



Title: Thorold Community Arenas Strategy- Canada Games
Park Legacy Project
Report Number: PWCS2019-81
Meeting Date: Tuesday, December 03, 2019
Report Prepared: Tuesday, November 26, 2019

RECOMMENDATION(S):

1. That Council approve a contribution of \$5 million for its share of the Canada Games Park Legacy Project having satisfied two of the three pre-conditions identified in Council Report PWCS2019-36 (May 31, 2019), and,
2. That staff be directed to work with the consortium partners to finalize the Definitive Agreements (in order to satisfy the third pre-condition) that will confirm the roles, risks and responsibilities of the ownership group before, during and after the Canada Games event, and,
3. Expenditures in the amount of \$200,000 be approved to offset the costs for outside professional services as required during the due diligence period, and,
4. That the total expenditure of \$5.2 million be funded from Development Charges (\$3.69 million) and internal financing (\$1.51 million), and,
5. Future plans to re-purpose the Whyte Arena be referred to the Parks, Trails and Recreation Master Plan Update Study.

REPORT:

Executive Summary

- The City of Thorold has a long-standing tradition of providing quality recreation amenities for its residents. The Frank Doherty Arena (45 years old) and the James Whyte Arena (83 years old) are the key elements of the Thorold Community Arena Facility, the City's largest recreation asset.
- The James Whyte arena has reached a critical age and condition that requires re-purposing or replacement within the next 2-5 years in order to maintain current service levels for the residents of this community.

- The City has initiated an update of its Parks, Trails and Recreation Master Plan that is scheduled for completion in the Spring of 2020. Community consultation results collected to date support the need to continue and improve the existing indoor recreation facilities.
- The announcement that Niagara will host the 2021 Canada Summer Games has created an opportunity for the City of Thorold and other stakeholders to leverage Federal and Provincial government funding to construct legacy facilities that compliment some of the community's future indoor recreation needs. Canada Games Park, to be located in the City of Thorold on lands leased from Brock University will be the largest legacy project involving additional capital contributions from the Niagara Region, Brock University, City of St. Catharines as well as the City of Thorold.
- Upon completion of the Games, the operation of the facility is to be managed in accordance with a Consortium and Co-tenancy Agreement and overseen by a Management Committee comprised of appointed members from each of the three operating partners (Thorold, Brock and St. Catharines).
- Capital and Operating costs associated with participation in this partnership are significantly more favourable than other options to repair, replace or reconstruct the Whyte Arena using Thorold's own available resources.
- Financial commitments from the Federal and Provincial governments, Brock University, Niagara Region and City of St. Catharines are now approved. The City of Thorold's funding and partnership commitments are required in order to finalize the legal agreements needed commence construction of Canada Games Park and complete the framework agreement for the future operation of this facility.

Background

The Thorold Community Arenas Facility is comprised primarily of two (2) ice pads joined by a common foyer, which provides access to offices, canteen, meeting space and washrooms. The building is situated on a 3.75 acre parcel of City-owned land. The original arena, known as the James Whyte Arena was built in 1936 (83 years old). The larger arena, known as the Frank Doherty Arena was built in 1974 (45 years old) was constructed to meet current design standards with respect to playing surface and spectator viewing areas/seating. Both facilities have had minor upgrades and major maintenance improvements to keep the operation of both ice pads functioning in a state of good repair. Renovations occurred in 1976, 1986, 1992, 1995, 2002, 2016 and 2017.

The age and physical condition of the existing arenas is a key determinant in the strategy behind any decision to close, extend the service life or replace the arenas with similar or more modern amenities.

In 2012, Thorold City Council advanced recommendations developed in the 2009 Parks and Recreation Master Plan and retained the consulting firm LeisurePlan International Inc. to study ice time utilization and to prepare a strategy to guide future Councils on its facility needs for the period 2015-2020. The Summary Report, entitled City of Thorold-Arena Facility Provision Strategy (November 2013) included research and extensive consultation with user groups in order to assess their current and future needs (see **Appendix “A”**). When considering the investment required to maintain safe and efficient operations relative to the capital cost of replacement the study concluded...

