SUBJECT: Construction Loan to The Art Gallery of Hamilton (AGH) (FCS03167(a)) (City Wide)

RECOMMENDATION:

a) That the terms of the loan as outlined in the Revised Loan Repayment Schedule, Appendix “A” to Report FCS03167(a) be approved and;

b) That the General Manager, Finance and Corporate Services, the City Clerk, and the City Solicitor be authorized to execute an amendment to the Loan agreement between the City and the Art Gallery of Hamilton signed January 20th, 2004 as outlined in Report FCS030167(a).

EXECUTIVE SUMMARY:

In late 2003 on report number FCS03167, Council approved a loan to the Art Gallery of Hamilton not to exceed $5.0M to assist in the cash flowing of the major renovation. This interest bearing loan was to be retired by January 2008. In a letter to Mr. Joseph Rinaldo, (attached) the Art Gallery of Hamilton is requesting an extension of this loan pending resolution of various disputes related to the building improvements.
BACKGROUND:

In late 2003 on report number FCS03167, Council approved a loan to the Art Gallery of Hamilton not to exceed $5.0M to assist in the cash flowing of the major renovation. This interest bearing loan was to be retired by January 2008. In a letter to Mr. Joseph Rinaldo, (refer to Appendix ‘A’ to report FCS03167(a)), the Art Gallery of Hamilton is requesting an extension of this loan pending resolution of various disputes related to the building improvements.

ANALYSIS/RATIONALE:

Further to the attached letter (refer to Appendix ‘A’ to report FCS03167(a)), the Art Gallery advises that the resolution of outstanding issues could take as long as three more years. Their solicitor is confident that the settlements will more than settle the amounts owed to the City. In the absence of any settlement, the AGH is still committed to repaying this loan through other means. As of December 31, 2007, the amount outstanding is $1,754,611.73. As part of their 2008 Budget request, the AGH has provided their 2006 Financial Statements which were reviewed by staff. Other than this loan, the AGH has no other significant liability that is not supported with corresponding assets, that is, there is no material balance sheet debt that will hinder their ability to continue to operate the Gallery in a financially sustainable manner.

To date, all loan terms have been met. The only outstanding issue is the final principal payment due January 31st 2008. Should issues be resolved, any funds received prior to the end of the extension, will be forwarded to the City.

ALTERNATIVES FOR CONSIDERATION:

If this request is denied, the only alternative would be for the AGH to approach a bank for financing. This could be accomplished by using the building as security but would involve additional costs of borrowing and legal expenses.

FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

As long as the loan is ultimately repaid, there will be no financial implication to the City as interest will continue to accrue so long as the loan remains outstanding.

POLICIES AFFECTING PROPOSAL:

N/A.
RELEVANT CONSULTATION:

The City Solicitor will be asked to prepare an amendment as directed by Council.

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.

Community Well-Being is enhanced. ☑ Yes ☐ No
Arts, culture, archeological and cultural heritage are supported and enhanced.

Environmental Well-Being is enhanced. ☐ Yes ☑ No
N/A

Economic Well-Being is enhanced. ☐ Yes ☑ No
N/A

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

Do the options you are recommending make Hamilton a City of choice for high performance public servants?
N/A ☐ Yes ☑ No
November 14, 2007

Mr. Joseph Rinaldo
General Manager Finance and Corporate Services
City of Hamilton
Hamilton, ON L8P 4Y5

Re: Building Update/Line of Credit

Dear Joe:

As requested when we met last fall, this is a report on the current status of the AGH building renovations and a request to extend our line of credit beyond its expiry date of January 1st, 2008.

As you know, the AGH has been operational since the spring of 2005. However, our building renovations are not yet completed although much progress has been done since we last spoke. Enclosed, please find a report by our Project Manager, Mr. Stacey Wheeler of Stantec, which gives details on work completed, and work still outstanding.

Delays in completing our renovations and other factors have resulted in a dispute between many parties involved. We are actively working on resolving these.

Given this situation, we would ask you to extend the repayment of our loan until the resolution of the disputes. We would also ask you to allow the AGH to continue to withhold repayment of the interest until that time.

Meanwhile, we will continue to forward the income from the pledges in repayment of the loan to maintain our line of credit as low as possible and minimize interest costs. Please note that we are expecting to receive a pledge payment in the amount of $250,000 by the end of November.

Should you require additional information, please do not hesitate to contact me at (905) 527-6610 ext. 228.

I look forward to hearing from you.

Sincerely,

[Signature]

Ludmil Domplewicz
President and CEO

Cc: Mr. Tony Tollis, Director of Budgets and Finance
# Art Gallery of Hamilton Construction Loan

## Revised Repayment Schedule

<table>
<thead>
<tr>
<th>Date of Loan Advance/ Repayment</th>
<th>Loan Advance / Repayment</th>
<th>Number of Days</th>
<th>Accrued Interest</th>
<th>Total Outstanding Incl Acc'd Int.</th>
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