

## **CITY OF VAUGHAN**

### **EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017**

Item 4, Report No. 4, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on April 19, 2017.

#### **4 CAPITAL PROJECT RE-9537-17 - YMCA CENTRE OF COMMUNITY, LIBRARY AND RECREATION SPACE PROJECT AND COSTING UPDATE VAUGHAN METROPOLITAN CENTRE WARD 4**

**The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Chief, Corporate Initiatives and Intergovernmental Relations, dated April 3, 2017:**

##### **Recommendation**

The Chief, Corporate Initiatives and Intergovernmental Relations, in consultation with the Deputy City Manager, Legal and Human Resources, Deputy City Manager Community Services, Chief Financial Officer and City Treasurer, Director of Financial Planning and Development Finance and Deputy City Treasurer, and Chief Executive Officer, Vaughan Public Libraries, recommend:

1. THAT Council delegate authority to the Mayor and City Clerk to enter into a Guarantor Agreement and related documents, in a form satisfactory to the Deputy City Manager, Legal and Human Resources and with content satisfactory to the Chief Financial Officer, with the YMCA of Greater Toronto and Infrastructure Ontario;
2. THAT Council delegate authority to the Mayor and City Clerk to enter into all necessary Development, Community Improvement Plan and Construction related agreements, in a form satisfactory to the Deputy City Manager, Legal and Human Resources and with content consistent with this and previous reports and satisfactory to the Chief of Corporate Initiatives and Intergovernmental Relations, the Deputy City Manager Community Services, the Deputy City Manager Planning & Growth Management, the Chief Financial Officer and the Chief Executive Officer Vaughan Public Libraries, with the YMCA of Greater Toronto and Penguin-Calloway Vaughan Partnership (SmartReit);
3. THAT Council direct staff to continue negotiating all Operating related agreements with the YMCA of Greater Toronto and report back to a future Committee meeting prior to execution;
4. THAT Council direct Staff to report back to a future Committee meeting with a by-law designating the YMCA Centre of Community, Library and Recreation Space as a Municipal Capital Facility at the appropriate time in the development process;
5. THAT Council direct Staff to incorporate the revised cost estimate, and resulting City contribution, in to future Capital budgets and forecasts; and
6. THAT Staff continue to pursue additional funding opportunities to offset the City's 2/3 funding commitment for capital and for the City's portion of future operating/lifecycle costs, including grants and corporate partnerships.

##### **Contribution to Sustainability**

As described in the City's Strategic Plan, Vaughan Vision 20|20, Vaughan will continue to be a community of choice that promotes diversity, innovation and opportunity for all citizens, fostering a vibrant community life that is inclusive, progressive, environmentally responsible and sustainable.

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017

#### Item 4, Finance Report No. 4 – Page 2

Green Directions Vaughan embraces a Sustainability First principle. More specifically, Goal four states that sustainability means we make decisions and take actions that focus on “How We Live.” Ensuring that actions by Council and Staff “create a vibrant community where citizens, business and visitors thrive”. More specifically, the following objectives for Goal four apply:

4.1.4. Through creative urban design, as to be described in the new Official Plan, enhance social cohesion by creating more: (1) common indoor and outdoor public spaces; (2) public art; (3) parks and open space; and (4) central, accessible hubs for arts, culture, and recreation.

4.1.6. Provide more partnership opportunities for existing non-profit and volunteer groups to meet the community's social, cultural and recreational needs.

4.2. Ensure that the City of Vaughan attracts businesses and investment that will result in well-paying jobs for Vaughan citizens, a sustainable tax base and continuing prosperity into the 21st Century.

#### Economic Impact

The YMCA Centre of Community Mixed-Use Project, approved by Council in February 2016 (Item 3, Report No. 10, of the Committee of the Whole (Working Session), which was adopted, as amended, by Council, February 16, 2016) highlighted at a conceptual-stage an estimated total cost of \$500 per square foot or \$59.4M. The City's portion of the total project cost estimate was anticipated to be approximately \$45.6M and consisted of 100 percent of the estimated capital costs for the City library and City recreation facilities and up to 2/3 of the capital costs for the YMCA facility.

Original Cost Estimate – Concept Stage February 2016			
Construction Related Capital Costs	City	YMCA	Project Total
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YMCA Space	\$ 27.6	\$ 13.8	\$ 41.4
<b>PROJECT TOTAL</b>	<b>\$ 45.6</b>	<b>\$ 13.8</b>	<b>\$ 59.4</b>

With completion of the mixed-use base building schematic design, and detailed design, the project cost has increased from \$59.4M to \$62.4M. As a result, the City's funding requirement is now \$48.2M which equals an increase of \$2.6M to the City's previously estimated funding commitment. Measures were taken at every step in the process to design the facility having regard for the original cost estimate. As is the case with many transitions from concept to detailed design, there were certain cost escalation factors that were unavoidable. In this case approximately 50 per cent of the \$2.6M is directly related to geotechnical (foundation/watertable) and the inclusion of a budget contingency in the base building budget and fit out budget. The total amount to be guaranteed with IO would be approximately \$66M, inclusive of the project construction cost, initial start-up capital costs and a small component of the land (stratified title) cost, which has been amortized in to the loan.

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017

#### Item 4, Finance Report No. 4 – Page 3

<b>Cost Estimate – March 2017</b>				
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<b>PROJECT TOTAL</b>	<b>\$ 48.2</b>	<b>\$ 14.2</b>	<b>\$ 62.4</b>	<b>\$ 3.1</b>
<b>Project Cost Increase over February 2016 Estimate</b>	<b>\$ 2.6</b>	<b>\$ 0.4</b>	<b>\$ 3.1</b>	

The City's 2017 Capital Budget includes a project in the amount of \$1.87M for the first principal and interest payment on the IO loan. This amount was calculated from the previously estimated funding commitment of \$45.6M, spread over a repayment term of 25 years.

Based on more recent discussions with IO, the repayment term would be a maximum of 20 years, which would revise the annual blended principal and interest payment to \$2.3M. The increase of \$2.6M in the City's total funding requirement would add an additional \$0.15M to the annual blended payment of principal and interest.