“the James Whyte Arena should be replaced within 5 years and that improvements and on-going repairs should be made to the Frank Doherty Arena to allow it to continue operate for the next 10 years.”

The consultants and the ad-hoc committee assessed five (5) facility options that would accommodate the demand for future ice time. At that time, two additional approaches involving the shared/joint development and operation of new facilities with Brock University were discussed but not advanced.

The arena facility provision strategy proposed two key actions;

- 1. Invest in capital requirements to ensure continued safe and efficient operation of the Frank Doherty Arena during the next ten years. At the end of that period (2019/2020) an assessment as to the feasibility and efficiency of further investments to extend the lifespan and operation of the facility should be undertaken.*
- 2. Replace the existing James Whyte Arena with a new single ice pad facility on the existing site. The new single ice pad facility should include provision for public and user areas (lobby, warm viewing area, food court style food and beverage area) to improve and enhance the overall quality of the municipal arena facilities.*

It was determined that the replacement facility should be increased in size from approximately 22,500 sf to a minimum of 48,270 sf (gross area). The estimated cost at that time for the new facility was projected to be \$13.8-\$18.5 million (in 2013 dollars).

In January of this year, City Council engaged the services of CIMCO Refrigeration to undertake an analysis of the ice plant and to assess the operating conditions relative to the applicable Canadian Safety Standards Association (CSA) minimum requirements. The report entitled “Ammonia Ice Rink Plant Review” (April 2019) identified nine (9) recommendations prioritized based on operator and public safety, efficiency and best practices (see **Appendix “B”**).

In February of this year, City Council engaged the services of the structural engineering consulting firm McIntosh Perry to conduct a Building Condition Assessment for the James Whyte Arena. The investigation concluded...

“Our visual review of the property found the facility to be in fair-to-poor condition and serviceable but in need of significant modifications based on its age and inherent design issues. These issues require address in the immediate and short terms. Despite the proposed repairs/replacements, the physical dimensions of the framed structure and proximity to the east embankment negates any consideration for enlargement of the ice pad dimensions to meet current standards. The refrigerated ice pad facility has exceeded useful service life with short-term restoration costs nearing full facility replacement costs for a similar sized arena. Consideration should be given for possible building repurposing such as a dry floor use (no refrigeration system) as opposed to demolition at least over the short-term.”

Based on this assessment, the consultant estimated the total cumulative costs to keep the arena in a state of good repair at approximately \$6.1 million (see **Appendix “C”**).

In September 2019, HDR Architecture Associates Inc. completed an assessment of the existing architectural building conditions of the Whyte Arena and concluded:

*“The James Whyte Arena was original to the site and has passed its feasible life cycle. With numerous accessibility shortcomings and visitor path of travel concerns, issues with the current building enclosure and separation from the main lobby investing capital into this portion of the facility would not be recommended beyond life safety requirements”. (See **Appendix “L”**)*

In March of 2017, Niagara Region was awarded the honour to host the 2021 Canada Games. In support of this event, a multi-sport athletics facility is proposed to be developed on lands leased from Brock University. This facility is intended to be a Legacy Project and would be turned over to a consortium of interested parties after the Canada Games were completed in August of 2021.

The City of Thorold Council has expressed interest in participation and, at its meeting on September 4th, 2018, authorized staff to continue discussions with various partners for the construction and post-event operation of the Canada Games facility. At its meeting on April 2nd, 2019, Council provided further direction in support of the project subject to further clarification of the Capital and Operational costs relevant to the project.

In 2018, City Council initiated an update of its Parks, Trails and Recreation Master Plan with the final report expected to be presented to Council in the Spring of 2020. In the Community Consultation Results Draft Report (June 2019), (see **Appendix “D”**);

The telephone survey of 400 respondents revealed that:

- 48% think a new arena is needed to replace the James Whyte Arena,
- 29% are opposed to replacing the James Whyte Arena
- 23% are uncertain or undecided

The on-line survey of 148 respondents revealed that:

- 57% think a new arena is needed to replace the James Whyte Arena
- 43% are uncertain or opposed

More direct to the point of the Canada Games Facility option, respondents were asked the following question:

“If the proposal to build the 2021 Canada Games Complex proceeds and includes a double pad arena, do you think the City of Thorold should partner with the City of St. Catharines and Brock University in this project, provided local needs for access to prime-time use are met?”

