

Subject: **Town of Trochu Senior’s Living Complex NEW Borrowing Bylaw**  
 Meeting Date: Tuesday, February 25, 2025  
 Prepared By: Theresa Cochran  
 Presented By: Theresa Cochran

**STRATEGIC PLAN ALIGNMENT: (Check all that apply)**

	<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>		<input type="checkbox"/>		<input checked="" type="checkbox"/>
High Quality Infrastructure		Economic Resilience		Quality of Life		Effective Leadership		Level of Service	

**RELEVANT LEGISLATION:**

Provincial (cite) - *Section 266 of the Municipal Government Act (MGA)* outlines the legal framework concerning municipal loan guarantees. In essence, it specifies that a municipality can only guarantee the repayment of a loan between a lender and a non-profit organization or one of its controlled corporations if this guarantee is authorized by a municipal bylaw.

**BACKGROUND/PROPOSAL:**

On February 11, 2025, Council received an update on the Trochu Seniors Housing Complex project, which included information about changes in borrowing interest rates. In response to the higher-than-expected interest rates, a new borrowing bylaw was requested and Council directed Administration to prepare an amending bylaw to revise Bylaw 1898, which authorizes the Town of Trochu to guarantee a loan, setting the maximum allowable interest rate at 6%.

However, on February 19, 2025, Kneehill County Reeve and Council received a letter from the Mayor of Trochu requesting that Council consider revising the bylaw to allow for a maximum interest rate of 7%. The Mayor of Trochu stated that while they do not anticipate rates reaching this level, a buffer would be beneficial due to the uncertain economic conditions. This would help avoid the need for a new bylaw in case of unforeseen interest rate fluctuations.

**Background**

The Town of Trochu proposes the construction of a Senior’s Living Complex within its boundaries, estimated at \$32,000,000.00. The Trochu Housing Corporation (THC), a municipally owned corporation of which Trochu is the sole owner, will oversee the project.

THC and Trochu aim to finance the project through a mix of grant funding, life-lease sales, and financing. Anticipating provincial grant funding release soon, they plan to apply for approximately \$19 Million. However, Trochu cannot finance this borrowing without ministerial approval. Therefore, they seek financial backing from Kneehill County to enable financing and provide cash flow during project construction if needed. The County’s support is crucial for Trochu to submit a grant application.

It has been indicated that without County support, it may not be possible to submit a grant application. The Town of Trochu has stated that funding from the County would only be required as a last resort.



## Timeline of Events

<b>February 9, 2021</b>	Council approved supporting the development of the Trochu Seniors Supportive Living Facility Project
<b>March 9, 2021</b>	Bylaw 1833 received its first reading, a bylaw to authorize the guarantee of a loan by the Town of Trochu
<b>April 13, 2021</b>	Bylaw 1833 received second and third reading in accordance with Municipal Government Act regulations
<b>September 28, 2021</b>	Council approved the Reeve and CAO to sign the Trochu Seniors' Supportive Living Facility Agreement with the Town of Trochu
<b>February 27, 2024</b>	Trochu Housing Corporation provided an update to Kneehill County Council on the project status
<b>April 9, 2024</b>	Council approved Borrowing Bylaw 1898
<b>February 11, 2025</b>	Trochu Housing Corporation provided an update to Kneehill County Council on the bank interest rates and requested a new borrowing bylaw. Councillor Fobes moved That Council direct Administration to bring to a future Council meeting an amending bylaw to revise Bylaw 1898, that being a bylaw to authorize the guarantee of a loan by the Town of Trochu, to set the maximum allowable interest at 6%.
<b>February 19, 2025</b>	Kneehill County Reeve and Council received a letter from the Mayor of Trochu requesting the borrowing bylaw be set to 7%.

A new borrowing agreement between the town and county will permit borrowing up to \$20 million for interim financing, with parameters to be updated to include a 5-year timeline and a maximum 7% interest rate.

**DISCUSSION/OPTIONS/BENEFITS/DISADVANTAGES/OTHER CONSIDERATIONS:**

The council motion on February 11th, 2025, directed Administration to create a new bylaw in place of Bylaw 1898, that is, a bylaw authorizing the guarantee of a loan by the Town of Trochu and setting the maximum allowable interest at 7%.

Upon legal consultation, it was recommended that Kneehill County prepare a new Loan Guarantee Bylaw, specific about the loan repayment timing. Section 266(2)(b) of the MGA mandates that the bylaw outlines the interest rate, term, and repayment terms of the loan.

Creating a new bylaw offers several benefits, including enhanced clarity and specificity regarding repayment terms. Precise timelines and interest rates ensure transparency and better understanding among stakeholders. A new bylaw also allows for the incorporation of updated legal requirements, ensuring compliance with relevant legislation and regulations.



Moreover, a new bylaw enables tailoring the loan guarantee agreement to the project's specific needs, leading to effective risk management and safeguarding the interests of both the municipality and the borrowing entity.

**FINANCIAL & STAFFING IMPLICATIONS:**

Adopting the loan guarantee bylaw is contingent upon the Town of Trochu entering into a new agreement that meets Kneehill County's satisfaction. This ensures the loan guarantee terms are aligned with the County's financial and operational objectives.

The county must consider potential financial implications. In the case of Trochu's loan repayment difficulties, the County may need to utilize cash reserves or raise funds through taxation to fulfill its obligations under the loan guarantee.

**RECOMMENDED ENGAGEMENT:**

Directive Decision (Information Sharing, One-Way Communication)

Tools: Public Notification

Other:

**ATTACHMENTS:**

Bylaw NO. 1915, Loan Guarantee to Town of Trochu

**COUNCIL OPTIONS:**

1. Undertake first reading of Bylaw 1915 as directed by the council resolution on February 11th, 2025, which mandated the creation of a new bylaw to address the interest rates associated with the Trochu Housing Corporation's loan guarantee agreement.
2. Accept as information.

**RECOMMENDED MOTION:**

That Council undertake the first reading of Bylaw 1915 as directed by the Council resolution on February 11th, 2025, which mandated the creation of a new bylaw to address the interest rates associated with the Trochu Housing Corporation's loan guarantee agreement.

**FOLLOW-UP ACTIONS:**

With the adoption of Bylaw 1915, Bylaw No. 1898, Loan Guarantee to Town of Trochu, is repealed in its entirety.

**APPROVAL(S):**

Mike Haugen, Chief Administrative Officer

Approved-

