Agenda – Executive Policy Committee – December 13, 2013

2014 BUDGET REVIEW

Item No. 6 Multi-pad Arena Development Proposal – Garden City Community Centre "The Seven Oaks Arena Project" (Old Kildonan Ward)

COUNCIL DECISION:

On February 27, 2013, Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

8. That additional funding requirements, as outlined in Table A, associated with the decommissioning of the Vimy Arena and Old Exhibition facilities (mothballing, etc.), as well as the estimated incremental Universal Funding Formula amount payable annually to GCCC as a result of additional heated square footage, be referred to the 2014 Operating Budget process.

9. That a public consultation process within each of the Assiniboia Community Committee and the Lord Selkirk-West Kildonan Community Committee areas be implemented in order to seek community input on the future reinvestment of the sale proceeds of the Vimy and Old Exhibition arenas within those geographic areas; and further that $50,000 in incremental operating funding to the Community Services Department for consultant services to facilitate the consultations be referred to the 2014 operating budget process.

Agenda – Executive Policy Committee – December 13, 2013

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On November 22, 2012, the Executive Policy Committee concurred in the recommendation of the Winnipeg Public Service and recommended to Council:

1. That the City of Winnipeg enter into a tripartite funding partnership with the Garden City Community Centre (GCCC) and the Province of Manitoba in support of a multi-pad (twin) arena development and multi-use facility project, known as the Seven Oaks Arena Project; subject to confirmation satisfactory to the Chief Financial Officer of each partner committing to fund a 1/3 share of the $17 million capital cost, and that Council approve the City's funding contribution as follows:
   A. A loan guarantee in favour of GCCC of up to $17.0 million.
   B. Beginning in September 2014, a 25 year annual operating grant to GCCC of $358,929 per year required to retire the City of Winnipeg's 1/3 share ($5.67 million) of the $17 million capital cost.

2. That the City of Winnipeg enter into a funding agreement with GCCC which sets out the terms and conditions pursuant to which the City's funding is to be provided including without limitation, the following:
   A. that GCCC use 50% of the annual surplus cash flow generated by the newly developed Seven Oaks Arena, which amount shall be determined pursuant to GCCC's annual financial statements, to service the principal and interest payments on debt associated with the Seven Oaks Arena Project until such time as GCCC's $5.67million share of such debt plus construction interest is repaid in full.
   B. that GCCC maintain such above-noted surplus funds in a trust account until such time as a fixed lump sum payment can be made, at a minimum of once per fixed loan term.
   C. that once the GCCC portion of the loan is paid in full, that GCCC annually transfer 50% of surplus cash flow to a restricted Capital Fund to be used exclusively for GCCC capital improvements.

3. That the Chief Administrative Officer be delegated the authority to negotiate and approve the terms and conditions of the funding agreement and any other agreements required to implement the recommendations set forth in this report.

4. That the Chief Financial Officer be delegated the authority to negotiate and approve the terms and conditions of the GCCC financing documents and loan guarantee.

DECISION MAKING HISTORY (continued):

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

5. That the Vimy Arena and Old Exhibition Arena be declared surplus properties and that such properties not be marketed or sold until such time as the newly developed Seven Oaks Arena is ready for its intended occupancy, at which time the Planning Property and Development Department shall develop a property disposition strategy for such sites, and that Recommendation 1 of this report be subject to such approval.

6. That the net mill rate savings derived from the decommissioning of the Vimy Arena and Old Exhibition Arena be utilized to support the annualized operating grant funding contribution from the City of Winnipeg to the Seven Oaks Arena Project.

7. That further to the intent of the Recreation Leisure and Libraries Facilities policy, the net proceeds derived from the property sale or disposition of City of Winnipeg recreational facilities, namely the Vimy Arena and Old Exhibition Arena, be reinvested into the development of recreational amenities within the Community Committee area where the property sale occurs.

