

2002 APRIL 30

TO: CITY MANAGER

FROM: DIRECTOR PARKS, RECREATION AND CULTURAL SERVICES

SUBJECT: HARRY JEROME SPORTS CENTRE - RESPONSE TO COUNCIL QUESTION

PURPOSE: To provide Council with information in response to a question raised by Council at the meeting on 2002 April 22 regarding the Harry Jerome Sports Centre.

RECOMMENDATION:

1. THAT this report be received for information purposes.

REPORT

BACKGROUND

Council, on 2002 March 11, received and tabled a report which makes recommendations concerning proposals submitted by three groups wishing to lease and upgrade the Harry Jerome Sports Centre (HJSC). At the meeting on 2002 April 22, Council left the report on the table and asked a question concerning one group's proposal to finance a new roof for the facility.

This report provides a response to the question raised by Council at the meeting on 2002 April 22.

DISCUSSION

Council received a copy of a Letter of Interest issued by Vancouver City Savings to the B.C. Volleyball Association which outlined the terms of a possible business term loan in the amount of \$550,000. The Letter of Interest is attached. The B.C. Volleyball Association wishes to finance a new roof for the Harry Jerome Sports Centre with the loaned funds.

**HARRY JEROME SPORTS CENTRE
- RESPONSE TO COUNCIL QUESTION**

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On page 2 of the Letter of Interest, Vancouver City Savings refer to the security provisions which would need to be made with regard to the loan. Council asked staff to clarify this statement, and asked staff what implications the security arrangement would have on the City.

The City Solicitor advises that the Letter of Interest contemplates B.C. Volleyball granting a mortgage of their leasehold interest to Vancouver City Savings as security for the loan. Should B.C. Volleyball default on the mortgage, Vancouver City Savings' remedy would be to take over B.C. Volleyball's position as lessee under the lease. However, to protect their leasehold security they would have to keep the lease in good standing with the City. As the mortgage would not encumber the City's underlying fee simple title, the City would not be at financial risk if B.C. Volleyball defaulted on the loan. The Letter of Interest also contemplates that B.C. Volleyball would charge all of their other assets (equipment, chattels, receivables etc.) as security.

CONCLUSION

This report has provided a response to the question asked by Council on 2002 April 22 regarding the potential Mortgage of Lease between the B.C. Volleyball Association and Vancouver City Savings regarding the Harry Jerome Sports Centre.



KATE FRIARS
Director Parks, Recreation and Cultural Services

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Attach.

p:\admin\cler\hh\DE\HJSC response to Council re mortgage of lease

cc: Director Finance
Director Planning and Building
City Solicitor

April 9, 2002

Vancouver City Savings Credit Union

BUSINESS SOLUTIONS CENTRE
106 1901 ROSSER AVENUE, BURNABY, B.C. V5C 6R6
TELEPHONE: 604-877-3406, FAX: 604-877-5148

BC Volleyball Association
7564 Barnett Highway
Burnaby, BC
V5A 1E7

Attention: Tom Caverly, Executive Director

RE: Letter of Interest:
\$550,000 Business Term Loan

Based on the material submitted to date, Vancouver City Savings Credit Union ("VanCity") is prepared to consider financing to you as follows:

PURPOSE: Provide a \$500,000 Business Term loan for the purpose of a major renovation at the Harry Jerome Sports Centre which will include the replacement of the roof, removal of the existing cycling track, additional costs associated with the renovation and the payout of an existing term loan at the TD Canada Trust.

