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REQUEST FOR FINANCING ASSISTANCE FROM PARKVIEW SERVICES FOR SENIORS

The Finance and Administration Committee recommends:

1. **the letter from Melody Potter, Chair, Parkview Services for Seniors, August 26, 2004, attaching a further letter from Mayor Sherban, June 9, 2004 –each requesting financial assistance, be received;**
2. **the letter from Joanna Reesor – Mc Dowell, Director of Resource Development for Parkview Services for Seniors, be received and deputant status be granted;**
3. **the deputation by Joanna Reesor – McDowell, Director of Resource Development for Parkview Services for Seniors, be received;**
4. **the following report from the Commissioner of Finance, October 18, 2004, be referred back to the Commissioner for a report on any precedents that could be set by the Region providing a grant or exemption from development charges without an exemption from development charges being provided by the area municipality.**

1. RECOMMENDATIONS

It is recommended that:

1. The Region of York provide a loan for up to $2.31 million to Parkview Services for Seniors (“Parkview”) at an interest rate of 4.0% for a period not to exceed three years to be used for interim financing, subject to Parkview meeting the terms and conditions detailed this report.

2. In accordance with the Regional Development Charge By-law, the proposed facility be exempt from Regional development charges provided the Town of Whitchurch-Stouffville does not collect development charges for the proposed development.

3. Staff be authorized to take all action necessary to implement this recommendation.

2. PURPOSE

This report has been prepared in response to a request by Parkview Home for the Aged 128 bed facility in the Town of Whitchurch-Stouffville (“Parkview”) to provide interim financing assistance for the construction of a not-for-profit long-term care facility and to waive regional development charges.

In addition, the report responds to a request for consideration to assist Parkview Home for the Aged to exempt Regional development charges on the proposed facility (Attachment 1).

3. BACKGROUND

3.1 Interim Financing Assistance

Parkview currently operates "three separately incorporated but related non-profit corporations providing charitable services to seniors in the Stouffville and surrounding area on two separate sites."

Site / Title Location	Corporation	Operating Building	Services and Accommodation
Rupert Avenue	Mennonite Home Association of York County	Parkview Home	109-bed "D" LTC facility
		Parkview Apartments	36-unit seniors apartments
Ninth Line North	Parkview Village Retirement Community Association	Parkview Village Apartments	124-unit seniors apartments
		Village Centre	Seniors community centre
Ninth Line South	Parkview Village Cluster Homes for Seniors Association	Parkview Village Cluster Homes	20 Life Lease Bungalows
		Parkview House	45 Life Lease Apartments

Parkview is planning to redevelop and re-locate its 109-bed home facility currently situated on Rupert Avenue. This facility was designated as a "D" facility in 2001 and Parkview entered into a Memorandum of Understanding with the Ministry of Health and Long-Term Care for the redevelopment of the home. Parkview subsequently applied for and were awarded 19 additional new beds as part of their "D" program submission

This 128-bed home is to be built and operated by Parkview on a 2.2 acre lot to be severed from the existing Ninth Line property. These lands are free and clear and were severed in 1995 from the social housing lands of Parkview Village Apartments. Construction of the new home is expected to start December 2004 with completion by October 2006.

In 2002 Council approved a similar interim loan request for Markhaven Inc. totalling $1.8 million for a period not to exceed seven years. The Markhaven loan was secured by a second mortgage on its new 96-bed facility. At that time, it was noted that the requirement for additional long-term beds had been recognized in a report from the Commissioner of Health Services adopted by Council in April 2002 entitled York Region Long-Term Care Facility Bed Allocations and Needs Projection. This report cited the need for 5,700 new beds in the Region of York by the year 2021.

Council's authority to provide financing assistance is derived from Section 113 of the Municipal Act. This Section permits Council to make or guarantee a loan to a not-for-profit institution when it is in the interests of the municipality.

3.2 Development Charge Relief

The Region of York has been requested to provide a Development Charge exemption to Parkview Services on its' proposed development. In accordance with section 3.5 of Regional Development Charge By-Law DC-0005-2003-050, an exemption from regional development charges would be permitted for a building or structure used for a community use owned by a non-profit corporation provided that the area municipality in which the development is to be located does not collect development charges with respect to that type of development.