Results of the telephone survey:

62% in favour
24% opposed
16% uncertain

Results of the on-line survey:

60% in favour
20% opposed
18% uncertain

Current Conditions/Level of Service

In order to assist in the comparison of options it is important to understand the current standard or *Level of Service*. A recent benchmarking study conducted by the City of St. Catharines identified that there are there 21 arenas providing 35 ice pads within the Niagara Region broken down as follows;

<u>MUNICIPALITY</u>	<u>Est. Population</u>	<u># of Pads</u>	<u>Pop./Ice Pad</u>
Fort Erie	31,000	3	10300
Grimsby	27,500	2	13800
Lincoln	24,500	2	12300
Niagara Falls	88,000	5	17600
Niagara-on-the-Lake	17,500	2	8800
Pelham	17,000	2	8500
Port Colborne	18,000	2	9000
St. Catharines	137,000	6.9*	19900
Wainfleet	6,500	1	6500
Welland	53,000	2	26500
West Lincoln	14,500	1	14500
THOROLD	19,000	2	9500
Regional Average	37,792	2.6	13,100
Regional Median	21,750	2.0	11,300

*calculated as effective arena supply due to availability/operating arrangements and excludes privately owned facilities

*current population is estimated at 21,000.

The City of Thorold Level of Service sits amongst the average relative to other municipalities in the Niagara Region. The population is forecasted to grow to 28,500 by the year 2041 however the recent increasing trend in the growth rate is likely to result in achieving this target sooner than expected. It should be noted that population-based benchmarking does not capture market-based demand considerations such as age demographics, travel times and participation rate fluctuations but does assist when comparing service levels within a larger geographic area.

An analysis of the 2018-19 actual ice time utilization indicates that *prime time* utilization of each arena is identical;

- Doherty Arena – 1403 hrs used of 1713 hrs available or 82%
- Whyte Arena – 954.5 hrs used of 1161 hrs available or 82%

Non-prime time ice utilization is slightly different between the two arenas:

- Doherty Arena – 627 hrs used of 1886 hrs available or 33%
- Whyte Arena – 351.5 hrs used of 1523 available or 23%

Prime time hours are defined as 5:00pm-11:00pm on weekdays and 8:00am to 11:00pm on weekends.

Review of Options

Option “A” Canada Games Park – Partnership Agreement

The Canada Games Park (CGP) proposal encompasses a 180,400 sf, two-level, multi-purpose facility on a site leased from Brock University including:

- A twin pad arena with one pad having approximately 1,000 fixed seats, the second with seating for about 200 people.
- During the summer months these pads would be made available for indoor floor uses (such as ball hockey and box lacrosse).
- A quad gymnasium with a 200m indoor running track on the second floor.
- A regional centre for the Canadian Sport Institute – Ontario (CSIO)
- The Brock Centre for Health and Wellness
- Approx. 9,000 sf of office space for use by various sport groups and organizations.
- Approx. 1,000sf of food service area.
- Lobby, circulation and building administration space.
- Outdoor 400m running track.
- 6 Beach Volleyball Courts
- Outdoor Bike Pavilion

- Parking for about 260 Cars

The Canada Games Host Society retained the services of PricewaterhouseCoopers LLP (PwC) to assist in the evaluation of the capital costs and future operating metrics. This assessment sets out how the potential utilization, operating assumptions and estimated cash flows. This pro forma establishes the key operating principles of an Operating Agreement between the participating parties (see **Appendix “E”**).

The construction of this facility must commence immediately in order to make some or all of the facility available for the Canada Summer Games event in August of 2021. Full utilization of the facility will occur following the Games (and the completion of any outstanding construction).

