

9. THEATRE ROYAL – REQUEST TO WRITE-OFF LOAN

RR 9874

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Corporate Plan Output: Corporate Expenses - Grants	

The purpose of this report is to table a request from Theatre Royal Charitable Trust for the Council to write off the unpaid balance of the Council loan made in 1985 to enable the Trust to purchase second hand seats from the James Hay Theatre.

BACKGROUND

In February 1995 the Council made a loan to the Theatre Royal Charitable Trust to assist it to purchase 528 second hand chairs from the James Hay Theatre. The trust at the time had requested that the Council to make a grant or an interest free loan so that it could purchase the seats that were being sold as part of the refurbishment of the James Hay Theatre in late 1994.

The Council agreed to a loan for five years at the lower of \$40.00 per seat or the average auction price per seat of other seats sold at the auction with an annual interest rate of four percent on the amount advanced. The average price at auction was \$26.26 and a loan of \$13,865.28 for the 528 seats set aside was made to the trust. Not all seats were sold at the auction.

REQUEST FROM TRUST

The trust has requested the Council's consideration to writing off the unpaid balance of the loan amounting to \$5,875. In making the request the trust wishes to bring to the Council's attention that it has at the moment very limited cash resources. It has embarked upon a massive programme to earthquake proof and fire protect the theatre at an overall cost of \$1,295,000. This work is being funded by assured grants and donations from the Community Trust, Lotteries Commission, the Council and the Friends of the Theatre Royal. Work commenced in December 1998 and is due for completion in March 2000.

This work has meant the theatre is unavailable for shows and has resulted in cash losses on operations in 1998 of \$20,000 and a budgeted deficit of \$65,000 to \$70,000 for 1999.

When the work is completed the trust says Christchurch will have a greatly enhanced and safe heritage theatre which has been operated for the past 19 years by the charitable foundation for the benefit of all Christchurch citizens. Much has been achieved in that time with major voluntary effort and at little cost to the Council.

In view of the responsible record of the theatre administration and the considerable cash pressures that the trust is currently suffering the trust requests that the Council forgive the outstanding balance on the seating loan.

FINANCIAL DETAILS

The trust has made repayments of the installments due on the loan in 1996, 1997 and 1998. The installment of principal and interest due February 1999 has not been paid. A final installment is due in February 2000.

Loan details are:

Amount advanced	\$13,865.28	
Total interest at 4% p.a.	\$1,591.44	
Annual installment amount	\$3,114.52	
Principal repaid	\$7,991.02	58%
Principal balance unpaid	\$5,874.26	42%
Interest paid to date	\$1,236.68	

The loan is unsecured.

OTHER ASSISTANCE TO THEATRE ROYAL

During 1997-1998 the Council wrote off a loan for \$10,000 to the Theatre Royal. The deferred payment loan had been made in 1980 to assist in the purchase of the theatre.

In the current financial year the Council made a loan of \$100,000 and a matching grant to assist the trust to purchase the building adjacent to the theatre. The trust had held long-term plans to purchase the adjacent building if it became available and develop this site as an extension of their facilities. During the year the building, together with the New Regent Street corner building, were put onto the market by the owner as a total package. The trust had to move quickly to secure the property for its future use. There are no immediate plans to develop the expansion on the ground floor but some work has been commenced on the extension of the circle foyer. The Council's loan terms recognise that the trust has considerable capital already committed and further investment capital and income flow would need to be assured before that proposals could fully proceed. This loan is secured by second mortgage against the trust's property. The loan is due for final repayment in 2018.

The trust has since been able to sell the New Regent Street corner building that was not part of the expansion. Sale proceeds were applied to repay the bank loan. The theatre has total current indebtedness to its bank which holds a first mortgage security and to the Council amounting to \$125,875 including the seating loan.

Successive provisions of \$200,000 and \$165,000 are included in the draft Annual Plan for 1999/2000 and 2000/01 to assist the trust with earthquake strengthening.

Recommendation: That, in view of the extent of the Council's support of the Trust, this request be declined.

Chairman's

Recommendation: That the above recommendation be adopted.