Agenda - Council - July 26, 2006

Report – Executive Policy Committee – July 19, 2006

Item No. 7 Winnipeg Soccer Complex
File S-7

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the administrative recommendation and submits the following to Council:

1. That the Expression of Interest and Qualifications No. 119-2006 with respect to the design and construction of an Indoor Soccer Complex be terminated, no Request for Proposals issued and that the proponents be so notified.

2. That Chief Administrative Officer be directed to finalize terms and conditions of all agreements required for the development of an indoor soccer complex by Winnipeg Soccer Federation, University of Manitoba and Laureate Developments Inc. which, in the opinion of the Chief Administrative Officer, will satisfy the intent of Council, including the provision of funding through the 2007 Capital Budget totaling not more than $6 million.

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

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DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On July 19, 2006, the Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council.

On June 21, 2006, the Executive Policy Committee granted the Administration an extension of time to report back as requested on May 17, 2006.

On May 17, 2006, the Executive Policy Committee concurred in the administrative recommendation as follows:

1. That the administrative report dated May 15, 2006 be received as information.

2. That the Chief Administrative Officer be directed to:

    A. Negotiate a memorandum of understanding with an external party or parties to design, build, own and operate an indoor soccer facility within the following parameters:
        - The City of Winnipeg contribution to the project (current and future) be capped at $6 million (inclusive of federal and provincial cost sharing) as contained in the 2006 Adopted Capital Budget and Forecast, and un-serviced land if required;
        - There is guaranteed access for youth soccer;
        - The City provide payments as key construction milestones are achieved;
        - The City approve detailed design specifications and products being used;
        - The proponent deliver the facility operational by the fall of 2007.

    B. Report back to the Executive Policy Committee by June 21, 2006 on the results of negotiations.

On January 18, 2006, the Executive Policy Committee accepted the administrative report (dated June 24, 2005) as information, and requested that the Administration be directed to prepare and issue a Request for Expression of Interest (REI) as soon as possible, to design and build an indoor soccer complex, including the following general specifications:

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DECISION MAKING HISTORY (continued):

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

1. Four indoor fields with turf and permanent or removable boards
2. Dressing rooms
3. Viewing areas
4. Food concession
5. All related site development costs.

Further, the Executive Policy Committee Secretariat invite input from the Winnipeg Soccer Federation into the drafting of the Request for Expression of Interest, and then share the results of the process with the Winnipeg Soccer Federation.

RE: Winnipeg Soccer Complex – Letter of Intent from the University of Manitoba, Winnipeg Soccer Federation, University of Manitoba and Laureate Developments Inc.

FOR SUBMISSION TO: **Executive Policy Committee**

ORIGINAL REPORT SIGNED BY: **Director of Planning, Property and Development Department**

REPORT DATE: **July 18, 2006**

RECOMMENDATION:

That the Expression of Interest and Qualifications No. 119-2006 with respect to the design and construction of an Indoor Soccer Complex be terminated, no Request for Proposals issued and that the proponents be so notified.

That Council direct the CAO to finalize terms and conditions of all agreements required for the development of an indoor soccer complex by Winnipeg Soccer Federation, University of Manitoba and Laureate Developments Inc. which, in the opinion of the CAO, will satisfy the intent of Council, including the provision of funding through the 2007 capital budget totaling not more than $6 million.

Report Summary

Key Issues:

- The Executive Policy Committee directed the Chief Administrative Officer, on May 17, 2006, to negotiate a memorandum of understanding whereby 3 parties would form a consortium to design, build, own, and operate the facility, subject to capping the City's contribution at $6 million, guaranteed access for youth soccer, and other approval processes with the parties and to report back to the Executive Policy Committee on June 21, 2006.
- The Administration met with the Winnipeg Soccer Federation/ University of Manitoba and Laureate Developments Inc. on May 24, 2006 to explore the possibility of concluding an agreement to design, build, own, and manage an indoor soccer complex using the collective expertise of these organizations.
- After additional discussions, a Letter of Intent was delivered to the City on July 12, 2006, which contained a condition that the proposed development of an indoor soccer complex be granted municipal tax exemption status.
- After further discussions, on July 14, 2006, the Winnipeg Soccer Federation, University of Manitoba and Laureate Developments Inc. agreed to the

requirement to pay municipal taxes and subsequently amended their Letter of Intent accordingly.