8. That additional funding requirements, as outlined in Table A, associated with the decommissioning of the Vimy Arena and Old Exhibition facilities (mothballing, etc.), as well as the estimated incremental Universal Funding Formula amount payable annually to GCCC as a result of additional heated square footage, be referred to the 2014 Operating Budget process.

9. That a public consultation process within each of the Assiniboia Community Committee and the Lord Selkirk-West Kildonan Community Committee areas be implemented in order to seek community input on the future reinvestment of the sale proceeds of the Vimy and Old Exhibition arenas within those geographic areas; and further that $50,000 in incremental operating funding to the Community Services Department for consultant services to facilitate the consultations be referred to the 2014 operating budget process.

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

ADMINISTRATIVE REPORT

Title: Multi-pad Arena Development Proposal – Garden City Community Centre
"The Seven Oaks Arena Project"

Critical Path: Executive Policy Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
K. Knudsen D. Prokopchuk	C. Wightman B. Thorgrimson	M Ruta	D Joshi COO

RECOMMENDATIONS

1. That the City of Winnipeg enter into a tripartite funding partnership with the Garden City Community Centre (GCCC) and the Province of Manitoba in support of a multi-pad (twin) arena development and multi-use facility project, known as the Seven Oaks Arena Project; subject to confirmation satisfactory to the Chief Financial Officer of each partner committing to fund a 1/3 share of the $17 million capital cost, and that Council approve the City's funding contribution as follows:
   i. A loan guarantee in favour of GCCC of up to $17.0 million.
   ii. Beginning in September 2014, a 25 year annual operating grant to GCCC of $358,929 per year required to retire the City of Winnipeg's 1/3 share ($5.67 million) of the $17 million capital cost.

2. That the City of Winnipeg enter into a funding agreement with GCCC which sets out the terms and conditions pursuant to which the City's funding is to be provided including without limitation, the following:
   i. that GCCC use 50% of the annual surplus cash flow generated by the newly developed Seven Oaks Arena, which amount shall be determined pursuant to GCCC's annual financial statements, to service the principal and interest payments on debt associated with the Seven Oaks Arena Project until such time as GCCC's $5.67million share of such debt plus construction interest is repaid in full.
   ii. that GCCC maintain such above-noted surplus funds in a trust account until such time as a fixed lump sum payment can be made, at a minimum of once per fixed loan term.
   iii. that once the GCCC portion of the loan is paid in full, that GCCC annually transfer 50% of surplus cash flow to a restricted Capital Fund to be used exclusively for GCCC capital improvements.

3. That the Chief Administrative Officer be delegated the authority to negotiate and approve the terms and conditions of the funding agreement and any other agreements required to implement the recommendations set forth in this report.

4. That the Chief Financial Officer be delegated the authority to negotiate and approve the terms and conditions of the GCCC financing documents and loan guarantee.

5. That Council declare the Vimy Arena and Old Exhibition Arena to be surplus properties and that such properties not be marketed or sold until such time as the newly developed Seven Oaks Arena is ready for its intended occupancy, at which time the Planning Property and Development Department shall develop a property disposition strategy for such sites, and that Recommendation 1 of this report be subject to such approval.

6. That Council approve that the net mill rate savings derived from the decommissioning of the Vimy Arena and Old Exhibition Arena be utilized to support the annualized operating grant funding contribution from the City of Winnipeg to the Seven Oaks Arena Project.

7. Further to the intent of the Recreation Leisure and Libraries Facilities policy, that Council approve the net proceeds derived from the property sale or disposition of City of Winnipeg recreational facilities, namely the Vimy Arena and Old Exhibition Arena, be reinvested into the development of recreational amenities within the Community Committee area where the property sale occurs.

8. That additional funding requirements as outlined in Table A associated with the decommissioning of the Vimy Arena and Old Exhibition facilities (mothballing, etc), as well as the estimated incremental Universal Funding Formula amount payable annually to GCCC as a result of additional heated square footage, be referred to the 2014 Operating Budget process.