The annual repayment amount will be incorporated in to future Capital plans. It should be noted that if there is contingency remaining, or if grants/subsidies are secured, then this blended payment will be reduced.

#### **Communications Plan**

There are a number of communication tools that should be ongoing throughout the project construction and used to support the engagement activities and to build awareness about the project in the community.

Communication tools to Support Community Engagement and the project will be:

- Project Website
- Digital Engagement
- Ads in Local Newspapers
- Signage
- Project Email account

#### **Purpose**

The purpose of this report is to provide Council with an update on planning for the YMCA Centre of Community, City Library and City Recreation Space Mixed-Use project; including progress to date on the negotiation of the necessary agreements, revisions to cost estimates and seek delegated authority to finalize the Guarantor Agreement and Development and Construction related agreements to advance the project to the Construction Phase.

#### **Background - Analysis and Options**

**The project integrates health and wellness with transit and mixed-use development, creating a truly transit-oriented development and people-first place, while simultaneously responding to the financial challenges of the City. With a scheduled opening of Q4|2019 the new YMCA/City Library and Recreation Space will immediately help to create a liveable downtown and urban destination.**

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017

#### Item 4, Finance Report No. 4 – Page 4

The YMCA Centre of Community, first approved by Council in February 2016 (Item 3, Report No. 10, of the Committee of the Whole (Working Session), which was adopted, as amended, by Council, February 16, 2016), is a unique market-driven real estate partnership between SmartREIT, the YMCA and the City that will support the advanced development of the VMC Community Centre and Library.

Diamond Schmitt Architects (DSA) has completed the mixed-use base building and schematic design. In addition to the YMCA, Vaughan Public Library, and City of Vaughan Community Centre, the mixed use project will also have ground level retail and 100,000 sq.ft. of class A office designed for PricewaterhouseCoopers (PwC). The retail and office user will be tenants of SmartReit, while strata title for the Centre of Community and City Space will rest with the YMCA.

Diamond Schmitt's design will feature a prominent gold band around the second level of the exterior of the building giving the City's Library, Community Centre and YMCA a unique feature at the heart of the City's new downtown. (Attachment 1: Draft Exterior/Interior Renderings) The gold band will in time prove to be a noted wayfinding element as the VMC continues to develop and intensify with people and buildings. In addition to the gold band, the building will feature clean sight lines into the building to encourage the connection and activation of the space from an external/internal perspective.

As the base building was being completed, the architecture firm of MacLennan Jaunkalns Miller Architects (MJMA) was retained by the YMCA (has been working in parallel to advance the detailed design of the YMCA and City spaces). Furthermore, in coordination with MJMA and the YMCA, Staff have begun fit out meetings that include; interior design, acoustical elements, IT/Communication, security, kitchen and space planning.

#### **Staff have been working for the past year to complete the binding project term sheet with the YMCA and SmartReit**

The Term Sheet forms the foundation for two sets of agreements. Staff have categorized the agreements as Phase One: Construction and Funding and Phase Two: Operational Agreements.

Phase One: Construction and Funding, which form the basis for this report allow the construction phase to begin in May, 2017. The following agreements are included in this phase:

1. Agreement of Purchase & Sale
2. Development Management Agreement
3. Joint Development & Cost Sharing Agreement
4. Reciprocal Agreement
5. Guarantor Agreement with respect to the Infrastructure Ontario Loan
6. Step-In Agreement
7. Development Charge (DC) Deferral Agreement on the YMCA/Library/City recreation space
8. Community Improvement Plan (CIP) on the office development

Consistent with the approval by Council on September 20, 2016 (Finance, Administration and Audit Committee Report No. 9, Item 11), a DC Deferral is necessary until such time as the YMCA/Library/City Recreation Space can be deemed as a Municipal Capital Facility. This is expected to occur before occupancy. Also consistent with Council approval of the Site Plan on December 13, 2016 (Committee of the Whole Report No. 43, Item 32), staff intend to execute a CIP Agreement consistent with CIP By-law 177-2015 that allows for incentives related to DC, CIL Parkland and a Tax Increment Equivalent Grant.



## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017

#### Item 4, Finance Report No. 4 – Page 5

External legal counsel is currently engaged with Staff on the Phase Two agreements which are the Operating Agreements between the YMCA and City. These agreements will be the subject of a future report to Council (Report Recommendation 3).

**The YMCA development team has been working closely together with the SmartREIT team to ensure we remain aligned on the budget, design and schedule.**

The building is being developed in two stages with two distinct teams. The site development, base building design and construction is being completed by SmartREIT (SR) with Diamond & Schmidt Architects (DSAI) as the architect and PCL as the Construction Manager (CM). The fitout of the City spaces and YMCA are being designed by MacLennan Jaunkalns Miller Architects (MJMA) and a General Contractor (GC) that will be selected through a procurement process by the YMCA next year.

The team that is managing this work on behalf of the City is the YMCA's Senior Vice President of Property Management and Development. He has assembled a team of internal and external resources to design the project as well as address these risks. The internal team consists of a project manager for the design and construction of the site and base building stage, and then the construction of the fitout phase. This team is supported by project coordinators and administration. This team recently completed the Cooper Koo YMCA in Toronto (Certified LEED Gold) and is in the midst of a similar development in the Beach Community in Toronto.

**There has been a significant amount of work organizing the design and procurement approach in a way that maximizes the investment from the City and YMCA and adding market tension and accountability to each decision.**

Managing the risk of the project is a fundamental principle that the YMCA have been addressing through each stage of the project planning. This risk includes cost control management, schedule risk and a quality and efficient design that will allow the programs to thrive yet remain flexible to evolve as our communities grow. This work happens in stages during the initial design phase, procurement phase, and construction phase which moves into operational readiness.

**Cost control has been the top agenda item through this project development**

For the design and planning stages of the project, the YMCA hired a third party cost consultant, Turner & Townsend, who created shadow budgets at the early schematic stage of the design to compare to the budgets prepared by PCL, the constructors engaged by SmartREIT to construct the base building. A second budget was prepared after the completion of the Detailed Design stage of the project. Both of these budgets were completed in a way that gives visibility into the cost ratios and scope boundaries that forms the basis for how the construction costs will be allocated between SmartReit and the YMCA/City. Turner & Townsend has also been engaged for the loan monitoring of the project as they are one of Infrastructure Ontario's approved vendors.

