Agenda – Executive Policy Committee – December 7, 2005

Report - Standing Policy Committee on Property and Development - November 29, 2005

Item No. 35 Kinsmen Allard Arena –Terms and Conditions for Lease Agreement - St. James Minor Hockey Association Inc. - Operation of an Indoor Arena
File FI-2.2(31)

STANDING COMMITTEE RECOMMENDATION:

On November 29, 2005, the Standing Policy Committee on Property and Development concurred in the administrative recommendation and submits the following to Council:

1. That the terms and conditions of a Lease Agreement with the St. James Minor Hockey Association Inc. for the operation of the Kinsmen-Allard Arena be approved as outlined in the report from the Director of Planning, Property and Development dated November 21, 2005.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Pursuant to Section 205(2) of The City of Winnipeg Charter, disposal of land owned or acquired by the City for park or cemetery purposes requires approval by two-thirds of all Members of Council.

Agenda – Executive Policy Committee – December 7, 2005

Report - Standing Policy Committee on Property and Development - November 29, 2005

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On November 29, 2005, the Standing Policy Committee on Property and Development concurred in the administrative recommendation and submitted the matter to the Executive Policy Committee and Council.

Re: **Kinsmen Allard Arena – Proposed Terms and Conditions for a Lease Agreement with the St. James Minor Hockey Association Inc. for the Operation of an Indoor Arena**
Assiniboia Community
St Charles Ward

For submission to: **Standing Policy Committee on Property and Development**

Original report signed by: **Director of Planning, Property and Development**

Report date: November 21, 2005

Recommendation(s):

1. That the proposed terms and conditions of a Lease Agreement with the St. James Minor Hockey Association Inc. for the operation of the Kinsmen-Allard Arena be approved.
2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REPORT SUMMARY

Key Issues:

- The St. James Minor Hockey Association Inc. has been operating the Kinsmen-Allard Indoor Arena since 1994 and wish to enter into a new Lease Agreement with the City to continue operating the arena for an additional five years.

- The Administration has completed a review of the Kinsmen-Allard Arena operation and determined that the alternative model for operating the arena has been successful in achieving the goals of increased local management autonomy, cost effectiveness and sourcing of external capital for the repair and maintenance of an indoor arena.

- Several areas for improvement were identified including the need for compliance with the terms of the Lease Agreement and financial accountability. The Administration will address these requirements.

Implications of the Recommendation(s):

General implications:

	None
X	**For the organization overall and/or for other departments**
X	**For the community and/or organizations external to the City of Winnipeg**
	Involves a multi-year contract

Comment(s):

- The Administration supports the request for a new Lease Agreement and is satisfied with the St. James Minor Hockey Association Inc.'s operation of the arena.
- The St. James Minor Hockey Association Inc., which is comprised of representation from each of the Community Centres in the Assiniboia Community, wish to continue operating the arena.

Policy implications:

X	**No**
	Yes

Comment(s):

-

Environmental implications:

X	**No**
	Yes

Comment(s):

-

Human resources implications:

X	**No**
	Yes

Comment(s):

-

Financial implications:

X	**Within approved current and/or capital budget**
	Current and/or capital budget adjustment required

Comment(s):

-

REASON FOR THE REPORT:

The Planning, Property and Development Department is advising as to the receipt of a request by the St James Minor Hockey Association Inc. to lease the Kinsmen-Allard Arena. As the subject property is utilized for parks purposes, the proposed Lease will require the approval of at least two-thirds of the members of Council.

HISTORY:

At its meeting held on October 23, 1996, Council approved the terms and conditions for a Lease Agreement between the St. James Minor Hockey Association Inc. and the City for the operation of the Kinsmen-Allard Arena. The initial term of the Lease Agreement expired on August 15, 2000. The Lease Agreement also contained an option to renew for a further period of five years.

During the initial term of the Lease Agreement, the City Assessor advised the Planning, Property and Development Department that it should no longer use Management Agreements because the use of these Agreements would create a liability for assessment and payment of realty taxes.

Since August 15, 2000, the St James Minor Hockey Association Inc. has been occupying the arena on an overholding basis. The Department has held this matter in abeyance pending a resolution of the tax issue via an amendment to the Manitoba Municipal Assessment Act. The Department has communicated with the St. James Minor Hockey Association Inc. on this issue.

On June 10, 2004, the Legislative Assembly of Manitoba passed an amendment to the MMAA (Bill Number 50) to address the realty tax problem associated with Community Centre occupancies.

