



STAFF REPORT ACTION REQUIRED

Process to Convert a City Facility to an Arena Board of Management Facility

Date:	September 27, 2013
To:	Government Management Committee
From:	Brenda Patterson, Deputy City Manager
Wards:	Ward 15 – Eglinton-Lawrence
Reference Number:	P:\2013\Cluster A\PFR\GM25-101513-AFS#18323

SUMMARY

This report outlines the process to convert a City-operated facility to an indoor sports facility operated by an Arena Board of Management.

On June 11, 12, and 13, 2013, City Council adopted Members Motion MM36.35 and, in so doing, requested the Deputy City Manager to report on the process to convert an outdoor rink and public tennis court adjacent to North Toronto Memorial Community Centre (NTMCC) to a year-round, indoor sports facility operated by North Toronto Memorial Arena (NTMA), an Arena Board of Management, through the installation of a bubble.

RECOMMENDATIONS

The Deputy City Manager recommends that:

1. this report be received for information.

Financial Impact

There are no financial implications resulting from the receipt of this report.

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of June 11, 12 and 13, 2013, City Council adopted Members Motion MM36.35 and, in so doing, requested the Deputy City Manager to report to the Government Management Committee on the process to work with the community and local Councillor to convert the skating rink/tennis court adjacent to North Toronto Memorial Community Centre to a year-round, indoor sports facility.

That decision can be found at:

<http://www.toronto.ca/legdocs/mmis/2013/mm/bgrd/backgroundfile-59440.pdf>

ISSUE BACKGROUND

North Toronto Memorial Community Centre, located at 200 Eglinton Avenue West, is a multi-use complex. The Centre contains the following amenities: indoor and outdoor pools, a fitness centre, weight room, gymnasium, multi-purpose rooms, meeting space, a large lobby, and a program area for older adults. The North Toronto Memorial Community Centre offers a wide variety of programming for all ages. Adjacent to the Community Centre is Eglinton Park, a 9-hectare park that features five multi-purpose sports fields, four tennis courts, two ball diamonds, a children's playground, and a wading pool. In the winter months, the tennis courts are converted into two artificial ice rinks. Eglinton Park wading pool is the centrepiece of a remarkable play area.

North Toronto Memorial Arena (NTMA) is an Arena Board of Management operating an arena adjacent to Eglinton Park, north of the NTMCC. In December 2012, North Toronto Memorial Arena submitted a proposal to the Deputy City Manager proposing to take over the outdoor ice rink / tennis court adjacent to the Community Centre and operate a year-round arena through the addition of a bubble. The Arena Board would borrow the estimated project cost of \$2.5 million from the Bank of Nova Scotia which would require a loan guarantee by the City of Toronto and would service the debt by income generated from the new facility at higher rates. Arena Boards of Management are not subject to Parks, Forestry and Recreation permit fees approved by Council, but, instead, set their own hourly permit rates which are approved by Council as a part of their budget.

The Parks, Forestry and Recreation Division reviewed the proposal and identified a number of concerns, noted as follows. The Division's primary concerns relate to:

- the reduction of free outdoor ice rink time and tennis courts to a community which does not have alternate locations in the neighborhood and replacing it with higher, hourly permit indoor ice space;
- unconfirmed demand for indoor ice; and
- the impacts on the architectural integrity, daylight access and user enjoyment of the NTMCC, which has a glass wall that will be blocked by a dome.

In addition, domed structures have, in the past, generated community concerns around the blocking of views in high density residential areas; therefore, the conducting of community consultations would be required. The City's Financial Planning and Corporate Finance Divisions also have requirements and restrictions around governance, financial accountability, limits on borrowing, and loan guarantees which are also discussed below. The change of the service levels of a city division, capital projects, and loan guarantees for an Arena Board of Management all require Council approval, subject to staff recommendations from the Finance and Parks, Forestry and Recreation. The report is intended to outline the process and identify issues where City staff and Council would need to be satisfied to allow Council to make an informed decision.

COMMENTS

Unsolicited Proposal

Arena Board of Managements are City-owned Boards, they would not need to be subject to the Unsolicited Proposals Policy. An unsolicited partnership proposal that would provide a profit for the proponent would be subject to the City's Unsolicited Proposals Policy and would need to be evaluated to ensure it delivers the best value to the City. To ensure this objective is achieved, the policy and process would be managed by the Toronto Office of Partnerships through a "Swiss Challenge," in which competing quotations and proposals sought by the City are completed.

Arena Boards of Management Governance and Budget Process

Arena boards as agents of the City are subject to the provisions of the City of Toronto Act for City boards. Under the Act the City has a high degree of control over the mandate, policies and processes the board is required to follow. Section 141(1) of the City of Toronto Act requires the boards, among other matters, follow rules, policies and procedures established by the City. City Council has established Relationship Framework for the eight City Arena Boards of Management as City policy. It requires that allocations of capital be approved by City Council which is completed through the City's formal budget process. Matters which are delegated by the City to Arena Boards relate to programming and day to day operation of the arena. Matters related to capital planning and undertaking capital projects is within the City's jurisdiction through the Parks, Forestry and Recreation Division.

