




CITY OF HAMILTON
CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

TO:	Chair and Members Emergency and Community Services Committee
COMMITTEE DATE:	September 19, 2024
SUBJECT/REPORT NO:	Rosedale Tennis Club Inc. Loan Request (FCS23075(a)) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Tran Trang (905) 546-2424 Ext. 6151
SUBMITTED BY:	Kirk Weaver Acting Director, Financial Planning Administration and Policy Corporate Services Department
SIGNATURE:	

RECOMMENDATION(S)

- (a) That the City of Hamilton provide an additional increase to the principal amount of the existing interest free loan to Rosedale Tennis Club Inc. by \$300,000 (the “Additional Principal”) bringing the total consolidated principal amount of the loan to \$1,630,000 (the “Total Consolidated Principal”) pursuant to the City’s External Loan Guidelines on the following terms and conditions:
- (i) the outstanding balance owing on the existing principal as approved through Report FCS23075 / HSC23039, being \$1,210,000 as of January 1, 2024 be consolidated with the Additional Principal (collectively the “Consolidated Outstanding Principal”) and be repaid in annual payments pursuant to the repayment schedule attached as Appendix “A” to Report FCS23075(a) so that the Consolidated Outstanding Principal be repaid in full within 15 years from the Additional Principal advance;
 - (ii) the Additional Principal bear no interest and be used only for the purposes of construction of a new dome and related infrastructure over four existing tennis courts at the property municipally known as 42 Lawrence Road, Hamilton;
 - (iii) the Loan Amending Agreement dated March 15, 2024 between the City of Hamilton and Rosedale Tennis Club Inc. (the “Loan Agreement”) be further amended to reflect the Additional Principal of \$300,000 and maintain the terms and conditions outlined in Report FCS23075 / HSC23039;

- (b) That the General Manager, Finance and Corporate Services, be authorized and directed to execute an amendment to the Loan Amending Agreement and an amendment to the General Security Agreement dated March 15, 2014 between the City of Hamilton and Rosedale Tennis Club Inc. (the “General Security Agreement”) together with any ancillary documentation, in a form satisfactory to the City Solicitor and with content satisfactory to the General Manager, Finance and Corporate Services, to give effect to Recommendation (a) of Report FCS23075(a); and
- (c) That a loan receivable from Rosedale Tennis Club Inc. on the City of Hamilton’s balance sheet, be increased by \$300,000 upon advance of the funds.

EXECUTIVE SUMMARY

On May 5, 2024, the Rosedale Tennis Club Inc. formally appealed to the City of Hamilton, through the correspondence attached as Appendix “B” to Report FCS23075(a), for an additional loan in the amount of \$300,000 relating to the addition of a new dome over four existing tennis courts. The additional loan is being requested as a result of an unsuccessful application of an expected \$200,000 grant from Tennis Canada and unexpected additional costs of construction.

City of Hamilton staff evaluates all loan requests under the City’s External Loan Guidelines (Reports FCS06078 and FCS06078(a)). The Policy Implications and Legislated Requirements section of Report FCS23075(a) outline the loan eligibility criteria used in the evaluation process. The City’s External Loan Guidelines provide for interest free loans to organizations that are upgrading or enhancing City-owned facilities or properties. As the Tennis Club operates at Gage Park, the organization qualifies for an interest free loan.

With an outstanding principal balance as of January 1, 2024 of \$1,210,000, the Additional Principal of \$300,000 results in a Consolidated Outstanding Principal loan of \$1,510,000. The repayment schedule is attached as Appendix “A” to Report FCS23075(a).

Alternatives for Consideration – See Page 6

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: In providing an interest free loan, the City of Hamilton will forgo interest of approximately \$122,187 compared to an interest-bearing loan at an annual interest rate of 4.61%. Organizations that do not qualify for interest free loans under the External Loan Guidelines would be subject to an interest rate of 4.61%, which is comprised of the City’s current borrowing rate on a 15-year serial debenture of 4.36% plus a 0.25% administration fee.

