

Capital Loan and Grant from the Federation of Canadian Municipalities for the Artscape Wychwood Barns

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| Date: | March 17, 2009 |
| To: | Executive Committee |
| From: | Deputy City Manager and Chief Financial Officer General Manager, Economic Development, Culture and Tourism |
| Wards: | All |
| Reference Number: | P:\2009\Internal Services\Cf\Ec09006 – et (AFS #9377) |

SUMMARY

This report seeks Council approval for the City to enter into an agreement with Toronto Artscape Inc. (“Artscape”) to provide grant and loan funds to be received by the City from the Federation of Canadian Municipalities (“FCM”) for the purposes of financing the eligible project costs of the Artscape Wychwood Barns (formerly the Green Arts Barns). The associated debt charges will be recovered by the City from Artscape and paid to the FCM.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer and the General Manager, Economic Development, Culture and Tourism recommend that:

1. The City enter into a grant and loan agreement with Artscape to provide grant and loan funds to be received from FCM for the purposes of financing the eligible project costs of the Artscape Wychwood Barns project (the “Project”) upon the terms and conditions detailed in the attached letter and application documentation.
2. The agreement be on terms and conditions satisfactory to the City Solicitor, the Deputy City Manager and Chief Financial Officer, the General Manager, Economic Development, Culture and Tourism and that the Deputy City Manager and Chief Financial Officer be requested to negotiate appropriate and adequate safeguards, to the satisfaction of the City Solicitor, with the City being promptly advised in the event of default or delay in the payment of interest.

3. The Chief Financial Officer be authorized to sign an affidavit in favour of FCM, satisfactory in form and content to the City Solicitor, confirming that the funds were used for the Project.
4. Release of the funds to Artscape be conditional upon Artscape providing an affidavit to the City, confirming that the funds were used for the Project.
5. Once Artscape has provided the affidavit and signed the agreement with the City, the Chief Financial Officer be authorized to pay Artscape the full amount of the grant and loan as and when received from FCM.
6. The City retain the right to withhold a portion of outstanding grants that the City may provide to Artscape over the term of the loan if it is not retired or renegotiated by the maturity date.
7. The FCM loan be deemed to be in the interest of the municipality.

FINANCIAL IMPACT

The recommendations in this report will allow the City to receive a \$90,000 grant and \$600,000 loan on behalf of Artscape. The City would then transfer the funds to Artscape and enter into a loan agreement with FCM. There is no direct cost to the City since the loan is being taken out for Artscape, who will pay all of the associated debt charges to the City.

This loan will be a financial commitment of the City. If Artscape defaults on its obligation, then the City will withhold the amount of the default from any grants that would have been provided to Artscape.

DECISION HISTORY

In 2003, Toronto Artscape Inc. was the successful proponent in a City RFP process and has recently converted the historic Wychwood Car Barns, at a cost of \$21.2 M, into an environmentally friendly artist rental housing and work space.

A funding application was submitted in May 2008 to the Federation of Canadian Municipalities (FCM) through the City Manager's Office for financing the energy efficiency measures at the Artscape Wychwood Barns which is owned by the City and operated by Toronto Artscape Inc.

A letter dated January 5, 2009 from FCM confirmed that the application has been approved for a grant in the amount of \$90,000.00 as well as a loan in the amount of \$600,000.00. The letter also stated that the Offer of Financing was open for the City's acceptance until March 5, 2009.

While the City does have delegated authority to apply for as well as accept funding from FCM, the City does require Council's authority to accept funding from FCM that would flow through to a third party (i.e. Toronto Artscape Inc.).

ISSUE BACKGROUND

Artscape is a not-for-profit corporation and its main mandates are to provide affordable working and living space for Toronto's artists and to promote cultural activities beneficial to the community. With the strong support of the City of Toronto, Artscape has grown to become a significant not-for-profit, real estate development agency for the arts.

The adaptive reuse of the Wychwood Car Barns as developed by Artscape is providing a dynamic environment that is incubating ideas, collaborations and initiatives that serve the arts and green agendas. The project reflects the City's balanced vision of cultural, educational and recreational uses for the buildings.

More specifically the Artscape Wychwood Barns, located at Wychwood and Benson Avenues, is providing affordable accommodation for artists and their families; affordable work studios to artists; programming and office space for 13 not-for-profit arts and environmental organizations; and a community gallery, programmable event space and a sustainable food education centre for the local community and the public.

The Artscape Wychwood Barns Project is equipped with a geothermal system to provide heating and cooling to its buildings. The system consists of a geothermal field located to the west of the buildings underneath the City of Toronto Wychwood Barns Park, and associated equipment distributed throughout the buildings in tenant studios and utility rooms. The FCM grant and loan will finance the geothermal system.

Initially, the geothermal system was partially financed by a short-term loan to Artscape from the Toronto Atmospheric Fund ("TAF"). The terms of the TAF loan state that it is to be repaid in full by Artscape on July 4, 2009. Accepting the FCM grant and loan would allow the TAF loan to be repaid on schedule.

COMMENTS

In January 2009, the City received approval from the Federation of Canadian Municipalities (FCM) for Green Municipal Funds on behalf of the Artscape Wychwood Barns. A grant of \$90,000 and a loan in the amount of \$600,000 were approved.

Since the FCM only provides grants and loans to Canadian municipalities, the City has to enter into an agreement with the FCM in order to secure these funds which will be provided to Artscape. Artscape will pay the associated interest and principal costs to the City, who will remit the amounts to the FCM.

A review of the business plan and operating forecast as well as Artscape's 2007 audited financial statements demonstrates that the project has the financial capacity to support the future interest and principal payments of the \$600,000 loan which will be used to pay off the loan that Artscape received from TAF.

There is no direct cost to the City for assisting Artscape unless the organization defaults on its obligation and the City cannot recover any funds from them beyond any grant funding that would be withheld by the City.

In 2008, the City provided Artscape with an operating grant of \$253,800.

In order to provide additional protection to the City, the audited financial statements for the 2007 fiscal year have been reviewed. An updated 10 year cash flow forecast has also been received and reviewed by City staff and indicates strong financial results and good cash management. City staff is satisfied that Artscape can repay the FCM loan and has a good payment record with the City.

Artscape shall be required to provide the Deputy City Manager and Chief Financial Officer with its 2008 to 2018 inclusive audited financial statements on an annual basis.

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SIGNATURES

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