

Sony Centre – Temporary Bridging Loan

Date:	December 1, 2008
To:	City Council
From:	Acting Deputy City Manager and Chief Financial Officer
Wards:	28
Reference Number:	P:\2008\Internal Services\FP\cc08023Fp (AFS#9000)

SUMMARY

The purpose of this report is to respond to the Sony Centre for the Performing Arts request to the City for bridge financing until such time as the redevelopment transaction closes with Castlepoint Realty Partners Ltd.

The Sony Centre currently has access to a short-term borrowing facility with the City which is intended to address cash flow challenges arising from the seasonal nature of the activity at the Centre. This existing facility has a maximum funding limit of \$1.25 million and must be repaid by December 31 of each year.

Sony Centre staff have indicated that there is a need to expand this facility in order to fund preliminary costs incurred by the Centre as a result of the redevelopment project. It is proposed that the deadline for repayment of the facility be extended to January 31, 2009. At that point in time, it is anticipated that the loan facility can be repaid using funds received from Castlepoint Realty Partners Ltd.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. Authority be given to the Acting Deputy City Manager and Chief Financial Officer to increase the facility for short-term borrowing provided to the Board of Directors of the Sony Centre for the Performing Arts, to an amount not to exceed \$5 million, not including accrued interest, consistent with the conditions of the prior agreement.

2. The loan facility be used for operating and capital expenditures incurred by the Sony Centre for the Performing Arts for work committed up to the end of December 2008.
3. That repayment of the loan and accrued interest be made by January 31, 2009 or when funds are received from Castlepoint Realty Partners Ltd., whichever comes first.
4. The facility bear interest at 3.5% or at the rate of interest established by the City's Acting Deputy City Manager and Chief Financial Officer, in his sole discretion, at the time that the funds are advanced to the Sony Centre and is fixed for the term of the loan.
5. Should Castlepoint Realty Partners Ltd. not close on the expected date, the Acting Deputy City Manager and Chief Financial Officer report back to Council with options to proceed.

Financial Impact

As it is anticipated that the funds drawn on the modified loan facility will be repaid when funds are received from Castlepoint Realty Partners Ltd., it is anticipated that there will be no financial impact to the City arising from the proposed changes to the loan facility. Should the closing of the Castlepoint Realty Partners Ltd. transaction be delayed, this report recommends that the Acting Deputy City Manager and Chief Financial Officer report further on the financial implications arising thereafter.

The Acting Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of April 20 and 23, 2007, Council approved Clause 76 of Executive Committee Report 7, Item 7.1, which established a facility for short-term borrowing of \$1.25 million for the Hummingbird Centre for the Performing Arts (now Sony Centre).

The Deputy City Manager and Chief Financial Officer was authorized to provide to the Board of Directors of the Sony Centre for the Performing Arts in-year advances to address cash flow challenges arising from the seasonal nature of activity at the Centre.

The advances are not to exceed \$1.250 million, be repaid by December 31 of each year at an interest rate that is set at on a monthly basis by Corporate Finance and is fixed for the term of the loan.

ISSUE BACKGROUND

The Sony Centre for the Performing Arts is proceeding with the initial stages of its redevelopment plans. These include contracted and consultant costs associated with decommissioning, structural design, and mechanical and electrical engineering work on the interior and exterior of the Sony Centre. The total amount of capital expenditures and commitments to the end of January 2009 is estimated at \$2.9 million.

The Umbrella Agreement with Castlepoint Realty Partners Ltd. provides for a closing date of 45 days after planning approvals are in full force and effect. With the closing of the transaction, expected revenue of approximately \$19.0 million from Castlepoint Realty Partners Ltd. will be available to fund the Centre's renovation work. Sony Centre staff has indicated that Site Plan Approval was forwarded to Castlepoint Realty Partners Ltd. on November 17, 2008, thus the expected closing date is January 2, 2009.

Due to the timing of the transactions, Sony Centre staff is requesting an increase in the amount of the short term facility from \$1.25 million to \$5 million, to cover all and any anticipated cash flow needs for capital and operating expenditures of the Sony Centre until the closing date. The facility is to be repaid in full by January 31, 2009, including all accrued interest, once the Castlepoint Realty Partners Ltd. proceeds are received. Should Castlepoint Realty Partners Ltd. not close, staff have recommended a report back to Council on options to proceed.

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SIGNATURE

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