



**CITY OF VAUGHAN
SPECIAL COUNCIL MINUTES (1)
OCTOBER 1, 2001**

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CITY OF VAUGHAN
SPECIAL COUNCIL MEETING (1)
MONDAY, OCTOBER 1, 2001
MINUTES
+/- 5:00 P.M.

Council convened in the Municipal Council Chambers in Vaughan, Ontario, at 6:05 p.m.

The following members were present:

Regional Councillor M. Di Biase, Chair
Regional Councillor J. Frustaglio
Councillor B. Di Vona
Councillor M. Ferri
Councillor S. Kadis
Councillor M. G. Racco

232. CONFIRMATION OF AGENDA

MOVED by Regional Councillor Frustaglio
seconded by Councillor Di Vona

THAT the agenda be confirmed.

CARRIED

233. DISCLOSURE OF INTEREST

There was no disclosure of interest by any member.

234. CAPITAL STRUCTURE

(Item 1, Hydro Vaughan Distribution Inc., October 1, 2001)

MOVED by Councillor Di Vona
seconded by Councillor Ferri

That the following recommendation of the Hydro Vaughan Distribution Inc. Board of Directors meeting of October 1, 2001, be approved:

RESOLVED that the following recommendation contained in the report of the Vice President, Corporate Finance, dated October 1, 2001, be approved:

That the following report be received; and

That the Directors of the Corporation approve the following Resolution:

“That the Corporation recommend to the City of Vaughan that the interest rate on the Promissory Note to the City be determined from time to time by the City on advice from the City Treasurer and that such interest shall accrue as and from October 1, 2001 and, subject to any external debt covenants and the availability of cash flows be payable annually on October 1 each year thereafter. The Corporation also recommends that the interest rate initially be set at 8 % per annum”.

CARRIED

**235. AMENDMENTS TO OWNERSHIP AGREEMENT AND JOINT SERVICES AGREEMENT
LEASE AGREEMENTS
CITY OF VAUGHAN AND HYDRO VAUGHAN DISTRIBUTION INC.**

MOVED by Councillor Racco
seconded by Councillor Kadis

That the recommendation contained in the following report of the Deputy City Manager and City Solicitor, dated October 1, 2001, be approved:

CARRIED

Recommendation

The Deputy City Manager and City Solicitor, in consultation with the City Manager, Commissioner of Corporate Services and Treasurer, the Manager of Real Estate and the Solicitor/Special Services, recommends:

1. That a By-law be enacted authorizing the City of Vaughan to enter into an Amending Agreement to amend the Ownership Agreement and Joint Services Agreement, for the purpose of entering into separate Lease Agreements respecting the lands and premises owned by the City of Vaughan and occupied by Hydro Vaughan Distribution Inc., including 2800 Rutherford Road, 2141 Major Mackenzie Drive and 10401 Dufferin Street, in a form satisfactory to the City Solicitor and substantially similar to the forms of agreement attached as Schedule "A" and Schedule "B" to the draft By-law (to be handed out at the meeting), and that the Mayor and the Clerk be authorized to execute all such agreements.
2. That relevant City of Vaughan staff consult with Hydro Vaughan Distribution Inc. staff to request appropriate market rent appraisals and to receive a report setting out the fair market rental value for each of the leased lands and premises at the earliest possible date.
3. That the costs of all such appraisal reports be borne equally by the City of Vaughan and Hydro Vaughan Distribution Inc.

Background

Prior to the conclusion of the amalgamation negotiations, staff of the various participating municipalities agreed in principle on a form of lease agreement (a "triple net lease agreement") to be entered by the various participating municipalities with their respective hydro distribution companies. This form of lease agreement was intended to replace existing lease arrangements between the individual municipalities and their respective hydro distribution companies. The lease agreement was intended to provide for nominal rent for the first term from June 2001 to March 1, 2003 and fair market rent for the two further three-year extensions contemplated under the leases. An additional term contained in the agreed upon form of lease agreement was that, in the event the amalgamation did not occur, a fair market rent provision would come into effect.

In addition to the form of lease agreement considered by staff of the participating municipalities, it was noted that the previous Ownership Agreement dated December 14, 1995, as amended, including the amended Joint Services Agreement contained in Schedule "B" to the Ownership Agreement, had to be rescinded or amended, as required. This was due to the fact that the City did not wish to and did not transfer the one-third interest of the previous Vaughan Hydro-Electric Commission to the newly incorporated Hydro Vaughan Distribution Inc. or related companies. Furthermore, the City wished to update certain terms and conditions included in the Joint Services Agreement related to the Commission's occupation of City buildings and lands and to incorporate these terms and conditions in the individual standard lease agreements.

