (estimated at \$150,000) for the first two quarters of 2021. After adjusting for the funds already provided, the remaining request from OMDC is for \$2,100,000.

The following chart summarizes the existing and proposed financing for OMDC:

	Amount	Date approved by Council	Purpose
Approval 1	\$700,000	May 2018	Administration funding for 2018-2020
Approval 2	\$500,000	February 2021	Administration funding for 2020 – June 2021
Request in this report	\$2,100,000 (\$700,000/year for 2021-2023)	May 2021	Administration and project funding for July 2021 to December 2023

Altogether this will result in the town providing financing to OMDC of \$3,300,000 by the end of 2023.

As OMDC is still in the start-up phase as an organization, all financing needs are to be provided by the town. Town staff are recommending that this \$2,100,000 in financing be provided in the form of a promissory note and be funded from the Town's tax stabilization reserve. In addition, town staff are recommending that the funds be provided in 3 annual instalments of \$700,000 and that the provision of the 2022 and 2023 instalments be subject to OMDC providing an annual report to Council in each of those years.

As noted in the Business Plan, OMDC's ability to repay its loans to the town will be dictated by the nature and timing of future developments and/or joint venture arrangements and the ability to recognize the forecasted revenues. For each potential project, the OMDC will bring forward to Council an Implementation Plan, which will contain a financial analysis outlining expected profit and payments to the Town. It is important to note that the sales of both Block 7 at 2274 Trafalgar Road (Parts 2 and 3 on Plan 20R-21644) and Brantwood School accrue to the town directly and not through the OMDC. Any services provided by OMDC on these sales will be compensated through management fees.

Due to the long-term nature of these loans, Town staff are also recommending that the \$1,200,000 in loans already provided to OMDC and the \$2,100,000 loan requested by OMDC in this report be consolidated into one promissory note with repayment due in 5 years and an interest rate comparable to the prime lending rate of the town's financial institution. At the end of 5 years, the loan would be payable to the town or could be renegotiated based on the financial situation of OMDC at that time.

CONSIDERATIONS:**(A) PUBLIC**

N/A

(B) FINANCIAL

OMDC has requested financing of \$2,100,000. If approved, these funds will be provided to OMDC in the form of a loan and will be funded from the town's tax stabilization reserve. The loan has a repayment term of 5 years and will bear interest.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

Legal staff have provided assistance in preparing this report.

(D) CORPORATE STRATEGIC GOALS

This report addresses the corporate strategic goal(s) to:

- Be accountable in everything we do
- Be fiscally sustainable

(E) CLIMATE CHANGE/ACTION

N/A

APPENDICES:

Prepared by:

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Deputy Treasurer and Director of Finance

Recommended and Submitted by:

Nancy Sully

Commissioner - Corporate Services and Treasurer