The loan would be established on the City's balance sheet as a long-term receivable and advanced to the Tennis Club through the general bank account. With an existing outstanding principal balance as of January 1, 2024 of \$1,210,000, the Additional Principal of \$300,000 results in a Consolidated Outstanding Principal loan of \$1,510,000. The repayment schedule is attached as Appendix "A" to Report FCS23075(a).

Staffing: N/A

Legal: Legal Services will be required to draft an amendment to the Loan Amending Agreement dated March 15, 2024 between the City of Hamilton and Rosedale Tennis Club Inc. (the "Loan Agreement") and an amendment to the General Security Agreement for execution by the General Manager, Finance and Corporate Services.

HISTORICAL BACKGROUND

City Council approved the External Loan Guidelines through Report FCS06078 with the following objectives:

- Establishing a consistent loan request process;
- Ensuring that all loan requests are dealt with in a fair, equitable and financially accountable manner;
- Ensuring that any funds received from the City of Hamilton are administered by a competent, accountable and responsible body; and
- Providing loan funding to organizations who demonstrate that the project is in the best interest of the community at large.

The External Loan Guidelines were subsequently amended through Report FCS06078(a) to allow not-for-profit organizations using City facilities or property to apply for an interest free loan to carry out upgrades or enhancements.

The Tennis Club has previously received an interest free loan of \$180,000 for a replacement tennis bubble under the City's External Loan Guidelines through Report FCS13100 / CS13057 (the "Original Loan"). The Original Loan was advanced in 2014 with annual repayment requirements of \$12,000 over a 15-year term. All required payments have been made as scheduled with a remaining balance of \$60,000 owing to the City as of January 31, 2024. The Original Loan was to come to end of term in 2029.

On July 14, 2023, Council approved an amendment of \$1,150,000 to the Original Loan through Report FCS23075 / HSC23039 for the purposes of constructing a new dome over four existing tennis courts.

On May 5, 2024, the City received correspondence from the Rosedale Tennis Club (Appendix “B” to Report FCS23075(a)) requesting an additional loan of \$300,000 to fund the remaining project costs for the addition of a dome bringing the total loan amount to \$1,510,000. The correspondence also requested that the City fund the replacement of the electrical box that serves the Tennis Club, Gage Park and the Lawn Bowling facility. This request was addressed separately through a motion passed at the June 12, 2024 City Council meeting, with funding coming from the Wards 3 and 4 Capital Infrastructure Reserves.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The City of Hamilton is not legislatively required to provide loans to external agencies for the purpose of capital improvements. However, the City occasionally receives and considers loan requests from various community groups and not-for-profit organizations and so the External Loan Guidelines (Report FCS06078) were developed to evaluate requests in a consistent and transparent manner. The External Loan Guidelines are established “guidelines” rather than “policy” because Council has the ultimate authority and discretion to offer loans to external organizations.

Under the External Loan Guidelines, the loan request will be considered eligible if:

- (a) The organization making the loan request is, or is in the process of becoming, an incorporated and registered not-for-profit organization;
- (b) The organization has a Board of Directors who can assume full responsibility for the administration of the funding;
- (c) The request is to fund a capital expenditure on a one-time basis. Funds must not be used to offset operating costs, reduce outstanding debt or to fund an operating deficit;
- (d) The capital expenditure must provide benefits within the boundaries of the City of Hamilton;
- (e) The organization is in good financial standing with the City. More specifically, there should be no current or recent history of significant arrears owing to the City of Hamilton;
- (g) The organization demonstrates that it is making efforts to provide equal access to programs and services for individuals of diverse cultures and disabilities, where appropriate, and feasible; and
- (h) The organization demonstrates clear boundaries between religious activities and the program which is requesting the funding, if applicable.

