Agenda – Council – July 16, 2008

Report - Executive Policy Committee - June 25, 2008

Item No. 6 Development Proposals for Indoor Water Park – Economic Development Grant
File PR-2

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 25, 2008, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That Canad Inns be selected as the preferred proponent for the design, construction and operation of an Indoor Water Park within the City of Winnipeg based on the evaluation of the Expression of Interest and Qualification No. 893-2007, and that a grant in the amount of $7 million to Canad Inns be approved, subject to Canad Inns entering into satisfactory Public Access and Capital Funding Agreements.

2. That authority be delegated to the Chief Administrative Officer to:
   A. Finalize a schedule for the project delivery with Canad Inns that is acceptable to the City of Winnipeg;
   B. Finalize the terms and conditions of the Public Access and Capital Funding Agreements.

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

Report - Executive Policy Committee - June 25, 2008

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On June 25, 2008, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and submitted the matter to Council.

RE: RESULTS OF THE INVITATION FOR EXPRESSIONS OF INTEREST AND QUALIFICATIONS (EOI & Q) FOR THE DEVELOPMENT PROPOSALS FOR INDOOR WATER PARK (EOI & Q # 893-2007).

FOR SUBMISSION TO: **Executive Policy Committee**

ORIGINAL REPORT SIGNED BY: **P. Sheegl, Director**
Planning, Property and Development

REPORT DATE: **June 19, 2008**

RECOMMENDATION(S):

1. **That Canad Inns be selected as the preferred proponent for the design, construction and operation of an Indoor Water Park within the City of Winnipeg based on the evaluation of the EOI & Q # 893-2007, and that a grant in the amount of $7 million to Canad Inns be approved, subject to Canad Inns entering into satisfactory Public Access and Capital Funding Agreements.**
2. **That authority be delegated to the Chief Administrative Officer to:**
    a. **finalize a schedule for the project delivery with Canad Inns that is acceptable to the City of Winnipeg.**
    b. **finalize the terms and conditions of the Public Access and Capital Funding Agreements.**
3. **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 Canad Inns Water Park proposal is the preferred proponent based on the evaluation for the Development Proposals for an Indoor Water Park (EOI & Q # 893-2007).

- The development of the indoor water park in conjunction with a new hotel tower will generate approximately $900,000 in new realty, business and hotel taxes per annum based on estimates provided by the Assessment & Taxation Department.

- The estimated project costs are $56,160,000, with the costs of the waterpark being in the range of $43,560,000, with the balance of project costs being for the new hotel tower. Through the RLIP contribution Agreement, the City will contribute $7m towards the cost of the waterpark.

- The proposed project will be a Multi-Level water park with 66,000 sq. ft. of indoor space and 4,800 sq. ft. of outdoor space.

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

(X) Involves a multi-year contract

Comment(s): The Public Access Agreement with the proponent will be for 25 years in duration.

Policy Implications

(X) No

( ) Yes

Comment(s):

Regulatory Implications

(X) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

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):

Council had previously approved a potential capital contribution of up to $7 million from the $9 million approved 2007 and 2008 Capital - Recreation and Leisure Facilities – Kildonan Park Urban Oasis program to be allocated for a private sector/publicly accessible destination the water park facility within the City of Winnipeg.

The development of the indoor water park in conjunction with a new hotel tower will generate approximately $900,000 in new realty, business and hotel taxes per annum based on estimates provided by the Assessment & Taxation Department.

Report

REASON FOR THE REPORT:

This report provides information on the results of the Invitation for the Expressions of Interest and Qualifications (EOI & Q) Development Proposals for an Indoor Water Park (EOI & Q # 893-2007). Council approval is required for the grant to the preferred proponent.

HISTORY:

On February 21, 2006 Council adopted the 2006 Capital Budget which included $43 million in funding for the Recreation and Leisure Facilities Program (RLIP) that included a project list outlining the investment priorities. This project list included the development of a Kildonan Park Urban Oasis.