At its meeting held on July 21, 2004, Council approved the terms and conditions for a retroactive and new Lease Agreement between the St. James Minor Hockey Association Inc. and the City for the operation of the Kinsmen-Allard Arena between August 16, 2000 and August 15, 2005.

At its meeting held on April 19, 2005, the Assiniboia Community Committee approved a funding request from the St. James Minor Hockey Association Inc. in the amount of $40,000. Funding was to be made available from the Community Incentive Grant Program ($20,000) and from the Assiniboia Community Committee Cash In lieu of Land Dedication Account ($20,000).

At its meeting held on April 27, 2005, Council passed By-law 89/2005 to provide an exemption from municipal realty taxes for non-profit community groups occupying City-owned recreation property. The St. James Minor Hockey Association Inc. was identified on the subject list and approved by Council.

By letter dated September 16, 2005, the Planning, Property and Development Department extended an Offer to Lease to the St. James Minor Hockey Association Inc.

DISCUSSION:

1. Arena Operations:

The Kinsmen-Allard Arena is located at 80 Allard in the St. Charles Ward. The City-owned arena was constructed in 1978 and is comprised of an indoor ice surface, equipment room, garage, main foyer, dressing rooms, washrooms and shower areas.

St. James Minor Hockey Association Inc. currently operates the arena between September and April of each season. The users are Youth Hockey (56%), Adult Hockey (22%), High School Hockey (14%) Speed Skating (4%) and Other (4%). The arena is booked and fees are assessed in accordance with the City's Indoor Ice Allocation Policy and fees and charges policy, which is a condition of the existing agreement.

The City has not received any complaints regarding the St James Minor Hockey Association Inc.'s arena operation with respect to ice allocation, fees and charges and maintenance.

2. Facility Condition and Repairs and Maintenance:

The Kinsmen-Allard Arena is approximately 30 years old. During 2005, the need to undertake certain repairs and equipment replacements were identified including a chiller replacement, installation of guarded status equipment, compressors, dressing room floor replacement, interior painting of the dressing rooms and showers, shower room repairs, and lighting and ventilation maintenance at an estimated total cost of $124,500. These repairs were financed with accumulated financial reserves from arena operations ($93,000) and a City Grant of ($40,000).

The arena is maintained in generally good condition and the St. James Minor Hockey Association Inc. has identified planned maintenance and repairs over the next five years as referenced in the attached Schedule "A" as follows:

2007	Interior painting of arena	$ 5,000
2008	Zamboni Replacement	$60,000
2009	Roof Girder Painting	$35,000

The repairs and equipment replacement are to be financed out of the financial reserves from arena operations at a required rate of $15,000 per year.

3. Financial Performance:

The existing agreement between the City and the St. James Minor Hockey Association Inc. requires the Association to submit annual financial statements to the City and to contribute $15,000 per year from operations to a financial reserve to finance repairs and maintenance. The Association did not regularly submit the financial statements nor did the Administration enforce compliance on this matter. The Association did contribute at least $15,000 each year to a financial reserve to finance repairs and maintenance to the arena over the past nine (9) years from the surplus on operations each year.

The St. James Minor Hockey Association Inc. ended the period April 30, 2004 with a surplus of $10,300 on operations for the 2003/04 season. The Association ended the same period with an accumulated surplus on operations of $93,000.

With respect to the annual budget for operating the Kinsmen-Allard Arena, the Association submitted a five-year projection of revenue and expenses as referenced in the attached Schedule "B". The Association plans to operate the arena on annual revenues of $210,600 and expenses of $200,300 and to increase the revenues at 3% annually over five years. This would result in a planned contribution of $123,000 to the arena reserve over the next five years.

The Administration has reviewed these estimates and made the following observations:

- annual projected income and expenses appear to reasonable;
- annual surplus is approximately 5% of revenue; and
- the expense estimates have not included a contingency for above 3% increases in utilities or insurance.

4. Insurance

The method of providing insurance within the proposed agreement is as follows:

- the Association to obtain a Comprehensive General Liability policy to provide $5.0 million in coverage, as well as adequate property insurance for contents, stock, equipment and tenant's improvements; and,
- the City to provide and maintain replacement cost building property insurance.

