

Committee of the Whole (2) Report

DATE: Tuesday, January 21, 2020

WARD(S): ALL

**TITLE: VMC YMCA CENTRE OF COMMUNITY AND LIBRARY –
PROGRESS UPDATE AND DESIGNATION AS A MUNICIPAL
CAPITAL FACILITY**

FROM:

Tim Simmonds, Interim City Manager

Michael Coroneos, Deputy City Manager, Corporate Services and Chief Financial Officer

ACTION: DECISION

Purpose

This report provides an overview of the various agreements for the Vaughan Metropolitan Centre YMCA Centre of Community, Library and Recreational Space project (the “**VMC YMCA Centre**”) between the City of Vaughan (the “**City**”) and YMCA of Greater Toronto (“**YMCA**”), all in accordance with Council’s previous endorsements.

Report Highlights

- Staff is recommending that Council approve the required by-laws in accordance with this report authorizing execution of the lease, master agreement and municipal capital facility agreement (“**MCFA**”) between the YMCA and the City; and, exempting the VMC YMCA Centre from taxation for municipal and school purposes and from development charges in accordance with the *Municipal Act, 2001*.
- At the Finance, Administration and Audit Committee meeting of April 19, 2017, Council directed staff to continue negotiating all operating related agreements with the YMCA and report back to a future committee meeting prior to execution of said agreements, and with a bylaw designating the VMC YMCA Centre as a municipal capital facility (“**MCF**”) at the appropriate time in the development process.
- The development project for the VMC YMCA Centre has received the certificate of substantial performance on April 30, 2019.
- The VMC YMCA Centre Fit-Out work is on-schedule to be complete in Q2/2020 so that the final fixturing, furniture, and equipment can be installed.
- The official opening of the VMC YMCA Centre is anticipated for mid-September 2020.

Recommendations

1. THAT Council delegate authority to the Mayor and City Clerk to finalize and execute the Lease and Master Agreement with the YMCA of Greater Toronto and all related documents, in a form satisfactory to the Deputy City Manager Administrative Services and City Solicitor and with content satisfactory to the Deputy City Manager, Corporate Services and Chief Financial Officer;
2. THAT Council delegate authority to the Mayor and City Clerk to execute a municipal capital facility agreement with the YMCA of Greater Toronto and all related documents, for the provision of a municipal capital facility, namely the YMCA Centre of Community and Library, which occupies a portion of the property located at 200 Apple Mill Road, in the City of Vaughan in a form satisfactory to Legal Services;
3. THAT Council pass a resolution declaring that the above noted municipal capital facility is for the purposes of the City of Vaughan and is for public use.
4. THAT Council pass a by-law pursuant to sections 110(6), 110(7) and 110(16) of the *Municipal Act, 2001*, SO 2001, c 25, providing authority to exempt the lands occupied by the YMCA Centre of Community and Library, as more particularly described in **Schedule “A”**, from:
 - i. taxation for municipal and school purposes, which tax exemption is to be effective from the latest of (i) the date the municipal capital facility agreement is entered into; and, (ii) the date the tax exemption by-law is enacted; and
 - ii. development charges.

Background

The VMC YMCA Centre, first approved and adopted, as amended, by Council in February 2016 (Item 3, Report No. 10, of the Committee of the Whole, Working Session) is a real estate partnership between Penguin-Calloway (Vaughan) Partnership, YMCA and the City that supports the advanced development of the VMC YMCA Centre which includes a City of Vaughan Public Library branch and Community Centre with dedicated performance arts and events studios and a community kitchen (the “**City Facility**”).

In addition to the YMCA and City facilities, the mixed-use project has ground level retail and 100,000 square feet of class A office designed for PricewaterhouseCoopers (PwC) and more recently Scotiabank. The retail and office users are tenants of Penguin-Calloway (Vaughan) Partnership, while strata title for the VMC YMCA Centre rests with the YMCA (“**YMCA Lands**”).

