



Report to: General Committee

Meeting Date: December 5, 2017

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**SUBJECT:** Extension of Development Charge Deferral – Cornerstone  
Christian Community Church  
**PREPARED BY:** Kevin Ross, Manager, Development Finance – Ext. 2126

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**RECOMMENDATION:**

- 1) That the report titled “Extension of Development Charge Deferral – Cornerstone Christian Community Church” be received;
- 2) That Council authorize an amendment to the current Development Charge Deferral Agreement with the Cornerstone Christian Community Church dated January 9, 2015, to extend the payment due date of the City Wide Hard development charges from January 9, 2015 to October 1, 2021;
- 3) That the Mayor and Clerk be authorized to execute amendments to the Development Charge Deferral Agreement satisfactory to the City Solicitor and the Treasurer, as set out in this Report;
- 4) That Council delegate authority to the Treasurer to approve any future extensions to the Development Charge Deferral Agreement for the benefit of the City;
- 5) And that staff be directed to do all things necessary give effect to these recommendations.

**PURPOSE:**

The purpose of this report is to seek Council approval to extend a deferral agreement executed between the City and Cornerstone Christian Community Church for the deferral of City Wide Hard development charges related to development of Cornerstone Christian Community Church (“Cornerstone”), located at 9642 9<sup>th</sup> Line. The City, in accordance with the current agreement, has the use of the Cornerstone facility to run March Break and Summer camps through to 2018.

**BACKGROUND:**

On May 27, 2014, Council approved a three year deferral of development charges payable by Cornerstone for their facility located at 9642 9<sup>th</sup> Line. This was approved on the basis that the City will be provided access to run Culture (youth) March Break and Summer camps, free of charge, for a three-year period. The recommendation was on the basis that the City will receive financial and strategic value in using the facility free of cost, to expand its Theatre performing arts camp program in the northeastern section of the City.

Cornerstone executed an agreement dated January 9, 2015 which provided for the deferral of \$486,908.53 in City Wide Hard development charges, and included a service level agreement. The agreement includes but is not limited to the following conditions:

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- Adherence to the City's risk management practices in conformance with its liability insurance,
  - The City will have exclusive use of its space when running programs and have access to the gym and storage area for a total of 527 hours per year
    - 9 weeks for 11 hours per day between 7:00am and 6:00pm
    - 4 days for 8 hours each to facilitate preparation for the camps,
  - The City will have preference in the assignment of program space to run its March Break and Summer camps for the years 2016, 2017 and 2018,
  - Cornerstone will provide the required tables and chairs,
  - Cornerstone will be able to run its own programs from space not being utilized by the City,
  - The amount due will be at the higher of (1) the development charges due indexed to the date of payment or, (2) the development charges due plus accrued interest at the Bank of Canada Prime Business Rate.

In executing the agreement, Cornerstone adhered with the City's policy and submitted a letter of credit in the amount of \$550,000 to secure the development charge deferral, and this will be held until the charges are paid in full. The deferral agreement is also registered on Cornerstone's title.

Under the terms of the agreement, Cornerstone is required to pay the development charges three years after the date of execution, or by January 9, 2018.

The City is allowed to defer development charges pursuant to Section 27(1) of the *Development Charges Act*, 1997 as amended, which states "a municipality may enter into an agreement with a person who is required to pay a development charge providing for all or any part of a development charge to be paid before or after it would otherwise be payable".

#### City Usage of Facility

The City commenced usage of the Cornerstone facility in March 2016 to offer performing arts camps to children 6 to 12 years old; these camp programs are developed and run by the staff at the Markham Theatre.

The Theatre runs its primary camp programs in its own facility, and at capacity – also using all spaces available at Unionville High School. Driven by a high customer satisfaction (98%), and with the population increase and significant interest by families in Markham, the Theatre camp programs have grown exponentially from 130 children in 2010, to 1,100 children, with a waiting list of over 700 in 2017.

The Theatre's camp programs can only grow and expand by developing new sites, so the partnership with the Cornerstone facility is critically important. Since their implementation in 2016, the attendance at the performing arts camps at Cornerstone has grown steadily. For March Break camps, the attendance increased from 18 to 31 participants in 2017 and for Summer camps, it increased from 212 to 304 participants. To accommodate parents' schedule, the Theatre offers a before and after care service, which has been frequently used and welcomed.

