



**STAFF REPORT
ACTION REQUIRED**

**Bloor-Yorkville BIA - Yorkville Avenue Streetscape
Project Financing**

Date:	November 19, 2014
To:	Executive Committee
From:	Deputy City Manager & Chief Financial Officer General Manager Economic Development and Culture
Wards:	27
Reference Number:	P:\2014\Internal Services\Fp\Ec14022Fp

SUMMARY

In August 2013 the Bloor-Yorkville BIA applied for funding of \$1.000 million gross through the Financed Funding option (\$1.000 million maximum; \$0.350 million City / \$0.650 million BIA financing) to complete streetscape improvements to Yorkville Avenue from Bay Street and Avenue Road in conjunction with road resurfacing and water main replacement work. The project was approved by City Council in the 2014 Economic Development and Culture Capital Budget.

When the project was tendered in July, the lowest bid for the BIA streetscaping component of the project was \$2.001 million. On August 25, 2014, City Council allocated an additional \$0.600 million to the project from funds received pursuant to Section 37 of the Planning Act from the development of 21 Avenue Road.

City Council approval is required for an exception to the BIA Capital Cost-Sharing Program Guidelines to increase the financed amount by \$0.401 million from \$0.650 million to \$1.051 million to fully fund the BIA share and allow awarding of the contract. The \$1.051 million of BIA financing is repayable to the City with interest over a period of up to 10 years and is secured under priority lien status in favour of the City.

RECOMMENDATIONS

The Deputy City Manager & Chief Financial Officer & General Manager, Economic Development and Culture recommend that:

1. City Council approve an exception to the BIA Capital Cost-Sharing Guidelines under the Financed Funding Model for the Bloor-Yorkville BIA Yorkville Avenue Project so as to increase the financed funding for the Project by \$0.401 million from \$0.650 million to \$1.051 million to be repaid to the City with interest over a period of up to 10 years;
2. That the Deputy City Manager & Chief Financial Officer and the General Manager, Economic Development and Culture, review the BIA Capital Cost-Share Program Guidelines and report to Executive Committee in 2015 with the results of their review.

Financial Impact

The 2014 Operating Budget for the Bloor –Yorkville BIA is \$2.736 million. The loan of \$1.051 million will require debt service payments of \$0.130 million annually for the 10 year retirement period. All loans to BIAs are secured by the priority lien status of the BIA special charge payable by the BIA membership, such that if a BIA ceases to operate, all debts and obligations can be satisfied through continued assessments of the member properties.

DECISION HISTORY

At its meeting of October 30-November 1, 2012, City Council approved revised BIA Capital Cost-Sharing Program Guidelines designed to offer relief to the program's budget pressures created primarily by the steadily-increasing number BIAs in the City and the growing complexity and scope of BIA streetscape improvement projects.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX23.12>

At its meeting of August 25, 2014, City Council allocated \$0.600 million from Section 37 funds obtained in the development at 21 Avenue Road for the purpose of streetscape improvements to Yorkville Avenue between Bay Street and Avenue Road in the Bloor-Yorkville BIA.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.MM55.56>

COMMENTS

Background

The BIA Capital Cost-Share Program is a major catalyst for revitalizing commercial areas by leveraging BIA participation through cost shared funding. Going back to the

former City of Toronto prior to amalgamation, a 50% City, 50% BIA cost share program has been in place. In 2012, in response to the growing scope and complexity of projects undertaken, rising costs due to inflation, and the increasing number of BIAs that invest in streetscape improvements, City Council approved revised program Guidelines to include two other funding mechanisms.

To help address the funding gap, maintain funding within debt affordability targets and provide BIAs with alternate funding options, a new Financed Funding option was introduced whereby larger projects, between \$0.200 million and \$1.000 million would be funded 35% by the City, and 65% through a loan to the BIA which would be repaid with interest over a period of up to 10 years. A third Financed Funding model was also approved whereby 100% of a project would be financed by the City and repaid by the BIA with interest over up to 10 years. Both of these financed funding streams are designed to enable larger projects to move forward in one phase, achieving economies of scale with less street disruption, and less supporting work by both City staff and the BIA.