Option “B” Replacement of Whyte Arena – Existing Site

City of Thorold-Arena Facility Provision Strategy (November 2013) recommended that the size of the replacement facility for the Whyte Arena be increased from 22,500 sf to 48,270 sf to allow for additional amenities such as:

- one ice surface, measuring 85’ by 200’
- spectator seating for 200 people
- 6 general dressing rooms and 1 female dressing room
- user group offices
- storage for user group equipment
- a meeting with capacity for 50 people
- food court style food and beverage area to serve both ice pads
- new lobby and warm-viewing area
- support areas (media/music room, staff offices, etc.)

The cost of operating a new facility on the existing site are expected to be higher than previous years due to changes in the scope and scale of the new building. Replacement of the building on the existing site is expected to take about two (2) years to complete and will have some operating impacts on the Doherty as they share common elements (such as the lobby, ice plant, HVAC systems, etc.). The Level of Service will be reduced to one (1) ice pad for a period of at least one season during construction. Ice time will not be available until September 2022.

Option “C” – Replacement of Whyte Arena – New Site

The replacement of a new facility on a new site would likely have the same amenities as Option “B” based on the feedback received from the user groups. The capital costs to locate to a new site would increase to include land acquisition costs and operating expenses would be significantly more expensive to accommodate additional staffing costs. Construction could commence without impacting the current Level of Service with this option.

Option “D” – State of Good Repair

This option requires intensive and continuous monitoring of all of the facility’s operating systems in order to keep the facility safe for public use. Even with the investment of \$6.1 million to extend the arena’s service life this option runs the risk of periodic Level of Service disruptions and after 2-5 years will require replacement as repairs would no longer be viable.

Option “E” – Purchase Ice Time (no ownership/tenant stake)

This option involves negotiating the needed ice/floor space on behalf of the Thorold user groups without taking on an ownership stake in the CGP or other facility. The capital expenditure would be avoided under this scenario and ice/floor time allocated on an actual needs basis instead of a reserved basis. The challenge will be to secure prime time ice from another arena operator at a reasonable price and at desirable times for Thorold user groups. The disadvantage of ownership is cost. The advantage of ownership is control.

Option “F” – Demolish the Whyte Arena and Re-invest in Doherty Arena (as required)

This option seeks to optimize the utilization of a single ice pad (Doherty Arena) for Thorold user groups. Minor renovations to spectator seating, food court, accessibility and meeting space could be added as funding permits.

Financial Considerations and Budget Impact

Of the six (6) options considered in this report options “E” and “F” have not been advanced for further financial analysis as they both represent a reduction in the current Level of Service currently offered by the municipality.

The four options under consideration have significant short term and long term financial impacts for the community from both a capital cost and operating cost perspective (see **Figure 1**). Each of the options show potential budget impacts well in excess of the historical budget increase targets. More detailed calculations are provided in **Appendix “F”**

The budget impacts shown reflect the increase in costs over the current spending. Any decision to offset the future costs in advance will be made during the annual budget deliberations.

BUDGETARY STATUS:
Figure 1

OPTION	TOTAL COST¹	DC ELIGIBLE	TOTAL AMOUNT TO BE FINANCED¹	ESTIMATED NET INCREMENTAL OPERATING, FINANCING & LIFECYCLE⁸ COST	BUDGET IMPACT %
A – CSG FACILITY WITH WHYTE MOVING TO DRY FLOOR SPACE USAGE	\$5.2 Million	\$3.69 Million ^{2,7}	\$1.51 Million	\$604,500 ^{3,4}	4.0% ⁴
B – REPLACE WHYTE SAME SITE	\$19.075 Million	\$3.69 Million ²	\$15.385 Million ⁷	\$1.27 Million	8.4%
C- REPLACE WHYTE NEW SITE	\$21.075 Million	\$3.69 Million ²	\$17.385 Million ⁷	\$1.80 Million	11.9%
D –FIX WHYTE TO STATE OF GOOD REPAIR (USEFUL LIFE EXTENSION 5 YEARS)	\$6.175 Million	\$0	\$6.175 Million	\$1.33 Million ⁵	8.8%

