REQUEST FOR DECISION

Subject: The Fenlands Lease Vacancy

Presented to: Governance & Finance

Date: 2020 August 10

Submitted by: Amanda Arbuckle, Manager of Recreation Services

Item #: 7.2

RECOMMENDATION

That the Governance and Finance Committee direct administration to seek community feedback on options for The Fenlands lease vacancy including a potential retrofit of arena 2 and return to Council with the findings.

BACKGROUND

Reason for Report

Administration is providing this report to council in response to the following motion that was passed at the July 13th Governance and Financial Committee Meeting:

That the Governance and Finance Committee direct Administration to return to a future Meeting of Governance and Finance with additional information with respect to:

- The funding aspects associated with the proposed options;
- A financial debrief of the use of this facility;
- A high-level summary of the how the space may be used for the various options;
- A comparison of the pros and cons for the different user groups/ community associated with the proposed options;
- The financial impacts of the various options;
- To further explore funding options for the Field House; and
- Provide options for community feedback.

Summary of Issue

In May of 2020 the Banff Hockey Academy lease was terminated and as a result there is now approximately 3750 square feet of space that is vacant at The Fenlands (offices, player rooms, gym, etc.). As a result, a net revenue loss from ice rentals and lease payments in the amount of $120,000 per annum is expected until a new lease or operating model for the space is established.

The Town's internal team provided an overview and summary of recent recreational trends and community input with respect to recreation garnered through strategic plans and reports in a business case format at the July 13th Governance and Finance meeting. Three options for the space are currently being presented and include:

1. Enter into a new lease agreement with a private operator (ice or non-ice related business). This option would require a public procurement process;
2. Enter into an operating agreement with a non-profit similar to the Banff Curling Club and Banff Greenhouse Society for operation of the space; and
3. Not enter into an agreement with an external user and have the space operated by the municipality for public programs and rentals.

-

The report noted that a variety of amenities could be considered, pending community feedback and consultation. However, an option for a field house (conversion of arena 2), fitness centre and multi-purpose room (in former lease space) was highlighted, as this combination of amenities seemed to meet most of the strategic goals and tactics in the Recreation and Services and Facilities Master Plans, as well as the 2018 Community Social Assessment and Community and Council Strategic Plans. The key highlight from the proposed recommendation was that most indoor recreational amenities are available in the Banff / Canmore region, with the exception of a field house.

The Town was fortunate to have GEC Architecture provide a brief financial estimate for the proposed field house, fitness centre and multi-purpose amenities at no charge. Were council to request that further amenity options such as a rock climbing wall, pool, gymnastics centre, squash courts, etc. be considered, administration would recommend that a firm that possessed both engineering and architectural experience with recreation facility retrofits be secured following a public consultation process. The firm could then provide conceptual drawings for preferred options and an overview of estimated operating and capital related costs.

Below is a brief overview of estimated budget implications for options one and three as compared to the 2019 year end actuals when BHA was operating. To note, the estimate for option one (private leasehold) assumes that the tenant would be an ice related business, and the lease rate has been set at $35 per square foot versus the $11.50 historically paid by the BHA. The proposed lease rate has been established based an average taken from nine other Alberta recreation facilities in 2019. To note, administration would recommend that an analysis be done to determine the cost-recovery rate for the space if this option was to be further entertained to ensure that there was transparency with respect to potential subsidization for a private entity by the general tax base.
Option two (non-profit) is not currently being presented as the amenity options are unknown at this time, and were there a value added benefit to community, council could entertain a lower rental rate to support resident well-being.

	2019 Year End (with BHA lease in place)	**Option 1 a** (ice skating leasehold)	**Option 1 b** (non-skating leasehold with field house)	**Option 3** (fitness, multi-purpose and field house)
Revenue				
Activity Revenue	$710,000 (actual)	$799,750 (proposed)	$672,500 (estimated)	652,500 (estimated)
Expenses				
Wages	$945,000	$945,000	$890,000	$890,000
Contract & General Services	$285,000	$285,000	$265,000	$265,000
Materials, Goods & Supplies	$1,015,500	$1,015,500	979,500	979,500
Net Operating Cost	**-1,535,000**	**-1,445,750**	**-1,462,000**	**-1,482,000**
Difference between 2019 actual	**n/a**	**+89, 250**	**+73,000**	**+53,000**

-

As demonstrated above, and as compared to the 2019 year end actuals, all of the proposed options see a minor, but less net operating cost overall. Leasing the space to an ice related entity requires the same amount of staffing as is currently in place, but sees the greatest amount of activity revenue with lease space rates and ice bookings. Options 1 B (a non-skate related business leasing the wing and the ice converted to fieldhouse) and Option 3 (the wing converted to a fitness centre and multi-purpose space and ice converted to a field house) both see lesser revenues overall, but have wage savings and utility cost reductions with one of the ice sheets being removed. Overall, the financial differences between each of the options proposed are minimal.

As previously presented, there are a variety of benefits and challenges with each of the proposed options. Below is a table that summarizes some of those high level benefits and challenges.

