

To: COUNCIL

Meeting Date: 01/06/22

Subject: Cambridge Sports Park Improvement and Expansion – Lease Agreement

Submitted By: Yogesh Shah, Deputy City Manager Infrastructure Services

Prepared By: Yogesh Shah, Deputy City Manager Infrastructure Services

Report No.: 22-002(IFS)

File No.: C1102

Recommendation(s)

THAT Report 22-002(IFS), Cambridge Sports Park Improvement and Expansion– Lease Agreement be received;

AND THAT the Mayor and Clerk be authorized to sign the Amending Lease Agreement between Buckingham Sports Properties Company and the City, subject to the satisfaction of the City Solicitor.

Executive Summary

Purpose

- The purpose of this report is to seek Council’s approval of the amending agreement between Buckingham Sports Properties Company (Buckingham) and the City which will allow for the expansion of the Cambridge Sports Park to build two new ice pads and the purchase of prime, non-prime and summer ice time at the expanded facility.

Key Findings

- On June 8, 2021, Council provided direction to negotiate the terms and conditions of an agreement that allows for the purchase of ice time on two new proposed ice pads at the Cambridge Sports Park in accordance with the parameters outlined in Report 21-191(IFS) and prepare required agreements;
- The agreement with Buckingham will allow for the construction of a four pad community rink facility which will add two new ice surfaces complete with Rink #1- 400 seats, Rink # 2 -300 seats (NHL size). The existing two rinks will have

100 seats added to each rink. One of the ice pads will also be able to accommodate the requirements of sledge hockey.

- Other amenities include 12 new dressing rooms, 2 referee rooms, showers and washrooms facilities.
- The new expanded facility will provide 2000 square feet of secured, accessible, ventilated climate-controlled storage/office space for City /sports user groups.
- The construction of this expanded facility along with the expansion of the Preston Memorial Auditorium will result in a total of 9 ice pads (including four new ice pads, the decommissioning of both the Duncan McIntosh and Dickson arenas and demolition of Karl Homuth arena) available to the community. These include an existing twin pad facility at Hespeler Arena, improved and expanded twin pad (NHL Size) facility at Preston Memorial Auditorium, an improved and expanded quad pad facility at Cambridge Sports Park and a single pad at the historic Galt Arena Gardens.
- All costs for improvements to the existing twin pad and expansion with an additional twin pad will be financed by Buckingham. Buckingham will be responsible for the operation of the facility and will maintain the facility in a good state of repair at all times.
- The City will purchase 2400 hours of prime time, 200 hours non-prime time and 200 hours summer ice hours each year at established rental rates on two new ice pads.
- An opportunity to expand Cambridge Sports park and long-term ice rental agreement, allows residents to benefit from new ice facilities while reducing capital investment costs and minimizing operating costs.

Financial Implications

- The City will incur an annual cost of \$1,245,000 to purchase ice time which will be subject to annual inflationary adjustments in accordance with the Consumer Price Index (CPI).
- In addition, the City will also pay an annual base lease amount of \$150,000 which will be subject to annual inflationary adjustments in accordance with CPI.
- Based on ice rental revenue projection and potential operational savings due to decommissioning of ice at Duncan MacIntosh and Dickson Arena, it is anticipated that a net operating budget impact of \$675,000 with an estimated tax rate impact of 0.67% will be incurred to rent 2,800 hours of ice time (including 2,400 hours prime time 200 hours of non-prime time and 200 hours of summer time ice hours) on two new proposed ice pads at Cambridge Sports Park.

- One-time costs of approximately \$600,000 will be incurred for Buckingham's request for the City portion of development charges to be exempt and building permit fees to be refunded. These costs are to be funded from Capital Works Reserve fund as per approved capital project A/01265-10 Cambridge Sports park Expansion.
- Capital costs and operating budget impacts to build and operate a City owned twin pad arena was presented to Council on June 4, 2019 and is available as appendix- D of council report [19-178\(CRE\)](#). As of June 2019, the cost to build a City owned twin pad arena was \$26,000,000 to be debt financed with operating budget impacts of 1.8-2.5%.

Background

On June 18, 2019, Council approved the location of a recreation complex with a 25m swimming pool, gymnasiums, fitness track and multi-purpose rooms on lands owned by the city in southeast Galt.