1. Includes consultant fees for due diligence: Legal, Costing and Operating Estimates, Project Management Oversight. \$200,000 for Option A, and \$75,000 for Options B-D (No project management oversight).
2. Potential for further recovery from DC's/CBC's in future, however, impact from change to Community Benefit Charge legislation is presently unknown
3. CSG Operating and Lifecycle Costing is Based Entirely on Estimates from PWC
4. Assumes 2 staff freed up at a cost of \$145,000 per year. Redeployment of these staff to other departments, will add \$145,000 (or 1%) to the impact shown above.
5. No Lifecycle Contribution
6. Excludes any Potential Proceeds from Naming Rights and/or Fundraising
7. Csg Non-Dc proposed to be financed internally from reserve/reserve fund cash, with annual pay back.
8. Options A-C include Capital Lifecycle provisions, which is the generally accepted best practice to create a capital reserve fund for ongoing capital maintenance and replacement for significant capital building project requirements.

Council Direction and Outstanding Considerations

At its meeting on May 21st, 2019, City Council approved the recommendations set out in Report PWCS2019-36 (see **Appendix “G”**) which read:

1. *That Council approve, in principle, a commitment to the Summer Games Host Society and other capital/operating partners to pursue the establishment of the Canada Games Facility.*
2. *That Council commit an expenditure of \$5 million to the new facility and an additional \$2 million towards the required servicing infrastructure (\$7 million max.) for its share of the project Capital costs subject to the following three (3) pre-conditions:*
 - a) *Funding commitments are confirmed, by upper levels of government and other partners, to fully fund the capital costs of the Games and;*
 - b) *Partnership commitments are confirmed from the City of St. Catharines, Niagara Region, Brock University and Canada Summer Games Host Society and;*
 - c) *An Operating Model and Partnership Agreement for the new facility be prepared for the consideration and approval by Thorold City Council*

Thorold Council's direction to staff specified three pre-conditions that require resolution prior to committing to its participation as a funding partner in the Canada Games Park Legacy project. The status of these conditions is as follows;

- a) *Funding commitments are confirmed, by upper levels of government and other partners, to fully fund the capital costs of the Games;*
 - the Canada Games Legacy Capital Infrastructure Budget totals \$111.8 million as described in Figure 2 below;

Figure 2: 2021 Canada Games Host Society Inc. Capital Budget

Capital Program - Revenue	
SOURCE BUDGET NOTES	
Government of Canada	\$ 32,000,000
Government of Ontario	\$ 32,000,000
Niagara Region	\$ 20,050,000
City of St. Catharines	\$ 10,000,000
City of Thorold	\$ 5,000,000
Other Niagara Municipalities	\$ 2,192,150
Brock University	\$ 4,020,513
Canada Basketball	\$ 47,923
Sponsorship & Fundraising	\$ 6,500,000
TOTAL FUNDING COMMITTED	\$ 111,810,586

Capital Program - EXPENSES	
SOURCE BUDGET NOTES	
Canada Games Park & Henley RC - Class A Cost Estimate	\$ 88,422,058
Canada Games Park - Competition Equipment	\$ 1,713,000
Other Competition Facilities & Equipment	\$ 2,444,596
Canada Games Park - FF&E	\$ 2,329,148
HRC - FF&E	\$ 445,000
Other Municipal Legacy Projects	\$ 2,107,000
Deloitte - HST Report	\$ 15,000
Thorold Building Permit Fees & Servicing Charges	\$ 2,463,330
Administrative Support & Other Fees	\$ 5,056,005
CSG Legacy Capital Project(s) Contingency (6.5%)	\$ 6,815,450
TOTAL PROJECT COST	\$ 111,810,587

It should be noted that the original commitment from the City of Thorold was to be capped at \$5 million for the facility and \$2 million for servicing. Funding for the facility was to be allocated from the City-wide Development Charge Reserve. Funding for the servicing costs were to be allocated from the Brock Business Park Area-Specific Development Charge Reserve.

Based on a legal opinion received from the City's solicitor and through discussions related to the establishment of the project as a Municipal Capital Facility it was determined that Development Charges could not be collected by the City nor the Region for this project. Through negotiation the Canada Games Host Society and its partners agreed that any off-site servicing requirements would be considered as facility project costs thereby removing this obligation from the City of Thorold.