Departmental Comments:

The Administration is satisfied with the alternative model for the management and operation of the Kinsmen-Allard Arena by the St. James Minor Hockey Association Inc. The Association has demonstrated the capacity to operate, maintain and finance the operations of the arena within the framework of the previous lease agreement.

The Administration will address the compliance issue in regard to the more timely submission of financial statements.

With respect to Insurance, the Administration is supportive of having the Association continuing to provide the Comprehensive General Liability insurance based on the current cost. In the event that this becomes cost prohibitive during the proposed term of a new contract, a subsequent Report will be provided for Council's consideration.

Given the St. James Minor Hockey Association Inc. past performance with the management of the Kinsmen-Allard Arena operation, the Administration have no concern with entering into a new lease agreement with the Association.

4. Proposed Terms and Conditions for a Lease Agreement:

The particulars of the subject city-owned property and proposed terms and conditions for a lease agreement are as follows:

Owner:	City
Tenant:	St James Minor Hockey Association Incorporated
Location:	80 Allard Avenue
Use:	Amateur ice skating programs and activities
Zoning:	PR1
Term:	(5) five years commencing August 16, 2005
Premises:	See attached Misc. Plan 12678
Rent:	No rent
Realty Taxes:	City
Insurance:	Tenant to provide Comprehensive General Liability in the amount of $5.0 Million dollars and City to provide property insurance.
Tenant Responsibilities:	Operate and manage the facility for ice skating programs; to assess fees and charges in accordance with the City's indoor ice and allocation and fees and charges policy; maintain lands in a clean and tidy condition; to pay for all costs associated with the lands including utilities, operating costs, maintenance and repairs in accordance with the previously approved maintenance schedule; right to provide catering concessions; and right to sell advertising subject to the Director's approval.
Special Conditions:	Contingency Fund - Annually contribute $15,000.00 to a contingency fund to pay for capital repairs to the Arena over the life of the Agreement. Works Committee – Establish works committee to resolve operating issues.

The St James Minor Hockey Association Inc. has agreed to the above referenced proposed terms and conditions of lease.

Financial Impact Statement

Date: November 15, 2005

COMMENTS:

There is no direct impact upon the City's current or capital budgets associated with this report. It should be noted that the indirect financial impacts are the following: (1) annual operational cost savings of not directly operating the arena and (2) the expenditure of capital from the reserve fund from operations of $121,960 by the Tenant on facility improvements.

"Original signed by"
Mike McGinn, CA
Manager of Finance

IN PREPARING THIS REPORT, THERE WAS CONSULTATION WITH AND CONCURRENCE BY:

Public Works Department

Community Services Department

Corporate Finance – Risk Management Branch

Legal Services Division as to form and content of proposed terms and conditions

This report submitted by:

Planning, Property and Development Department
Division: Real Estate
Prepared by: D. Armstrong
PPD File #: 5524

Document name: o:\reports directive\real estate\leasing\(da) kinsmen allard.doc

Schedule "A"

2005 - 2010 Allard Arena Reserves and Capital Expenditures

Reserves as at April 30 2004: $82,700.00

2004/05 Surplus $10, 300.00

Reserves as at April 30, 2005 $93,000.00

2005-06 Surplus and Capital Expenditures:

Expenditures*

Prior to 2005/06 season	
Chiller	$30,500.00
Brine Removal	15,000.00
Brine	7,200.00
Guarded Status	10,400.00
Compressors	5,000.00
Dressing rooms	27,000.00
Flooring	19,600.00
Lighting	4,000.00
Ventilation	5,000.00

Total Expenditures* $124,500.00

NOTE:* Reserves prior to the 2005/06 season
Will be $8500.00. ($93,000 + 40,000- $124,500)

Revenues

Surplus	$24,200.00
City Grant	40,000.00
Total Revenues	$64,200.00

Expenditures in Excess of Revenue $60,300.00

Reserves as at April 30, 2006 $32,700.00

2006-07 Surplus and Capital Expenditures:

Revenues		
Surplus	$24,500.00	
Expenditures		
None anticipated to build reserves		
Revenues in excess of expenditures	$24,500.00	
Reserves as at April 30, 2007		$57,500.00

2007-08 Surplus and Capital Expenditures

Revenues		
Surplus	$24,500.00	
Expenditures		
Interior Painting of Arena	$5,000.00	
Revenues in excess of Expenditures	$19,500.00	
Reserves as of April 30, 2008		$77,500.00

2008-09 Surplus and Capital Expenditures:

Revenues		
Surplus	$25,100.00	
Expenditures		
Purchase of Reconditioned Zamboni	$60,000.00	
Expenditures in Excess of Revenues	$34,900.00	
Reserves as of April 30, 2009		$42,600.00

2009-10 Revenues and Capital Expenditures

Revenues		
Surplus	$24,700.00	
Expenditures		
Girder maintenance	$35,000.00	
Expenditures in Excess of Revenues	$10, 300.00	
Reserves as of April 30, 2010		$32,300.00

Note: The Allard Arena is required to set aside $15,000.00 per annum in reserves.

