

### Section I – Items for Authority Action

**TO:** Chair and Members of the Executive Committee  
Meeting #8/18, Friday, October 05, 2018

**FROM:** Michael Tolensky, Chief Financial and Operating Officer

**RE:** **TRCA NEW ADMINISTRATIVE OFFICE BUILDING PROJECT**  
Contract #10008935 for Construction and Term Financing – Addendum Report

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#### KEY ISSUE

Award of contract #10008935 for up to \$54 million in construction and term financing to support the construction of the new administrative building.

#### RECOMMENDATION

**THAT Contract #10008935 be awarded to Canadian Imperial Bank of Commerce (“CIBC” or the “Lender”) to provide construction and term financing for Toronto and Region Conservation Authority’s (TRCA) New Administrative Office Building Project in the City of Toronto, a Facility 1 - construction loan at a fixed credit spread of 0.74% and a Facility 2 – 10 year term loan at a fixed credit spread of 0.74%, it being the highest ranked proposal that best meets TRCA’s requirements as stipulated in the Request for Proposal;**

**AND FURTHER THAT authorized officials be directed to take the necessary action to implement an agreement including the signing and execution of documents with the Lender.**

#### BACKGROUND

At Authority Meeting #5/16, held on June 24, 2016, Resolution #A85/16 approved the construction of an administrative office building at 5 Shoreham Drive in Toronto and directed staff to take the necessary action to complete the project. Since October 2017, TRCA staff has been working with an integrated design team, led by ZAS Architects and Bucholz McEvoy Architects in joint venture, to realize a new administrative office building within a \$63,538,000 budget. The proposed head office concept, as presented to the Authority on May 25, 2018 consists of a highly efficient, four storey 7,500m<sup>2</sup> (80,000ft<sup>2</sup>) mass-timber structure. At Authority Meeting #6/18, held on July 20, 2018, Resolution #A112/18 approved the project update which proposes to modify the previous Authority approval of the administrative office building project to adhere to budgetary changes.

TRCA is currently proceeding with the Site Plan Approval process with a target of completing construction and achieving occupancy of the building by June 2021 TRCA is now in a position to arrange for debt financing to facilitate the construction of the Project. In order to obtain financing terms and conditions from qualified Canadian financial institutions, the following objectives were established:

- Reflection of the credit quality of the municipal funders in the financing agreement;
- Lowest available all in financing cost;
- Maximize term to match underlying amortization period;
- Minimize financial and reporting covenants; and
- Mitigate interest rate risk.

## Item 8.3

Competitively retaining a financial institution through the open market to provide construction and term financing will ensure the most favourable financial outcome for TRCA and the Head Office project.

### RATIONALE

Request for Proposal #10008935 to provide project financing from a qualified financial institution for TRCA's New Administrative Office Building Project was publicly advertised on the electronic procurement website Biddingo ([www.biddingo.com](http://www.biddingo.com)) on August 8, 2018. Prospective Proponents interested in submitting a proposal were advised a weighted evaluation process would be used to select the successful proponent as follows:

Criteria	Weight
1. Terms and Conditions	40
2. Cost	50
3. Experience and Quality of Proposal	10
Total Weighted Points	100

On August 31, 2018 TRCA received three submissions from the following financial institutions. Based on the results from the evaluation of the submissions received the three proponents were ranked as follows:

Criteria	CIBC	RBC	TD Bank
Overall Rating	88	67	48

The proposal from CIBC is the highest ranking proposal and best aligns with TRCA's objectives and evaluation criteria. The proposal offers: the lowest relative cost of capital, longest term available for the term loan, unsecured, general obligation of TRCA; simplified documentation process, no fees or expenses; and most borrower-friendly terms and conditions including conditions precedent to close and to draw down.

As the most price competitive bank term loans are floating interest rate loans, TRCA will be required to enter into a forward starting interest rate swap ("Swap") to fix the interest rate for the construction and amortization periods of the loan. This is a common instrument that is used by public sector borrowers to fix interest rates on term loans and to mitigate long-term interest rate risk. In simple terms, TRCA will enter into a separate transaction with the Lender, using market standard documentation, whereby the TRCA will pay a fixed interest rate and receive the floating interest rate (in order to pay the loan). The Swap will be designed based on the construction cash flows. As at the date of the CIBC submission, the all-in indicative interest rate is 3.738% for the 30 year amortization period. Note that this rate has since changed as the only rate which is held is the credit spread portion.

### FINANCIAL DETAILS

The funds would be placed in account 436-06.

### DETAILS OF WORK TO BE DONE

The approximate timeline is as follows:

- Selection and communication with preferred lender and communications and debriefs with unsuccessful lenders - October 2018;
- Negotiation of financing agreements - November 2018;
- Financial close - December 2018;

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- Start of Tender Contract Documents – July 2018
- Submit for Building Permit – October 2018
- Tender Period Start – March 2019

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