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MATERIAL FINANCING LEASE
VAUGHAN CIVIC CENTRE

The Finance and Administration Committee recommends the adoption of the recommendation contained in the following report dated September 28, 2009, from the Commissioner of Finance.

1. RECOMMENDATION

It is recommended that:

1. Council approve a material financing lease with the City of Vaughan for the development of an affordable seniors' housing project.

2. PURPOSE

This report requests approval of a material financing lease with the City of Vaughan for the development of an affordable seniors' housing project.

3. BACKGROUND

At its meeting of December 2007, Regional Council approved entering into a ground lease with the City of Vaughan concerning the development of an 84 unit seniors' housing project. Access to the site is required as soon as possible to start development, given completion deadlines associated with federal and provincial funding commitments to the project.

While the lease only calls for an annual nominal payment of $2 dollars for 99 years, it was noted just prior to signing the lease the Region has a contractual obligation under the terms of the lease to build a $20 million housing project. This contingent liability could place this lease in the category of a material financing lease which requires additional notification to Council. Provincial Regulation 653/05 requires material financing leases must be reported upon separately by the Treasurer with an assessment of his opinion of the costs and other risks associated with the proposed agreement.

Council has defined material financing leases through the Capital Financing and Debt Policy to be individual financing leases where annual payments exceeded $250,000 per year, or where the net present value of the financing lease exceeded $2.0 million.

4. ANALYSIS AND OPTIONS

This leasing transaction is unique in that the lease does not involve the Region in a standard commercial leasing transaction. Regulation 653/05 requires the Region to examine all material financing leases to determine if the most cost effective procurement method has been pursued. The obtaining of the land for 99 years at a nominal rate is certainly the most efficient procurement possible of the land.

Legal Services and the Finance Department also concur the lease does not in and of itself contain any further obligation to the Region than has already been agreed to. The project is fully budgeted for in the Region's capital budget. Funding contribution agreements have been entered into with the province which outlines the Region's obligation to develop the property.

The lease contains a clause which states the Region could be required to pay for any expenditures arising from work on the subject site that delays the City's work on an adjacent site. This is a commercially accepted practice.

Therefore, it is the opinion of the Treasurer that the Region did not enter into any additional contingent liability as a result of entering into this ground lease with the City of Vaughan.

5. FINANCIAL IMPLICATIONS

There are no financial implications arising from the recommendations in this report.

6. LOCAL MUNICIPAL IMPACT

The execution of this lease facilitated the development of much needed affordable housing development in the City of Vaughan

7. CONCLUSION

The ground lease with City of Vaughan for the construction of an affordable senior's housing project contains a material contingent liability. The Treasurer is of the opinion that the lease does not incur any further potential liability to the Region.

For more information on this report, please contact Len Bulmer, Reserve and Finance Specialist at Ext.1676.

This Report has been reviewed by Senior Management.