Schedule "B"

St James Assiniboia Minor Hockey Inc
Income Statement 5/1/2004 to 4/30/2005

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Allard Revenue						
Allard Ice Rentals	206,596.48	212,800.00	219,200.00	225,800.00	232,500.00	239,500.00
Canteen Rent	3,600.00	3,600.00	3,600.00	3,600.00	3,600.00	3,600.00
Phone Commision	25.89	25.00	25.00	30.00	30.00	30.00
Skate sharpening machine	51.58	-	-	-	-	-
Misc Allard	327.85	-	-	-	-	-
Total Allard Revenue	**210,601.80**	**216,425.00**	**222,825.00**	**229,430.00**	**236,130.00**	**243,130.00**
EXPENSE						
Business Expense	1,443.96	1,487.00	1,530.00	1,580.00	1,630.00	1,680.00
Licences	421.00	430.00	450.00	460.00	470.00	490.00
Accounting	877.80	1,000.00	1,050.00	1,100.00	1,150.00	1,200.00
Arena Services	3,584.50	-	-	-	-	-
Service contract	15,600.00	16,380.00	17,200.00	18,060.00	19,000.00	19,900.00
Grass Cutting Contract	856.00	880.00	900.00	950.00	950.00	950.00
Ice Service Contract	57,912.00	60,000.00	61,800.00	63,700.00	65,600.00	67,500.00
Insurance	17,200.00	17,700.00	18,250.00	18,800.00	19,350.00	19,950.00
Interest & Bank Charges	34.86	50.00	50.00	60.00	60.00	60.00
Security	959.21	1,000.00	1,030.00	1,060.00	1,090.00	1,125.00
Snow Removal	2,166.75	2,200.00	2,225.00	2,330.00	2,400.00	2,475.00
Olympia Repair & Maintenance	2,356.37	2,500.00	2,575.00	2,650.00	2,725.00	2,875.00
Ice Plant Repair & Maintenance	9,712.55	3,000.00	3,090.00	3,200.00	3,275.00	3,375.00
Miscellanous Repair & Maintenance	2,900.14	3,000.00	3,090.00	3,200.00	3,275.00	3,375.00
Tools and Supplies	2,214.36	2,200.00	2,275.00	2,325.00	2,400.00	2,475.00
Rental Mats	819.45	-	-	-	-	-
Electrical	4,125.13	1,000.00	1,050.00	1,100.00	1,150.00	1,200.00
Plumbing	1,285.80	1,200.00	1,200.00	1,400.00	1,200.00	1,000.00
Telephone	1,325.93	1,350.00	1,375.00	1,400.00	1,425.00	1,450.00
Hydro	32,475.39	33,475.00	34,475.00	35,500.00	36,500.00	37,675.00
Heat	26,654.78	27,450.00	28,275.00	29,210.00	30,000.00	31,825.00
Propane	1,840.48	2,000.00	2,060.00	2,125.00	2,200.00	2,225.00
Water	9,532.09	9,800.00	10,100.00	10,400.00	10,725.00	11,050.00
Garbage Removal	1,651.81	1,700.00	1,750.00	1,800.00	1,850.00	1,900.00
GST	2,326.89	2,400.00	2,475.00	2,550.00	2,600.00	2,700.00
Total Allard Expenses	**200,277.25**	**192,202.00**	**198,275.00**	**204,960.00**	**211,025.00**	**218,455.00**
Surplus/Deficit	**10,324.55**	**24,223.00**	**24,550.00**	**24,470.00**	**25,105.00**	**24,675.00**



Date: 2005-SEP-09
District: ASBA
File: 5524
Scale: 1:1250

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CITY OF WINNIPEG
PLANNING, PROPERTY AND DEVELOPMENT DEPT.
LAND INFORMATION & MAPPING SERVICES

MISC. PLAN NO. 12678