

The Regional Municipality of York

Committee of the Whole
Finance and Administration
November 14, 2019

Report of the Chief Administrative Officer

Capital Funding Agreement for York University Markham Centre Campus

1. Recommendations

The Region enter into a Funding Agreement to provide up to \$25,000,000 upon achieving the milestones set out in the Memorandum of Understanding with York University towards construction of a new university campus located in Markham Centre.

2. Summary

This report seeks Council authorization to enter into a Funding Agreement with York University pursuant to the 2014 Memorandum of Understanding (MOU) under which the Region agreed to provide capital funding towards a new campus.

3. Background

Post-secondary investments are key economic drivers

Post-secondary institutions, particularly those with research facilities, are key economic drivers and lead to increased knowledge-based investment, job growth and quality of life. York Region is currently home to a number of post-secondary facilities that are primarily teaching and training based, and has identified attracting major post-secondary investments as a priority.

In September 2014, the Region agreed to provide York University with up to \$25,000,000 in financial support towards a new campus to be located in the City of Markham

In [September 2014](#), Council approved entering into a Memorandum of Understanding with York University to provide up to \$25,000,000 in financial support towards a new campus located in the Markham Centre. In order to receive funding, the university was required to meet two milestone requirements that are set out in the MOU.

The first Selection Milestone, which was achieved in May 2015, required the Province to announce it had selected York University's Markham campus as a site for expansion.

The second milestone (as defined under the 2014 MOU) to be the "Construction Milestone" required construction of the project to begin by December 31, 2018.

In May 2018, Council authorized execution of a Funding Agreement with York University and to an amendment to the Memorandum of Understanding, if necessary

On [May 17, 2018](#), Council granted the Chief Administrative Officer and the Regional Treasurer authority to execute a Funding Agreement and to amend the MOU, if necessary, to extend the date construction commencement from December 31, 2018 to a later date to allow York University to retain eligibility for the Region's funding.

On November 15, 2018, the Region extended the construction milestone by one year to December 31, 2019

On October 23, 2018, the Province announced cancellation of its share of capital funding for the Markham campus, along with the proposed campuses in Brampton and Milton.

On [November 15, 2018](#), the Chief Administrative Officer and Regional Treasurer exercised their delegated authority to extend the date by which the Construction Milestone was to be achieved by one year to December 31, 2019.

The extension gave the University time to work towards replacing the provincial contribution of \$127 million with other sources of funding.

York University's investment will replace the Provincial funding

York University Board recently approved an updated business plan for the Markham campus, which includes the University's investment that will be financed through a new debt issuance of \$100 million and \$50.5 million of draws from the University's reserve. This would replace the Provincial funding share as shown in Table 1 below:

Table 1
Updated Business Plan for York University Markham Centre Campus

Contributor	% Share	Amount (\$ Millions)
York University's financing:		
Debenture issuance	44.3%	100.0
Reserve draws	22.4%	50.5
Subtotal York University's investment	66.7%	150.5
York University – fundraising	22.2%	50.0
The Regional Municipality of York	11.1%	25.0
Total	100.0%	225.5

Source: York University

In addition to the contributions outlined in Table 1 above, the City of Markham also donated five acres of land for the new campus site.

4. Analysis

As part of the 2014 MOU, York University planned to offer business-relevant courses at the Markham campus

Delivery of a broad suite of professional courses and programs at the new campus, suitable for both the University and the community, was a significant factor in the Region's decision to make a financial contribution to the project. The 2014 MOU between York University and the Region identified eight professional program areas, which were developed and refined with input from York Region Economic Strategy staff. The program areas were:

- Business
- Arts/Digital Media
- Environmental Studies
- Software Information Technology
- Life Sciences
- Continuing Education
- Education
- Liberal Arts

In September of 2019 York University began offering business courses at the IBM Canada headquarters in Markham

York University has taken measures to increase its presence in York Region while addressing demand for business programming. During the summer of 2019 York University entered into an agreement with IBM Canada to lease office space at its Markham Headquarters. Since September 2019 this space has been used to offer Bachelor of Commerce courses to third-year and fourth-year students and can accommodate up to 300 pupils. Further expansions are planned over subsequent years to accommodate a greater number of students.

York University has updated its programming areas for the Markham campus to better reflect current needs of the local business community

Over the last year, York University engaged employers and other regional partners to refine the programming for the new campus. As a result of the additional consultations, the Education and Liberal Arts programs were replaced with Communications, Public Relations and Social Media, and Digital Technology Solutions. These changes recognize the needs for talent acquisition in the areas of technology and entrepreneurship that have been articulated by local employers.