Under the current relationship framework between the City and the Arena Boards of Management, the City funds, through the Parks, Forestry and Recreation Capital Budget, all capital improvements and state of good repair projects for facilities operated by the Arena Boards of Management. The physical assets are owned by the City and as such any capital improvement thereon must be budgeted with a source of funding either by debt or recoverable debt issued by the City. Third party financing via a private lending institution with an Arena Board is not permitted under current policy.

Direct City Loan Policies

The City occasionally provides direct loans to its Agencies, Boards, Commissions, and Corporations to contribute to the financing of a project that will create or enhance a capital facility.

In considering such requests, the ABCC's must demonstrate that all other potential sources of funding have been exhausted. The loan must be used to upgrade or establish capital facilities and not fund operations or support operating deficits. The need for the facility proposed must be based on a sound business case supported by current needs and requirements and the duration of the loan must not exceed the effective life of the facility to be constructed.

The loan provided by the City must be self liquidating, in that revenues generated by, or in respect of the underlying project are sufficient to repay the loan in the timelines set out in the loan agreement. Clear community benefit must also be demonstrated by the project in order to be in the interest of the City. The requirement for an equity contribution by the ABCC may be required, depending upon the individual circumstances of the ABCC, as may be recommended by the Deputy City Manager and Chief Financial Officer.

The second pad expansion project at Leaside Memorial Gardens Arena is a recent example of a direct city loan to an Arena Board. A detailed business plan was submitted and reviewed, which showed clear demand for a second ice-pad at the site. The cost of the project was approximately \$12 million. Financial analysis indicated the project could support up to \$7.5 million in City-funded recoverable debt. The shortfall was made up by a community fundraising cash contribution of nearly \$3 million, and a subordinate non-recourse loan from Infrastructure Ontario of up to \$1.5 million supported and secured only by a revenue bond based on any ice-rental income remaining after the City's debt payments are made. In this example, no City of Toronto operated facility was decommissioned.

Should NTMA wish to pursue the proposed conversion of the outdoor rink and tennis court into a year-round indoor facility, they must submit a detailed business plan that demonstrates the financial viability and capacity of the organization to repay the funds within operating funds to the satisfaction of the appropriate Deputy City Manager, in consultation with the Deputy City Manager and Chief Financial Officer. Such review may also result in the requirement of an equity contribution (non-debt) to the project, and any other requirements appropriate to the circumstances.

The City's policy on Direct City Loans is contained in the following link.
<http://www.toronto.ca/legdocs/mmis/2011/ex/bgrd/backgroundfile-38941.pdf>

Parks, Forestry and Recreation Service Levels

Parks, Forestry and Recreation's service levels and associated budget is approved by City Council. The current outdoor rink is free of charge to the general public and operates from November through early March. Since it is free of charge, attendance numbers are not tracked. The outdoor rink is the only available outdoor skating facility in the Ward. The closest outdoor rinks are located at Ledbury Artificial Ice Rink at Bathurst Avenue, south of Wilson Avenue, which is 4 kilometres away.

The tennis courts operate between March and November and are also used by residents free of charge.

Architectural Integrity of NTMCC

North Toronto Memorial Community Centre was designed by Centre Oleson Worland Architects and opened to the public in 1993. The building design received a number of awards, including the 1994 Governor General's Awards for Architecture, 1994 Canadian Wood Council Honours Award, and the 1998 Canadian Architect Award of Excellence. The design of the building includes a glass wall on the north that overlooks the tennis courts and ice rink and visually integrates the Centre to the 9-acre park behind. The glass wall is a source of light to the Centre. The proposed location of the bubble would block the light and view from the Community Centre and impact the enjoyment of the public. If the proposal was to be pursued, the Community Centre would require internal capital investment to alter the glass wall and add artificial lighting.

Community Consultation

Parks, Forestry and Recreation is in the process of developing a Policy for the placement of sports bubbles in parkland. With the increasing cost of real estate, a high number of private operators submit unsolicited proposals to Parks, Forestry and Recreation to erect sports bubbles for private use on public parkland. One of the concerns raised by communities in high density residential areas is the blockage of sun and views created by the placement of a bubble structure, and the ultimate impact of enjoyment and property values for residents. Parks, Forestry and Recreation's policy work will consider a minimum required distance to residential areas for sports domes; however, the policy is not complete at this time. If a proposal of this nature were to be considered, community consultations with residents would need to be conducted.

Conclusion

Consideration of this proposal will require (1) a full business plan, including how it meets City policies for recoverable debt provided to agencies that is satisfactory to DCM and CFO, (2) an assessment of facilities and programs available to this community and how

this proposal would affect them (3) a consultation plan with the community including North Toronto Memorial Community Centre users. (4) a report back on the results if required.

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SIGNATURE

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