Incorporated hydro stand-alone utilities will be required to commence making Payments-in-lieu-of-Taxes ("PIL'S") effective October 1, 2001 to the Ontario Financial Corporation. The amount of the

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PIL's payable is calculated in a form similar to corporate income taxes on net income. It would be appropriate that the City and Hydro Vaughan Distribution Inc. enter into the proposed separate Lease Agreements at this time to ensure that all eligible rent and expenses will be eligible as deductions.

The term of the lease for the Civic Centre on Major Mackenzie Drive and the Dufferin Street property contemplated in the relevant agreements includes:

- a. a first term commencing October 1, 2001 to and including the last day of February, 2003; and
- b. an option to extend for one further three-year term.

The term of the lease for the Joint Operations Centre on Rutherford Road, contemplated in the relevant agreement includes:

- a. a first term commencing October 1, 2003 to and including the last day of February, 2003; and
- b. an option to extend for two further three-year terms.

The additional extension term for the Joint Operations Centre building and facilities recognizes the greater difficulty associated with relocating a control-room facility, in contrast with the relocation of office or storage space. Twelve months notice of an intention by Hydro Vaughan Distribution Inc. to renew for a further term would be appropriate for each of the Civic Centre, Dufferin Street and Rutherford Road properties.

Each of the three lease agreements contemplates the payment of fair market rent for the lands and premises. A formal appraisal of market rental value will be necessary. The agreements contemplate the need for a formal appraisal and further include a re-adjustment provision to ensure that the agreed upon market rent figures will be adjusted up or down, retroactively to October 1, 2001, should one or more of the appraisals require any such adjustment. The lease agreements include estimated rental rates for each of the buildings and, where applicable, lands based on ranges of market rents for similar buildings and storage uses. These figures are not to be construed as appraised rental values and may be subject to change upon receipt and review of the appraisal reports. The rents are net net with the tenant paying all expenses and will be subject to adjustment for inflation based on the Consumer Price Index.

Estimated Market Rentals

2141 Major Mackenzie Drive (Civic Centre)

3,677 sf x \$7.50 sf Net = \$ 27,578 per annum

10401 Dufferin Street

2,210 sf x \$5.00 sf Net = \$ 11,050 per annum

2800 Rutherford Road (Joint Operations Centre)*

A. Hydro Building
57,481 sf x \$5.00 sf Net = \$287,405 per annum

B. Hydro Outdoor Area
8.56 ac – (57,481 sf @ 50% density) = 5.92 ac
Capital Value
Land @ \$300,000 ac \$1,776,000

Add: Cost of Improvements
\$3 sf x 257,875 sf \$ 773,625

Total Capital Value \$2,549,625
Rate of Return 9% \$229,466 per annum

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- * In developing the estimates of market rents, other assumptions applicable to the 2800 Rutherford Road property include:
 - a. The hydro building is comprised of 30-40% office space, with the remainder being warehouse area – this percentage is a factor in the preliminary rent figure;
 - b. Since office buildings include parking areas, to hydro outdoor area was accordingly reduced.

Conclusion

It would be appropriate for the City to enter into the required amending agreement and the proposed individual lease agreements for the three properties owned by the City and which will continue to be occupied in part by Hydro Vaughan Distribution Inc.

236. BY-LAWS FIRST, SECOND AND THIRD READINGS

MOVED by Regional Councillor Frustaglio
seconded by Councillor Di Vona

THAT the following by-law be read a First, Second and Third time and enacted:

By-Law Number 393-2001 A By-law to authorize the execution of an amending agreement and lease agreements between the Corporation of the City Vaughan and Hydro Vaughan Distribution Inc. (Special Council, October 1, 2001 – Minute No. 235)

CARRIED

237. CONFIRMING BY-LAW

MOVED by Councillor Racco
seconded by Councillor Kadis

THAT By-law Number 394 -2001, being a by-law to confirm the proceedings of Council at its meeting on October 1, 2001, be read a First, Second and Third time and enacted.

CARRIED

238. ADJOURNMENT

MOVED by Councillor Ferri
seconded by Councillor Di Vona

THAT the meeting adjourn at 6.10 p.m.

CARRIED

M. Di Biase, Acting Mayor

J. D. Leach, City Clerk