The City’s External Loan Guidelines restricts organizations to having only one outstanding loan with the City at a time. As a result, staff recommends consolidation of the Original Loan (approved in Report FCS13100 / CS13057), as amended, to include the \$1,150,000 advance in Report FCS23075 / HSC23039, with the new loan request for the Additional Principal pursuant to an amendment to the Loan Agreement and an amendment to the General Security Agreement.

RELEVANT CONSULTATION

The Tennis Club was contacted to provide all relevant documentation required to evaluate the loan under the City's External Loan Guidelines. Responsibilities of the applicant are outlined in Report FCS06078.

Legal and Risk Management Services Division provided input into Report FCS23075(a).

ANALYSIS AND RATIONALE FOR RECOMMENDATION(S)

The Tennis Club is a not-for-profit, community-based organization that has been located at Gage Park since 1917 and has been a year-round tennis facility since 1987. The clubhouse building used by the Tennis Club is owned by the City of Hamilton, which is responsible for all capital repairs to the building while the rest of the tennis facilities are the responsibility of the Tennis Club.

The Tennis Club is requesting an additional loan from the City of Hamilton of \$300,000 for the purposes of financing a second tennis dome to double its capacity of services during the winter. Total project costs for the new dome have exceeded the original cost of \$1,950,000, of which the Tennis Club is contributing \$600,000 and the City has already provided a loan for \$1,150,000.

In evaluation of the loan request, City staff has received and reviewed the following documents from the Tennis Club:

- (a) Proof of status as an incorporated and registered not-for-profit organization;
- (b) A business case for the capital expenditure that includes the amount of the loan requested and desired terms, project budget, sources of funding, a list of milestone or completion dates, impact on the club if the loan was not provided and a description demonstrating how the capital expenditure will benefit the community at large;
- (c) A multi-year cash flow to demonstrate the ability of the organization to repay the loan; and
- (d) The previous year's complete and audited financial statements.

In the evaluation of these documents, it has been determined that the Tennis Club is in good financial standing and poses no serious risk of arrears on the proposed repayment schedule of the Consolidated Outstanding Principal (attached as Appendix "A" to Report FCS23075(a)).

Additionally, the Tennis Club has articulated the community benefits of providing additional winter programming to the satisfaction of City staff, particularly in the areas of expanded youth opportunities and affordable options for beginners.

Staff has determined that the Tennis Club is eligible for an interest free loan as it meets the requirements of the Council approved External Loan Guidelines in that the loan is intended to fund the construction of a new tennis dome situated in a City-owned park (Gage Park). The project will benefit the community by providing year-round access to tennis and enhancing City-owned facilities and properties. Therefore, it is the recommendation of staff that an interest free loan be granted to the Tennis Club and that staff be directed to prepare the necessary documentation, in consultation with Legal Services, to amend the Loan Agreement and the General Security Agreement in a form satisfactory to the City Solicitor and content satisfactory to the General Manager, Finance and Corporate Services.

ALTERNATIVES FOR CONSIDERATION

The External Loan Guidelines are approved “guidelines” for staff to consistently and transparently evaluate loan requests for external organizations. However, they are not Council approved policy. Council has the ultimate authority and discretion to offer loans to external organizations.

As alternatives, Council could consider:

1. Providing an interest-bearing loan at an annual interest rate of 4.61% (the City’s current borrowing rate of 4.36% plus an administration fee of 0.25%) in accordance with the City’s External Loan Guidelines for organizations not operating at City-owned facilities or property. This option would bear interest revenue of approximately \$122,187 over a 15-year period; or
2. Allowing the Tennis Club to maintain two separate loans with the City as an exception to the City’s External Loan Guidelines that restricts organizations to have only one outstanding loan with the City at a time; or
3. Opting not to provide a loan to the Tennis Club.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report FCS23075(a) – Rosedale Tennis Club Loan Repayment Schedule

Appendix “B” to Report FCS23075(a) – Correspondence from the Rosedale Tennis Club

TT/dt