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Programs offered at Cornerstone are weekly, and for children 6 to 9 years old and 10 to 13 years old. Focused on age-appropriate skill development in acting, singing and dance, campers get a chance to explore their strengths and try something new. Every week of camp is different with a special guest artist who visits the camp to run workshops, allowing campers to have new experiences throughout the summer. The camps are directed and facilitated by an experienced team of performing art professionals, and complement the popular Theatre camps at the Flato Markham Theatre.

The Theatre staff works collaboratively with the Cornerstone Centre team, sharing spaces and making sure the programs of both organizations run smoothly. The work environment has been collegial and positive. The high brand equity of the City of Markham and the Flato Markham Theatre is bringing added value to the Cornerstone Centre and, from what staff understand, the City usage of the Cornerstone facility has been well perceived by its stakeholders.

### **OPTIONS/ DISCUSSION:**

Taking into account the growth in the camps from 2016 to 2017, and the collaborative and beneficial partnership that has evolved between the City and Cornerstone, there is a desire by both parties to extend the agreement to October 1, 2021. This will provide the City with a strategic alliance to continue growing its Theatre camps in an area where participation has increased year over year.

After discussions and deliberations, the parties settled on terms for an extension to the agreement as follows:

- Extension of the use of the Cornerstone facility for another three years from 2019 to 2021,
- The same terms and conditions of usage as the current agreement with the exception that Cornerstone will have access and use of the gym for 2 hours per day for 2019 and 2020, increasing to 3 hours per day in 2021,
- The development charges due will not accrue additional interest after January 9, 2018,
- Payment of the deferred development charges will be due after usage is completed by October 1, 2021.

Cornerstone also runs camps at the facility over the summer and would like to have limited use of the gym on a daily basis under the extended agreement. City staff have no difficulty with sharing the gym space, as the camp participants do break for lunch and also utilize other rooms within the building for other performing arts activities.

The development charges due has increased over the 3-year term to \$535,055.17 due on January 9, 2018, based on the indexed rate, as this exceeded the charge plus accrued interest. By not increasing the amount due while extending the agreement, the City will not be out of pocket as the net revenues earned by the camps are expected to exceed the foregone interest.

Setting the payment due date to October 1, 2021, will allow the City and Cornerstone sufficient time to negotiate terms for further usage of the facility for Theatre camps, if both parties are still happy with the strategic alliance.

Staff recommend that the Treasurer be provided with delegated authority by Council to approve any further agreement extensions in the future. Such extensions should be beneficial to the City in the generation of revenues, and provide a unique space to the Theatre to run performing arts camps.

### **FINANCIAL CONSIDERATIONS**

The deferral of development charges is essentially a cashflow issue which results in a delay in the receipt of funds by the City. If Council agrees to a further deferral of development charges, \$535,055.17 will be collected approximately three years after it originally became due.

By not accruing interest on the amount due today, the City is foregoing approximately \$17,000 annually, however this is less than the net revenues being earned by the Theatre, so overall the City benefits from the relationship. The City does not have facilities other than the Flato Markham Theatre and Unionville High School (where camps are also facilitated), that can be utilized by the camps in the event the agreement is not extended. A discontinuation will negatively impact the growth of the performing arts camps.

The City has benefitted by establishing a strategic alliance with Cornerstone over the past 2 years, and leveraging this partnership for additional years will add value for the City as well as the residents. On conclusion of the extended term in 2021, the City will have the option to continue usage of the facility at terms to be agreed upon by both parties.

The deferred development charges are secured by a letter of credit so there is no risk to the City of not collecting the amount when due.

### **HUMAN RESOURCES CONSIDERATIONS**

N/A

### **ALIGNMENT WITH STRATEGIC PRIORITIES:**

A continued partnership with Cornerstone provides the opportunity for an alignment of the City's strategic direction to collaborate with partners in the provision of services, as stated in the Integrated Leisure Master Plan

### **BUSINESS UNITS CONSULTED AND AFFECTED:**

This report has been reviewed by the Theatre and Legal Services.

### **RECOMMENDED BY:**

2017-12-01

X 

Joel Lustig  
Treasurer  
Signed by: cxa

2017-12-01

X 

Trinela Cane  
Commissioner, Corporate Services  
Signed by: cxa