



**CITY OF HAMILTON**  
**CORPORATE SERVICES DEPARTMENT**  
*Financial Planning & Policy Division*

<b>TO:</b>	Chair and Members Audit, Finance & Administration Committee
<b>COMMITTEE DATE:</b>	February 22, 2016
<b>SUBJECT/REPORT NO:</b>	Royal Hamilton Yacht Club Loan Request (FCS16011) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Charlie Elliott (905) 546-2424 Ext. 2162 Marcin Zukowski (905) 546-2424 Ext. 2790
<b>SUBMITTED BY:</b>	Mike Zegarac General Manager Finance & Corporate Services
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the City of Hamilton provide an interest bearing loan to the Royal Hamilton Yacht Club for the purchase and installation of 42 additional docks and new washroom facilities, in an amount not to exceed \$800,000 with interest at 3.06% annually, to be repaid in full within 15 years from the date of the loan advance;
- (b) That the loan be repaid with annual principal and interest payments on the anniversary dates of the loan advance as reflected in the repayment schedule attached hereto as Appendix “B” to Report FCS16011;
- (c) That a Long Term Receivable account be established to record the Loan Receivable on the City’s books;
- (d) That the City Solicitor and the General Manager Finance and Corporate Services be authorized to draft the loan agreement for execution by the Mayor and City Clerk.

**EXECUTIVE SUMMARY**

The Royal Hamilton Yacht Club (RHYC) is a community based yacht club located at 555 Bay Street North. The Royal Hamilton Yacht Club has requested a 15 year \$800,000 interest bearing loan to assist with financing 42 docks (slips), being installed for the club’s use as part of the West Harbour Strategic Initiative’s marina replacement and expansion project, and new washrooms facilities. The City is paying for the replacement of existing dock infrastructure (58 slips) currently being leased to the

RHYC under the land lease/license agreement currently in place. The 42 additional slips will be built and owned by the City, however the RHYC is responsible for the capital costs. The washroom facilities will be built and owned by the RHYC.

The marina's replacement and expansion is a multi-year City-initiated project which starts in 2016. The RHYC's allocation of the marina expansion is 42 slips and is intended to be installed as part of the first phase of the project which will start in 2016 and finish by spring 2017. Once complete, the City will own the additional slips being installed on the yacht club's behalf.

The City's External Loan Guidelines, as per Report FCS06078, provides for interest bearing loans to organizations for capital upgrades or enhancements to various community groups and not-for-profit organizations. The Royal Hamilton Yacht Club is located at the West Harbour which is a strategic focus for the City to establish the framework for public improvements and private development to promote season-long and year-round enjoyment and appreciation of the waterfront.

***Alternatives for Consideration –Not Applicable***

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)**

**Financial:** The City will earn interest income of \$209,566.45 set at 15 year serial debenture rate plus an administration fee. The City's current 15 year serial debenture rate of 2.81% plus 0.25% administration fee for a combined rate of 3.06%, fixed for the 15 year term as prescribed in the City's External Loan Guidelines, as per Report FCS06078.

The loan will be set up on the City's books as Long Term Receivable, therefore the funding source is not required to be identified. The agreement expires 15 years from the date of the last loan advancement to the RHYC.

**Staffing:** N/A

**Legal:** Legal Services will be required to draft a Loan Agreement between the City of Hamilton and the Royal Hamilton Yacht Club for execution by the Mayor and City Clerk.

**HISTORICAL BACKGROUND (Chronology of events)**

Over the course of successive terms of Council, the "West Harbour" waterfront has been identified in Council's Strategic Plan and identified as a corporate priority, resulting in a series of plans and projects that when implemented, will achieve the long-established redevelopment and recreational goals that will benefit the City as a whole.

The lands of Piers 7 and 8 have long been seen as prime areas to attract private-sector mixed-use residential and commercial developments that will lead to increased use of the area for residents and businesses alike. To unlock this potential, a resolution was

reached to the long-standing lease arrangement between the Hamilton Port Authority (HPA) and the City of Hamilton on the vital Piers 7 and 8 lands.

On April 9, 2014, Council approved General Issues Committee Report 14-008, and the following Motion entitled "*Formal Marina Management Agreement (MMA) with the Hamilton Port Authority (HPA) regarding Piers 7 and 8 (CM12015(b))*"

(a) That the City of Hamilton enter into a 25-year Marina Management Agreement with the Hamilton Port Authority (HPA) for the management, operation and maintenance of the City-owned marina facility, located within the Main Basin of Piers 7 and 8, as described in Report CM12015(b);

(b) That the Mayor and the City Clerk be authorized and directed to execute the Marina Management Agreement between the City of Hamilton and the Hamilton Port Authority, together with all necessary associated documents, in a form satisfactory to the City Solicitor and with content acceptable to the City Manager;

(c) That the forecast capital funding in the amounts of \$3,000,000 (2015) and \$4,400,000 (2016) for the proposed marina (dock, dock finger, boat slip replacement etc.) and associated servicing and shoreline rehabilitation requirements, to be completed by the City of Hamilton, pursuant to the "Marina Management Agreement", be approved in-principle;

(d) That staff be authorized and directed to communicate and submit the City's comprehensive "West Harbour" development plan to provincial and federal governments and their respective funding agencies, as a priority investment project(s) for the City of Hamilton.

A key part of this MMA, there was a clear recognition of both the historical role the RHYC has played in anchoring the recreational activities in the "West Harbour" waterfront for generations, and also the enhanced role they will play moving forward.

