THE REGIONAL MUNICIPALITY OF YORK

Housing York Inc.
January 14, 2009
Report of the
General Manager

LONG TERM FINANCING OF TOM TAYLOR PLACE

1. RECOMMENDATIONS

It is recommended that:

1. The Corporation enter into a loan agreement with the Region to repay, from project revenues, up to $2.334 million of the total capital cost of the newly constructed Tom Taylor Place located at 615 Fernbank Road in the Town of Newmarket. Such loan to be:
   (i) interest bearing;
   (ii) for a 30-year term; and
   (iii) on such other terms that the Treasurer shall negotiate, including security, therefore.

2. The Corporation enter into a second loan agreement with the Region to repay, from the Provincial affordability payment, in the amount of $2.1 million for this project. Such loan to be:
   (i) interest bearing;
   (ii) for a 20-year term; and
   (iii) on such other terms that the Treasurer shall negotiate, including security, therefore.

3. The Corporation authorize the Region to seek long term debt financing of that amount on its behalf for the above loans.

4. The Chair and the Treasurer of the Corporation be authorized to execute all documents required to effect the foregoing, subject to the prior review of the Corporation's solicitor.

2. PURPOSE

This report seeks authority for Housing York Inc. to enter into loan agreements with the Region in order to secure long term debt financing for the Tom Taylor Place affordable housing project located in the Town of Newmarket.

3. BACKGROUND

York Region will provide long term financing for the capital cost of Tom Taylor Place

Tom Taylor Place is a 50 unit affordable housing project in the Town of Newmarket that is complete and occupied and for which long term financing must now be put in place.

The approved capital budget for this project identified a number of funding sources including:

- Federal/Provincial Affordable Housing Program funding divided between an upfront capital contribution and a monthly “affordability payment” for 20 years.
- Long Term Financing to be repaid from project revenues
- Contribution from the Social Housing Reserve Fund

There will be two payment sources for the long term financing being requested. Tenant rents will be sufficient to pay the project’s operating expenses and debt servicing, including principal and interest, on a $2.334 million loan over a period of 30 years. This term is standard in the multi-residential market and has been used in previous debentures issued by York Region for affordable housing.

As part of the Canada-Ontario Affordable Housing Program funding approved for this project, the provincial government will be providing funding in the amount of $2,100 per unit plus interest for each of the next 20 years that would be sufficient to repay an additional loan of $2.1 million and has no impact on the Housing York Inc. operating budget for Tom Taylor Place.

It is anticipated that the Region will issue two debentures in respect of both loans to Housing York Inc. and that the terms of loans will reflect the terms of the debentures.

4. ANALYSIS AND OPTIONS

Housing York Inc. has an obligation to the Region for repayment of the financing for Tom Taylor Place

Unlike previous new buildings developed for Housing York Inc. where the control of the land rests with the Region, which then enters into a lease with Housing York Inc. for the building, Tom Taylor Place is wholly owned by Housing York Inc. In these earlier projects the Region was responsible for all capital costs and Housing York Inc. repays the Region from project revenues for the portion of those costs which were debentured. This arrangement is documented in the lease agreement. In the unique case of Tom Taylor Place, loan agreements are required to document Housing York Inc.’s indebtedness to the Region for the portion of the capital costs that is to be retired through long term financing.

Debenture issue postponed to 2009 due to financial market conditions

The issuance of long term debt for this project was originally approved as part of the 2008 Regional Capital Budget and was expected to form part of a larger debenture issuance by the Region in the fall of 2008. As a result of the ongoing difficulties in the credit market however, the Region has deferred this debenture issue until 2009.

Region's Finance Department is considering options for capital financing needs

The Commissioner of Finance for the Region continues to closely monitor the financial markets and is expected to make a decision early in 2009 about seeking financing for a range of planned regional capital projects. In lieu of the usual course of issuing debentures, the Commissioner is also investigating the option of applying to Infrastructure Ontario for the Region's capital needs and will seek Council's approval for that strategy at the appropriate time.

5. FINANCIAL IMPLICATIONS

The approved capital and operating budgets for this project provide for the debt financing and repayment of the principal and interest costs associated with this obligation.

The capital budget for this project identified a number of funding sources including:

- Federal/Provincial Affordable Housing Program capital contribution - $1.4 million
- Federal/Provincial Affordable Housing Program funding paid monthly for 20 years - $2.1 million
- Contribution from the Social Housing Reserve Fund up to $4.15 million
- Long Term Financing to be repaid from project revenues - $2.3 million

6. LOCAL MUNICIPAL IMPACT

Tom Taylor Place will provide affordable housing options for York Region residents.

7. CONCLUSION

This report provides the authority for the Corporation to execute the necessary loan agreements to document the indebtedness of Housing York Inc. to York Region for the Region's financing of the Tom Taylor Place affordable housing project.

For more information on this report, please contact Sylvia Patterson, Assistant General Manager, Housing York Inc. at Ext. 2091.

The Senior Management Group has reviewed this report.

Recommended by:	Approved for Submission:
Sylvia Patterson Assistant General Manager	Joann Simmons General Manager

January 6, 2009

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