9. That a public consultation process within each of the Assiniboia Community Committee and the Lord Selkirk-West Kildonan Community Committee areas be implemented in order to seek community input on the future reinvestment of the sale proceeds of the Vimy and Old Exhibition arenas within those geographic areas; and further that $50,000 in incremental operating funding to the Community Services Department for consultant services to facilitate the consultations be referred to the 2014 operating budget process.

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

REASON FOR THE REPORT

Council must approve loan guarantees and operating grants to external agencies as well as the disposition of civic facilities.

IMPLICATIONS OF THE RECOMMENDATIONS

- The Garden City Community Centre (GCCC) Board has submitted a Business Case for the 'Seven Oaks Arena Project' which calls for a $17 million development of a 100,000 sq ft new twin arena and multi-use facility including fitness and retail space, 3,000 sq. ft. of new programmable space on a 2nd floor (Appendix A) and to be located adjacent to the existing Seven Oaks Soccer Complex and Garden City Community Centre.

- The Public Service has reviewed the multi-pad arena development proposal and is satisfied that a sustainable business model, based upon GCCC financing 33.33% of the total project cost, has been developed by the GCCC Board. A fixed price contract guarantee has been secured by GCCC

based on a construction start in Spring/Summer 2013. The new facility is anticipated to be ready for occupancy in Fall, 2014.

- The GCCC has a demonstrated and proven history in facility operation and management, as evidenced by the GCCC Soccer Plex development project.

Loan Guarantee

- This report recommends that the City of Winnipeg provide a loan guarantee to the Garden City Community Centre in the amount of up to $17 million.

- The following is the policy and criteria related to requests for loan guarantees as adopted by Council on June 17th, 1992:

A. Requests for loan guarantees shall be submitted to the City Treasurer for review to determine if the request meets the requirements of the policy.

This report has been submitted to and reviewed by the City Treasurer.

B. The organization requesting the loan guarantee must provide a service, which, in whole or in part, falls within the mandate of the City of Winnipeg.

This recreation facility development of a twin arena and multi-use facility falls within the mandate of the City of Winnipeg and is consistent with the Recreation, Leisure and Library Facilities (RLALF) Policy adopted by Council in May of 2005.

C. The project for which the loan guarantee is being requested must not be in conflict with City policy. For example, if City policy stated that we already had more than enough arenas for our population, the City would not guarantee a loan for the purpose of constructing an arena.

This project has been reviewed by Community Services and is not in conflict with City policy. The population to ice sheet ratio is projected to remain unchanged at 14,355 people per ice sheet for the northwest quadrant.

D. The organization's services must be available to the community at large without restrictions based upon ethnicity, religion or race and without unreasonably restrictive membership or user fees.

The services are available to the community at large, without restrictive membership policies or user fees.

E. The organization must be non-profit.

GCCC is a non-profit organization.

F. The organization must produce financial records and a business plan that demonstrates the organization's long-term viability and capacity to meet the obligations of the loan that they are asking the City to guarantee.

The business plan projects a budget surplus of $75,694 beginning in 2014. The assumptions and reasonableness of the projections were reviewed by Community Services.

G. The organization structure and the principals of the organization must be judged by the City of Winnipeg as competent to independently implement the business plan of the organization.

The GCCC has a demonstrated and proven history in facility operation and management, as evidenced by the success of the GCCC Soccer Plex development project.

H. Unless there are very special circumstances, the maximum amount of outstanding loan guarantees for any one organization will be $1,000,000.00.

The loan guarantee request is for an amount up to $17 million, with the condition of a 1/3 funding contribution ($5.67 million) from the Province of Manitoba. A loan guarantee of up to $17M is required to meet the cash flow needs of the project during construction and represents the maximum amount required considering Provincial reimbursement of invoices paid. Council has granted loan guarantees in excess of the $1 million maximum amount in the past, where circumstances warrant.

I. The loan that the City is being asked to guarantee should not represent more than 50% of the total funding of the project. The organization requesting the loan guarantee must have raised at least 20% of the total project costs from non-City of Winnipeg sources as a down-payment, i.e. if the organization is receiving a City grant for their project, the grant cannot be counted as part of the 20% down-payment.

