



memorandum

<u>C 2</u> COMMUNICATION
CW (WORKING SESSION) February 9 16
ITEM - <u>3</u>

DATE: February 8, 2016

TO: Hon. Mayor Bevilacqua and Members of Council

FROM: Tim Simmonds, Chief Corporate Initiatives and Intergovernmental Relations

RE: **COMMITTEE OF THE WHOLE (WORKING SESSION) FEBRUARY 9, 2016 VAUGHAN METROPOLITAN CENTRE (VMC) YMCA CENTRE OF COMMUNITY, LIBRARY AND RECREATION SPACE PROPOSED FUNDING PARTNERSHIP WITH THE YMCA OF GREATER TORONTO**

This memo is in response to the comments and questions forwarded to Staff via email on February 2 from Deputy Mayor and Regional Councillor Di Biase. Staff would like to thank Council for the opportunity to provide additional information and address the comments and questions proposed about this important city building initiative.

Staff have consulted throughout this project with the following external expertise; VMC Development Facilitator, Live/Work/Learn/Play; McCarthy Tétrault LLP; and, Hemson Consulting. In addition, Real Estate Appraisals were conducted with Deloitte LLP and Colliers International Realty Advisors. The YMCA retained their own external legal expertise, Aird & Berlis LLP.

The memo has been organized into three sections:

- Section A: General Comments and Expanded Context –**
This section addresses the comment section received via email
- Section B: Response to Questions Raised at the Committee of the Whole CLOSED Session, February 2, 2016**
- Section C: Response to Questions Raised via Email**

Section A: General Comments and Expanded Context:

Partnerships are Financial and Social

In a broad sense, a partnership is any cooperative endeavor undertaken by multiple parties. The City has a myriad of partnerships, such as: The Sports Village, Ontario Soccer Centre, Vaughan Business Enterprise Centre, Vaughan Community Health Centre, Soccer Clubs, Seniors Clubs and Recreation and Cultural programming to name but a few.

Each partnership is unique. With the proposed opportunity to partner with the YMCA of Greater Toronto, Staff used the Council endorsed 2010 Official Plan, VMC Secondary Plan, Development Charges Background Study and Active Together Master Plan (ATMP) as guiding documents to inform the work presented.

Each partner will have a financial investment in the 119,200 sq.ft. facility. Although the capital expenditures appear to be 'skewed' to favour the YMCA (\$13.8M capital investment) as Staff recommends the City provide \$45.6M toward capital, and additional costs for the Strata Title, it is important to understand that the YMCA, as the City's partner, will operate the facility with the exception of the City Library and Recreation Space. This will generate annual savings for the City of \$2M in operating and maintenance (O/M) costs. O/M costs, which continually rise, are not currently recovered through program fees at the City's 10 Community Centres. Correspondingly, all revenue generated at the City facilities remain with the City. Under the terms of the proposed agreement the long-term return on investment through this partnership will be much greater than the initial capital investment.

In addition to the annual O/M savings, the YMCA brings one of the strongest and longest operating (165 years) not-for-profit brands to the VMC. This allows the City to leverage the YMCA's operating model, which focuses on inclusiveness and accessibility to people of all ages and abilities, and pair it with guaranteed public access. This mirrors the definition of partnerships in the ATMP which states that maximizing the resources of each party is seen as a beneficial way to increase the amount of publicly accessible facilities provided, so long as the public interest is maximized and the partnerships fulfill the desired objectives of the City and its partners.

Accelerated Development Fulfills Broader Social and Financial Goals

The Development Charges Background Study is clear that given that this project belongs to the "soft services" category for DC's and face several funding restrictions that are not experienced by

that of roads, water, waste water and storm water infrastructure, it will therefore by necessity, have to be approached differently in the VMC.

The DC Background Study for “soft services” is a guideline which is used to set the DC rate. The timing and order of project delivery is not set in stone and can be adjusted based on the City's needs while providing a snapshot of a forecasted capital program at a specified point in time (for the 2013 DC Background Study this was a forecast built in 2012).

The intent of the DC Background Study is not meant to limit a municipality to that specific costing or sequencing of capital projects. Rather, municipalities are able to re-prioritize and reallocate costs as needed, so long as it is only spending within its ‘maximum allowable’ envelope as set out in the DC Background Study. Most municipalities, including the City of Vaughan have deviated from their capital plan as presented in their current DC Background Study.

The Study is updated every 5 years and any changes in the capital program are captured in that next iteration. By moving the Block 40/41 Library and Community Centre, this allows the VMC project to move forward while still remaining within the maximum allowable envelope for Library and Recreation growth related services.