**The project team brings transparency to the design process and ensures that the YMCA and City's interests are being considered in every conversation and design decision.**

Beyond the cost control management work, the team have also engaged a complete design team that is preparing the design for the internal fitout. This architect, MJMA, who presented to VMC Sub Committee this past Fall (Item 27, Report No. 34, Committee of the Whole, adopted without amendment by Council on October 19, 2016) has been working diligently to develop the program in coordination with the City and YMCA users. In addition, MJMA has been engaged to act as a Compliance Consultant to ensure that the site development and base building work that is being designed by DSAI is done in a way that meets the City's and YMCA's specifications and is

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017

#### Item 4, Finance Report No. 4 – Page 6

developed in a way that allows us to complete the fitout work. This brings considerable transparency to the design process and ensures that the YMCA and City's interests are being considered in every conversation and design decision. As part of our energy review, the YMCA determined that the project potentially will have a high likelihood to achieve LEED CI Certification on this project, therefore, a LEED consultant has been added to the project team.

As the fitout design is completed in Q3/2017, the YMCA will begin a process to secure a General Contractor that will perform the fitout work. The project team have developed a phasing strategy with PCL that will provide the necessary access to the site to ensure that the schedule for completion is achieved. In addition, the YMCA have had meetings with the City's Planning and Building Department and have a clear inspection and occupancy plan to move through the stages of construction.

#### **Detailed and Thorough Project Term Sheet Completed by Project Partners adheres to Council Direction and ensures that the City has its interests protected and accomplishes objectives**

With Council's direction, Staff from the City and the YMCA working with external legal counsel, Aird & Berlis on behalf of the YMCA, and McCarthy Tetrault on behalf of the City, substantially completed (March 2017) the Project Term Sheet with the project developer, Penguin-Calloway Vaughan Partnership (PCVP). All of the terms are consistent with the original principles and parameters that were set out in the Staff Report as presented to Council. (Item 3, Report No. 10, of the Committee of the Whole (Working Session), which was adopted, as amended, by Council, February 16, 2016). Only one additional term has been added to extend the City's "step in obligation" (form of financial guarantee) to begin at the commencement of base building construction, rather than the fit out construction phase. This new term is not seen as a high risk item and while it was not specifically articulated in the original staff report, has been a consideration since the beginning of discussions with YMCA and SmartReit.

#### **Infrastructure Ontario will be lending partner to YMCA and the City will act as both Guarantor and Funding Partner**

From the YMCA's exploration into a wide range of borrowing options, Infrastructure Ontario (IO), a crown corporation owned wholly by the Province of Ontario, provides the most favorable interest rates and terms. IO's loan program is one of the alternative financing approaches that the government is using to help municipalities, universities and other public sector partners renew Ontario's public infrastructure. As of December 31, 2016, IO has provided \$8.1 billion in financing to more than 378 different loan clients and 2,319 infrastructure renewal projects with a total project value of more than \$14.2 billion. The YMCA falls under IO's lending category of 'Sports and Recreation Organizations'. However, due to the loan guarantee provided by the City of Vaughan, the YMCA is eligible for the municipal lending rate, which is approximately 40 basis points lower. (ATTACHMENT 2: Overview of the Infrastructure Ontario Loan Program (Power Point Slide Deck))

As discussed in the Economic Impact section, the City would be responsible for both guaranteeing the loan and for funding 2/3 of the YMCA capital cost as well as 100% of the City's Recreation space / Library space capital cost.

The City would also be responsible for funding the interest on the construction financing over the next two years in the same proportions. This 20-year term loan is expected to be provided for in two separate loan commitments:

1. The YMCA facility capital cost being paid for by YMCA (1/3 of YMCA facility cost)
2. The YMCA facility capital cost being funded by the City (2/3 of YMCA facility cost plus 100 per cent of the City Recreation / Library space).

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017

#### Item 4, Finance Report No. 4 – Page 7

Both loans are initially expected to be amortized for a 20-year period and would both have the YMCA as the Borrower and the City as the Guarantor. The loan that is being funded by the City would contain some additional flexibility to renegotiate amortization and interest rates in the future so that the City is in a position to take advantage of market opportunities should they arise. The City's portion of funding for the IO loan repayments would be dealt with in the form of lease payments to the YMCA.

#### **Infrastructure Ontario's rigorous oversight of borrowers provides additional risk mitigation to the City as Guarantor and Funding Partner**

All borrowers are subject to a credit review and are required to meet financial soundness criteria before qualifying for a loan.

Infrastructure Ontario also monitors borrowers on a continuous basis. It conducts financial soundness reviews of its borrowers after loan approval to ensure that their credit quality continues to meet the loan criteria. This includes but is not limited to an annual review of the borrowers' financial statements, adherence with IO's minimum debt service coverage ratios, compliance with all positive/negative financing covenants, and an annual property report regarding operations and building condition.

During construction, there are many checks and balances required to secure monthly financing draws. These include:

1. The requirement for the Borrower to have a Project Manager in place for the Project, reporting to the Borrower, subject to the Lender's prior approval
2. A Board approved Project Implementation Report, which demonstrates the borrower's intent with regards to execution of the Project including defined project management roles, responsibilities and authorities, protocols for approval of change orders, scope changes, contingency expenditure and other similar items
3. The submission of Monthly Project Status reports
4. The requirement for the Borrower to have a Project Monitor (Quantity Surveyor or similarly qualified person) in place for the Project subject to the Lenders' prior approval who will produce for IO:
  - Initial Project Review Report
  - Monthly Project Review and Draw Certification Reports
  - Project Completion Review Report
5. Change orders in excess of a pre-determined amount in a single occurrence and predetermined amount in the aggregate, as prescribed by IO, will require the Lender's prior written approval for the use of the Project contingency or any other funding source

#### **Staff continue to work with the YMCA to secure any relevant government grants that could lessen the 2/3 funding commitment from the City for the construction and related project costs of the YMCA Centre of Community, in addition to long-term operations**

Staff have had several meetings with both Provincial and Federal representatives, including; MPP Steven Del Duca, MPP Gila Martow, MP Deb Schulte, MP Francesco Sorbara, and MP Peter Kent. In addition, Staff have met with key members of the Provincial and Federal Infrastructure Offices.