4. ANALYSIS AND OPTIONS

4.1 Capital Costs and Financing Sources

Total capital costs including assigned land value of the severed land are estimated at $18,994,273 or $148,393 per bed. These costs do not include potential CMHC fees and insurance premiums which could total approximately $630,563.

Initial financing of these capital costs are expected to be derived from the following sources:

Parkview's equity contribution	$ 3,859,322
Construction Loan	12,825,000 *
Region's interim (tertiary) loan	2,309,921
Total financing	$18,994,243

* plus any mortgage insurance fees if applicable

Table 1
Sources of Parkview's Equity

$1,750,000	Land to be developed, currently owned by related corporation
391,196	Professional and related development costs incurred to March 31, 2004
374,736	Unrestricted cash & investments, Parkview (March 31, 2004)
933,057	Completed fundraising to March 31, 2004
252,000	Net Proceeds on Closing of Existing Home and Apartments
(116,667)	Balance required to discharge existing mortgages
275,000	Home surpluses to December 2004
$3,859,322	Total Equity Available Prior to Construction Start

The Region's interim loan is to be repaid within two to three years from the net proceeds of the sale of the Rupert Street property ($1,209,951 as described below) and future fundraising receipts estimated at $1.1 million.

Parkview will be seeking a conventional or CMHC insured floating rate construction loan of approximately $12,825,000 plus any mortgage insurance premium fees if applicable.

This construction loan will be converted to a fixed rate long-term (20 year) first mortgage upon substantial completion estimated to be within 22 months from the first construction draw.

4.2 Repayment

As noted, Parkview is proposing to repay its $2.31 million loan from the Region with the proceeds of a fund raising campaign and the sale of the Rupert Street property.

4.2.1 Fundraising Campaign

In 2002 based on a fundraising consultant's report, Parkview originally set a $3 million target for its Capital Fundraising Campaign which was to run from July 2002 to the end of December 2006.

After the campaign commenced, Parkview decided to sell the Rupert Ave. property to generate additional equity for the project. It was then determined that $2 million was a sufficient target and any surplus funds would be used for enhancements, general corporate purposes or future development.

To date, Parkview has raised approximately $1.7 million in cash and pledges. The intent of the interim loan from the Region is to assist in bridging the timing gap of the collections of the personal and corporate pledges as well as the Vendor Take Back payment discussed below. Parkview has indicated that assignment of the pledges could be provided as partial security for the interim loan.

4.2.2 Sale of Rupert Avenue Property

In order to generate further equity for the project, Parkview decided to sell their existing "D" home and apartments on Rupert Avenue. Parkview has received a valid offer from an interested party which generally provides the following:

- Purchase price of $3.7 million.
    - $400,000 total cash provided upon closing ($252,000 net of sales commission of $148,000).
    - $300,000 Vendor-Take-Back (VTB) first mortgage subject to the usual adjustments and closing – VTB to be repaid in one year.
    - $3,000,000 VTB first mortgage to be repaid in two years.

Parkview will use a portion of the proceeds of the VTB mortgages when they are repaid in the next two years to repay any outstanding loan remaining (after interest fundraising repayments) with the Region.

Parkview is satisfied that the offer is fair and reasonable given current market conditions. An appraisal by an Accredited Appraiser Canadian Institute was undertaken to assist in their decision.

Parkview has stated that upon closing of the sale, it will utilize existing housing reserves to fully discharge both an existing CMHC Social Housing mortgage and a Toronto Dominion Bank mortgage which together total approximately $775,874. Parkview has commenced discussions with the necessary government authorities to provide for the discharge of the Social Housing Mortgage.

4.3 Pro-forma Operating Costs and Revenues

A business case for the project was provided by Parkview in order to demonstrate that sufficient operating funds would be generated each year to cover the annual debt servicing costs of the long-term loan. Table 2 provides a summary of the projected operating budget for the new facility.

As Table 2 indicates net operating income available to service long-term debt would equate to $30.34 per diem. The costs of servicing the required long-term mortgage of $12,825,000 at 6% for 20 years would equate to $23.93 leaving a surplus of approximately $6.41 per diem to cover contingencies.

