

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 20, 2015

Item 18, Report No. 35, of the Committee of the Whole, which was adopted without amendment by the Council of the City of Vaughan on October 20, 2015.

18 MENTANA GROUP PROPOSAL: SPORTS VILLAGE BERKELEY ACADEMY AND ENTERTAINMENT CENTRE

The Committee of the Whole recommends approval of the recommendation contained in the following report of the Executive Director, Office of the City Manager, dated October 7, 2015:

Recommendation

The Executive Director, Office of the City Manager, in consultation with the City Manager recommends:

1. That Staff retain the necessary expertise in order to advance the Mentana Group proposal and undertake a formal due diligence and formal business case analysis and report back to Council with a draft agreement for Council's consideration no later than December 2015.

Contribution to Sustainability

Sustainability means we make decisions and take actions that ensure a healthy environment, vibrant communities and economic vitality for current and future generations.

Economic Impact

The Staff review of the proposal by Mentana Group of Companies has incurred no additional costs to date. However, if Council elects to have Staff undertake a due diligence and formal business case analysis and draft agreement, then Staff anticipate that the City will incur some costs due to required external expertise. These costs would include external consulting to complete a real estate assessment and external counsel to undertake a legal analysis of the current agreement in relation to the proposal.

Communications Plan

Although a formal communications plan is not necessary at this time, future stakeholder and community engagement may be required. A small portion of the estimated budget to complete the due diligence and formal business case analysis would be used for any associated costs.

Purpose

On June 16, 2015, the President of Mentana Group of Companies (Mentana Group) gave, on deputation, a presentation to Committee of the Whole that identified Mentana Group's desire to build an additional ice pad/entertainment venue and a new post-secondary academy at the Sports Village. To undertake this initiative Mentana Group is seeking to purchase the Sports Village lands and restructure the current Sports Village Agreement with the City. Staff have met with the Mentana Group to review the proposal and have developed this report for Council's consideration.

Background - Analysis and Options

Initial Conversations and Meetings

At the conclusion of the deputation given by Mr. Tony Furiato, President of the Mentana Group on June 16, 2015, Council requested that the City Manager and Staff meet with Mentana Group and identify next steps and potential opportunities for the City.

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On June 30, 2015, the City Manager and Executive Director met with Mentana at City Hall. During that initial meeting Mr. Tony Furiato, President and Mr. Bryan Santarossa, Director of Finance & Operations, presented their proposal for the Berkeley Academy and Event Centre at the Sports Village. Based on the information received at this meeting, an internal staff meeting with the Director of Development Finance and Investments and Senior Manager of Real Estate was organized. The internal meeting was held on August 5, 2015. At this meeting, Staff reviewed the proposal in detail and determined that external expertise would be required to evaluate the information contained in the Mentana Group proposal.

An Overview of the Sports Village

In 1999, the City of Vaughan entered in to a public private partnership (PPP) "Municipal Capital Facility Agreement" to develop the "Sports Village Complex" on a 33 acre site. The "Sports Village Complex" is a mixed use integrated recreational development located at Rutherford Road/Melville Avenue (ATTACHMENT 1) and consists of:

- Four NHL sized ice surfaces, operating year-round, featuring adult & youth hockey leagues, ice rentals, tournaments, training and figure skating programs;
- 30,000 square foot Outdoor Sports Park, featuring:
 - Five "NEW" Beach Volleyball Courts;
 - 30 ft. Chameleon Rock Climbing Tower;
 - 3-on-3 basketball courts;
 - Unique in-line skating path, converting to ice skating in winter;
 - Baseball diamonds;
 - Elite Student Athlete Academy (Middle and Secondary School)
- Full service restaurant, with meeting rooms and banquet facilities, complete with an outdoor patio
- Two food concessions, combined with portable kiosks;
- Full-service retail sports store

Municipal capital facility agreements (section 110 of the Municipal Act) are a commonly used agreement that allow municipalities to provide financial or other assistance to any person who is providing a capital facility and who has entered into the agreement with the municipality. Permitted assistance under this section includes giving or lending money and charging interest, and guaranteeing borrowing. The rationale behind the Municipal Act legislation is the link to a public good beyond direct business assistance e.g. (a capital facility for the community). The legislation also provides an exemption from taxation and development charges.