Reaction to the project at meetings has been positive. During the meetings Staff have emphasized that the project will be:

- Located at the heart of the new downtown and will include a social and recreational facility that supports people of all backgrounds, ages and abilities.

## CITY OF VAUGHAN

### EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017

#### Item 4, Finance Report No. 4 – Page 8

- The project will serve as a social anchor and will draw a more diverse mix people to the new downtown who would not otherwise have a reason to come at this early stage of its development.
- The project supports the major infrastructure investments in transit by supporting residential and office development.

At this time, Staff are awaiting the Phase 2 Federal Infrastructure Funding announcement through the Province.

**Of the total cost of the project that will fall to the City, 10 per cent must be funded using a non-DC funding source however, the impact of the co-funding cost component will be spread over time.**

Typically, the funding source relied upon for these types of projects has been property tax. In an attempt to mitigate future property tax impacts, the lease arrangement with the YMCA and the IO loan will spread the cost up to 20 years.

**The effect on future operating budgets is favourable for the City. Estimates suggest that the City will save more than \$30 million of operating and asset lifecycle costs as the YMCA will assume all operational and lifecycle maintenance costs for their portion of the project.**

While the City's recreation service delivery model is built on a user fee and free program delivery model, the YMCA is membership based. The YMCA operates in this manner largely because it relies only on operating revenues and donations to be sustainable. All revenues generated by the YMCA for memberships and programming will remain with the YMCA. In return, the YMCA will assume all operational and lifecycle maintenance costs for their portion of the project.

The City will be responsible for the operating and life cycle maintenance costs for the 2<sup>nd</sup> level library and 3<sup>rd</sup> level recreation spaces. These costs will not be incurred in this term of Council with the opening of these facilities in October, 2019. Other shared building costs such as utilities and facility maintenance will be allocated to the City through operating agreements with the YMCA which have not yet been finalized, but are expected to have a significantly less impact to the City than traditional City recreation centres given the cost sharing principles involved.

#### **Relationship to Term of Council Service Excellence Strategy Map (2014-2018)**

The Term of Council Service Excellence Strategy Map identifies 16 Council priorities. The partnership with the YMCA directly impacts five of the priorities.

- Facilitate the development of the VMC
- Continue to ensure the safety and well-being of citizens
- Support and promote arts, culture, heritage and sports in the community
- Attract investment and create jobs
- Invest, renew and manage infrastructure and assets

#### **Regional Implications**

Not Applicable

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 19, 2017**

Item 4, Finance Report No. 4 – Page 9

**Conclusion**

**Site Mobilization and the project timeline has been created for an Opening Day in Q4|2019.**

The base building construction mobilization which includes hoarding of the site is scheduled for May 2017. As schedules become solidified Staff will communicate further project updates. Additional construction and tenant milestone dates include:

<b>2017</b>	Spring	Site Mobilization/YMCA Capital Campaign Kick-Off
	Summer	Basement and Office Tower Footings
	Fall	Office Tower Ground Floor Slab
<b>2018</b>	Summer	Curtain Wall Starts
	Fall	Landscape works
<b>2019</b>	Spring	YMCA/City Library/City Recreation Space Substantial Performance
	Spring	YMCA/City Library/City Recreation Space Interior Finishes Start
	<b>Q4</b>	Ribbon Cutting and Activation of Space

Given that the City does not have substantial land holdings in the VMC, this is a tangible way to spotlight municipal investment in social infrastructure and economically beneficial development partnerships.

The built form, public realm and programmatic components of this project will create a primary hub that is a destination for a critical mass of people rather than a place to pass through, helping to achieve the vision for this important Mobility Hub as defined by the VMC Secondary Plan, and highlighted in several other plans and studies including; Regional Official Plan, Regional Centre and Corridor Study and Metrolinx Mobility Hub Plan. The exciting mix of services and amenities at this central location will help to attract and engage a diverse population to the VMC.

The work of Staff in partnership with the YMCA are creating a leading example of successful planning and development using financially sustainable approaches to create the Vaughan Metropolitan Centre, its new downtown.

**Attachments**

1. Draft Project Renderings
2. Overview of the Infrastructure Ontario Loan Program (Power Point Slide Deck)

**Report prepared by:**

Tim Simmonds, Chief Corporate Initiatives and Intergovernmental Relations, Ext. 8427  
Lloyd Noronha, Director, Financial Planning and Dev Finance, Deputy City Treasurer, Ext. 8271

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

**CAPITAL PROJECT RE-9537-17 - YMCA CENTRE OF COMMUNITY, LIBRARY AND RECREATION SPACE PROJECT AND COSTING UPDATE  
VAUGHAN METROPOLITAN CENTRE  
WARD 4**

**Recommendation**

The Chief, Corporate Initiatives and Intergovernmental Relations, in consultation with the Deputy City Manager, Legal and Human Resources, Deputy City Manager Community Services, Chief Financial Officer and City Treasurer, Director of Financial Planning and Development Finance and Deputy City Treasurer, and Chief Executive Officer, Vaughan Public Libraries, recommend:

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**Contribution to Sustainability**

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The annual repayment amount will be incorporated in to future Capital plans. It should be noted that if there is contingency remaining, or if grants/subsidies are secured, then this blended payment will be reduced.

### **Communications Plan**

There are a number of communication tools that should be ongoing throughout the project construction and used to support the engagement activities and to build awareness about the project in the community.

Communication tools to Support Community Engagement and the project will be:

- Project Website
- Digital Engagement
- Ads in Local Newspapers
- Signage
- Project Email account

### **Purpose**

The purpose of this report is to provide Council with an update on planning for the YMCA Centre of Community, City Library and City Recreation Space Mixed-Use project; including progress to date on the negotiation of the necessary agreements, revisions to cost estimates and seek delegated authority to finalize the Guarantor Agreement and Development and Construction related agreements to advance the project to the Construction Phase.