As a critical piece of social infrastructure the project could not be financially contemplated without a partnership with the YMCA until post 2028 which would then lag development, new residents and employees. As a partner with the YMCA the City will access the YMCA's ability to finance the project over 25 years through the Province. Therefore, a large portion of the City's \$45.6M proposed capital investment will not be required at time of construction in the same manner as a traditional municipal project. As a result, the partnership gives the City the ability to catalyze residential and office development and create a liveable downtown and urban destination integrating health and wellness with transit and mixed-use development in 2019 while optimizing the City's DC reserves.

Staff Identify Full Capital Costs

Staff are aware, as indicated in the comments, that funding from other levels of government could be difficult for the City. However, the YMCA as the City's partner, has committed to working toward reducing the overall municipal contribution by up to \$13.8M (1/3) and are resourced to do so as this is a core element in their corporate operating model. Staff have also been cautious to not make any assumptions related to the 1/3 funding from another level of government in its financial overview of this project, presenting an upset limit or “worst-case scenario” analysis.

Understanding Future Implications

By moving the capital for construction of the Library and Community Centre in the Block 40/41 to 2023/24 but keeping the land purchase in 2019 allows the VMC project to move forward from 2020/21 while still remaining within the 'maximum allowable' envelope for both Library and Recreation growth related services.

This 'maximum allowable' envelope (calculated in the DC Background Study) ensures that the City is maintaining and staying within its DC service level provisions. The DC Act requires that increases in service levels be funded through non-DC sources. In this project the 1/3 funding from the YMCA's fundraising provides that non-DC source. Another important and positive implication is that the increase in service level while adhering to the DC Act.

Staff Are Cognizant of Tax Implications

A traditional "build", if undertaken, would result in the 10 per cent co-funding or \$4.6 million pressure on taxation in 2019. However, through the partnership with the YMCA the impact will be softened through the previously mentioned 25 year repayment arrangement with the YMCA. Beginning in 2019, the property tax impact for the \$4.6 million co-funding (spread over 25 years) moves the tax impact to 0.1 per cent per year over 25 years. There are also other opportunities that City Staff will explore such as other funding options including the use of Section 37 contributions where possible.

The City will not have to pay the approximately \$2 million in annual costs for operating the facilities, including labour, maintenance, utilities and asset life cycle costs for the community centre and library by partnering with the YMCA, equivalent to a tax impact of 1.2% in 2019 per year (0.8% vs 2%).

PART B:

Response to Questions Raised at the Committee of the Whole (Closed Session)

February 2, 2016

B1. Please provide a list of all the Recreation and Library projects that are forthcoming including the purchase of land. The question was “what impact is this project going to have on our current plans.” With the question was also the notion that the purchase of parkland would be impacted.

- In order to facilitate the construction of the VMC Community Centre and Library the timing of the construction of Block 40/41 facility will need to be adjusted to 2023/24 while the purchase of the land would occur in 2019. This adjustment would better align the timing of the Block 40/41 facility with anticipated growth in the area.
- The Block 40/41 Library construction would also be realigned with the Community Centre.
- The purchase of parkland will not be impacted because parkland is purchased using cash-in-lieu of parkland reserves and does not impact the recreation or library Development Charge reserves

B3. The City is contributing 2/3 toward the capital cost of the total YMCA facility; however, the City’s recreation facility doesn’t provide a daycare facility. How much of the capital cost contribution towards the YMCA facility is attributed towards the daycare space?

- The YMCA daycare space is approximately 6,200 square feet, which is 7 per cent of the total YMCA space
- 7 per cent equates to approximately \$2.2 million of the YMCA cost

Part C:

Response to Questions Raised Via Email:

C1. What is the square footage of the community centre and the library as noted in the City's DC document?

- VMC library is estimated at 36,000 sq. ft. and 1.5 acres
- VMC Community Centre does not provide for a total number of sq. ft. but does indicate 7.5 acres of land. However, in the Active Together Master Plan the Centre is sized at 75,000 sq.ft.
- At the time of drafting the 2013 DC Background Study, little was known about how and when the development of the VMC would come to fruition. As a result, the estimates provided were based on a traditional Community Centre/Library approach

C2. What is the schedule for the community centre and for the library as noted in the DC document?

- Timing within the DC Background Study included:
 - VMC library:

Land	2020
Design	2020
Resource Material	2020/21
Construction	2021
Furniture and Equipment	2021
 - VMC Community Centre:

Land	2017
Feasibility	2019
Construction	2020-2021
- Although this was the estimated timing of the VMC Library and Community Centre, only \$17.1M of the costs fall within the current Development Charge Background Study period (2012-2012). Therefore, the opportunity to use the YMCA's financing capability with the Province will align the capital costs with the DC Background Study.

C3. What is the square footage construction cost being collected as per the DC document for Facilities and Library?