- On July 17, 2006, the Winnipeg Soccer Federation Board of Directors ratified the terms and conditions outlined in their Letter of Intent dated July 14, 2006 (Appendix A).

Implications of the Recommendation(s):

General Implications

( ) None

( ) For the organization overall and/or for other departments

(X) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s):

Policy Implications

(X) No

( ) Yes

Comment(s): **This is consistent with Council's Recreation, Leisure, and Library Facilities Policy adopted in May 2005 which states in Section 2.8 regarding Indoor Soccer "The City will support the development of indoor soccer pitches in line with the facility to population ratio identified in the facility hierarchy. The City will not be a direct provider."**

Regulatory Implications

(X) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

Environmental Implications

( ) No

(X) Yes

Comment(s): Positive Implication: makes optimal use of existing infrastructure.

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):

Report

REASON FOR THE REPORT:

On May 17, 2006, The Executive Policy Committee adopted the following motion:

"That the Chief Administrative Officer be directed to:

A. Negotiate a memorandum of understanding with an external party or parties to design, build, own and operate an indoor soccer facility within the following parameters:
   - The City of Winnipeg contribution to the project (current and future) be capped at $6 million (inclusive of federal and provincial cost sharing) as contained in the 2006 Adopted Capital Budget and Forecast, and unserviced land if required;
   - There is guaranteed access for youth soccer;
   - The City provide payments as key construction milestones are achieved;
   - The City approve detailed design specifications and products being used;
   - The proponent delivers the facility operational by the fall of 2007.

B. Report back to the Executive Policy Committee by June 21, 2006 on the results of negotiations.

This deadline was subsequently extended.

HISTORY:

In the spring of 2004, the City received a proposal from the Winnipeg Soccer Federation (WSF) for the future development and operation of the Winnipeg Soccer Complex located at 900 Waverley Street. At its “In Camera” meeting of October 20, 2004, Executive Policy Committee concurred in the Administration’s recommendation that the Director of Planning, Property and Development be authorized to request the Winnipeg Soccer Federation to provide a detailed Financial Plan, along with all supporting information, relative to its proposal for the redevelopment and operation of the Winnipeg Soccer Complex and report back.

By March 2005, the Administration received the additional information from the Winnipeg Soccer Federation. The proposal was reviewed and in June 2005, the Administration submitted its report recommending approval in principle of the Winnipeg Soccer Federation’s Development Proposal and a set of analysis and decision-making steps thereafter.

In September 2005, EPC received the Administration’s report on the Winnipeg Soccer Complex Development proposal dated June 24, 2005 and referred the matter to the

Administration for report back in 60 days on the range of facility types and ownership/management options being used in other cities.

In January 2006, EPC considered the Administration's report dated November 14, 2005 on facility types and ownership/management options in other Canadian cities and directed the Administration to prepare and issue a "Request for Expression of Interest" to design and build an indoor soccer facility.

An Expression of Interest and Qualifications (EIO/Q) were issued on March 1, 2006. The EOI/Q was intended to provide the City with general information related to various types of facilities and structures that could be built in Winnipeg, along with associated cost estimates. The EIO/Q was expected to provide:

- options for ownership/management of the facility;
- information that would assist the City in its decision-making process regarding an indoor soccer complex and;
- an indication of the level of interest and qualifications among firms with respect to such a project.