### **Background - Analysis and Options**

**The project integrates health and wellness with transit and mixed-use development, creating a truly transit-oriented development and people-first place, while simultaneously responding to the financial challenges of the City. With a scheduled opening of Q4|2019 the new YMCA/City Library and Recreation Space will immediately help to create a liveable downtown and urban destination.**

The YMCA Centre of Community, first approved by Council in February 2016 (Item 3, Report No. 10, of the Committee of the Whole (Working Session), which was adopted, as amended, by Council, February 16, 2016), is a unique market-driven real estate partnership between SmartREIT, the YMCA and the City that will support the advanced development of the VMC Community Centre and Library.

Diamond Schmitt Architects (DSA) has completed the mixed-use base building and schematic design. In addition to the YMCA, Vaughan Public Library, and City of Vaughan Community Centre, the mixed use project will also have ground level retail and 100,000 sq.ft. of class A office designed for PricewaterhouseCoopers (PwC). The retail and office user will be tenants of SmartReit, while strata title for the Centre of Community and City Space will rest with the YMCA.



Diamond Schmitt's design will feature a prominent gold band around the second level of the exterior of the building giving the City's Library, Community Centre and YMCA a unique feature at the heart of the City's new downtown. (Attachment 1: Draft Exterior/Interior Renderings) The gold band will in time prove to be a noted wayfinding element as the VMC continues to develop and intensify with people and buildings. In addition to the gold band, the building will feature clean sight lines into the building to encourage the connection and activation of the space from an external/internal perspective.

As the base building was being completed, the architecture firm of MacLennan Jaunkalns Miller Architects (MJMA) was retained by the YMCA (has been working in parallel to advance the detailed design of the YMCA and City spaces). Furthermore, in coordination with MJMA and the YMCA, Staff have begun fit out meetings that include; interior design, acoustical elements, IT/Communication, security, kitchen and space planning.

**Staff have been working for the past year to complete the binding project term sheet with the YMCA and SmartReit**

The Term Sheet forms the foundation for two sets of agreements. Staff have categorized the agreements as Phase One: Construction and Funding and Phase Two: Operational Agreements.

Phase One: Construction and Funding, which form the basis for this report allow the construction phase to begin in May, 2017. The following agreements are included in this phase:

1. Agreement of Purchase & Sale
2. Development Management Agreement
3. Joint Development & Cost Sharing Agreement
4. Reciprocal Agreement
5. Guarantor Agreement with respect to the Infrastructure Ontario Loan
6. Step-In Agreement
7. Development Charge (DC) Deferral Agreement on the YMCA/Library/City recreation space
8. Community Improvement Plan (CIP) on the office development

Consistent with the approval by Council on September 20, 2016 (Finance, Administration and Audit Committee Report No. 9, Item 11), a DC Deferral is necessary until such time as the YMCA/Library/City Recreation Space can be deemed as a Municipal Capital Facility. This is expected to occur before occupancy. Also consistent with Council approval of the Site Plan on December 13, 2016 (Committee of the Whole Report No. 43, Item 32), staff intend to execute a CIP Agreement consistent with CIP By-law 177-2015 that allows for incentives related to DC, CIL Parkland and a Tax Increment Equivalent Grant.

External legal counsel is currently engaged with Staff on the Phase Two agreements which are the Operating Agreements between the YMCA and City. These agreements will be the subject of a future report to Council (Report Recommendation 3).

**The YMCA development team has been working closely together with the SmartREIT team to ensure we remain aligned on the budget, design and schedule.**

The building is being developed in two stages with two distinct teams. The site development, base building design and construction is being completed by SmartREIT (SR) with Diamond & Schmidt Architects (DSAI) as the architect and PCL as the Construction Manager (CM). The fitout of the City spaces and YMCA are being designed by MacLennan Jaunkalns Miller Architects (MJMA) and a General Contractor (GC) that will be selected through a procurement process by the YMCA next year.

The team that is managing this work on behalf of the City is the YMCA's Senior Vice President of Property Management and Development. He has assembled a team of internal and external resources to design the project as well as address these risks. The internal team consists of a project manager for the design and construction of the site and base building stage, and then the construction of the fitout phase. This team is supported by project coordinators and administration. This team recently completed the Cooper Koo YMCA in Toronto (Certified LEED Gold) and is in the midst of a similar development in the Beach Community in Toronto.

**There has been a significant amount of work organizing the design and procurement approach in a way that maximizes the investment from the City and YMCA and adding market tension and accountability to each decision.**

Managing the risk of the project is a fundamental principle that the YMCA have been addressing through each stage of the project planning. This risk includes cost control management, schedule risk and a quality and efficient design that will allow the programs to thrive yet remain flexible to evolve as our communities grow. This work happens in stages during the initial design phase, procurement phase, and construction phase which moves into operational readiness.

**Cost control has been the top agenda item through this project development**

For the design and planning stages of the project, the YMCA hired a third party cost consultant, Turner & Townsend, who created shadow budgets at the early schematic stage of the design to compare to the budgets prepared by PCL, the constructors engaged by SmartREIT to construct the base building. A second budget was prepared after the completion of the Detailed Design stage of the project. Both of these budgets were completed in a way that gives visibility into the cost ratios and scope boundaries that forms the basis for how the construction costs will be allocated between SmartReit and the YMCA/City. Turner & Townsend has also been engaged for the loan monitoring of the project as they are one of Infrastructure Ontario's approved vendors.

**The project team brings transparency to the design process and ensures that the YMCA and City's interests are being considered in every conversation and design decision.**

Beyond the cost control management work, the team have also engaged a complete design team that is preparing the design for the internal fitout. This architect, MJMA, who presented to VMC Sub Committee this past Fall (Item 27, Report No. 34, Committee of the Whole, adopted without amendment by Council on October 19, 2016) has been working diligently to develop the program in coordination with the City and YMCA users. In addition, MJMA has been engaged to act as a Compliance Consultant to ensure that the site development and base building work that is being designed by DSAI is done in a way that meets the City's and YMCA's specifications and is developed in a way that allows us to complete the fitout work. This brings considerable transparency to the design process and ensures that the YMCA and City's interests are being considered in every conversation and design decision. As part of our energy review, the YMCA determined that the project potentially will have a high likelihood to achieve LEED CI Certification on this project, therefore, a LEED consultant has been added to the project team.

