

Committee of the Whole (2) Report

DATE: Tuesday, April 21, 2020

WARD(S): ALL

**TITLE: SIGNING AUTHORITY FOR AMENDMENTS TO LOAN
GUARANTEE OF CITY OF VAUGHAN FOR THE SOCCER
CENTRE ONTARIO**

FROM:

Mary Reali, Deputy City Manager, Community Services

ACTION: DECISION

Purpose

The City is required to provide consent to amendments on certain loan facilities of The Soccer Centre Ontario ("TSC").

The recommendations in this report will authorize the Mayor and the City Clerk to provide consent to and sign the amending documentation, and to do the same for future amendments that do not involve material changes to the loan terms.

Report Highlights

- The City has been a guarantor of loans taken out by TSC since 1996.
- Minor changes or adjustments to those loans have been made over the years and continue to be required from time to time.
- As guarantor, the City is required to sign off on such changes or adjustments.
- The enclosed recommendations will:
 - (a) authorize current amendments to existing loan arrangements of TSC, and
 - (b) address future minor amendments.

Recommendations

1. That the City consent to the TSC's request for a 3-month deferral of its monthly loan payments as a temporary, COVID-19 related measure;
2. That the City consent to the TSC's change of financial institution from CIBC to RBC, based on the terms approved by City staff;
3. That the Mayor and the City Clerk be authorized to execute all documentation necessary to facilitate the loan deferral and change of financial institution referenced above, in addition to any future minor amendments sought by the TSC, provided that the amendments are in a form acceptable to the City Solicitor; and
4. That the City pass a by-law confirming all of the above recommendations.

Background

The City has a long-term relationship with TSC. In 1996 the City granted TSC a sub-lease on lands leased from the Province at 7601 Martin Grove Road for a 43-year term, to expire in 2039.

Since 1996 the City has also provided a loan guarantee on the TSC's behalf, permitting it to construct, and later renovate, soccer facilities on the site. TSC had, over time, paid down the original loan, but with the City's consent, the loan was returned to the original amount.

TSC has requested sign off by the City on two current matters, and will likely require sign off from the City on other adjustments to its loan facilities over the term of its loan or loans. The issues addressed in this report, include:

1. A 3-month deferral of monthly principal payments on TSC's loan. This is a COVID-19 related measure.
2. A proposed transfer of financial institution from CIBC to RBC.
3. Future amendments.

1. Payment deferral

TSC has presented the City with a **Temporary Accommodation to Credit Facility** letter for its sign off.

The letter acknowledges CIBC's agreement to the Borrower's request for temporary accommodation due to the impact of the COVID-19 pandemic. It sets out the terms for

the accommodation and confirms that all other terms remain unchanged. Basic terms are:

- i) Period covered: April 1 to June 30, 2020, being a total of 3 months;
- ii) No payments on principal to be made during this period;
- iii) All interest due and owing over the period to continue to be paid;
- iv) Amortization period to be extended by 3 months to mirror the arrangement; and
- v) Interest rate to stay the same until May 1, 2020 when interest on deferred amounts will change from fixed to prime + .75%.

There is no action required by the City except to approve these changes.

2. Change of financial institution

The term of TSC's loan with CIBC (as amended in 2015) ends on May 31, 2020. TSC has negotiated new credit arrangements with RBC with terms similar to those of the previous loan with CIBC.

A comparison of the two loan facilities is set out below. City liability is limited to details set out in item 4.

CIBC (expiring)	RBC (proposed)
1. Demand operating facility for \$50,000 at prime.	Demand operating facility for \$50,000 at prime.
2. Fixed rate 5-year term loan in the amount of \$5,000,000. Expiry 2020.	Fixed rate 5-year term loan in the amount of \$3,900,000. Expiry 2025.
3. Interest rate of 3.2%, 12-year amortization.	Interest rate of 3.9%, 15-year amortization.
4. Security required: <ul style="list-style-type: none">- Leasehold mortgage in favour of CIBC.- City of Vaughan Guarantee and postponement in the amount of \$5,000,000.- Securities in other forms not affecting the City of Vaughan.	Security required: <ul style="list-style-type: none">- Leasehold mortgage in favour of RBC.- City of Vaughan Guarantee and postponement in the amount of \$3,900,000.- Assignment of (sub)lease.- Securities in other forms not affecting the City of Vaughan.

3. Future amendments

Over the course of the relationship between TSC and the City it has on occasion been necessary for TSC to approach the City for its consent to amendments or adjustments to be made to its loan facilities. These requests have not been considered prejudicial to the City and have been granted as a matter of normal business operations when requested.

Previous Reports/Authority

Related by-laws:

By-law Number 275-98

By-law Number 265-2003

[By-law Number 086-2015](#)

Analysis and Options

1. Payment deferral

The payment deferral has no impact on the City as there is no change to the City's original commitment. The request covers an extremely short time period and is reasonable under the present circumstances with the COVID-19 pandemic creating additional pressure for organizations in general.

2. Change of financial institution

The amount of the mortgage has dropped very slightly and so the City is not exposed to greater liability by the change. The move incorporates a new, ongoing mortgage to replace the expiring one and the new term expires in 5 years' time. The City has articulated its continued desire to support TSC and had planned to continue to support TSC as its guarantor, which is consistent with this request

3. Future amendments

As part of forward planning on the part of the City, the Mayor and the City Clerk should be authorized to consent to future minor amendments that arise provided that the amendments are in a form acceptable to the City Solicitor.

Financial Impact

Any by-law implemented pursuant to this report applies solely to amendments sought by TSC which do not materially alter the City's current exposure as loan guarantor. There is therefore no negative financial impact to the City.

Broader Regional Impacts/Considerations

None.

Conclusion

It is recommended as follows:

1. That the City consent to the TSC's request for a 3-month deferral of its monthly loan payments as a temporary, COVID-19 related measure.
2. That the City consent to the TSC's change of financial institution from CIBC to RBC, based on the terms provided and approved by City staff.
3. That the Mayor and City Clerk be authorized to sign off on the above and any future minor amendments sought by the TSC provided that the amendments are in a form acceptable to the City Solicitor.
4. That the City pass a by-law confirming all of the above recommendations.

Adopting and implementing these recommendations will further the relationship between the City and one of its business partners, support an enterprise that contributes to the City's Sustainability First commitment by promoting a healthy environment and vibrant lifestyle and give effect to the City's stated objective of assisting businesses and business initiatives in the City, whether in general or in particular at this time of the COVID-19 pandemic.

For more information, please contact: Stephen Spracklin, Director of Legal Services and Deputy City Solicitor, Litigation and Municipal Law, ext 8914

Attachments

None.

Prepared by

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