The loan guarantee is conditional upon receiving 33% of the total cost of the project from the Province of Manitoba. This guarantee represents 100% of the project cost, however, GCCC will only be responsible for servicing debt on 33.33% of the project costs. The City will fund the GCCC for the City's share (33.33%) of $5.67 million of debt servicing cost through an annual operating grant until the debt is retired. The project has been brought forward as a result of the City's Expression of Interest 430-2011 for the design, construction, development and operation of multi-pad arena complexes in Winnipeg. This project is consistent with the RLALF Policy adopted by Council in May of 2005.

J. The loan that the City is guaranteeing must be related to a capital asset.

The project is related to a city owned capital asset. When the project is complete, the City will have a newly constructed twin arena and multi-use facility.

K. The capital asset must be insured to the satisfaction of the City Treasurer both during and after construction.

The facilities operated by GCCC are owned by the City and are currently insured by the City.

Annual Operating Grant

- This report also recommends that a 25 year annual operating grant of $358,929 be provided in order to retire the City of Winnipeg's 33.33% share ($5.67M) of the total project capital cost of $17M. It is further recommended that the City of Winnipeg decommission two sheets of city owned and operated ice and that the net savings derived from the City no longer operating these facilities be utilized to support the annualized operating grant funding contribution.

Universal Funding Formula

- As a result of the additional estimate of 50,000 square feet of heated space, the Garden City Community Centre would be eligible for annual incremental funding of approximately $158,000 under the Universal Funding Formula (UFF) provided to Community Centres, adjusted for inflation per the approved UFF.

Decommissioning of Existing City Owned and Operated Ice Sheets

- The rationale for recommending the decommissioning of two sheets of ice is consistent with the Recreation, Leisure and Library Facilities (RLALF) Policy adopted by Council in May of 2005.

- The RLALF Policy provides direction for the provision and maintenance of recreation, leisure and library facilities owned by the City of Winnipeg. This policy is intended to address two primary objectives:
    - to provide Winnipeggers with more contemporary recreation, leisure and library facilities, and
    - to move toward a more financially sustainable mix of recreation, leisure and library facilities.

- With respect to arenas, the RLALF Policy indicates that the City's intent is to eliminate or reduce its role as a direct provider over time, while ensuring that the number of arenas remains within the facility to population ratio.

- The current arena inventory serving Winnipeg's estimated population of 691,800 amounts to 44 sheets of ice for an overall ratio of 15,723 per ice sheet. The Public Service has examined the distribution of arenas by quadrant within Winnipeg (Appendix B).

- This quadrant analysis considered the population to ice sheet ratio as well as the facility condition index. As the Seven Oaks Arena Project would provide two new sheets of ice in the north west quadrant of Winnipeg, the Public Service is recommending that Vimy Arena and the Old Exhibition Arena, both of which are in the north west quadrant of Winnipeg, be decommissioned. Decommissioning of these two arenas would maintain the population to ice sheet ratio at 14,355 per sheet for the northwest quadrant. It is further recommended that any decommissioning would not occur until such time as the new facility is ready for occupancy.

- The Vimy Arena currently:
    - is a Class B arena constructed to operate up to 8 months of the year with the current regular annual operating season being October to mid-March.
    - has a facility condition index of 0.55. This facility condition is identified as in a 'Crisis Response' state.
        - Crisis Response FCI is characterized as that, *without intervention, normal usage and deterioration leads to equipment and building component failure resulting in forced, unscheduled closure.*

- has an unfunded liability of $1,544,864 over the next ten years to maintain the current FCI of Crisis Response (status quo).
- has a three year (09-11) average subsidy of $109,341 per year.