The financial model supporting the development of the "Sports Village Complex" involved a City investment of approximately 45% with the remaining balance largely funded through a financial arrangement guaranteed by the City and serviced by the private partner through Sports Village Complex revenues. The City owns the land, which is leased to the private partner "the tenant". The facility is owned and operated by the private partner, who is responsible for managing all aspects of the day to day business and operations including but not limited to the ice and related programming, food and beverage, maintenance and marketing, promotion of the facility, and the maintenance of the complex in a good state of condition/repair. The land lease has a 40 year term which expires on June 30, 2040 and the facility, which is owned by the private partner, will revert to the City at the end of this term.

There are a number of agreements that support this arrangement and the main financial aspects are highlighted below.

Financial Arrangement

The Sports Village Complex consists of multiple agreements. Highlighted below are financial items, which reflect the essence of the agreement.

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The private partner “the tenant” is obligated to:

- Pay the City a variable rent based on 80% of the available cash (approximately the cumulative income from the previous period audited financial statement).
- To manage and operate the Sports Village Complex, as per the agreement and covenants.
- To maintain the complex in a good state of condition/repair, as per the agreement and covenants. Specific provisions are included in the agreement with respect to facilities audits beginning in the 11th year after construction.

The City of Vaughan “the Landlord” is obligated to:

- Be the Guarantor for the project financial arrangement, stemming from the construction of the Complex. This arrangement consists of a 10 year \$11.17M loan maturing in 2021. Annual payments are approximately \$1 million.
- Provide a forgivable loan to the private partner of \$9.76M for the construction of the complex. The loan is completely forgivable at the end of the forty year term provided that the various agreements related to the complex are adhered to.
- Guarantee the purchase of 5440 hours of ice annually, per the agreement. The City is permitted to sell hours to minor ice sport organizations at the Council approved rate, which are approximately \$200/hour lower than the current market rate for the Sports Village.
- To fund 90 per cent of any approved requirements resulted from operating deficits. These cash requirements are deemed a priority advance and accumulated until recouped from future income.

The Objectives of the Proposed Expansion are Aligned with the Council endorsed 10-year Economic Development Strategy and Active Together Master Plan (ATMP)

The concept, as proposed, could support the City's economic development, tourism and residents' well-being through greater opportunities to participate in organized sport and physical activity.

The Proposed Expansion Could Enhance City's Overall Quality of its Tourism Industries and Support it as a Destination of Choice

The Economic Development Strategy states that in order to support the City as a destination, there are opportunities for enhancement of the existing entertainment amenities that are currently found in the area. Overall, there are a number of creative and cultural industry strengths disbursed across the city, making it difficult for residents and tourists to package these amenities into a coordinated “Vaughan experience”. By creating stronger virtual and physical connections, a hub and spoke concept, radiating out from a central location, the City can enhance the overall quality of its cultural and tourism industries.

The Active Together Master Plan clearly articulates that the City's resources are finite and, therefore, cannot afford to do everything that the community desires. Although the City of Vaughan may be challenged in providing the appropriate financial resources to meet the provision targets recommended as outlined in the ATMP, the City has committed to make every reasonable effort to implement these strategies through a variety of appropriate and acceptable means.

The Proposed Fifth Ice Pad is consistent with the principles in the Active Together Master Plan

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The ATMP identifies that when rationalizing its current and future arena supply, the City should consider three factors. First, single pad arenas are not nearly as financially viable as multi-pad facilities and are outdated from a user perspective as well; therefore, any future arena construction should occur in the form of a multi-pad facility (ideally two or four pads).

Second, public private partnerships are another consideration, as the arrangement with the Sports Village has proven to be a success (all four pads are extremely well utilized). Third, despite the fact that nearly all ice users are likely to drive, geographic distribution and proximity to residents remains a critical concern, particularly to local associations that draw from a defined community.

Working with Mentana Group through a PPP could fund and build a best-in-class complex on the site of the Sports Village, and as stated, bring benefits that support the City's Economic Development Strategy, and be a catalyst for education, arts, culture and tourism development.

