CITY OF HAMILTON

CORPORATE SERVICES DEPARTMENT
Budgets and Finance Division

Report to: Chair and Members
Audit and Administration

Submitted by: Antonio D. Tollis
Acting General Manager
Finance and Corporate Services

Date: February 25, 2009

Prepared by: Tom Hewitson x 4159
Mike Zegarac x 2739

SUBJECT: Canadian Football Hall of Fame & Museum Loan Update
(FCS03124(b)) (City Wide)

RECOMMENDATION:

a) That the Canadian Football Hall of Fame & Museum loan be extended until September 2012.

b) That interest on the loan be waived during the period from November 2008 until such time as the construction at City Hall is complete (estimated March 2010).

c) That the Hall of Fame & Museum’s request to return interest paid to date upon full payment of the loan principle be denied.

d) That the Hall of Fame & Museum’s request to pay the gross rent revenue (no deduction of taxes) of third parties to the Hall during the construction period, be denied (revenue net of taxes would continue to benefit the Hall).

Antonio D. Tollis, Acting General Manager
Finance and Corporate Services

EXECUTIVE SUMMARY:

Early this year, staff received a letter from the Canadian Football Hall of Fame & Museum (“Hall of Fame”) requesting two adjustments to the loan agreement. First, a request to waive the loan interest and second, to forward the full rental revenue from other tenants of the property to the Hall of Fame. These requests stem from disruptions
occurring due to construction activity at City Hall. A copy of the letter is attached.

As of January 2009, there is $14,522 remaining on a $50,000 loaned in 1999. About $1,590 in interest has accrued. Originally the loan was to be re-paid by August 2000. A number of extensions have been granted, the latest being in February of 2007, extending the loan to September of 2009.

The Hall of Fame has indicated that the construction at City Hall, particularly since the closure of the east parking lot, has significantly affected operations and the Hall’s ability to sublet basement space. This has reduced revenue and the Hall’s ability to repay the loan.

The Hall of Fame is asking the City to waive all interest. Staff support waiving the interest during the period of construction disruption, but not waiving interest previously paid or that may accrue once the construction has ceased.

Staff are also not recommending approval of the Hall’s request for receipt of full rent revenue from third party rental of basement space. Currently, the City deducts the tax component of the gross rent and forwards the net proceeds to the Hall of Fame. Currently the City pays the full property taxes for this property (2008 = $73,000) and recoups some of that cost through a portion of the third party rent revenue.

BACKGROUND:

On July 6, 1999, City Council approved a $50,000 loan to the Canadian Football Hall of Fame that was to be financed from the Contingency Reserve. The intention of this interest-free loan was to assist the Hall of Fame in its’ completion of improvements to its’ premises. The loan was originally to be repaid by August 5, 2000.

At the special meeting of City Council on November 7, 2000, the Finance and Administration Committee presented a report recommending that the Canadian Football Hall of Fame be granted a one-year extension for the loan repayment. The recommendation was approved by City Council and also approved by the Transition Board on November 21, 2000.

In April and November 2001, the Canadian Football Hall of Fame made payments toward the loan of $7,000 and $15,000, respectively.

At the meeting on December 11, 2001, City Council approved report FCS01123 which recommended a one-year extension of the loan repayment until November 21, 2002.

On September 10, 2003, City Council approved Report FCS03124, recommending that the Canadian Football Hall of Fame be granted a three year extension for the repayment of the balance of $28,000 remaining on the original $50,000 loan, thereby being due on September 10, 2006. The report also recommended that interest accrue from the date of
Council approval, until the loan is paid, in full, at an annual rate equal to the Bank of Canada’s prime rate plus 1%, adjusted quarterly. This was due, in part, to the lack of repayment activity in 2002/2003.

On February 15\textsuperscript{th} 2007, Council approved a further extension to September of 2009. At that time, $16,822 principle was remaining and $1,292 interest had accrued.

As of November 2008, $14,922 principle remains and $1,440 in interest is outstanding.

Currently, the City provides support to the Hall of Fame through Building Services (Fleet & Facilities) with a budget of about $155,000 per year. This funds taxes, utilities and maintenance.

\textbf{ANALYSIS/RATIONALE:}

Staff are recommending that, due to the suggested hardship caused by the closure of parking lot and access during construction at City Hall, interest not be charged during this period (effective November 2008). Interest on any outstanding balance would recommence upon completion of construction that affects the Hall of Fame (estimated March 2010). Interest lost during this period is difficult to estimate as it would depend on the amount of principle paid by the hall during this period. Since these payments are not regular and the period of deferral uncertain, a precise estimate is not available. A rough estimate would be in the range of $500 - $1,000 given the low interest costs at this time. There would be no impact on tax levy.