On April 19, 2017 (Item 4, Report No. 4, of the Finance, Administration and Audit Committee), City Council authorized execution of the necessary agreements in respect

of financing, development and construction for the completion of the project, which have been executed and successfully implemented. Council further directed staff to *inter alia* report back to a future committee meeting prior to execution of the operating agreements, being the master agreement and the lease, and to bring forward a by-law designating the VMC YMCA Centre as an MCF at the appropriate time in the development process.

YMCA acquired title to the YMCA Lands on or about November 15, 2017 with funding assistance from the City and from Ontario Infrastructure and Lands Corporation (“IO”). YMCA entered into a financing agreement with IO dated July 18, 2017, as amended, for the Construction Loan and the Term Loan (together, the “**IO Financing**”). The City has guaranteed the IO Financing pursuant to an agreement between IO, YMCA and the City dated November 15, 2017, as amended, supplemented or otherwise modified from time to time. Repayment of all amounts due and owing in respect of the IO Financing shall be made by the parties in accordance with the terms and conditions of the master agreement between YMCA and the City, which negotiations have been recently completed.

The VMC YMCA Centre will operate as a not-for-profit multi-purpose recreational and community centre, which has a gross floor area of approximately 109,000 square feet. YMCA will occupy approximately 77,000 square feet of gross floor area within the YMCA Lands and will lease the remaining 32,000 square feet of gross floor area within the YMCA Lands to the City for the operation of the City Facility. The City and YMCA have finalized the negotiations of the lease for the City Facility.

The project received Certificate of Substantial Performance on April 30, 2019.

The VMC YMCA Centre Fit-Out work is on-schedule to be complete in Q2/2020 so that the final fixturing, furniture, and equipment can be installed. The opening event of this new piece of critical social infrastructure is being planned for mid-September 2020.

One of the next steps to complete this project before its opening consists of: execution of the master agreement, which addresses the project operation, the lease and the MCFA and also the designation of the VMC YMCA Centre as an MCF allowing for tax exemption for municipal and education purposes and of development charges.

Previous Reports/Authority

1. [http://www.vaughan.ca/council/minutes_agendas/AgendaItems/CW\(WS\)0209_16_3.pdf](http://www.vaughan.ca/council/minutes_agendas/AgendaItems/CW(WS)0209_16_3.pdf)
2. https://www.vaughan.ca/council/minutes_agendas/AgendaItems/Finance0906_16_11.pdf
3. http://www.vaughan.ca/council/minutes_agendas/AgendaItems/Finance0403_17_4.pdf.
4. <https://pub-v Vaughan.escribemeetings.com/filestream.ashx?DocumentId=11475>

Analysis and Options

Progress Update

The VMC YMCA Centre project is being delivered through three phases of construction:

1. Phase One: Base Building and Funding – began mid-2017 and was delivered on time on April 2019. This phase also included the execution of numerous agreements related to land acquisition, development, cost sharing, guarantees, development charge deferral and community improvement plan.
2. Phase Two: Fit-Out – began April 2019 and is anticipated to be completed in 12 months. This phase includes finalization of the lease and master agreement.
3. Phase Three: Furniture, Fixtures and Equipment

The YMCA development team and city staff have worked closely together ensuring that the design, construction and cost of the project was prudently planned, monitored and successfully executed.

The project will soon enter into its final phase and, along with that, the YMCA and the City have per Council directive finalized the remaining agreements required to be implemented prior to the official opening of the VMC YMCA Centre, as follows:

- i. Master Agreement - sets out the parameters for the entirety of the transactions between YMCA and the City, including: City's contributions toward the purchase price, the cost-sharing arrangements related to construction, fit-out work, on-going maintenance and repair contributions.
- ii. Lease – the lease will be for a term of forty-nine (49) years and deals with the actual demise of premises to the City and resemble a more typical commercial lease with respect to the various rights and obligations of the City, as tenant, and the YMCA, as landlord. The lease is mainly for the purposes of: a library; a municipal office providing services to the public; performance arts and events studios; and, for municipal and/or not-for-profit purposes or services that are open or available to the public.