- The Old Exhibition Arena currently:
  - is a Class C arena constructed to operate up to 6 months of the year with the current regular annual operating season being October to mid-March.
  - has a facility condition index of 0.39. This facility condition is identified as in a 'Reactive Management' state.
    - Reactive Management is characterized by *continued facility deterioration at an accelerating rate, where forced or unscheduled closures are required to maintain facility operations.*
  - has an unfunded liability of $5,529,330 over the next ten years to maintain the current FCI of Reactive Management (status quo).
  - has a three year (09-11) average subsidy of $70,646 per year.

- This report recommends that the Vimy Arena and Old Exhibition Arena be declared surplus properties and the Planning, Property and Development Department begin the development of a disposition strategy for each property.

- The City of Winnipeg, in collaboration with the Garden City Community Centre/Seven Oaks Arena, is committed to accommodating displaced youth ice users / groups from the Vimy and Old Exhibition Arenas.

- The Council approved Recreation, Leisure and Library Facilities (RLALF) policy states that "*any proceeds from property sales that may arise as a result of facility rationalization will be reinvested into City-run recreation, leisure and library facilities*". This report also recommends further to the above intent of the RLALF policy, that Council approve the net proceeds derived from the property sale or disposition of City of Winnipeg recreational facilities namely, the Vimy Arena and Old Exhibition Arena in this instance, to be reinvested into the development of recreational amenities within the Community Committee area where the property sale occurs.

- Following the disposition process with respect to the Vimy Arena and Old Exhibition arena, it is recommended that the City of Winnipeg refer to the 2015 operating budget process, $50,000 in incremental funding to the Community Services Department for consultant services in order to implement a public consultation process within each of the Assiniboia Community Committee and the Lord Selkirk-West Kildonan Community Committee geographic areas to enable community input into the development of a Recreational Amenity Reinvestment Strategy.

Financial Implications

- The following Table provides a summary explanation of the financial implications for the City of Winnipeg as a supplement to the Financial Impact Statement.

TABLE A

Net Mill Rate Support Impact - Seven Oaks Arena Project

$17M Project (ret of GST); City portion 33% ($5.667M); Province 33% ($5.666M); GCCC 33% ($5.667M)

Loan Guarantee of $17M

New Facility to Open August 1, 2014

	2013	2014	2015	2016	2017
Operating Grant to GCCC equivalent to the Annual Principal & Interest on $5.667M Loan at 4%, 25 year amortization effective September 2014	-	119,643	358,929	358,929	358,929
Net Mill Rate Change - Municipal Accommodations expenditure and Community Services revenue (Note 2)	-	15,210	(37,752)	(40,078)	(42,398)
Net Increase to the Universal Funding Formula (UFF) for estimated square footage increase	-	64,584	158,100	161,262	164,487
Net Increased Mill Rate Support	**$ -**	**$ 199,437**	**$ 479,277**	**$ 480,113**	**$ 481,018**

Note 1: In Year 1, no interest will be payable. All construction interest from May 1, 2013 through August 31, 2014 will be added to the loan, to be paid by Garden City Community Club. Year 2 assumes that the City's portion of the loan (50% of $11.334M is $5.667M) will begin September 2014, therefore four months of P&I in 2014.

Note 2: In 2014, the assumption is that seven months of municipal accommodation costs plus five months of fixed overhead and mothballing costs will require mill rate support; and three (Oct, Nov, Dec 2014) of six months revenue will not be earned by the City.

Note 3: The financial impact does not include any net proceeds from the property sale, redevelopment, or repurposing of Vimy and/or Old Exhibition Arenas nor any demolition costs if required.

Note 4: Before Year 3 a decision regarding the facility will be made that may eliminate the OH and Mothballing costs of Municipal Accommodations. The FIS currently includes these costs of at ~$150k per year, increasing by inflation, in perpetuity.

Human Resource Implications

- Should Council concur with the recommendation to decommission two city-owned and operated ice sheets, a formal notice will be provided to CUPE of a Change Initiative per the provisions of the Collective Agreement.

- There would be no job losses associated with this initiative. Any employees impacted would be subject to redeployment opportunities as per the CUPE Collective Agreement.