On January 23, 2008, Council passed the following motion:

1. *That the $9.0 million contained in the approved 2007 and 2008 Capital Budget Recreation and Leisure Facilities - Kildonan Park Urban Oasis program be reallocated as follows:*

   A. Up to a $7.0 million contribution towards the development of a private sector/publicly accessible destination Waterpark facility within the City of Winnipeg.

   B. A $2.0 million contribution to redevelop the outdoor pool at Kildonan Park.

2. *That up to $813,000 be allocated for the development of a spray park component to the Kildonan Park outdoor pool project from the Spray Park/Pads Investment Fund identified in the 2008 Capital Budget $43 million Recreation and Leisure Program.*

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

On January 23, 2008, the Public Service issued, an Invitation for the Expressions of Interest and Qualifications (EOI & Q) for an Indoor Water Park through the Materials Management Division of the City of Winnipeg.

The major parameters of the EOI & Q included:

- An indoor water park facility with a minimum footprint of 60,000 square feet with a capacity of approximately 600 persons.

- A proposed site for the project within the City of Winnipeg, with preference to sites located within downtown Winnipeg, adjacent to major amenities and destinations or part of a larger concept.
- Project is to be consistent with Council adopted policies in *Plan Winnipeg: 2020 Vision*.
- A facility that incorporates environmentally-friendly practices and adopts elements of the LEED (Leadership in Energy and Environmental Design) program.

- The proponent is required to enter into a formal Public Access Agreement which recognizes the contribution of public funds in the construction of the facility. The Agreement shall be in effect for 25 years and include on an annual basis, admissions and/or in-kind services totaling 10% of City's overall investment in the project.

- Pursuant to the RLIP Contribution Agreement, the Province of Manitoba and the City have agreed to contribute up to $7 million towards the development of a private sector/publicly accessible destination water park facility within the City of Winnipeg. The proponent is required to enter into a formal funding agreement.

The EOI & Q also outlined that the City of Winnipeg will not assume an ownership position in the facility and will not consider any additional financial support to the project in terms of loans, tax incentives, operating grants and City owned lands and assets.

The EOI & Q indicated an expectation, subject to negotiation, that the indoor waterpark is to achieve operational status by November 30, 2009.

DISCUSSION:

On February 29, 2008, in response to the EOI & Q, a total of five (5) proposals were received from three (3) proponents:

1) Canad Inns
2) Prairie Ocean Experience Group
3) Creswin Properties Ltd. - submitted 3 proposals for the identical project for 3 different sites.

The Winnipeg Public Service has completed their assessment of the submissions. In order to ensure consistency and transparency in the EOI & Q review process, a standardized evaluation methodology was utilized as shown in Appendix "A" attached. Three of the five proposals were short-listed, and are discussed below.

Canad Inns Proposal
The proposal involves the development of a 66,000 sq. ft. Indoor water park as part of an addition/renovation to the Canad Inns- Polo Park location. The waterpark would be part of a project that would add approximately 100 rooms to the existing hotel via a new second tower on the facility. The project will be built on land presently owned by Canad Inns.

The estimated project costs are $56,160,000, with the waterpark being in the range of $43,560,000 and the balance for the new hotel tower.

The proposal describes the following features of the waterpark:

- Multi-Level Water Park with 66,000 sq. ft. of indoor space and 4,800 sq. ft. of outdoor space.
- Combined hotel/waterpark entrance through a 2nd storey common atrium.
- Includes a wave pool, lazy river, family whirpool, adult whirlpool, children's activity pool, inner tube slides, a water roller coaster, bowl waterslide, surf ride etc.
- Patrons of the waterpark will be able to use the another amenities on site – restaurants/bars etc.

