

Bylaw 18860

To authorize the City of Edmonton to lend money to a non-profit organization, The Citadel Theatre

Purpose

To authorize the City of Edmonton to lend money to a non-profit organization, the Citadel Theatre.

Readings

Bylaw 18860 is ready for first reading only.

Advertising and Signing

This Bylaw will be advertised in the Edmonton Journal on Saturday, April 20, 2019, and Saturday, April 27, 2019. The Bylaw cannot be signed and thereby passed prior to Monday, May 13, 2019.

Position of Administration

Administration supports this Bylaw.

Report Summary

This Bylaw is necessary in order for the City of Edmonton to lend money to the Citadel Theatre for the purposes of replacing and rehabilitating the roof.

Report

Citizen Services report CR_5816 Citadel Theatre Roof Rehabilitation, received for information at the February 13, 2019 Community and Public Services Committee meeting, provided background on funding options for critical roof repairs of \$4,420,000. The Citadel Theatre Board, having secured funding through the Community Facility Partner Capital Grant for up to 33% of project costs and identified \$500,000 of internal funding, will borrow up to \$2,600,000 from the City of Edmonton to finance the remaining cost of the roof rehabilitation. This lending bylaw would authorize the City to loan up to \$2,600,000 to the Citadel for a term of up to 20 years, requiring interest only payments for the first 3 years and combined principal and interest payments for the remaining 17 years. A separate borrowing bylaw (Financial and Corporate Services report CR_7131 - Bylaw 18859) to authorize the City to

borrow up to \$2,600,000 under the same terms is also on the April 16, 2019, City Council agenda.

Although Administration would normally recommend the loan be contingent on the lease being extended past the life of the loan, a full review of the current model and leasing arrangement is needed. Administration and the Citadel are committed to working together in 2019 to review the current capital and operating agreements to ensure a new lease is signed prior to the expiry of the current lease in 2024. If the lease is not extended or a new lease is not signed, responsibility for the building will revert to the City following the expiry of the existing lease. If the building reverts to the City and the loan payments are not recovered by the City, funding for the underlying loan payments to the Alberta Capital Finance Authority will need to come from the tax levy. To mitigate this risk, the terms of the lending agreement will require the loan to be secured by a form of guarantee or security that is in a form and content acceptable to the City Manager.

This Bylaw authorizes the City of Edmonton to loan money to the Citadel Theatre. The proposed terms of the loan are included in Attachment 2. If City Council chooses to support entering into a loan agreement, this Bylaw and Bylaw 18859 providing the City Borrowing authority, are available for first reading.

Bylaw 18860 will be submitted for second and third readings after the advertising and the expiration of the associated petition period.

Corporate Outcomes and Performance Management

Corporate Outcomes: The City of Edmonton has sustainable and accessible infrastructure and The City of Edmonton has a resilient financial position			
Outcomes	Measures	Results	Targets
Consistent repayment from the Citadel Theatre to the City for the loan obligation and a rehabilitated Citadel Theatre roof enabling safe public access.	Consistent repayment from the Citadel Theatre on the loan obligation resulting in a net-zero impact to the City's tax levy. Completion of roof rehabilitation within expected timelines.	TBD	<ul style="list-style-type: none">• A lending agreement with the Citadel Theatre which allows for the City to recover debt servicing costs related to borrowing for the roof replacement.• The completion of the Citadel Theatre roof rehabilitation within expected timelines.

Risk Assessment

Risk Element	Risk Description	Likelihood	Impact	Risk Score	Current Mitigations	Potential Future Mitigations

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Citadel Theatre may not be able to repay the loan. In the event of default, the payments on the loan would be made from the tax levy/Financial Stabilization Reserve.	2 - Unlikely	3 - Major	6 - Low	<p>The financial position and statements have been reviewed and assessed for an ability to repay the loan.</p> <p>The Citadel will provide a letter from either the Board of Governors for the Edmonton Community Foundation or the Citadel stating that reserve funds of either the Endowment funds of the Edmonton Community Foundation or the Trust of the Theatre would be used to repay the loan in the event they are not able to make payments.</p>	<p>The City could work with the Citadel Theatre on a different repayment structure in the event the current repayment plans are not met or become infeasible.</p> <p>The Theatre could add a "building improvement fee" to ticket prices.</p>	Citadel Theatre may not be able to repay the loan. In the event of default, the payments on the loan would be made from the tax levy/Financial Stabilization Reserve.
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Public Engagement

Lending bylaws reflect a legislative requirement under section 264 of the *Municipal Government Act* for cases when the City loans to a non-profit organization for a purpose that will benefit the municipality. As a result no public engagement is undertaken with respect to the lending bylaw process. As required by the *Municipal Government Act*, lending bylaws are advertised.

Attachments

1. Bylaw 18860
2. Terms of the Loan Agreement between The City of Edmonton and the Citadel Theatre