Table 2 provides a detailed comparison of the original and refined program areas to be offered at the Markham campus. The Region's Economic Strategy Office worked with York University to develop, refine and enhance the program offerings for the new campus, which include engineering programs offered through the Lassonde School of Engineering.

Table 2
A Comparison of Proposed York University Markham Campus Programming

2014 Program Areas Proposed - MOU	2019 Program Areas Proposed - Agreement
Business	Business: with specializations in Business Technology and Information Technology Management
Arts/Digital Media – including Bachelor in Information Design, Masters in Digital Culture and Doctorate in Entertainment Technology	Arts/Digital Media
Environmental Studies: with specializations in Urban Sustainability and Environmental Management and Technology	Environmental Studies: with specializations in Sustainability and Entrepreneurship
Software Information Technology	Software Information Technology
Life Sciences – including biology courses linked to Health Sciences	Life Sciences – Biotechnology
Continuing Education: with courses focused on bridging internationally accredited professionals in Nursing and management programs	Continuing Education: with courses focused on Big Data Analytics, Cyber Security and Digital Marketing
Education – including Bachelor of Education with Technology Education specialization and Professional Masters in Leadership & Community Engagement	
Liberal Arts – including general education credits, specialization in in Criminology and Justice Administration and Bachelor in Sociology	
	Communications, Public Relations and Social Media
	Digital Technology Solutions – through the Lassonde School of Engineering

The University also added more Continuing Education micro-credentials to complement the degree programs. Continued consultations reinforced the growing need for more compact programs that will assist people in mid-career to upgrade or adapt their skills for emerging technology-related jobs.

Existing Masters courses in Business and Software Engineering will be offered at the outset. Additional Masters and Doctoral programs will be added over time and will be shaped by the undergraduate programs and ongoing consultations with local industry.

5. Financial

Since 2015, the Region has made annual contributions to the Innovation Investment Reserve to help fund the new Markham campus

Since 2015, the Region has contributed approximately \$1 million each year to the University Campus Reserve. On [February 28, 2019](#), Council approved renaming of this reserve to the Innovation Investment Reserve and broadened its purpose to include funding to external parties for Council approved initiatives. By the end of 2019, the Innovation Investment Reserve will have an estimated balance of \$6.3 million, of which approximately \$5.2 million is set aside for York University.

Extending the date to commence construction will allow York University to retain eligibility for the Region's funding

For York University to remain eligible for the Region's funding under the Construction Milestone (as defined in the 2014 MOU), the Chief Administrative Officer and Regional Treasurer intend to exercise their authority to extend the date by which the Construction Milestone is to be achieved by one more additional year to December 31, 2020.

The Funding Agreement would supersede the Memorandum of Understanding

The terms and conditions in the capital Funding Agreement with York University would supersede the MOU.

Provided York University meets the funding eligibility requirements, the Region would pay four installments totaling \$25,000,000 (Attachment 1). The parties have agreed to the flow of funding in accordance with the payment schedule set out in Attachment 1, which also describes the essential terms of the Funding Agreement.

The proposed funding source for this payment is a draw of funds available for the university project portion in the Innovation Investment Reserve and the remaining draw from the General Capital Reserve, which will be replenished over time.

6. Local Impact

The new campus will generate measureable economic impact

Studies identified through previous research show that new post-secondary institutions generate measurable economic benefits. Examples include the McMaster DeGroote School of Business in Hamilton, which contributed an estimated \$42.3 million in annual benefit, and

the University of Ontario Institute of Technology in Durham Region, which contributed an estimated \$227 million to \$272 million in annual benefit. Established research universities such as the University of Toronto, University of Waterloo, University of Ottawa and Queen's University have each been identified as contributing in excess of \$1 billion annually to local, regional and provincial economies.

The Region's \$25,000,000 in financial support towards the York University campus will provide residents and businesses with improved access to post-secondary education and research. The new campus will help alleviate post-secondary living and transportation costs for residents. York Region businesses will benefit from access to students through experiential learning programs, an enhanced pipeline of local talent, and research collaboration opportunities.

7. Conclusion

This report seeks Council authorization to enter into a Funding Agreement with York University in respect of its Markham campus that incorporates updates to its program areas and construction milestone.

The extension of the Construction Milestone to December 31, 2020 will allow the University to retain eligibility for the Region's capital funding.

For more information on this report, please contact Edward Hankins, at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

November 13, 2019
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