Highlights of the proposal relative to the EOI Review Criteria are as follows:

- Consistent with Plan Winnipeg and complementary with the community and surrounding area.
- Property for the development is owned by Canad Inns and is zoned for the new development.
- Proponent has submitted evidence of financial capability for the project.
- Proponent has substantial experience in waterpark development and a proven track record.
- Project will utilize the $7 million contribution from the Recreation and Leisure Facilities program for the Water Park Development.
- Proponent will enter into a Public Access Agreement as well as provide in-kind services / reduced admissions at $700,000 per year for 25 years
- Project has good transportation access via vehicular, pedestrian and transit routes.
- The project is in close proximity to other major city and tourist venues (Polo Park Shopping Center, Canad Inns Stadium, etc.).
- Existing municipal services and transportation infrastructure are sufficient to adequately service the site.
- The Facility Design and components meets the requirements of the EOI in both facility size and components/features requested.

- The proponent recognizes the importance of the financial contribution by the funding partners and proposes to work with City officials to ensure comprehensive public recognition of this capital investment.

Overall, the proposal presents a project that is feasible and meets the requirements of the EOI & Q. Images of the project are included in Appendix "B"

Creswin Properties Ltd. – Waterfront Drive Proposal
The proponent has submitted a proposal that involves the development of a new multi-use facility consisting of a new hotel, food/restaurant amenities, and a 69,000 sq. ft. water park and site/parking development on the east side of Waterfront Drive at Higgins Street . The proposal describes a multi-use facility conveying a resort type of architecture for the water park.

The estimated project costs are $68,000,000, with the waterpark being in the range of $31,320,000.

Overall, the proposal presents a multi-use development that has significant merit. The proposed Waterpark meets the facility design parameters of the EOI.

The main issue with the proposal is the feasibility of the project to be operational by approximately November 30, 2009 as specified within the EOI & Q because the proponent does not own nor do they have options on the proposed site. The purchase and assembly of numerous active business and residential properties is required. The proposal did not demonstrate that the land assembly required for the project is feasible within a reasonable timeframe and this was reflected in the evaluation score.

Creswin Properties Ltd. – Kilcona Park Proposal
The proponent has submitted a proposal that is similar in design, program and features to their Waterfront Drive proposal to be located at Kilcona Park.

The estimated project costs are $68,000,000, with the waterpark being in the range of $31,320,000.

The proponent does not own the subject property and would require purchasing the land from the City of Winnipeg.

Again the proposal presents a project that as a new multi-use development again has significant merit. The proposed water park meets and exceeds the requirements of the EOI. However, the main issue with the proposal is again its feasibility to be operational by approximately November 30, 2009 as specified within the EOI & Q.

The proponent would need to negotiate and purchase the land from the City of Winnipeg. Even if the City agreed to sell the land, Creswin would still require rezoning, and a Plan Winnipeg amendment to enable the proposed use. The proposal did not

demonstrate that the assembly and servicing of land required for the proposal is feasible within a reasonable timeframe and this was reflected in the evaluation score.

Financial Summary

From a financial perspective, an order of magnitude assessment of potential costs and benefits associated with award and 25 year operation of any of the proposed developments as presented would result in a positive net present value to the City. This statement is based on the assumption that implementation of any of the proposed developments requires solely a $7 million contribution by the City as documented in the EOI & Q (i.e., no other contribution of civic assets/resources).

There are uncertainties, not presently quantifiable, contained in elements associated with the proposals that may result in increased financial risk to the City. This increased risk, associated with project costs as well as the probability of these proposals proceeding to development, may result in a negative net present value to the City from implementation of these proposals.

CONCLUSION:

All proposals were reviewed against the EOI evaluation criteria by the Administrative Review Committee and each proposal was assigned a score in each of the various sub-categories.

The three short-listed proposals received relatively close final evaluation scores, with the Canad Inns proposal being recommended as the preferred proponent based on receiving the highest evaluation score. The proposal demonstrated that it is feasible for the project to be operational within approximately the time frame considered within the EOI & Q.

The Winnipeg Public Service recommend that Canad Inns Ltd. be selected as the preferred water park proponent based upon their capability to execute on the requirements as set forth by the EOI & Q and as outlined in their proposal, their team, resources and expertise .