Staff are not recommending granting the request for return of interest paid. The Hall of Fame is requesting that upon completion of principle payments, that the interest paid be returned. This would be in direct contradiction to the loan extension approved in 2003 and extended in 2007.

Staff are also not recommending approval of the Hall’s request for receipt of full rent revenue from third party rental of basement space. Currently, staff deduct the tax component of the gross rent (about $260 per month) and forward the net proceeds to the Hall of Fame (about $800 per month). Currently the City pays for the full property taxes for this property (2008 = $73,000) and recoups some of that cost through the rent revenue taxes.

\textbf{ALTERNATIVES FOR CONSIDERATION:}

Council has the discretion to grant the Hall of Fame requests currently not recommended by staff.
FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

Waiving the interest during the construction period would have a nominal opportunity cost. The interest revenue is returned to the reserve from which the loan funds were borrowed. Given the low interest rates at this time, the lost revenue to that reserve would range between $500 and $1,000. There would be no impact on the tax levy.

POLICIES AFFECTING PROPOSAL:

The City’s loan policy identifies that interest of prime plus 1% be charged.

RELEVANT CONSULTATION:

Staff consulted with the Hall of Fame and staff from Taxation and Facilities.

CITY STRATEGIC COMMITMENT:

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Evaluate the implications of your recommendations by indicating and completing the sections below. Consider both short-term and long-term implications.

Community Well-Being is enhanced. ☑ Yes ☐ No

Environmental Well-Being is enhanced. ☑ Yes ☐ No

Economic Well-Being is enhanced. ☑ Yes ☐ No

Does the option you are recommending create value across all three bottom lines? ☑ Yes ☐ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☐ Yes ☑ No
December 17, 2008

Attention: Mr. Joe Rinaldo, Acting City Manager

Dear Sir:

Re: Canadian Football Hall of Fame and Museum

I am writing to you as Chair of the Management Committee of the Canadian Football Hall of Fame and Museum.

As you are aware, the building is owned by the City of Hamilton pursuant to an Agreement made in 1968 between the City of Hamilton and the Canadian Football League. The City of Hamilton has always been a major supporter of the Canadian Football Hall of Fame and Museum.

I am writing to you at this time on behalf of the Management Committee to advise you as to the current situation involving the Hall. As you are aware, there is major construction taking place at City Hall, a stone's throw away from the Canadian Football Hall of Fame and Museum. There is significant fencing which has been erected and a major portion of the parking lot has been closed. We certainly understand the necessity for this action while the major construction is taking place at City Hall.

Unfortunately, this has had the effect of greatly disadvantaging us with regard to both attendees at the Hall and our ability to not only rent the theatre, but the space in the basement of the Hall which was vacated by the Municipal Employees' Credit Union. The Real Estate Department of the City has been providing assistance to try and rent the basement space, and we have also engaged a private realtor. Unfortunately, the construction and lack of parking has put us in a very precarious position with regard to renting this space.
As you are aware, the City of Hamilton provided a loan of $50,000.00 to the Canadian Football Hall of Fame and Museum when it underwent significant development in the late 1990's.

We have made payments on the principal amount in excess of $39,000.00, the latest payment being made in November of 2008.

Since 2003, the City has seen fit to charge interest with regard to the balance due and owing.

Due to the factors involved with regard to the inability to rent the basement space and the ongoing difficulties which likely will occur until the construction has been completed at City Hall, the Management Committee is requesting that the City of Hamilton suspend any further interest on the balance to the City on the loan. The Hall of Fame will continue to make payments to the City with regard to the loan, and we are requesting that once all principal payments have been made, all interest which has accumulated be waived by the City.

In addition, I believe you are aware that the City collects taxes on any income which we receive from renting space in the basement. Currently, there are two small areas which are rented; however, it appears as though one of the tenants will likely vacate the basement in April of 2009.

As a result of the construction, we are also asking that the City provide us with the gross rent from the basement without any deduction for realty taxes.

The Management Committee is certainly not requesting that any of the principal balance due and owing on the loan be forgiven by the City of Hamilton. We understand the obligations to repay the principal and we are doing so.

Given all of the current circumstances, your assistance would be greatly appreciated with regard to this matter.

Yours sincerely,

WILLIAM J. TIDBALL

cc. Councillor Scott Duvall
cc. Councillor Lloyd Ferguson