Through the EOI/Q process, the City received 10 proposals that were reviewed and evaluated by an administrative team. The EOI/Q provided insight on several key issues relating to the development and management of an indoor soccer facility in Winnipeg. The Winnipeg Soccer Federation/University of Manitoba submitted a proposal, in response to the City's Expression of Interest request, for the future development and operation of an indoor soccer facility on University of Manitoba land. Laureate Developments Inc. submitted a proposal, in response to the City's Expression of Interest request, for the future development and operation of an indoor soccer facility on City-owned land at the Public Markets site

An Administrative report was presented to the Executive Policy Committee on May 17, 2006 that provided a summary of the EOI/Q submissions and sought further direction concerning this matter. The Executive Policy Committee directed the Chief Administrative Officer to negotiate a memorandum of understanding to design, build, own and operate an indoor soccer facility, subject to capping the City's contribution of $6 million, guaranteed access for youth soccer, and other approval processes with certain parties and to report back to the Executive Policy Committee on June 21, 2006.

The Administration is now reporting back and seeking further direction in this matter.

DISCUSSION:

A meeting was held on May 24, 2006 Winnipeg Soccer Federation, University of Manitoba, Laureate Developments Inc., to discuss the possible joint venture development of an indoor soccer complex on University of Manitoba campus land adjoining the Pan Am Stadium.

At this meeting, the potential partners of the soccer complex were advised of the City's expectations as to timelines including:

1. a formal joint response from the proponents by no later than June 7, 2006
2. a public announcement of the proposed development in September 2006
3. opening of the indoor soccer complex by the Fall, 2007.

The proponents agreed to conduct a meeting amongst them and to present a formal response to the City however additional time was needed for negotiations between the parties.

Through a "Letter of Intent" received July 14, 2006 (Appendix A), subsequently ratified by the WSF Board of Directors, the three parties have come to an agreement on terms.

DEPARTMENTAL COMMENTS

The arrangement as described in Appendix A is an example of a private-public partnership model wherein a local sport association, a proven building contractor/manager, and a public landowner have combined their respective expertise, skills and experience to develop and operate a new soccer complex.

A review of the Letter of Intent would indicate the following benefits:

1. WSF, under the auspices of the Manitoba Soccer Association would represent the sport of soccer and its requirements, and would be the owner and would act as a direct representative of the sport in the planning, development, and operation of the new facility. It is important to note that the WSF will also make a $1,500,000 capital contribution to the project development.
2. Laureate Developments Inc., a private building contractor and facility operator is proposing to design and develop the new facility within a fixed price contract and to subsequently operate the complex for a period of twenty (20) years and to make a capital contribution $1,910,000 into the project. Any cost overruns will be borne by Laureate Developments Inc.
3. The University of Manitoba is prepared to make certain lands available within the Fort Garry Campus for the development of the soccer complex at a nominal annual rent of $1 for the life of the facility and in exchange will be receiving certain improvements to existing athletic amenities on site as part of this project. There is the potential for considerable synergy with the University of Manitoba in that the project makes optimal use of existing infrastructure including access to existing outdoor fields and use of the existing stadium and parking. There is also the potential to broaden the user groups particularly in non-prime time and off-season hours.

From the City's perspective the above-referenced model creates an opportunity to increase facility infrastructure to serve the requirements for amateur soccer in the City,

using a one-time capital contribution without assuming the ongoing facility, maintenance and operating responsibilities and of fostering a direct relationship between the sport body and the ownership and operation of a sport facility. It should be noted that the private financial commitment would be made before the City's $6 million contribution is accessed for progress payments.

In order to properly document the development and management of an indoor soccer complex, the City and the Developers would need to complete the following:

1. Negotiate Project Development/Funding Agreements
2. Negotiate an Amateur Access Agreement
3. Review and finalize a Business Plan
4. Negotiate a Ground Lease with the University of Manitoba
5. Amend the existing easement agreement with the University of Manitoba for sanitary sewers on the east side of the complex

RECOMMENDATIONS

That the Expression of Interest and Qualifications No. 119-2006 with respect to the design and construction of an Indoor Soccer Complex be terminated, no Request for Proposals issued and that the proponents be so notified.

That Council direct the CAO to finalize terms and conditions of all agreements required for the development of an indoor soccer complex by Winnipeg Soccer Federation, University of Manitoba and Laureate Developments Inc. which, in the opinion of the CAO, will satisfy the intent of Council, including the provision of funding through the 2007 capital budget totaling not more than $6 million.