As the fitout design is completed in Q3/2017, the YMCA will begin a process to secure a General Contractor that will perform the fitout work. The project team have developed a phasing strategy with PCL that will provide the necessary access to the site to ensure that the schedule for completion is achieved. In addition, the YMCA have had meetings with the City's Planning and Building Department and have a clear inspection and occupancy plan to move through the stages of construction.

**Detailed and Thorough Project Term Sheet Completed by Project Partners adheres to Council Direction and ensures that the City has its interests protected and accomplishes objectives**

With Council's direction, Staff from the City and the YMCA working with external legal counsel, Aird & Berlis on behalf of the YMCA, and McCarthy Tetrault on behalf of the City, substantially completed (March 2017) the Project Term Sheet with the project developer, Penguin-Calloway Vaughan Partnership (PCVP). All of the terms are consistent with the original principles and parameters that were set out in the Staff Report as presented to Council. (Item 3, Report No. 10, of the Committee of the Whole (Working Session), which was adopted, as amended, by Council, February 16, 2016). Only one additional term has been added to extend the City's "step in obligation" (form of financial guarantee) to begin at the commencement of base building construction, rather than the fit out construction phase. This new term is not seen as a high risk item and while it was not specifically articulated in the original staff report, has been a consideration since the beginning of discussions with YMCA and SmartReit.

**Infrastructure Ontario will be lending partner to YMCA and the City will act as both Guarantor and Funding Partner**

From the YMCA's exploration into a wide range of borrowing options, Infrastructure Ontario (IO), a crown corporation owned wholly by the Province of Ontario, provides the most favorable interest rates and terms. IO's loan program is one of the alternative financing approaches that the government is using to help municipalities, universities and other public sector partners renew Ontario's public infrastructure. As of December 31, 2016, IO has provided \$8.1 billion in financing to more than 378 different loan clients and 2,319 infrastructure renewal projects with a total project value of more than \$14.2 billion. The YMCA falls under IO's lending category of 'Sports and Recreation Organizations'. However, due to the loan guarantee provided by the City of Vaughan, the YMCA is eligible for the municipal lending rate, which is approximately 40 basis points lower. (ATTACHMENT 2: Overview of the Infrastructure Ontario Loan Program (Power Point Slide Deck))

As discussed in the Economic Impact section, the City would be responsible for both guaranteeing the loan and for funding 2/3 of the YMCA capital cost as well as 100% of the City's Recreation space / Library space capital cost.

The City would also be responsible for funding the interest on the construction financing over the next two years in the same proportions. This 20-year term loan is expected to be provided for in two separate loan commitments:

1. The YMCA facility capital cost being paid for by YMCA (1/3 of YMCA facility cost)
2. The YMCA facility capital cost being funded by the City (2/3 of YMCA facility cost plus 100 per cent of the City Recreation / Library space).

Both loans are initially expected to be amortized for a 20-year period and would both have the YMCA as the Borrower and the City as the Guarantor. The loan that is being funded by the City would contain some additional flexibility to renegotiate amortization and interest rates in the future so that the City is in a position to take advantage of market opportunities should they arise. The City's portion of funding for the IO loan repayments would be dealt with in the form of lease payments to the YMCA.

**Infrastructure Ontario's rigorous oversight of borrowers provides additional risk mitigation to the City as Guarantor and Funding Partner**

All borrowers are subject to a credit review and are required to meet financial soundness criteria before qualifying for a loan.

Infrastructure Ontario also monitors borrowers on a continuous basis. It conducts financial soundness reviews of its borrowers after loan approval to ensure that their credit quality continues to meet the loan criteria. This includes but is not limited to an annual review of the borrowers' financial statements, adherence with IO's minimum debt service coverage ratios, compliance with all positive/negative financing covenants, and an annual property report regarding operations and building condition.

During construction, there are many checks and balances required to secure monthly financing draws. These include:

1. The requirement for the Borrower to have a Project Manager in place for the Project, reporting to the Borrower, subject to the Lender's prior approval
2. A Board approved Project Implementation Report, which demonstrates the borrower's intent with regards to execution of the Project including defined project management roles, responsibilities and authorities, protocols for approval of change orders, scope changes, contingency expenditure and other similar items
3. The submission of Monthly Project Status reports
4. The requirement for the Borrower to have a Project Monitor (Quantity Surveyor or similarly qualified person) in place for the Project subject to the Lenders' prior approval who will produce for IO:
  - Initial Project Review Report
  - Monthly Project Review and Draw Certification Reports
  - Project Completion Review Report
5. Change orders in excess of a pre-determined amount in a single occurrence and predetermined amount in the aggregate, as prescribed by IO, will require the Lender's prior written approval for the use of the Project contingency or any other funding source

**Staff continue to work with the YMCA to secure any relevant government grants that could lessen the 2/3 funding commitment from the City for the construction and related project costs of the YMCA Centre of Community, in addition to long-term operations**

Staff have had several meetings with both Provincial and Federal representatives, including; MPP Steven Del Duca, MPP Gila Martow, MP Deb Schulte, MP Francesco Sorbara, and MP Peter Kent. In addition, Staff have met with key members of the Provincial and Federal Infrastructure Offices.

Reaction to the project at meetings has been positive. During the meetings Staff have emphasized that the project will be:

- Located at the heart of the new downtown and will include a social and recreational facility that supports people of all backgrounds, ages and abilities.
- The project will serve as a social anchor and will draw a more diverse mix people to the new downtown who would not otherwise have a reason to come at this early stage of its development.
- The project supports the major infrastructure investments in transit by supporting residential and office development.

At this time, Staff are awaiting the Phase 2 Federal Infrastructure Funding announcement through the Province.