Table 2
Pro-forma Operating Income/Expense Summary

Case Mix Index: (Projected – 100)	Revenue/diem	Expenses/diem	Net/diem
Nursing and Personal Care	$63.84	$63.84	--
Program and Personal Support	$6.00	$6.00	--
Raw Food	$5.24	$5.24	--
Accommodation	$42.93	$34.28	$8.65
Total All Envelopes	$118.01	$109.36	$8.65
Co-payment Preferred Revenue	$10.80	--	$10.80
Accreditation	$0.33	--	$0.33
Ancillary Income	$0.21	--	$0.21
MOH Enhanced Funding	$10.35	--	$10.35
Net Operating Income(EBITDA)			**$30.34**

4.4 Outstanding Issues

Although the form of the proposal and business plan is similar to that submitted by Markhaven in their request for financing, certain issues need to be addressed prior to advancing any interim financing.

These issues include the following:

1. The Region receive a written confirmation from the Ontario Association of Non-Profit Homes and Services for Seniors (OANHSS) and Ontario Resource Development Service (ORDS) that indicates that the information provided in the Parkview proposal is reliable.

2. Prior to the Region of York endorsing the mortgage discharge on the Rupert Avenue property, Parkview provide an acknowledgement from each tenant of the 36-unit senior's apartment building on the existing site indicating they have been notified of the tenancy implications of the sale of the site. Also, that Parkview obtain Provincial support to discharge the current mortgage.

3. The current operating agreement requires Parkview to seek Regional comment prior to expending capital reserves which it is proposing to do in order to discharge the existing mortgage.

4. As the budget for the project was dated June 2004, Parkview should provide an updated estimate based on current construction costs.

5. As the land is not being offered as security and much of the repayment of the Region's loan is contingent on the financial ability of the purchaser to repay the VTB mortgage at the end of two years, Parkview should provide a financial profile of the purchaser and demonstrate that any related financial agreements are appropriate and adequate.

6. Parkview should also provide details relating to who are the major fundraising pledges and their financial capability to honour their commitments.

7. Parkview demonstrate its ability to secure both the necessary construction financing and long-term take-out (mortgage) financing prior to the Region advancing any interim financing.

4.5 Regional Development Charges

The Region of York has been requested to provide a Development Charge exemption to Parkview Services on its' proposed development.

Since Parkview Home for the Aged is a publicly funded, not-for-profit, charitable organization, and that it is constructing a Long-Term Care facility for public use, the facility would be exempt from regional development charges in accordance with section 3.5 of Regional Development Charge By-Law DC-0005-2003-050 provided that the Town of Whitchurch-Stouffville does not collect development charges for the facility.

In order for Parkview to receive relief from development charges in the event that the Town of Whitchurch-Stouffville does not exempt Parkview from its' development charges, Regional Council would be required to authorize the provision of a grant equivalent to the amount of development charges payable on the proposed facility.

5. FINANCIAL IMPLICATIONS

All legal and administration costs relating to the loan or loan agreements outlined in the report will be the responsibility of Parkview.

Based on the prevailing development charge rates, Regional development charges payable are estimated at $267,000. This would be the amount of revenue foregone to the Region should regional development charges be waived.

It is proposed that interest at the rate of 4.0% per annum be charged on this loan which represents the average opportunity cost if these funds were invested by the Region for three years.

6. LOCAL MUNICIPAL IMPACT

The Parkview redevelopment project will provide 19 additional long-term beds for residents of York Region.

7. CONCLUSION

Parkview's business case indicates that it has adequate cash flow to obtain and service the long-term financing required for its redevelopment project. Additionally, the short-term financing of $2.31 million which the Region is being requested to provide is anticipated to be recovered from the sale of property and fundraising proceeds over the next two years. Therefore, subject to the conditions set out in Section 4.4 of this report being met, it is recommended that Council advance $2.31 million in interim financing in order to facilitate the construction of Parkview's proposed 128-bed long-term care facility.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the Agenda for the November 4, 2004 Committee meeting.)