HISTORY

An Expression of Interest 430-2011 for the design, construction, development and operation of multi-pad arena complexes in Winnipeg was issued by the City of Winnipeg on October 17, 2011 and concluded on December 5th, 2011.

On April 28th, 2010 Council concurred in the recommendation of the Standing Policy Committee on Protection and Community Services and adopted the following:

1. That further to the May, 2005 Council adopted Recreation, Leisure and Libraries Facilities Policy, and in order to move towards a more financially sustainable model for arena facilities, as well as to provide Winnipeggers with a more contemporary mix of recreation and leisure facilities, the City of Winnipeg solicit expressions of interest (EOI) from the private sector and community organizations for:

    a. The construction and operation of new multi-pad public use arenas; with prime consideration being given to strategic geographic location(s) so as to maximize accessibility for Winnipeggers.
    b. The management and operation of existing City owned and operated public use arenas.

2. That the City of Winnipeg also give consideration to including principles within the Expression of Interest that may address the opportunity for incentive towards the redevelopment of existing facilities, including, but not limited to, land, building and other financial incentives; as well as a provision for a public access component for any redeveloped and/or new facility, as shown on Appendix C to the report of the Winnipeg Public Service dated February 10, 2010.

3. That based upon the results of the aforementioned expressions of interest (EOI), while ensuring that the number of arenas remains within the facility to population ratio under the Recreation, Leisure and Libraries Facilities Policy, that the City give consideration to the potential conversion of surplus arena facilities wherein analysis of such variables as usage, strategic location /proximity to other arenas, facility condition index, etc may indicate a rationale to reconfigure the facility to provide alternate recreational opportunities such as indoor soccer, gymnasium or court sport complex.

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

Financial Impact Statement

Date: February 1 2013

Project Name: **First Year of Program** **2013**

Multi-pad Arena Development Proposal - Garden City Community Centre "The Seven Oaks Arena Project"

	2013	2014	2015	2016	2017
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
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 (Munic Accom; UFF; Loan)		$ 640,890	$ 755,278	$ 763,205	$ 771,290
Less: Revenue (two arenas)		172,457	-	-	-
Net Cost/(Benefit)		$ 468,433	$ 755,278	$ 763,205	$ 771,290
Less: Existing Budget Amounts (Exp & Rev) (Munic Accom; UFF, Revenue)		268,996	276,001	283,092	290,272
Net Budget Adjustment Required	$ -	$ 199,437	$ 479,277	$ 480,113	$ 481,018

Additional Comments: The financial impact assumes that the new Seven Oaks Arena would open with twin ice sheets August 1, 2014 with a construction start date of May 1, 2013.

The financial impact assumes that all City arena revenue currently derived from the two arena sites would transfer to the Garden City Community Centre effective August 1, 2014.

The decommissioning of two City owned arenas would reduce the annual variable costs of operating the facilites (net of annual mothballing costs). Additional mill rate support costs associated with this proposal considers the increased heated square footage at the community centre from an increased Universal Funding Formula (UFF) grant and a new operating grant to GCCC equivalent to the principal and interest payments on a $5.667M loan, at 4%, amortized over 25 years. The financial impact does not include any net proceeds from the property sale, redevelopment, or repurposing of Vimy and/or Old Exhibition Arenas.

original signed by

Cindy Fernandes, CMA
Department Controller
Community Services Department

CONSULTATION

In preparing this report there was consultation with:

Corporate Finance Department
Planning, Property and Development Department
Public Works Department
Corporate Support Services Department
Legal Services Department
Garden City Community Centre Board
General Council of Winnipeg Community Centres
Local Area Councillor

SUBMITTED BY

Department: Community Services
Division: Strategic and Business Support Services
Prepared by: K. Knudsen, B. Dyck
Date: February 14th, 2013
File No.

Attachments:

Appendix A **Seven Oaks Arena Project Business Case Summary**

Seven Oaks Arena Project - Appendix A.

Appendix B **Arenas in Winnipeg by Quadrant**

Arenas in Winnipeg by Quadrant