In addition, Council also provided a staff direction to:

- prepare a project proposal to expand and improve the Preston Memorial Auditorium with an additional ice pad to make it a twin pad facility;
- consider the request by Buckingham Sports Properties (Buckingham), under Section 8.16 of Buckingham's Lease from the City, to expand the existing Cambridge Sports Park Facility on the lands leased by Buckingham from the City, to provide a four (4) pad ice facility, by adding two (2) additional ice pads and improving the existing two (2) ice pads; and if the City and Buckingham does not agree on terms of expansion request to deliver a four (4) pad ice facility at the Cambridge Sports Park, the city has the option to expand the Hespeler Memorial Arena to a four (4) pad facility or build two (2) ice pads at the Southeast Galt location.

Since June of 2019, staff have made significant progress to implement Council's direction.

This includes the following:

- Completion of a Joint use campus feasibility study and concept plan development for Recreation complex, Idea Exchange Location and two elementary schools;
- Commencement of site preparation (grading and servicing) for the joint use campus scheduled to be completed this spring;

- Council approval of the capital project for the detailed design of the recreation complex and Idea Exchange location. Colliers Project Leaders has been retained as the project management firm for the design and construction of the recreation complex;
- The request for proposal to retain the architect for design of recreation complex will be released in the spring of 2022;
- Staff completed extensive consultation with a number of sports user groups for the improvement and expansion of the Preston Memorial Auditorium and presented various concept plans along with the associated project costs to Council;
- Council approved an extensive renovation to the existing ice pad and the twinning of the Preston Memorial Auditorium. The newly renovated arena will provide an NHL-size twin pad, dedicated changeroom, office, training and storage space for Rivulettes and dedicated office and storage space for Cambridge Minor Hockey Association, storage and office space for Preston Figure Skating along with renovations of existing changes rooms, banquet hall and level 2 boardroom;
- On June 8, 2021, Council provided direction to negotiate the terms and conditions of an agreement that allows for the purchase of ice time on two new proposed ice pads at the Cambridge Sports Park in accordance with the parameters outlined in Report 21-191(IFS) and prepare required agreements;

City staff and Buckingham have prepared mutually acceptable business terms and an agreement to improve the existing twin pads and expand the Cambridge Sports Park facility to a four-pad facility. Staff are now seeking approval for the Mayor and Clerk to execute the amending agreement that allows for the purchase of prime, non-prime and summer time ice on the two new ice pads at Cambridge Sports Park.

Analysis

Strategic Alignment

PLACE: To take care of, celebrate and share the great features in Cambridge that we love and mean the most to us.

Goal #5 - Parks and Recreation

Objective 5.1 Work with the community to provide the right mix of recreational opportunities that meet the needs of a changing and diverse population.

The expansion of the Cambridge Sports Park facility to a four-pad facility will offer increased opportunities to host significant events and tournaments and offer additional

ice sports to a diverse population. The location close to Hespeler Road and easy access to Highway 401 will create a positive economic impact for Cambridge businesses.

The proposal is consistent with the strategic goals related to creating significant places and promoting economic development as well as contributing to the sport and recreational aspirations of the community.

Comments

Buckingham Sports Properties Company (Buckingham)

- Owns and operates six arenas, including:
 - A four pad facility in Toronto (Scotiabank Pond)
 - A recently acquired (December 2019) four pad facility in Montreal
 - Cambridge Sports Park twin pad facility in Cambridge
- Built a 150,000 sq. ft. four pad facility (Scotiabank pond) in 2013 with WGD Architect, and Schilthuis Group of Companies, the proposed architect and contractor for this project
- Has experience hosting high profile events
- Owns and operates the Cambridge Sports Park facility on City-owned land through a long-term lease agreement.

The agreement with Buckingham includes the following terms:

Cambridge Sports Park Improvement and Expansion

Buckingham will improve existing twin pad facility located at Cambridge Sports park and expand the facility with addition of 2 new NHL sized ice pads;

Provide a safe, clean, accessible, modern ice facility aligning with City of Cambridge ice requirements;

Spectator seating of a minimum 400 seats on one new pad and up to 300 seats on a second new pad;

Improvements to the facility to include spectator seating of 100 seats each existing ice pads;

The new expanded facility will provide approximately 2000 square feet of secured, accessible, ventilated climate-controlled storage/office space for City and the City's sports user groups.

Facility design and construction to accommodate the requirement of sledge hockey on one ice pad.

