



AUDITOR GENERAL'S REPORT INFORMATION ONLY

Review of the Redevelopment of the Sony Centre for the Performing Arts: Supplemental Information regarding Donations

Date:	June 2, 2014
To:	City Council
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The purpose of this report is to provide supplemental information to the report (April 24, 2014) "Review of the Redevelopment of the Sony Centre for the Performing Arts" considered by Audit Committee on May 28, 2014.

Financial Impact

There are no financial implications from this report.

DECISION HISTORY

This report "Review of the Redevelopment of the Sony Centre for the Performing Arts" was considered by the Board of Directors of the Hummingbird (Sony) Centre for the Performing Arts on May 1, 2014

(<http://www.toronto.ca/legdocs/mmis/2014/au/bgrd/backgroundfile-69061.pdf>)

The report was further considered by the Board of Directors of the Hummingbird (Sony) Centre for the Performing Arts on May 23, 2014.

(<http://www.toronto.ca/legdocs/mmis/2014/au/bgrd/backgroundfile-69606.pdf>)

Audit Committee considered the report (April 24, 2014) "Review of the Redevelopment of the Sony Centre for the Performing Arts" on May 28, 2014.

(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2014.AU15.3>)

ISSUE BACKGROUND

The report (April 24, 2014) “Review of the Redevelopment of the Sony Centre for the Performing Arts” describes a \$200,000 personal investment from the President of the Developer that was subsequently considered a donation to the Centre.

In particular, page 32 of the report states that “During 2010, the Sony Centre received a \$200,000 personal investment from the Developer’s president. In 2011, entitlement to the principal and the investment income was waived and the funds were treated as a donation. The amount received was significantly less than the \$1 million corporate investment originally authorized by City Council and the Board in 2009 to address delays in the closing of the transaction.”

The purpose of this supplementary report is to clarify the above comments and provide additional information confirming that the full \$1 million investment is considered to have been received.

COMMENTS

City Council on August 5 and 6, 2009 (2009.EX33.46) approved amendments to the Umbrella Agreement with the Developer consistent with the terms established in the Term Sheet of Material Changes attached to the report (August 4, 2009) from the Deputy City Manager and Chief Financial Officer (EX33.46b).

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX33.46>

The approved negotiated amendments addressed concerns raised by the Developer’s lenders. In return, and to address a delay in the closing of the proposed transaction, Castlepoint Realty Partners (“Castlepoint”) agreed to make a \$1 million investment in Sony Centre programming.

After selling 50 per cent of its interest in the project to Fernbrook Homes (Front St.) Ltd, Castlepoint, with the consent of the City, appointed Ferncastle (Front Street) Inc. (“Ferncastle”) as its nominee and trustee for the purpose of the Umbrella Agreement.

In 2009, the principal of Castlepoint provided a written personal undertaking to pay the sum of \$1 million, to be reduced by any sums paid by Ferncastle over and above its financial obligations set out in the Umbrella Agreement.

In 2010, the agreement between the Sony Centre and the principal of Castlepoint was amended to reduce that amount to \$200,000. The reduction was made on the basis that Ferncastle agreed and paid additional sums under the Construction Procedures Agreement totaling this \$800,000 reduction (\$300,000 in September 2010, \$250,000 in January 2011, and \$250,000 in July 2011). The additional sums totaling \$800,000 as negotiated under the Construction Procedures Agreement were for costs associated with the Ferncastle preferred crane location, including extra labour and show costs.

This arrangement is different than the information provided to Council relating to a \$1 million investment in programming. However, we discussed this matter with the City Solicitor who confirmed that the revised arrangement meets the intent of the Council approved agreement and therefore the total \$1 million investment in programming is considered as received.

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SIGNATURE

Jeff Griffiths, Auditor General

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