**Of the total cost of the project that will fall to the City, 10 per cent must be funded using a non-DC funding source however, the impact of the co-funding cost component will be spread over time.**

Typically, the funding source relied upon for these types of projects has been property tax. In an attempt to mitigate future property tax impacts, the lease arrangement with the YMCA and the IO loan will spread the cost up to 20 years.

**The effect on future operating budgets is favourable for the City. Estimates suggest that the City will save more than \$30 million of operating and asset lifecycle costs as the YMCA will assume all operational and lifecycle maintenance costs for their portion of the project.**

While the City's recreation service delivery model is built on a user fee and free program delivery model, the YMCA is membership based. The YMCA operates in this manner largely because it relies only on operating revenues and donations to be sustainable. All revenues generated by the YMCA for memberships and programming will remain with the YMCA. In return, the YMCA will assume all operational and lifecycle maintenance costs for their portion of the project.

The City will be responsible for the operating and life cycle maintenance costs for the 2<sup>nd</sup> level library and 3<sup>rd</sup> level recreation spaces. These costs will not be incurred in this term of Council with the opening of these facilities in October, 2019. Other shared building costs such as utilities and facility maintenance will be allocated to the City through operating agreements with the YMCA which have not yet been finalized, but are expected to have a significantly less impact to the City than traditional City recreation centres given the cost sharing principles involved.

#### **Relationship to Term of Council Service Excellence Strategy Map (2014-2018)**

The Term of Council Service Excellence Strategy Map identifies 16 Council priorities. The partnership with the YMCA directly impacts five of the priorities.

- Facilitate the development of the VMC
- Continue to ensure the safety and well-being of citizens
- Support and promote arts, culture, heritage and sports in the community
- Attract investment and create jobs
- Invest, renew and manage infrastructure and assets

#### **Regional Implications**

Not Applicable

#### **Conclusion**

**Site Mobilization and the project timeline has been created for an Opening Day in Q4|2019.**

The base building construction mobilization which includes hoarding of the site is scheduled for May 2017. As schedules become solidified Staff will communicate further project updates. Additional construction and tenant milestone dates include:

<b>2017</b>	Spring	Site Mobilization/YMCA Capital Campaign Kick-Off
	Summer	Basement and Office Tower Footings
	Fall	Office Tower Ground Floor Slab
<b>2018</b>	Summer	Curtain Wall Starts
	Fall	Landscape works
<b>2019</b>	Spring	YMCA/City Library/City Recreation Space Substantial Performance
	Spring	YMCA/City Library/City Recreation Space Interior Finishes Start
	<b>Q4</b>	Ribbon Cutting and Activation of Space

Given that the City does not have substantial land holdings in the VMC, this is a tangible way to spotlight municipal investment in social infrastructure and economically beneficial development partnerships.

The built form, public realm and programmatic components of this project will create a primary hub that is a destination for a critical mass of people rather than a place to pass through, helping to achieve the vision for this important Mobility Hub as defined by the VMC Secondary Plan, and highlighted in several other plans and studies including; Regional Official Plan, Regional Centre and Corridor Study and Metrolinx Mobility Hub Plan. The exciting mix of services and amenities at this central location will help to attract and engage a diverse population to the VMC.

The work of Staff in partnership with the YMCA are creating a leading example of successful planning and development using financially sustainable approaches to create the Vaughan Metropolitan Centre, its new downtown.

#### **Attachments**

1. Draft Project Renderings
2. Overview of the Infrastructure Ontario Loan Program (Power Point Slide Deck)

#### **Report prepared by:**

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Respectfully submitted,

Tim Simmonds  
Chief Corporate Initiatives and Intergovernmental Relations





















the Y  
YMCA

VMC3

Storage



# Overview of Infrastructure Ontario's Loan Program

Affordable financing in support of infrastructure renewal



# Loan Program

- ▶ IO's Loan Program is an alternative financing approach that provides affordable, long-term loans to renew and build public infrastructure
  - The program provides a lower-cost, longer-term financial product than is offered by private sector financial institutions
- ▶ Since 2003, the government has broadened the Loan Program several times to include additional broad public sector groups
  - The government sets the policy for all sectors; IO administers the Loan Program on behalf of the government



# Loan Program Benefits

- ▶ Rates are the same for all borrowers, within each sector
- ▶ All capital expenditures for infrastructure purposes are eligible
- ▶ Hassle-free access to capital markets
  - No need to be rated, no minimum / no maximum
- ▶ Affordable all-in blended rates
  - No additional transaction fees or commissions
- ▶ Longer terms than generally available elsewhere
  - One month construction loans and 5 to 30 year take-out financing
- ▶ Online application
  - Dedicated knowledgeable staff