Further, it should be noted that Building Permit Fees, in the amount of \$463,330 were paid to the City and no waiver of any other applicable fees has been given to date.

- b) Partnership commitments are confirmed from the City of St. Catharines, Niagara Region, Brock University and Canada Summer Games Host Society;**

- The City of St. Catharines Council approved its financial commitment of \$10 million at its meeting on November 18th, 2019. (see **Appendix “H”**)
- The Niagara Regional Council approved its financial commitment of \$20 million at its meeting on November 21st, 2019. (see **Appendix “I”**)
- Brock University Board of Governors convened a Special meeting on November 7th, 2019 and confirmed its financial commitment of \$4 million (see **Appendix “J”**).

c) An Operating Model and Partnership Agreement for the new facility be prepared for the consideration and approval by Thorold City Council;

As documented in the staff report to the City of St. Catharines Council, the consortium agreement between the partners continues to be negotiated to allocate responsibility for the construction, use, operation, maintenance, repair and replacement of the Canada Games Park facility both during and post-construction. This document is expected to be finalized early next year and is structured around a number of Guiding Principles which are still subject to negotiation (see **Appendix “K”**). The governance structure for this facility is currently being reviewed using outside legal resources. Should it be determined that a joint municipal service board or municipal corporation be the preferred structure further reports and recommendations will be brought forward to Thorold Council for consideration.

The Partnership Agreement contemplated at the time of Council’s resolution will actually come in the form of a series of legal agreements referred to as “Definitive Agreements”. These agreements will define the contributions, roles, responsibility and risk of each of the parties during the construction of Canada Games Park, the Games event and the legacy period.

The following list of agreements will require Council’s approval;

1. A Framework Agreement establishing the framework for the negotiation of other Definitive Agreements.
2. A Consortium and Co-tenancy Agreement, which will allocate responsibility for the use, operation, maintenance, repair/replacement, programming and related user fees.
3. A Project Agreement, which will set out the terms and conditions governing the construction, development and satisfactory completion of Canada Games Park.
4. Offer to Lease, Lease and/or Amending Lease Agreements clarifying responsibilities of the parties before, during and after the Games event.
5. A Municipal Capital Facility Agreement designating Canada Games Park as a municipal capital facility pursuant to the *Municipal Act, 2001*.
6. Transfer Payment Agreements and/or Joinder Agreements as required by the Federal and Provincial Governments as a condition of their respective funding commitments
7. Any other agreements not currently anticipated but may be necessary based on the assignment of responsibility.

Staff are actively participating in the discussions with the other partners and continue to pursue the deliverables requested by Thorold Council. The issues have become more complex and there is a need to retain outside legal resources. In order to keep the negotiations moving staff recommend that an additional project budget of \$200,000 be approved for outside professional services including legal, project management and advisory services to complete the due diligence needed to protect the City's interest.

STRATEGIC PLAN:

N/A

CANADIAN CONTENT:

N/A

ATTACHMENTS:

Appendix "A" – City of Thorold – Arena Facility Provision Strategy (November 2013)

Appendix "B" – Ammonia Ice Rink Plant Review (April 2019)

Appendix "C" – Building Condition Assessment – James Whyte Arena (May 2019)

Appendix "D" – Parks, Trails and Recreation Master Plan Community Consultation Results Report (June 2019)

Appendix "E" – PwC Pro forma – Canada Games Park (September 2019)

Appendix "F" – Financial Analysis of Options – Detailed Review

Appendix "G" – Report PWCS2019-36 (May 2019)

Appendix "H" – City of St. Catharines Council Report (November 2019)

Appendix "I" – Niagara Regional Council Report (November 2019)

Appendix "J" – Brock University Board of Governors Report (November 2019)

Appendix "K" – Operating Agreement Guiding Principles

Appendix "L" – Thorold Arena Architectural Assessment

PREPARED BY: "original signed" Geoff Holman, Director of Public Works and Community Services and Maria Mauro, Director of Finance

SUBMITTED BY: "original signed" Manoj Dilwaria, Chief Administrative Officer

APPROVED BY: "original signed" Manoj Dilwaria, Chief Administrative Officer