Financial Impact Statement — Date: July 18, 2006

Project Name: — **First Year of Program** 2007

Winnipeg Soccer Complex - Proposal from the University of Manitoba/Winnipeg Soccer Federation and Laureate Developments

	2007	2008	2009	2010	2011
Capital					
Capital Expenditures Required	$ 6,000,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	6,000,000	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 195,000	$ 570,000	$ 570,000	$ 570,000	$ 570,000
Less: Incremental Revenue/Recovery	174,757	170,000	170,000	170,000	170,000
Net Cost/(Benefit)	$ 20,243	$ 400,000	$ 400,000	$ 400,000	$ 400,000
Less: Existing Budget Amounts	20,243	570,000	570,000	570,000	570,000
Net Budget Adjustment Required	$ 0	$ (170,000)	$ (170,000)	$ (170,000)	$ (170,000)

Additional Comments: The recommendation of this report directs the CAO to finalize the terms and conditions of all agreements required for the development of the indoor soccer complex, and such costs associated with agreement preparation are immaterial and/or not traceable. However, the FIS completed here is to show the impact of the approval of the $6,000,000 capital expenditure and future estimated municipal tax revenue. In the Public Works 2006 Adopted Capital Budget, there were amounts of $600,000, $4,950,000, and $450,000 approved for2007, 2008 and 2009 respectively for the Indoor Soccer Complex as part of the Recreation and Leisure Facilities Capital Project. However, Public Works has revised these amounts in their 2007 Capital Budget Submission, and has included an amount of $6,000,000 for 2007 for the Indoor Soccer Complex as part of the Recreation and Leisure Facilities Capital Project. In 2007, interest costs of $116,505 and adminstrative expenses of $58,252 have been included as part of the Capital Budget. Debt and Finance charges of $195,000 for 2007 and $570,000 for 2008 on, have been included as part of the Public Works Current Budget. Municipal tax revenues are

original signed by
Melissa Bunkowsky for Mike McGinn
Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

Corporate Services Department, Legal Services Division (as to legal issues)

CAO Secretariat

EPC Secretariat

External Consultation With:

THIS REPORT SUBMITTED BY:

Department	Planning, Property and Development
Division	Real Estate
Prepared by:	Wayne Bollman
PPD File No.	

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Winnipeg Soccer Federation
330 Kingsway Avenue
Winnipeg, Manitoba
R3M 0H4

Phone No. (204) 957-4691 (Evening Phone No. 488-1275)
Fax No. (204) 957-4269
(e-mail kjf@aikins.com)

July 14, 2006

University of Manitoba
Room 202 Administration Building
Winnipeg, MB R3T 2N2

Attention: Alan Simms, Associate Vice-President (Administration)

Laureate Developments Inc.
c/o 698 Corydon Avenue
Winnipeg, MB R3M 0X9

Attention: Joe Bova

Dear Sirs:

Re: Winnipeg Indoor Soccer Complex

This letter of intent (the "Letter of Intent") sets out certain basic terms and conditions by which Winnipeg Soccer Federation Inc. and/or Winnipeg Soccer Foundation Inc. (jointly "WSF"), the University of Manitoba (the "University") and Laureate Developments Inc. ("Laureate") have agreed to proceed with the design, build, finance and operation of a new Winnipeg indoor soccer complex (the "Indoor Soccer Complex") on certain lands owned by the University and certain renovations to the University Stadium.

Upon acceptance of this letter of intent by all parties hereto, the parties agree to diligently negotiate in good faith the terms of definitive agreements (the "Agreements") as hereinafter described, substantially as set out in this Letter of Intent and in form and content satisfactory to all parties and their respective counsel.

1. Ground Lease

The University will enter into a ground lease with WSF for nominal annual rent for a long-term lease for the projected life of the Indoor Soccer Complex on lands owned by the University located east of the University Stadium. The Ground Lease will include provisions for improvements to University Stadium and guaranteed access to locker facilities in the Indoor Soccer Complex. The Ground Lease will include use rights to WSF for adjacent outdoor fields, the University Stadium and the U Parking Lot for specific times and on specific terms.