Capital and Operating Costs

All costs for improvement of the existing twin pad and expansion with an additional twin pad will be financed by Buckingham. Buckingham will be responsible and liable for the cost of the operation of the premises including the existing building and building addition. Buckingham will maintain the facility in a good state of repair at all times.

Site Development Costs

Buckingham will be responsible for all site development costs in accordance with the City's Zoning By-law, site plan application process, and associated site development studies as required by various agencies. These costs include but are not limited to providing appropriate parking spaces as per the City's Zoning by-law, appropriate storm water management plans to accommodate the proposed expansion, replanting of trees removed in accordance with the City's Tree By-laws.

Tournament Use

Upon not less than one month prior written notice, Buckingham will make all four ice pads available for tournament use as per the City's request. Buckingham and the City will work in good faith to provide additional ice time requested by the City to accommodate tournaments promoted and required by the City.

Additional Ice Time

Additional ice hours as requested by the City will be made available at the lower of the rate published and advertised by Buckingham to other users or the rates as agreed upon between Buckingham and the City.

Service Interruption

Buckingham will notify the City of any disruption to City's sports user groups such as, but not limited to, shutdown or major renovations. The City is not to pay any cost for ice time lost due to shutdowns / non- availability of ice, unless a mutually agreed alternate ice time is provided to the City.

During any period that the use of ice is prohibited by applicable law, the City will be required to pay only fifty percent (50%) of the amount payable for the use of ice time.

Accessibility

Ice rental will include access to the facility including dressing rooms and spectator facilities wheel chair accessible. The building addition and renovation shall meet the requirement of the *Accessible for Ontarians with Disabilities Act*. Further, ice rental shall include lobby/space for spectators to congregate before and after games.

Parking

Parking spaces are to be provided as per the City's zoning by-law. Parking is to be provided free of cost to ice users.

Life Cycle Repairs and Replacement

Buckingham will maintain the facility in a state of good repair. Buckingham will also schedule facility condition assessments through a qualified structural inspection and an inspection report will be provided every five years.

Terms and Renewal

The initial agreement would be for a period of 25 years. Buckingham will have an option to renew this agreement for one additional term of twenty-five years less one day. The renewal will be subject to the same terms and conditions or before expiry of the initial 25 years term. The original lease agreement with Buckingham had approximately 50 years remaining in the term.

Prime Time

The prime-time hours are defined as Monday to Friday 5pm to 10pm and Saturday-Sunday 7am to 9pm during fall/winter season (September 1 to April 15).

Base Lease Amount

The City will pay an annual base lease payment to Buckingham, pro-rated in part years, of \$150,000 commencing the date of occupancy. The annual base lease payment will be subject to annual inflationary adjustments based on CPI index.

Buckingham will provide a minimum of 2000 square feet of secured, accessible, ventilated climate-controlled storage/office space for City /sports user group at no extra cost.

Ice Time and Rates

As proposed by Buckingham, the City will purchase 2400 hours of prime time, 200 hours non-prime time and 200 hours summer ice hours at established rates on two new ice pads. The City will incur an annual-cost of \$1,245,000 to purchase this ice time which will be subject to annual inflationary adjustments in accordance with the Consumer Price Index (CPI).

Buckingham will use its best effort to resell any ice time not used by the City to other users requesting ice time. All revenues from the reselling of City allocated ice time will be refunded to the City.

Ice rates are effective from the first year of operation of new twin pad arena and subject to annual inflationary adjustments in accordance with the Consumer Price Index (CPI).

Ice Time (existing agreement)

Per an existing agreement, Buckingham currently provides 840 hours of prime time ice to the City from September 1 – April 15. This agreement will remain in place.

Development Charges, Building Permit Fees and Property Taxes

The City's portion of the development charges payable by Buckingham will be exempt once the facility is designated as a municipal capital facility (MCF) in accordance with the provisions of the Municipal Act, 2001 and associated regulations.

The City's portion of development charges will be exempt subject to the building permit application being submitted on or before April 1, 2022. Buckingham will still be required to pay the applicable development charges to the Region of Waterloo, Waterloo Region District School Board and Waterloo Catholic District School Board.

The City will designate the addition to the existing facility as an MCF for a period of 20 years. Accordingly, the assessed value for the facility will be frozen at the 2021 value and municipal property taxes for the addition will effectively be exempt from the payment of property taxes for that period. Buckingham will only be required to pay taxes on the 2021 assessed value of the existing facility, subject to annual tax levy increases.