According to the Guidelines, the total amount of outstanding loans at any time under the Financed Funding – with City Contribution and Financed Funding and with No City Contribution combined is limited to \$10.0 million in aggregate. Also, the Guidelines are silent about and provide no authority for a combination the two Financed Funding options. This lack of clear authority is the reason for the current urgency concerning funding for the Yorkville Avenue project.

Yorkville Avenue Streetscape – Bay Street to Avenue Road

A tender was issued in July for road resurfacing and water main and service upgrades on Yorkville Avenue between Bay Street and Avenue Road. In order to take advantage of this major construction work, the Economic Development and Culture Division in partnership with the Bloor Yorkville BIA included streetscape improvements in the proposed scope of work. Improvements proposed by the Bloor-Yorkville BIA would create a pedestrianized tree lined street with rolled curbs and uniform granite paving over the road surface and sidewalks.

A high-level capital project totalling \$1.5 million, financed by \$0.350 million of City debt and \$1.150 million of financed BIA contributions was included in the 2014 Council approved Capital Budget for Economic Development and Culture. In the BIA program, high-level projects are included and subsequently assigned during the year to specific BIA projects. As the year progressed, only the Bloor Yorkville BIA project for Yorkville Avenue moved forward as a Financed Funding project and with receipt of the tender closing the lowest bid resulted in the total cost for this project being set at \$2.001 million.

Given the shortfall in financing, staff began to explore other funding options, such as additional Transportation Services funding and S. 37 contributions. On August 25, 2014, City Council allocated an additional \$0.600M to the project, increasing the project cost with from funds received pursuant to Section 37 of the Planning Act from the development of 21 Avenue Road. This added funding, in combination with the agreed

\$1.000 million (\$0.350 million City, \$0.650 million BIA financing) left a financing shortfall of an additional \$0.401 million, to meet the cost anticipated for the streetscape improvements. Following a review of the estimated costs, the BIA agreed to pay the additional increased cost of the project (\$1.051 million instead of \$0.650 million) including interest, through a larger loan from the City.

When proceeding to set up this additional loan amount it became clear to staff that the BIA Capital Cost Share Guidelines did not anticipate or give authority to combine the 2 financed streams. Financed projects were set out in the Guidelines to be no more than \$1 million if shared through the 35% City direct funding / 65% financed stream, or to be to be 100% financed and paid for by the BIA over time. The Bloor Yorkville BIA has made it clear that it is not prepared to fund the full \$2.001 million for this project itself.

	Financing Sources (in \$000s)				Total Project Cost
	City Debt	City Financing 65%/35% Stream	S. 37 Contribution	City Financing Other	
Original Plan - 35% City / 65% BIA Financing	0.350	0.650			1.000
S.37 Financing			0.600		0.600
Additional BIA Financing				0.401	0.401
Total Project Funding	0.350	0.650	0.600	0.401	2.001

Therefore, in order for the project to proceed, City Council approval is required for an exception to the Capital Cost-Sharing Program Guidelines to increase the amount of financing to the BIA from \$0.650 million to \$1.051 million in order to allow awarding of the contract. The \$1.051 million to be financed is repayable to the City by the BIA with interest over a period of up to 10 years and is secured under priority lien status in favour of the City.

It is also recommended that the Deputy City Manager & Chief Financial Officer and the General Manager of Economic Development and Culture undertake a review of the Capital Cost Share Program Guidelines and report to Executive Committee in 2015. It is anticipated that amendments to the financing options will be considered in this review.

CONCLUSION

Economic Development and Culture's BIA Capital Cost-Share Program supports the economic health and vitality of the City's retail and commercial areas by working in close

partnership with BIAs. The action recommended in this report will address an immediate issue in the BIA Capital Cost Share Program and it is anticipated that the review of the Capital Cost Share Program Guidelines can result in needed adjustments to clarify how future BIA Streetscape projects can move forward.

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