2. Design/Build Contract and Renovations to University Stadium

WSF will enter into a fixed price contract with Laureate for the designing and building of the Indoor Soccer Complex, associated parking and for the upgrading of University Stadium including artificial field turf and standard stadium lighting (the"Project").. The maximum projected cost for the Project is guaranteed by Laureate not to exceed $9,410,000 and to meet the design criteria specified in the REI and the items contained in Laureate's capital cost projections (eg. parking lot etc). The design and specifications of the Project, including the specification of the site location and development, are subject to the prior written approval of the University, WSF and, as required, the City of Winnipeg. WSF shall own the Indoor Soccer Complex in accordance with the terms of the Ground Lease..

3. Operating Agreement

WSF shall enter into a contract with Laureate whereby Laureate shall operate the Indoor Soccer Complex for 20 years. Laureate shall be responsible for all expenses in the operation of the Indoor Soccer Complex during the term of the Operating Agreement, including specifically municipal taxes.. Laureate shall pay to WSF 2% of the gross revenues from the operation of the Indoor Soccer Complex and shall be entitled to the benefit of all other revenues whatsoever from the operation of the Indoor Soccer Complex. Laureate shall also be responsible for funding operating losses, if any, of the Indoor Soccer Complex during the term of the Operating Agreement. Laureate shall include in annual expenses for the Indoor Soccer Complex the sum of $50,000 as a reserve fund, which amount shall be spent in such manner as the Advisory Board, described in paragraph 6 hereof, may direct. Upon the expiry of the term of the Operating Agreement, all operating rights and benefits therefrom shall revert to WSF.

4. User Agreements

WSF and Laureate shall enter into a User Agreement by which WSF shall have guaranteed access to the four fields of the Indoor Soccer Complex during prime hours (6 p.m. to 11 p.m. week days and 7 a.m. to 11 p.m. weekends from October 1 to May 1 each year) at rates to be agreed upon (such rates to be $165 per hour for the first five years). After the first five years of the Operating Agreement, the rates shall be fair market value rates on a five year term by mutual agreement, or failing that, to be arbitrated by the parties, but not to be less than the initial rates payable hereunder.

5. Funding

Laureate shall be responsible for funding up to $1,910,000 for designing and building the Project. Additional funding shall be provided as follows:

(a) The City of Winnipeg - $6,000,000; and

(b) WSF - $1,500,000.

6. Advisory Board

An advisory board shall be established including representatives of WSF, Laureate and the University, which will oversee the operations of the Indoor Soccer Complex and ensure access for WSF to the University Stadium and the outdoor fields for certain guaranteed times and events.

7. Conditions

This Letter of Intent is subject to the following conditions:

(a) Ratification of this Letter of Intent by the board of WSFas soon as reasonably practicable hereafter;

(b) Approval by the University Board of Governors of the Ground Lease;

(c) Approval by City of Winnipeg Council to funding of $6,000,000;

(d) Approval from The City of Winnipeg for access over its existing easement regarding sanitary sewers on the east side of the indoor soccer complex;

(e) Funding being available from WSF in the amount of $1,500,000;

(f) All necessary government regulatory approvals including subdivision approval for the lands comprising the Ground Lease;

(g) Finalization of the Agreements described in this Letter of Intent; and

(h) confirmation by WSF that it will not challenge or appeal the right of the City to levy municipal taxes payable by Laureate relating to its operations of the Indoor Soccer Complex.

Please indicate your agreement with the terms of this Letter of Intent by signing the enclosed copy of this letter.

Executed by Winnipeg Soccer Federation Inc. this 14th day of July, 2006.

WINNIPEG SOCCER FEDERATION INC.

Per: _____
Authorized Signatory

Executed by University of Manitoba this day of July, 2006.

UNIVERSITY OF MANITOBA

Per: _____
Authorized Signatory

Executed by Laureate Developments Inc. this day of July, 2006.

LAUREATE DEVELOPMENTS INC.

Per: _____
Authorized Signatory