BORROWER: BC Volleyball Association

PRINCIPAL AMOUNT: \$550,000

SECURITY: Mortgage of a Lease over the lands located at 7564 Barnett Highway, Burnaby, BC and a General security Agreement covering all assets of the BC Volleyball Association

INTEREST RATE, REPAYMENT & PREPAYMENT OPTIONS:

A) FIXED RATE: 6.45% 1 Year Fixed Term
7.00% 2 Year Fixed Term
7.35% 3 Year Fixed Term
7.75% 5 Year Fixed Term
Open Terms are offered at 1.0% above the quoted fixed rates
(These are indicative rate as at today's date and subject to change without notice. If a formal Offer is extended to the Borrower, Rates can be held for a period of 60 days from the date of the Offer)

REPAYMENT: Blended Monthly Payments based on the chosen term and amortization period

PREPAYMENT: Prepayments up to 20% of the Credit Facility may be made once per year, without notice, penalty or bonus, on noncumulative bases

B) VARIABLE RATE: Variable Rate Option @ VanCity Prime + 1.85%
(Effective April 9, 2002, VanCity Prime is 3.75%)

REPAYMENT: Monthly Principal payments of \$4,583 + Interest.

PREPAYMENT: Open for prepayment at any time, without notice, penalty or bonus.



100% Post Consumer recycled paper, non-chlorine bleached. Printed with non-toxic vegetable based inks.



AMORTIZATION: Up to a maximum amortization of 10 years

COMMITMENT FEE: \$2,750 which is payable upon acceptance by the Borrower of the Letter of Interest issued by VanCity in respect of this loan.

This Commitment Fee is non refundable and will only be returned in the event the final financing arrangement is materially different as disclosed in this Letter of Interest. This letter does not contain all the terms and conditions, which may appear in a Commitment Letter, and this letter is not to be construed as a commitment.

RENEWAL FEE: 1/10th of 1.0% of the outstanding balance upon review of loan at maturity of the term

ADDITIONAL INFORMATION:

- Receipt by VanCity of a lease in a form and substance satisfactory to VanCity and its solicitors.
- Fixed Price Contract for the replacement of the roof and removal of the cycling track

SECURITY

1. \$550,000 Business Promissory Note
2. Borrowing Resolution
3. Special Resolution passed by the members of BC Volleyball Association. If a resolution has already been passed, VanCity will review to determine if it is acceptable for this transaction under the Society Act
4. \$550,000 Mortgage (Form MT900380) of a Lease made by the BC Volleyball Association charging the property (the "Lands").
5. General Security Agreement made by Valley Christian School Society creating a security interest against all present and after-acquired personal property and registered (1st position) at the Personal Property Registry against BC Volleyball Association
6. Evidence of Insurance as set out in the attached Insurance Requirements, listing VanCity as First Loss Payee.
7. ANY OTHER DOCUMENTS REQUIRED BY VANCITY OR ITS SOLICITORS

MEMBERSHIP EQUITY SHARES:

A requirement of any future commitment by VanCity is that the Borrower shall purchase and hold, as long as any portion of the loan remains outstanding \$100. of shares of VanCity Credit Union.

CREDIT

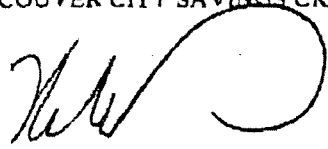
REPORTING: The Borrower consents to:

VanCity obtaining from any credit reporting agency or any person such information as VanCity may require from time to time. VanCity disclosing at any time information concerning the Borrower to any credit reporting agency or any credit grantor with whom the Borrower may have financial arrangements.

This letter of Interest is not to be construed as an offer or agreement to provide financing to you. It is an expression of interest on the part of VanCity. It does not contain at the terms and conditions, which may appear on our formal Offer of Credit.

Upon receipt of this letter signed by the Borrower and receipt of the Commitment Fee, VanCity will conduct further analysis to determine whether or not it will issue a commitment to extend the loan to the Borrower.

Yours truly,
VANCOUVER CITY SAVINGS CREDIT UNION



Robert Marus, Account Manager, Non Profit Segment
Business Solutions Centre

ACCEPTANCE:

Accepted this 16 day of the month April, 2002.

BC Volleyball Association


Authorized Signatory
Authorized Signatory

