

# Staff Report to Council

**Title:** Debenture for Kincardine  
Business Park Lands at Highway 9/21

**Report Number:** Financial Services-2024-21

**Director:** Corporate Services

**Manager:** Manager.

**Meeting Date:**  
Wednesday, October 9, 2024

**Date to be considered by Council:**  
Wednesday, October 9, 2024

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## Recommendation:

That Council direct staff to finalize the debenture documentation in the amount of \$2,626,000 over a 5-year term for the servicing costs for the Highway 9/21 Business Park to convert the floating rate capital loan through OILC (FA1436) to a debenture

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## Executive Summary:

The purpose of this report is to obtain Council's approval to proceed with the conversion of the floating rate capital loan through Ontario Infrastructure and Lands Corporation (OILC) to a debenture, in order to finance the servicing costs for the Highway 9/21 Business Park. Council's previous direction through Resolution #07/10/24-03 authorized that the intersection improvements at Russell Street and Highway 21, estimated to cost \$800,000, be funded through the existing credit facility with OILC. As this credit facility matures in December 2024, the total borrowing of \$2.626 million must be converted to a debenture prior to maturity.

## Strategic Priorities:

B.5-Evaluate and proactively plan for infrastructure to meet population growth and long-term sustainability

## Financial Considerations:

The financial considerations have been outlined in this report. Annual debt payments have been estimated at \$575,000, which will be included in the 2025 operating budget.

Interest costs incurred on the credit facility to date from 2021 – September 2024 amount to \$212,240.

## **Policy:**

Resolution #07/10/24-03

By-law 2019-144 Ontario Infrastructure and Lands Corporation (Highway 9 & 21 Business Park) By-law

By-law 2024-079

## **Context and Background Information:**

In 2019, Council authorized borrowing from Ontario Infrastructure and Lands Corporation (OILC) to finance the capital works associated with servicing the business park lands at Highway 9/21 (By-Law 2019 -144). The scope of the capital works included the extension of the road surface and sidewalk on Durham St. from Millenium Way to Highway 9 as well as the installation of storm sewer, water and sanitary services through this corridor, along Millenium Way and the Russell Street extension to Highway 21. The 2019 capital budget included a total of \$4.265 million in costs, including construction and engineering, for this phase of servicing. Not all elements have yet been tendered due to the scope of requirements being dependent upon the nature of the developments which are not yet known including a future water booster station and possible storm water management ponds. To date, \$1.826 million has been drawn on the OILC Floating Rate Capital Loan.

On July 10, 2024, Council passed the following resolution:

### **Resolution # 07/10/24 - 03**

**Moved by:** Mike Hinchberger

**Seconded by:** Bill Stewart

That Council direct staff to proceed with completing an update to the Area-Specific Development Charges (ASDC) for the 9/21 Business Park Lands (By-law No. 2020-048) to include the improvements to the Russell Street and Highway 21 intersection as contained in Report Development Services-2024-18; and

That Council direct staff to fund the estimated MTO upgrades of \$800,000 from the existing Floating Rate Capital Loan through Infrastructure Ontario, with the costs to be recovered through future development (ASDCs); and

Further that Council direct staff to amend the 2024 budget to include the additional \$800,000 capital project and to include the cost to update the 9/21 Business Park Lands ASDC By-law estimated at \$15,000.

Staff has acted on Council's direction and has submitted a request to borrow the additional funds required of \$800,000 from OILC, for a total amount borrowed of \$2,626,000. In staff report DS-2024-18 Russell Street Intersection Improvements, staff provided information to Council regarding the maturity of the credit facility in December 2024. The next step involves converting the credit facility into a debenture, with a Debenture By-law to be passed at the November 13<sup>th</sup> Council meeting.

The *preliminary* terms of the debenture are as follows:

- Term: 5 years
- Interest Rate: 3.48%

- Total annual payment: \$575,000
- Total Interest over the 5-year period: \$246,462

NOTE: The interest rate will be finalized on November 4<sup>th</sup> and therefore the above information is subject to change and is provided for information purposes only.

The interest costs would be recoverable through an updated Area-Specific Development Charges (ASDC) By-law, which is underway and is expected to be completed in 2025. Until such time that the ASDC's have been recovered from development, the Municipality will be required to make annual debt payments. The cost allocation of the capital works between tax-supported, water and sewer rate funded budgets are 60%, 30% and 10% respectively. Therefore, the tax-supported impact of this new debenture payment amounts to ~ \$345,000.

A debenture By-law will be included on the November 13<sup>th</sup> Council agenda for adoption.

### **Consultation Overview:**

Staff have consulted with Ontario Infrastructure and Lands Corporation (OILC) to borrow the additional funds for the capital works, and the timelines associated with the debenture have been finalized.

The Director of Infrastructure & Development has been consulted with respect to the funds required to complete the MTO upgrades and timelines associated with this work.

### **Origin:**

Resolution #07/10/24-03

### **Implementation Considerations:**

Once the debenture By-law is passed at the November 13<sup>th</sup> Council meeting, the debenture documents will be finalized, and the debenture will close on December 2, 2024.

### **Risk Analysis:**

The risk associated with fronting the servicing costs for developments such as this include the possibility that these costs will not be recovered from developers for many years, leaving the municipal taxpayers to absorb these costs in the interim.

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**Attachments:** None

**Prepared by:** Roxana Baumann

**Submitted by:** Roxana Baumann