Upon the expiration of the 20-year MCF agreement, the City proposes to enter into a new MCF agreement on the same terms and conditions for the balance of the initial term of the lease.

Once the facility ceases operating as an MCF, the property tax exemption will cease to apply and property taxes will be calculated based on the applicable assessment value for the entire facility at that time as determined by the Municipal Property Assessment Corporation.

The City will refund all building permit fees, if the occupancy permit for the proposed expansion is obtained on or before September 1, 2023.

Facility Design Consideration

The City staff will provide input and approve the final design. The City will not be able to provide further design input after approval of the final design. Buckingham may request and shall obtain the City's approval prior to implementing any material changes during the construction.

Summary

City's Ice Time Needs

The most recent needs analysis demonstrates that the City requires 2,400 hours of primetime hours between September 1 and April 15 and up to 400 hours of non-prime/summer ice time. Minimum guaranteed ice hours to be purchased at the

Cambridge Sports Park will meet the City's current requirement for ice as a result of decommissioning the Dickson and Duncan McIntosh arenas.

Currently allocated storage and office space to sports user groups at Dickson and Duncan McIntosh arenas will be available at the expanded Cambridge Sports Park.

Buckingham and the City have experienced difficulties and delays to finalize the proposed business terms as a result of substantial changes in construction costs since early 2020 due to the pandemic and supply-chain issues.

Existing Policy/By-Law

N/A

Financial Impact

Buckingham will pay all capital costs to improve and expand the existing facility to a four-pad facility. The City will not be responsible to contribute any cost towards the upgrade and expansion of the facility.

Buckingham will be fully responsible for all operating costs of the facility including maintenance of ice surfaces, change rooms and other facility components and providing ice facilities to the City's recreation services.

The City will incur an annual cost of \$1,245,000 to purchase ice time which will be subject to annual inflationary adjustments as per the Consumer price Index (CPI).

In addition, the City will also pay an annual base lease amount of \$150,000 which will be subject to annual inflationary adjustments as per the CPI.

Based on ice rental revenue projections and potential operational savings due to decommissioning of ice at Duncan Macintosh and Dickson Arena, it is anticipated that the financial impact will be a net operating budget impact of \$675,000 with an estimated tax rate impact of 0.67% to rent up to 2,800 hours of ice time (2,400 hours prime time ice 200 hours non-prime time ice and 200 hours of summer ice time) on two new proposed ice pads at the Cambridge Sports Park.

The operating budget impact calculation assumes that 80% of the ice available to the City will be rented to the City's ice users at the City's published ice rental rates for all arenas.

One-time costs of approximately \$600,000 will be incurred for Buckingham's request for the City portion of development charges to be exempt and building permit fees to be refunded.

Capital costs and operating budget impacts to build and operate a City owned twin pad arena was presented to council on June 4, 2019 and available as appendix- D of council

report [19-178\(CRE\)](#). As of June 2019, the cost to build a City owned twin pad arena was \$26,000,000 to be debt financed with operating budget impacts of 1.8-2.5%.

Public Input

Early in the process staff met with Cambridge Minor Hockey Association to understand their future ice needs and expectations with respect to the expansion to the new twin pad arena.

Internal/External Consultation

The City's negotiation team consisted of the Deputy City Manager – Infrastructure Services, Deputy City Manager – Community Development, City Solicitor, Chief Financial Officer, and Director of Economic Development. The negotiation team also received ongoing guidance and support from the City Manager, Deputy City Manager - Corporate Services, and Deputy City Manager – Corporate Enterprise.

Recreation and Culture staff provided current utilization of ice usage at Dickson and Duncan McIntosh Arenas. Staff has also provided detailed facility requirements and future ice needs for a new twin pad arena.

Staff also had discussions with the cities of London, Mississauga and Vaughan to learn from their experience with these types of public/private partnership arrangements.

Conclusion

Staff is of the opinion that the agreement with Buckingham to improve and expand the Cambridge Sports Park is a significant opportunity and provides an affordable option for offering sustainable indoor recreation services to the Cambridge community.

Signature

Division Approval

N/A

Reviewed by the CFO

Reviewed by Legal Services

Name:

Title:

Departmental Approval



Name: Yogesh Shah

Title: Deputy City Manager – Infrastructure Services

City Manager Approval



Name: Hardy Bromberg

Title: Acting City Manager

Attachments

N/A