



REPORT

Council

Meeting Date: May 26, 2025

FROM: Finance Department

DATE: May 13, 2025

SUBJECT: Oakville Municipal Development Corporation – 2025 Request for Funding

LOCATION:

WARD: Town-wide

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RECOMMENDATION:

1. That the town lend up to \$2,975,000 to the Oakville Municipal Development Corporation from the tax stabilization reserve for 2025-2028 administrative and project costs by way of a promissory note.
2. That the promissory note, in form and substance satisfactory to the Treasurer and Town Solicitor, be prepared.

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 26, 2025.
- Oakville Municipal Development Corporation (OMDC) has updated their Business Plan for 2025-2028 which includes the cost required to move forward the various land development projects.
- Council had previously approved financing for OMDC up to \$3,300,000 inclusive of interest, this loan is scheduled to be repaid by June 30, 2026. OMDC's Business Plan indicates that this is expected to occur once funding is received from two projects currently underway. Should OMDC be unable to repay the loan by this date, an extension may be required, subject to council approval.
- OMDC has requested an additional \$2,975,000 (\$2,475,000 from the Business Case plus \$500,000 as a provision for property taxes) to continue

the pre-development work on the various properties. OMDC will only draw on these funds if required as they are anticipating revenues in 2026.

- The town, as the sole shareholder, may provide financing to OMDC to facilitate the work outlined in the business plan.

BACKGROUND:

OMDC was created in 2018 to maximize the value of surplus town-owned properties. The town is the sole shareholder of OMDC. To perform this work, OMDC was advanced \$1.2 million to fund its start-up activities and to undertake preliminary work to make the then near-term priority sites development ready. Per OMDC's board reporting, this included updated surveys, scoped market and planning studies, among other items. This funding was sufficient to support the disposition of the low-rise medium density parcel (Block 7) of the former public works site as well as the Brantwood School site, the proceeds of which were paid directly to the Town.

In 2021, the town provided OMDC with an additional \$2.1 million to advance the work plans set out in the updated 2021-2023 Business Plan. Most of this funding was used to advance the pre-development work associated with the completion of the planning, environmental, and technical studies for the former Public Works Site. These lands were transferred to OMDC in March of 2025 and the project has now moved to the application approval stage and the Master Plan is currently with the town for review and approval. To date, the town has approved funding of up to \$3.3 million, of which approximately \$400 thousand is remaining from these funds as of December 31, 2024.

In May 2025, OMDC presented their updated Business Plan to their Board of Directors for approval. The purpose of the Business Plan is to provide the framework in which OMDC will work under for 2025-2028. It outlines the mandate and goals, the key achievements, the near-term work plan, budget, and shareholder return expectations. The Business Plan includes activities for the former Public Works Site, former Fire Hall No. 3, former Oakville – Trafalgar Hospital and High School Site, and Parking Lot 8. In order to perform the work listed in the Business Plan, additional financing is required.

COMMENT/OPTIONS:

Section 6.0 of the Business Plan provides a high-level budget of OMDC's projects and operations for the next four years of \$2,475,000, plus an additional provision for property taxes of \$500,000. Although OMDC's operations are anticipated to be self-financing once development partnerships are finalized, OMDC only receives external revenue once land sale closes or revenues accrue through future profit-sharing arrangements. It is anticipated by OMDC staff that sufficient revenues will be generated in 2026 to repay the original loan of \$3.3 million, and the breakdown by property is listed in Section 7.0 – Shareholder Return Expectations. The

appendix of the report also lists the potential profits related to fully developed lands, and the various assumptions used to generate the calculations.

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, as well as OMDCs' portion of any potential profit earned by each development. The benchmark for determining OMDC's success in developing these lands will be the difference between OMDC's portion of the profits, less the transferred land values and operational and administrative costs required to generate the sales. The Business Plan identifies potential opportunities for OMDC; however, the details of site-specific agreements will impact the determination of potential profits that would flow back to OMDC, and ultimately the town. As these details are finalized, OMDC will be better able to report back to Council on the potential profits.

Lending Option:

To fund operations through the 2025-2028 years OMDC is requesting \$2,975,000.

Based on the analysis prepared by OMDC staff and their consultant, OMDC should be able to generate sufficient cash flows over the next several years to repay to the town the funds from the existing loan and this new loan request. Should Council not be comfortable with lending additional funds to OMDC, there is an additional option. Since the former Public Works Site was transferred to OMDC in early 2025, OMDC now has sufficient assets to use as collateral for them to explore the possibility of external financing. This would result in OMDC needing to go to external lenders and likely pay higher interest rates as well as the external lender having first position ahead of the town's position.

However, given the financial results of OMDC impact the town as the sole shareholder and the ultimate goal is to reduce combined costs, town staff are recommending that \$2,975,000 in financing be provided by the town in the form of an interest-bearing promissory note that is funded from the town's tax stabilization reserve. In previous loans to OMDC, the total loan amount was split into annual amounts for OMDC to draw upon. However, to provide flexibility for priorities to change, staff are recommending that there not be an annual limit to how these funds are distributed, but that OMDC continue to provide an annual report to Council each year that outlines the current loan balance as well as an update of each project. Interest rates included in the agreement would be comparable to the prime lending rate at the town's financial institution. At the end of five years, the loan would be payable to the town or could be renegotiated, with Council approval, based on the financial situation of OMDC at that time.

CONSIDERATIONS:

(A) PUBLIC

N/A

(B) FINANCIAL

OMDC has requested financing of \$2,975,000 (including interest). 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. The town's tax stabilization reserve currently has a balance of approximately \$74 million.

(C) IMPACT ON OTHER DEPARTMENTS & USERS

Legal staff have provided assistance in preparing this report.

(D) COUNCIL STRATEGIC PRIORITIES

This report addresses Council's strategic priorities of an Accountable Government by being fiscally sustainable and transparent.

(E) CLIMATE CHANGE/ACTION

N/A

APPENDICES:

N/A

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