To finalize the lease and master agreement, staff is recommending that by-laws be passed by Council authorizing the City to enter into those agreements with the YMCA.

Municipal Capital Facility

Section 110 of the *Municipal Act, 2001*, SO 2001, c 25 (the “***Municipal Act***”) as amended, and Ontario Regulation 603/06 (“**O. Reg. 603/06**”), allows the City to enter into agreements with any person for the provision of municipal capital facilities and authorize Council to enter into MCFA with organizations providing services that would otherwise be provided by the City. Municipal capital facilities receive certain benefits including tax relief from municipal and education taxes and development charges in exchange for the provisions of services outlined in the agreement.

Section 5 of O. Reg. 603/06 prescribes that a municipality may enter into an agreement respecting MCF for purposes of municipal community centre, only if:

- “(a) the municipal capital facilities are primarily used for local community activities; and
- (b) the council has declared by resolution that the municipal capital facilities are for the purposes of the municipality and are for public use. “

Organizations whose facilities are related to the provision of community services, such as community centres, are among those that may enter into MCFAs with a municipality. Accordingly, the VMC YMCA Centre is eligible to be declared an MCF.

The VMC YMCA Centre is owned by YMCA and will be entirely occupied and used for a service or function to the public that may be provided by the municipality, in fact some of the services such as the library, art studio and community kitchen will be provided by the City. The VMC YMCA Centre is eligible to be designated as an MCF in accordance with the *Municipal Act*.

To satisfy the requirements of the *Municipal Act* and in recognition of the essential community services provided and operated at the VMC YMCA Centre, staff is recommending that by-laws be passed by Council permitting the City to enter into an MCFA with YMCA and to exempt the VMC YMCA Centre from taxation for municipal and school purposes and from development charges.

Upon the passing of the by-law in respect of the MCFA, the City Clerk must give written notice of the by-law to the Minister of Finance. For the tax exemption by-law, the City Clerk must also provide a written notice of the contents of the by-law to the Municipal Property Assessment Corporation (“**MPAC**”) and the Secretary of any affected school board(s).

Financial Impact

At the Finance, Administration and Audit Committee on September 6, 2016, it was estimated that the City-wide DC deferral would be approximately \$573,542 until an MCF was declared. The actual amount of City development charges deferred at building permit issuance was calculated at \$587,705. This exemption will continue until such time as the use of the space changes from a municipal type service. The MCF designation will also result in a property tax exemption of approximately \$100,000 annually for the City's portion of property taxes. The remainder of the mixed-use project including all Class-A Office and ground-level retail will not be eligible to participate in the DC Deferral or any aspect of the Municipal Capital Facility.

Broader Regional Impacts/Considerations

There are Regional implications associated with this report, in that it is expected that the Region will follow the City's lead and provide a deferral on Regional DC's. Similarly, only for the City and YMCA space excluding all mixed-use Class-A Office and ground-level retail which full DC's will still apply. In addition, there will be an impact with respect to

the Region's portion of property tax for the space as it will be made exempt under the same MCF criteria.

Conclusion

The VMC YMCA Centre is reaching its final phase of the development and represents a much needed social infrastructure that creates a true urban downtown core.

Section 110 of the *Municipal Act* provides for the City to enter into agreements for the provision of municipal capital facilities by any person. Council may exempt all or part of the taxes levied, and applicable development charges provided there is an agreement and the facility is used for a prescribed service or function that may be provided by the municipality, including municipal community services. The VMC YMCA Centre is owned by the YMCA and will be entirely occupied and used for a service or function to the public that may be provided by the municipality therefore being eligible to be designated a municipal capital facility.

It is recommended that Council approve the required by-laws in accordance with this report authorizing the Mayor and Clerk to execute the lease, the master agreement and the MCFA between YMCA and the City and to exempt the property from taxation for municipal and school purposes and from development charges.

For more information, please contact: Michael Marchetti, Director, Financial Planning and Development, extension 8271

Attachments

1. Schedule "A" – Description of YMCA Lands.

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