	Option 1 (Lease)	**Option 2 (Not for profit partnership)**	**Option 3 (Town operated)**
Benefits	• Stable revenue achieved through an established lease agreement. • Could result in program diversity / compliment in the facility (i.e. hockey program, physiotherapy, etc.)	• Some revenue could be achieved through a partnership agreement. • Could support program diversity to meet resident needs. Examples: Junior Hockey, Arts, Library or Seniors non-profits. (Similar to the Banff Curling Club or Greenhouse Society). • More access to grant program funds (provincial and federal)	• Ability to adapt / modify the space to meet current and future resident needs. • Ability to achieve many strategic goals and master plan tactics. • Municipality has the flexibility to determine to what rate facility use is user or tax funded and has control of admission rates. • Full facility access for Banff residents and ability to offer a myriad of programs and services. • Ability to support non-profit users and groups through access to facility space, program delivery, etc. • Ability to replace lost revenue with future uses (i.e. anticipated rental demand for proposed amenity of indoor field house)

-

Challenges	• Administrative time to establish and manage lease agreement. • If a non-ice business, Arena 2 would remain highly underutilized. • If an ice business, residents would still only have access to one ice sheet, with the other being used primarily by private entities to offset facility operating costs. • Would not support the achievement of Banff's strategic plans and goals. • The Town of Banff has limited public facility spaces • Similar challenges with public dressing room capacities access as leasehold space does not have showers or washrooms.	• Town would have limited ability to ensure program offerings meet current / future community and strategic needs. • Highly variable levels of revenue potential, all dependent on success of user group • Typically Volunteer / Director led with some paid positions. • High level of administrative support typically required from the Town	• Were Arena 2 to be converted, Arena 1 would be at capacity with resident use in winter for ice bookings, thereby reducing availability for out of town ice bookings

Communication Plan

Administration recommends seeking public input on options for The Fenlands that will meet existing and future needs. A public consultation process will compile opinions for council's consideration in making decisions about use of the vacated lease space and possible changes from previous master plan documents.

Internal resources would be used to conduct consultation within a limited budget. A two-stage approach is recommended:

1. Generate ideas and prioritize principles about use of the space, using an in-person bulletin board, similar to the activity board previously used for the Environmental Master Plan consultation outside Town Hall; and
2. Invite input through an online survey sent to existing Fenlands user groups and the wider Banff community. The survey would be promoted on the Town's social media platforms and website. The survey would narrow the selection of feasible options from the ideas generated in Stage 1, and gather feedback on the priorities for using the space.

-

The project web page and survey would include:

- Summary of most important principles for use of space;
- Summary of top recreational options from Stage 1;
- Cost implications (user fee/tax) for potential retrofit of different scenarios;
- Input on level of support for scenarios;
- Input on level of support for an increase in property tax for potential amenities;
- Input on level of support for sport tourism / sponsorship in the facility to offset operating costs;
- Input on anticipated indoor recreation participation per household, and frequency; and
- Input on barriers to indoor recreation participation.

Findings from the two-stage consultation would be presented to council at service review.

Current Funding options

At this time, there are no confirmed external funding sources in place for any scenario. Prior to exploring any funding opportunities for potential Fenlands retrofits, administration would like to first seek approval to conduct public consultation and to return to council with the findings. By doing so, administration would be positioned with community endorsement and council direction for the proposed future vision of the Fenlands prior to exploring any potential grant options or funding sources down the road.

Response Options

The Governance and Finance Committee may:

1) Direct administration to seek public feedback on community options for The Fenlands lease vacancy including a potential retrofit of arena 2 with alternate amenities to ice and return to Council with the findings;
2) Advertise an RFP for the vacated lease area at the Fenlands (i.e. not pursue community uses in the vacated wing), but continue to seek public feedback on community options for arena 2 with alternative amenities to ice;
3) Actively recruit an ice operation (i.e. hockey school, junior A/B team) to replace the current vacated wing and not proceed with community consultation on alternative amenities to ice at this time; or
4) Not proceed with any of the above response options and direct administration otherwise.

IMPLICATIONS OF DECISION

Internal Resources

Community Services, Corporate Services and The Fenlands Facilities teams are working collaboratively together to develop options for the vacant lease area at the recreation centre.

Banff Community Plan

Social

- Improve the quality, quantity and access to social programs, recreation, education and cultural facilities.
- Offer a wide range of quality recreation and active living programs.

-

Council Strategic Priorities
Enhancing Quality of Life – Addressing Cost of Living Goal (provision of affordable offerings for residents through the provision of accessible recreational amenities)

Other
Banff Community Social Assessment (2019) – Cost of Living, Community Wellness
Recreation Programs and Services Master Plan (2015)
Banff Recreation Facilities Master Plan (2013)

ATTACHMENTS
None

Circulation date: 2020 July 29

Submitted By: On Original
Amanda Arbuckle, Manager of Recreation

Reviewed By: On Original
Kelly Gibson, Town Manager