Financial Impact Statement

Date: June 17, 2008

Project Name:

First Year of Program **2009**

RESULTS OF THE INVITATION FOR EXPRESSIONS OF INTEREST AND QUALIFICATIONS (EOI & Q) FOR THE DEVELOPMENT PROPOSALS FOR INDOOR WATER PARK (EOI&Q # 893-2007).

	2009	2010	2011	2012	2013
Capital					
Capital Expenditures Required	$ 7,029,302	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	7,029,302	-	-	-	-
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	$ -	$ 120,872	$ 120,872	$ 120,872	$ 120,872
Less: Incremental Revenue/Recovery	903,794	881,504	888,622	895,846	903,179
Net Cost/(Benefit)	$ (903,794)	$ (760,632)	$ (767,750)	$ (774,974)	$ (782,307)
Less: Existing Budget Amounts	-	120,872	120,872	120,872	120,872
Net Budget Adjustment Required	$ (903,794)	$ (881,504)	$ (888,622)	$ (895,846)	$ (903,179)

Additional Comments: Recreation and Leisure Facilities Program funding is being utilized for the subject project from the overall City's contrbution estimated at approximately 21% (i.e. $9M of $43M). Capital expenditures in 2009 consist of the $7M grant + $29,302 in short-term financing charges, the latter of which is recovered by Corporate Finance. Direct costs beginning in 2010 represent debt & finance costs on the 2009 capital expenditure and will be charged to the current budget of P,P & D. Incremental revenue includes projected Property, Business, and Hotel taxes (estimates provided by Assessment & Taxation) which will accrue to the City. Note the value of admission/in kind services is not included in this analysis as it does not represent a cashflow. Financial risks to the City which are not presently quantifiable associated with the recommended Proposal may exist. However, such risks cannot be reasonably estimated and, therefore, have not been included in this analysis.

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

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

- Public Works Department
- Water and Waste Department
- Transit Department
- Community Services Department
- Assessment & Taxation Department
- Legal Services Division, Internal Services
- Materials Management Division, Corporate Finance Department

External Consultation With:

- Province of Manitoba

THIS REPORT SUBMITTED BY:

Department:	Planning, Property and Development Department
Division	Building Services Division
Prepared by:	John D'Ignazio, Project Coordinator, PPD
PPD File No.	08023 Results of the Invitation for Expressions of Interest and Qualifications (EOI & Q) for the Development Proposals for Indoor Water Park (EOI & Q #893-2007)

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Appendix "A":

Schedule "C" - EOI & Q Evaluation Parameters

C1. EOI & Q Proposals will be evaluated on the basis of broad financial, operational, recreational, and strategic merit to the City, and according to the following primary and secondary criteria:

a. Primary Criteria:

1. Completeness of the EOI & Q Proposal, that is, provision of all of the components identified in Sections 3 through 7;
2. Expertise of the members of the Proponent's Team;
3. Experience of the members of the Proponent's Team;
4. Conformance with the Facility Design & Components listed in Schedule "A";
5. Conformance with the Public Access Agreement Parameters listed in Schedule "B";
6. Conformance with Plan Winnipeg & Zoning By-Laws;
7. Overall Facility & Architectural Design, Site Plan, and strength of design concept;
8. Strength of the site development Proposal, including Project location;
9. Access to major transportation routes, transit, and parking;
10. Integration with surrounding properties and neighbourhood;
11. Financial Costs and Benefits to the City of Winnipeg;
12. Utilization of environmentally-friendly practices in construction, and promotion of energy-efficiency in operations;
13. Conformance with the City of Winnipeg's Universal Design Policy and Universal Design Standards.

b. Secondary Criteria:

1. Greenspace and landscaping;
2. Utilities and Infrastructure Servicing.

Appendix "B":


Manitoba Waters
Canad Inns Water Park Proposal - February 29, 2008 - Conceptual Design
numberTEN
architectural group



Manitoba Waters

Canad Inns Water Park Proposal - February 29, 2008 - Conceptual Design

numberTEN
architectural group