The proposal from Mentana Group has three main components –

- **Site Concept Master Plan – Berkeley Academy and Entertainment Centre**
- **Acquisition of the Sports Village Lands**
- **Amending the business terms of the current agreement**

Component one, Site Concept Master Plan, as noted, has many potential economic benefits to the City which are identified in Mentana Group's concept master plan objectives (ATTACHMENT 2):

- Create an exceptional 21st century learning environment
- Create a flexible community athletic/entertainment place
- Create Berkeley Common village centre
- First of its kind iHub in Vaughan
- First of its kind to implement immersive technologies for teaching protocols
- Forge Public-Private partnership to attract state-of-the-art technology (Cryogenics)
- Inspire local youth to develop start-up businesses
- Partner with education and industry leaders; Alexion, YorkU, MarRs Innovation Institute, C21 Canada, Adidas, and MindShare Learning in order to create internships, host innovative workshops and conduct research
- Create sustainable and innovative energy efficient technology. First Canadian School or Structure to implement PaveGen™ power.
- Implement City Farmer horticulture and "Natural Kitchen" program
- Global Partnerships to enhance and promote a diverse and international student body. Berkeley International will train and provide ESL to foreign workers with internships.
- Host and promote elite scholastic tournaments and Junior Hockey.
- Host and partner to promote at least 30 mid-market music concerts for up to 5,000 spectators
- Promote and host education trade and curriculum symposiums
- Host outdoor events within Berkeley Common for graduations, symphonic concerts and other community-based events.

The second component of the proposal, acquisition of the Sports Village Lands, identifies Mentana Group's desire to acquire the entire 33 acre site at a fixed cost of \$10 million dollars.

The third component of the proposal seeks to amend the business terms of the current agreement. Mentana Group has noted that any amendments will adhere to the agreements already in place. The proposal provided by Mentana Group highlights the following:

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The Omnibus Agreement which was previously entered into between The Bank of Nova Scotia, the City and Mentana, in which appropriate priorities and subordinations of relevant documentation were set, shall be used to amend and revise all required aspects of the revised agreement. The Omnibus Agreement will be required by The Bank of Nova Scotia to confirm its security.

Guarantee on Credit Facility. The City will maintain the guarantee on the original take out mortgage until retired, however, the City shall receive a guarantee fee, which shall be determined, based on the balance of the original mortgage commencing in 2017 adjusted for CPI annually thereafter. The City is not required to provide a guarantee on any future credit facility for the expansion.

Risk/Exposure. The City will not be required to fund cash shortfalls. Mentana Group will be responsible for all operational liabilities. The City Loan Agreement will be amended to reflect the obligation of Mentana to cover operating and capital deficiencies and the new expansion.

Contract Ice Allocation. The City will not be required to relinquish any of the current subsidized ice allocation and will receive additional ice allocation for the 5th pad calculated proportionally.

Next Steps

The Mentana proposal could provide economic opportunity for the City and is also aligned with the Active Together Master Plan and Economic Development Strategy. Staff believe it would be appropriate to undertake a due diligence analysis with the intent to provide Council with a clear understanding of the following considerations:

- Value of Land
- Value of Offer
- Financial Analysis
- Community Engagement
- Procurement Process
- Parkland Replacement
- Impacts on current recreational programming

To that end, Staff will formalize a working group led by the City Manager's Office consisting of internal staff and external expertise to report back with a draft agreement to Council prior to year-end 2015.

Relationship to Vaughan Vision 2020/Strategic Plan

This report is consistent with the Vaughan Vision 20|20 Goal: Organizational Excellence:

Ensure Financial Sustainability – Using financial resources wisely by making informed decisions that take into consideration the affect on the current and future operations of the City.

Manage Growth and Economic Well Being – Creating a positive environment that encourages innovation and prosperity.

Regional Implications

No regional implications are associated with this report.

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Conclusion

In its 16th year of operation, the Sports Village operated by Mentana Group of Companies has already established itself as a unique facility in Canada. While it is recognized as an excellent venue to play hockey, it is also earning widespread accolades for producing outstanding athletes for the next level of their development, whether in the professional ranks of the NHL or the junior level at the OHL or the over 200 scholarships to NCAA schools. As evidenced by the recent NHL draft (three of the top ten drafts attended school at the Sports Village) Mentana has been able to be top of mind for professional scouts, coaches and the athletic departments of universities.

Working with Mentana Group through a PPP could fund and build a best-in-class complex on the site of the Sports Village, and as stated, bring benefits that support the City's 10-year Economic Development Strategy, and be a catalyst for education, arts, culture and tourism development.

With the assistance of external expertise and a formalized working group working closely with Mentana Group, it is anticipated that a detailed and comprehensive analysis will provide Council with the requisite information to direct Staff as to next steps.

Attachments

Attachment 1: Site Overview and Site Context

Attachment 2: Mentana Group Site Concept Master Plan – Berkeley Academy and Entertainment Centre

Report prepared by:

Tim Simmonds, Executive Director, Office of the City Manager

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)