- The historical construction cost per square foot for libraries in the DC background study (excluding land, resource material and furniture/equipment) is \$280/sq. ft. and community centres is \$287/sq. ft. (excluding land, furniture and equipment).

C4. The DC document and Active Together Master Plan takes into account future development and population projections. The timing of these two facilities (Library and Community Centre) was based on future growth. So with only 2,000 residents moving into the VMC by 2018, how can the accelerated timeline be justified? How will the

operating costs funded by taxation (approx. \$1.4 million) be funded with limited growth in the area by 2018?

- The City's Planning and Growth Portfolio have identified that development applications for the VMC project a total of 3,341 residential units by 2018 as communicated to Planning by the applicants.. However, anticipating some delays in development, Staff reported a very conservative population estimate. In addition to VMC residents the proposed facility will be located in the Mobility Hub. YRT/Viva is estimating approximately 20,000 movements per day in 2019 and more than 30,000 people movements by 2031.
- The Persons Per Unit (PPU) as identified in the DC Background Study, for small apartments is 1.6 and 2.23 for large apartments. Assuming 50 per cent of the units will be small and 50 per cent will be large, this equates to a total projected residential population of 7,425 for the 2018-2020 period. See Chart below.

ACTIVE DEVELOPMENT APPLICATION	Residential Units	Estimated Build Out/Occupancy
The Met	591	Q4-2017
Zzen*	420	Q2-2018
Midvale*	430	Q2-2018
Expo Tower 1	353	Currently Partially Occupied
Expo Tower 2	351	Q1-2016
Liberty Maplecrete - Phase 1A **	792	Q3-2018
Liberty Maplecrete - Phase 1B **	228	Q2-2019
Liberty Maplecrete - Phase 2 **	308	Q4-2020
Vaughan City Square - Phase 1 ***	404	Q4-2018
Transit Square	-	Q3-2017
KPMG	-	Q4-2016
Total Residential Units	3877	

C8. What is involved with a community kitchen and how is it a community development tool? Where in the GTA has this been done and was it deemed a success?

- The kitchen is one amenity in the recreational multi-use space. Community or instructional kitchens can provide opportunities for programming and uses that range from hosting community cultural celebrations and events, instructional programming related to the culinary arts, social interaction and corporate team-building. All aspects of such programming attracts visitors and users to the sites which is integral to the development of the VMC.

The inclusion of kitchens as an amenity in community spaces is common because it expands on the variety of potential uses. Recreation Services currently runs very successful culinary programs for a variety of ages that are usually at or beyond the capacity of existing amenities. The inclusion of kitchens and offering culinary programs in recreation centres is a common practice in most municipalities. Examples include Markham, Richmond Hill, Toronto, Brampton and Mississauga.

- The City of Vaughan celebrated the talents of its New Horizons for Seniors Art and Cultural Cooking Program participants with an exhibition of their artwork and cuisine at Vaughan City Hall in 2013. Festivities included a sampling of South Asian, Italian

and Chinese inspired dishes, as well as acrylic, oil, pastel and ink drawing media displays. There was an unveiling of a collaborative "City of the Future" mural created by the participants and instructors of the program depicting their vision of Vaughan's future.

Launched in April 2012, the New Horizons for Seniors Art and Cultural Cooking Program was developed by the City's Recreation and Culture Department in collaboration with the Elspeth Heyworth Centre for Women.

- Recreation and Culture currently has Culinary programming/camps at Al Palladini Community Centre, Maple Community Centre, and Garnet A. Williams.
- A review of detailed programming has yet to take place and will be ongoing in partnership with the YMCA and Vaughan Public Libraries.

C9. How much land is the City acquiring and funding 100% to give to the YMCA? How has this compared to other land transfer for YMCA's projects in the past 5 years? Has the land ownership been totally transferred to the YMCA or leased?

- The City is not acquiring any land for this project as no land is available in the VMC. However, the City is acquiring a Strata Title for the "box" and is funding 100 per cent of that cost.
- Other recent projects in the GTA where the municipality has funded land costs include:
 - Markham – for 20 years, the City has the right to repurchase land donated if the YMCA wishes to sell
 - Oshawa – for 30 years, the City has the right to repurchase land donated if the YMCA wishes to sell
 - City of Toronto – Bridletowne Circle (Scarborough), where the City purchased land from the local school board, will transfer title at no cost to the YMCA for a YMCA and community hub. The YMCA covenants to operate for up to 30 years.
 - City of Toronto – 505 Richmond St W – provided land for a new YMCA at no cost.

C10. Has a deal been recommended by staff for acceptance and approved by council anywhere else in the GTA? (And what if any differences in what is being recommended.)