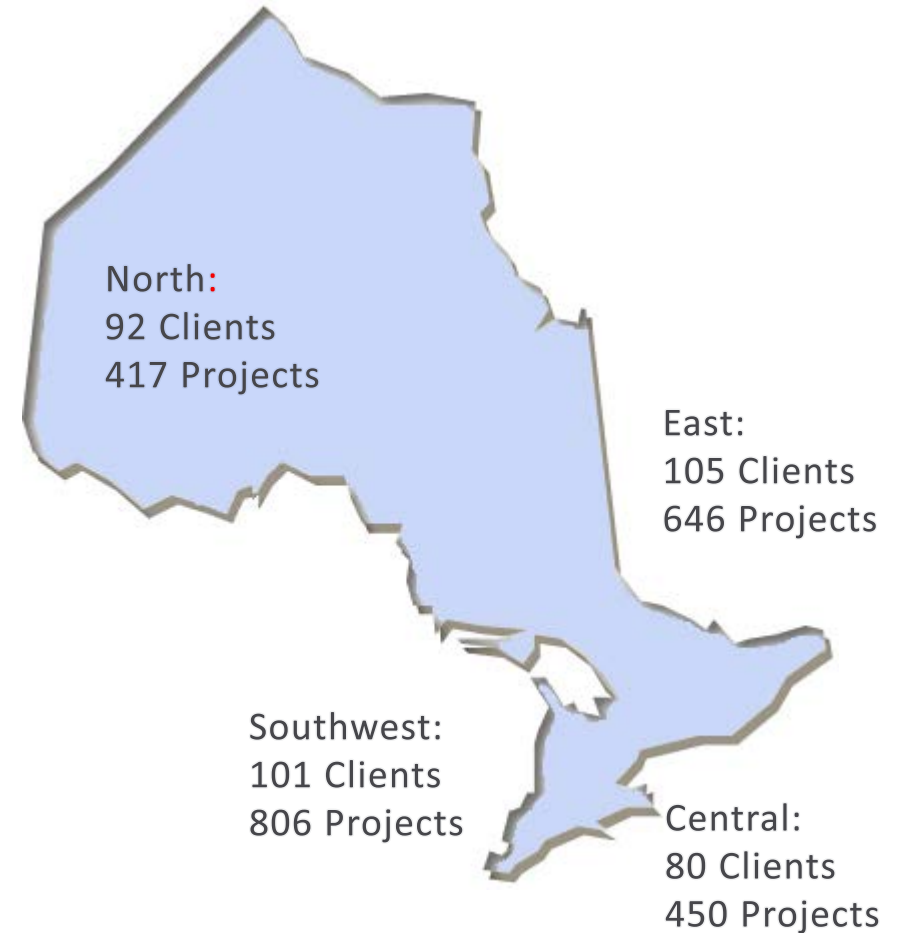


# Financing comparison

		Capital Markets	Bank Financing
Rating Fee	None	Yes	None
Advisory and Other Professional	None	Yes	50-75 basis points
Legal Costs	Yes	Yes	Varies with transaction size and complexity
Ease of Application Process	Moderate	Low	Moderate
Interest Rate	Ontario Yield + Cost of providing the service	Markets + Rating	Directly related to credit worthiness of borrower
Term	Up to 30 years	Up to 30 years	5 to 10 years
Refinancing Risk	No	No	Yes
Interest Rate Risk	No	No	Yes
Needed Knowledge/Experience	Low - Moderate	High	Moderate - High
Amount	No min/max	\$30 Million +	less than \$10 Million
Access to Funds	Continuous	1 - 2 years	Continuous
Debt Structure	Flexible	Limited	Flexible

# Loan Program: Statistics

- ▶ IO has advanced \$8.1 billion in affordable long-term financing to public sector clients throughout Ontario
  - Represents 378 clients and 2,319 infrastructure renewal projects with a total project value of more than \$14.2 billion
- ▶ Municipalities, municipal corporations, and housing providers make up almost 90% of the loan volume (by value)

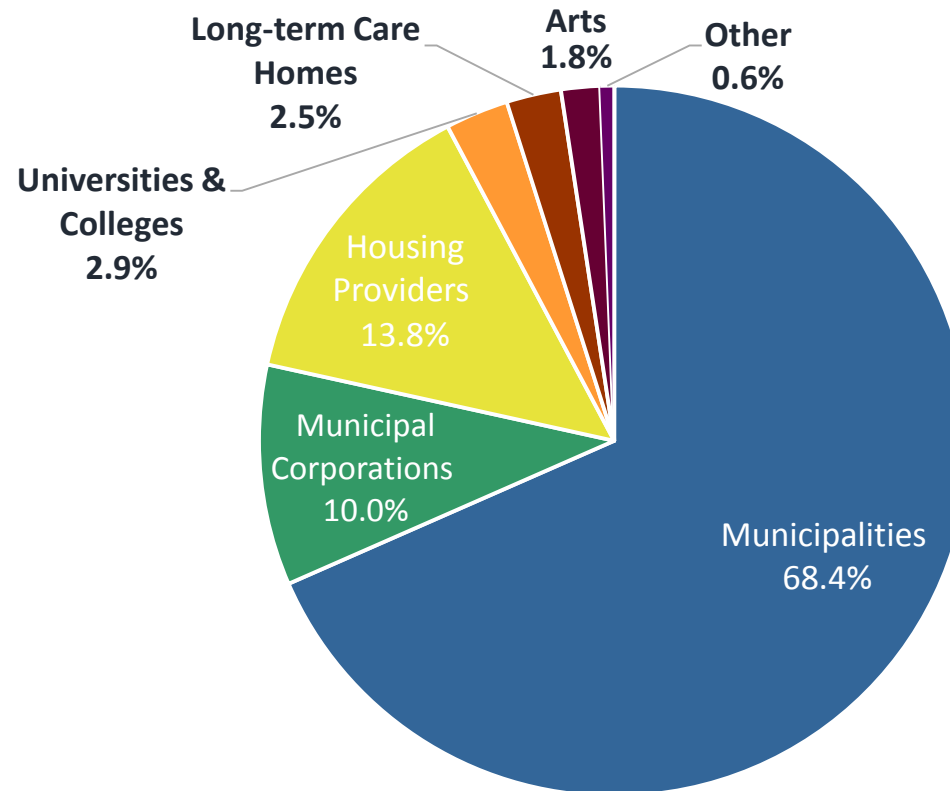


(as of December 30, 2016)



# Loan Program: Portfolio

- ▶ Advanced loans as of December 31, 2016, total \$8.1 billion



- “Other” category includes Community Health and Social Services Hubs, Aboriginal Health Access Centres, non-profit sports and recreation organizations, and Local Services Boards

# Current Municipal Rates as of February 23, 2017

Term	Construction	Serial	Amortizer
1 Month	1.50%	-	-
5 Year	-	1.94%	1.94%
10 Year	-	2.55%	2.58%
15 Year	-	3.00%	3.05%
20 Year	-	3.33%	3.42%
25 Year	-	3.52%	3.61%
30 Year	-	3.60%	3.69%

## About Our Lending Rates

Our online lending rates are updated frequently as we track the movement of our cost of borrowing in the capital markets.

**Debentures** - rates on debentures are fixed for the entire life of the loan once the debenture is purchased by Infrastructure Ontario.

**Construction Loans** - for construction loans, rates float throughout the term of the loan until they are replaced by a debenture. Construction loan requests over \$75 million are subject to funding availability and interest rates may vary from those posted.

**\*\***These interest rates are the all-in cost for loans of the term and type selected.



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