Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

# News Release

**For Immediate Release** **December 9, 2014**

## MaRS Loan Presents Financial Risk to Taxpayers, Auditor General Says

(TORONTO) Most loans from Infrastructure Ontario's Loans Program have been made to relatively low-risk municipal borrowers, but the $235-million loan to a subsidiary of MaRS Discovery District in Toronto is a notable exception and its benefit to taxpayers is uncertain, Auditor General Bonnie Lysyk says in her *2014 Annual Report*.

"As of March 31, 2014, $216 million was outstanding on this loan to a not-for-profit organization that would not have been eligible for this loan except for a regulatory amendment," Lysyk said today following the release of the Report. "Given the risks involved in the project, Infrastructure Ontario was unwilling to make the loan without further security (such as an 80% pre-leasing loan condition), and that security was provided by the government in the form of a debt service guarantee from the Ministry of Research and Innovation to support provincial research and innovation plans."

MaRS Discovery District sought the loan to help restart construction of an office tower to be built, owned and operated by a private-sector developer, and it made concessions to the developer to avoid further delays caused by the developer's inability to obtain financing following the economic downturn in 2008. The project is now complete, but the amount of space leased is not enough to support interest payments on the loan, and Infrastructure Ontario has enforced the guarantee from the Ministry of Research and Innovation. As well, the two most significant leases signed so far are with Public Health Ontario and the Ontario Institute for Cancer Research, two publicly funded organizations. They were committed to before construction began in 2007 and at rates higher than current market rates.

Infrastructure Ontario's Loans Program has a portfolio of 806 loans advanced to 353 borrowers. As of March 31, 2014, Infrastructure Ontario's balance of outstanding loans receivable totalled approximately $4.9 billion.

We noted the following with respect to the loan portfolio:

- Infrastructure Ontario has improved its policies and procedures for lending and approval and its loan monitoring over the past couple of years. Loan losses have historically been rare and quite low.
- Infrastructure Ontario needs to enhance its models for assessing credit risk, especially for non-municipal borrowers, which tend to be higher-risk, as well as strengthen its credit-risk policies.
- Two older loans to not-for-profit organizations on Infrastructure Ontario's loans watch list were made based on assumptions about donation revenues that have not materialized. The two loans had a balance of approximately $75 million outstanding as of March 31, 2014.

-30-

For more information, please contact:
Bonnie Lysyk
Auditor General
(416) 327-1326