- Markham, Oshawa and Toronto. Each YMCA project is unique to the community. However, as noted in question 9 – similarities do exist with land and funding models
- Although this project is with the YMCA of Greater Toronto, similar projects have capital investment and land from the local municipality with local YMCA's. There are successful models in cities across Canada – Langford, B.C., Vancouver, Calgary, Saskatoon, Regina, Winnipeg, London, and Fredericton are but a few.

C11. I need more supporting documentation to understand the cost savings being contemplated by staff. How will YMCA plan for lifecycle replacement? What are the consequences if repairs and replacement are not done in a timely manner?

- YMCA Lifecycle replacement will be funded through a combination of the capital lease for shared spaces with the City of Vaughan and YMCA operations.
- The following chart compares the overall project financials between a City of Vaughan traditional build approach and the proposed strata title interest and lease agreement with the YMCA:

	Option 1	Option 2	
	Traditional	YMCA Lease	
\$M	build	agreement	Difference
	Facility		
<i>Construction-related Capital Costs</i>			
Community centre & recreation space	50.9	39.4	11.4
City library	6.1	6.1	-
Total Capital Construction Costs	57.0	45.6	11.4
<i>Operating & Maintenance Costs (Over 30 years)**</i>			
Net Operating Costs - City Library	24.1	25.4	(1.2)
Net Operating Costs - City Recreation	77.0	15.6	61.4
Total Net Operating Costs	101.1	41.0	60.1

Financial Assumptions

** - includes asset lifecycle costs and capital repayment interest costs in lease agreement and excludes net present value calculation. For comparative purposes total costs under both options are compared over 30 years.

- The savings under the YMCA lease agreement is as a result of:
 - As expropriation is extremely difficult in this vicinity the City would face a lengthy appeal process (approximately 15 years) and would be required to pay compounding expropriation interest. Additionally, the City would be required to pay all legal and consulting fees for both the City and the landowner.
 - \$11.4M in construction savings related capital due to the 1/3 contribution from the YMCA
 - \$2M in annual operating & maintenance savings due to YMCA covering all the operating and maintenance cost for the YMCA facility. Under the traditional approach the City would be responsible for these additional operating and maintenance costs.

C13. Can staff provide a detailed comparison between what is being recommended in this report and The Richmond street project in the city of Toronto. What are the common conditions, and what are the differences between the two projects?

- The Richmond Street project in the City of Toronto is very similar to VMC in that a YMCA Centre of Community will be built within a mixed use development. Other key similarities and differences are:
 - Mixed use – While the VMC project will have a mix of non-residential uses (office and retail), the Richmond redevelopment includes residential condominiums above and retail space below the YMCA facility.
 - Land – in both projects, the YMCA will own a strata of land that includes the facility. The City of Toronto already owns the entire redevelopment property, so will not have to fund an acquisition but as stated, is providing land at no cost.
 - Building/Facility ownership – in both projects, YMCA will own the facility.
 - Municipal space in the development - in the Richmond project, there is no City of Toronto space.
 - Construction financing – The City of Toronto has committed to fund up to 2/3 of the YMCA facility cost, which is similar to the upset commitment for the VMC project. In the Richmond project City funding will be provided as costs are incurred, rather than financed through a lease with the YMCA (to pay back debt taken on by the YMCA), as envisioned in the Vaughan project. In both cases, we are seeking a City guarantee of all financing required by YMCA.
 - City step in – In both projects the municipality will have a right to step in and gain ownership/operate the facility if the YMCA operation ceases.
 - Redevelopment/relocation – the owner of the VMC land will retain a right to relocate the facility within a defined area in the VMC if certain conditions are met. This possibility of relocation is not part of the Richmond St. concept.
 - Funding of the Richmond St. YMCA has been authorized by Toronto City Council.

C14. What means of transport will the proposed current 27, 000 residents use to have access to these facilities? Where will they park their vehicles?

- As the VMC develops to 2031 and becomes home to 25,000 residents and 11,000 employees they will have the ability to take transit, walk and bike to the facility. Locating the facility at the 'heart of the VMC' in the mobility hub is one of the most important elements of the project as the City finds a way to meet the goals outlined in Green Directions, our Community Sustainability and Environment Master Plan and the guiding principles of the VMC Secondary Plan and Active Together Master Plan.
- Parking for any of the 27,000 residents that live outside of the VMC but within the 2.5 km retail shed of the facility will have the opportunity to also walk, bike or take

transit in addition to driving to the facility and using paid parking in an adjacent parking structure that will have approximately 1,100 parking stalls. This structure is being proposed with the development but not associated with the YMCA and City.

If you have any questions or would like to set up a meeting to discuss, please don't hesitate to contact me at extension 8427.

Thank You,

A handwritten signature in black ink, appearing to read 'T. Simmonds', written in a cursive style.

Tim Simmonds
Chief Corporate Initiatives and Intergovernmental Relations

Cc: Steve Kanellakos, City Manager
Corporate Management Team