The MMA looked to ensure financial sustainability and revenue growth opportunities to the RHYC were available for the long-term. Therefore, the MMA provided a guarantee for the RHYC to solely manage 58 existing boat slips on behalf of the City and they were also provided the opportunity to expand their managed slips by an additional 42 sometime in the future at their cost, which will bring their total managed slips to 100.

This Report FCS16011 reflects the RHYC's acceptance of the opportunity to expand their boat slips at their expense, as per the conditions contained in the MMA.

The interest bearing loan request in the amount of \$800,000 for the purchase and installation of 42 docks (slips) and new washroom facilities was received by the City from the Royal Hamilton Yacht Club by way of a formal application received in December 2015, attached as Appendix "A" to Report FCS16011.

The loan request is related to the City's waterfront revitalization plan which includes both a replacement of existing City-owned marina infrastructure in the main basin, operated by the RHYC and the Hamilton Port Authority, and provisions for expansion of the marina to meet planned growth. The marina's replacement and expansion is a multi-year City-initiated project which starts in 2016.

The RHYC's allocation of the marina expansion is 42 slips and is intended to be installed as part of the first phase of the project which will start in 2016 and finish by spring 2017; however, with favourable manufacturing timelines City staff is hopeful that a portion of Phase 1 can be completed in spring 2016 in time for boating season.

### **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

The recommendations in Report FCS16011 were prepared in accordance with External Loan Guidelines.

### **RELEVANT CONSULTATION**

The Royal Hamilton Yacht Club (RHYC) has provided a copy of the last three years of audited financials and current year's unaudited statements.

The Waterfront Development Office (Public Works) was consulted to confirm the City's plan for the marina expansion and the expected costs for the new docks. Final costs will not be known until completion of the tender bidding process (award set for February 2016). Upon award, the City intends to complete the first phase of the marina replacement which includes the RHYC allocation of 42 additional slips by spring 2017. The construction of new washroom facilities is unrelated to work being completed by the City at the marina and will be initiated by the RHYC at some point in the future.

### **ANALYSIS AND RATIONALE FOR RECOMMENDATION (Include Performance Measurement/Benchmarking Data if applicable)**

The Royal Hamilton Yacht Club (RHYC) is a community based yacht club located at 555 Bay Street North. The Royal Hamilton Yacht Club has requested a 15 year \$800,000 interest bearing loan to assist with funding of 42 additional docks (slips) and new washrooms facilities.

It is expected that the revenues from the rental of the 42 slips will cover most of the loan repayment costs. Table 1 presents forecasted cash flow for the proposed project. The estimated annual gross revenue for 42 marine slips rented at \$2,400 would total approximately \$100,800. The forecasted annual expenditures total \$35,750, which leaves approximately \$65,050 available for re-payment of the \$800,000 requested loan. The annual estimated deficit totals \$2,254, which can be funded from other revenues of the RHYC.

**Table 1**

<b>Royal Hamilton Yacht Club (RHYC) - Forecasted Cash Flow</b>			
New Docks Project - 42 additional docks 15 year term estimated cash flow			
<b>Revenue</b>	<b>Units</b>	<b>Cost per unit</b>	<b>Annual forecast</b>
Estimated rental fee	42	\$ 2,400	\$ 100,800
<b>Operating Expenses</b>			
Water Lot Fees			( 18,750)
Utilities - Water			( 3,000)
Utilities - Hydro			( 7,000)
Maintenance - Docks & Wasrooms			( 7,000)
Total Operating Expenses			( 35,750)
<b>Contribution before loan payment</b>			\$ 65,050
Annual loan payment (\$800,000) - Appendix B to Report FCS16011			( 67,304)
<b>Net revenue surplus (deficit)</b>			<b>(\$ 2,254)</b>

The interest bearing loan request from the RHYC is considered to be eligible as it meets the requirements of the Council External Loan Guidelines presented in Table 2. The loan is required for upgrades and enhancements as the club promotes boating activity which is a positive benefit to the neighbourhood and the people of Hamilton.

**Table 2**

<b>Eligibility Criteria</b>	<b>Is Condition Met?</b>
a) Applicant is incorporated as a Not-For-Profit Organization	Yes
b) Applicant's Board of Directors will assume responsibility for administration of the funding	Yes
c) Applicant's loan request will fund one-time capital expenditure	Yes
d) Applicant's capital expenditure provides benefits within City boundaries	Yes
e) Applicant is in good financial standing with the City	Yes
f) Applicant provides equal access to programs	Yes
g) Applicant demonstrates clear boundaries between religious activities and project being funded	Yes

**ALTERNATIVES FOR CONSIDERATION**

**(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)**

NA

**ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN**

**Strategic Priority #1**

A Prosperous & Healthy Community

*WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.*

**Strategic Objective**

- 1.5 Support the development and implementation of neighbourhood and City wide strategies that will improve the health and well-being of residents.
- 1.6 Enhance Overall Sustainability (financial, economic, social and environmental).

**Strategic Priority #2**

Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

**Strategic Objective**

- 2.3 Enhance customer service satisfaction.

**Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

**Strategic Objective**

- 3.1 Engage in a range of inter-governmental relations (IGR) work that will advance partnerships and projects that benefit the City of Hamilton.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix “A” to Report FCS16011– Copy of the loan request from the Royal Hamilton Yacht Club.

Appendix “B” to Report FCS16011- Loan Repayment Schedule