

**CORPORATION OF THE TOWN OF GEORGINA**

**REPORT NO. RC-2017-0033**

**FOR THE CONSIDERATION OF  
COUNCIL**

**SEPTEMBER 20, 2017**

**SUBJECT: MURC –EXPRESSION OF INTEREST (EOI) PARTNERSHIP RESULTS  
AND LAND SELECTION STATUS UPDATE**

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**1. RECOMMENDATION:**

1. That Council receive Report No. RC-2017-0033 prepared by the Recreation and Culture Department dated September 20, 2017, respecting the MURC – Expression of Interest (EOI) Partnership Results and Land Selection Status Update.
2. That Council direct staff to develop and issue an RFP for Food and Beverage Services for the MURC Facility at the appropriate time during the project development.

**2. PURPOSE:**

To provide Council with an update on the evaluation results of the Expression of Interest (EOI) for MURC Partnership Opportunities and the status of the Land Selection.

**3. BACKGROUND:**

**3.1 EOI Partnership Opportunities**

On July 19<sup>th</sup>, staff provided Council with a brief status update on the recent closing of the Expression of Interest (EOI) RC2017-032 Facility Partnership Considerations which closed on July 6, 2017. The document was advertised in the Georgina Advocate and the Town's Bids and Tenders page. Staff also circulated the opportunity to local sports organizations, health and wellness agencies, school boards, Southlake Regional Health Centre, Region of York Community and Health Services, private food and beverage businesses, medical professionals, local BIAs, Chamber of Commerce, and surrounding Economic Development Offices.

There were twenty-one (21) Plan Takers and Eight (8) submissions. Council was disappointed to learn that there were only 8 submissions. Feedback from Council at

the July meeting discussed the ability or option of re-issuing the EOI in order to expand the potential interest. Staff further explained how the EOI was distributed and the areas it reached. Staff recommended that out of respect for those that did submit, that it would be important to evaluate those submissions and report back to Council on the first round of submission and then to receive further direction at that time.

As such, staff conducted preliminary interviews with some of the proponents that met the criteria in order to gain additional information and to clarify their proposals.

### **3.2 Land Site Selection**

As per Council direction from May 31<sup>st</sup>, 2017, staff reported back in Closed Session on August 9<sup>th</sup>, 2017 with possible site options for Council consideration. The site options were based on land that would accommodate the following:

MURC site with future sports field (4ha) plus 2 ball diamonds = (7ha), plus (1ha) for Fire Hall TOTAL 8ha

- a. as proposed in the Recreation Facility Needs Study (2014)
- b. Parking
- c. Green space (passive recreation areas, playground)
- d. Future sports field
- e. Fire Hall with separate entrance and parking
- f. 2 ball diamonds (space for future consideration)

On August 9<sup>th</sup>, 2017, Council identified a preferred site and staff were directed to continue discussions and evaluation of the preferred site.

## **4. ANALYSIS:**

### **4.1 EOI Partnership Opportunities**

The EOI process was initiated in order for the Town to openly and fairly seek input from the community and business interests on other amenities/features that could be considered in the facility. The partnerships should demonstrate like interests for synergies within a recreational facility resulting in a win/win opportunity without a financial burden on the Town.

As noted in Section 3 of the report, the EOI was widely circulated. Specifically, it reached 85,000 companies (107,000 individuals) in North America who are registered with Bids and Tenders. Typically, Bids and Tenders are issued under specific categories that relate to the work the municipality is seeking (i.e. road work, food services, construction projects, etc.). In this case, as we wanted to reach as many opportunities for consideration, it was issued under all categories. In addition, the EOI was received by 365 Economic Development E-Newsletter subscribers, 134 local BIA members, and 210 Chamber of Commerce members. It was also distributed to local food and beverage businesses, medical and physical health

practices, Southlake Regional Health Centre, Region of York Community and Health Services, York Region Economic Development Department, all 8 Regional Municipalities Economic Development Offices and Chamber of Commerce. Staff would not recommend re-issuing the EOI as the reach was extensive and a new release will likely not bring new results. However, if the Town was searching for a particular partner (such as food services), then it would be staff's recommendation to issue an RFP with the specific details of the search.

It is important to note that, while the EOI process opened the door for discussions of options with potential partners, this EOI does not tie the Town's hands to any one submission. There are no legal rights or obligations between the Town and any Respondent, this was an exploratory process. Subsequent steps would be required in order to establish/negotiate final partnership agreements (such as Tenders or RFPs) if so desired by Council.

Staff completed a review of the 8 submissions. 4 respondents were invited in for a preliminary interview in order for staff to gain additional information or to clarify their proposals. The other 4 respondents did not meet the criteria as they were focused on the design and construction stage of the process which will come later in the development of the MURC. These respondents will be encouraged to consider re-submitting at the appropriate time.

For the 4 respondents that were interviewed, specific details about their submissions will not be disclosed for confidentiality purposes. Details of their proposals could be compromised if Council wishes to issue a subsequent EOI or RFP which would enable other submissions to challenge the proponent that made the original submission and put them at an unfair advantage. Therefore, staff will only share a high level summary of the 4 proposals.

- One (1) gymnastics operation
- One (1) volleyball operation
- One (1) food services operation
- One (1) company proposing a construction/lease back model

#### Gymnastics and Volleyball Proposals

Both the gymnastics and volleyball operations proposed a private for-profit entity while volleyball also had a non-profit portion of their operation. A large amount of additional square footage for both operations would be required to accommodate their proposal. Gymnastics required a large indoor space to be added to the footprint (approx. 20,000sq.ft.). Volleyball proposal doubling the size of the proposed gymnasium (additional 12,000sq.ft.) and proposed a large outdoor beach volleyball complex. In both proposals, there would be an expectation of exclusive use of the space for all or part of their operation.

Both offered to fund the installation of specialized equipment but would want to retain the exclusive use of that equipment. Both offered to lease the space back from the

Town, however, neither operation had the ability to pay for the construction of their space. Therefore, the Town would be expected to build the additional space and cover the costs. With the average construction cost between \$200-\$300/sq.ft., the added scope would add significantly to the base construction costs for the MURC. As the Development Charges are already calculated and maximized for the ability to collect for the MURC, these additional costs would need to be funded through a different source.

The increased gymnasium space recommended by volleyball was based on their observation of a shortage of space available in the community schools that meet their dimension requirements. Their indoor volleyball operation runs from September to April and consists of approximately 36-45hrs per week. If a quad-gymnasium is built and their operation is accommodated within the weekly schedule, this would only use up 11 hours of court time with all 4 courts being used within the week's availability. Therefore, staff does not recommend doubling the gymnasium size to make it a quad-gymnasium based on the operating model. The rental revenue from this operation would not off-set the initial capital investment. Instead, staff would recommend working with the volleyball group to offer rental space within the proposed double-gymnasium to help off-set their operation and shortage within the school system.

The Recreation Facility Needs Study (2014) recommended that a double-gymnasium would meet the needs of the community for the provision of municipal services. A quad-gymnasium would be beyond the recommended scope.

Even though the proposals support the Corporate Strategic Plan *Goal #2 – “Promote High Quality of Life”* via offering a variety of healthy active living choices within a municipal facility and they support *Goal #3 - Engage our Community and Build Partnerships*, these two proposals add significant cost to the municipality, therefore, the proposals as they are offered do not promote a fiscally responsible or sustainable partnership. Therefore, staff believe that the proposals as they are written do not support *Goal #1 “Grow Our Economy” – Sustainable Economic Growth and Employment* – this would not be a sustainable partnership or *Goal #4 “Provide Exceptional Municipal Service” – Organizational and Operational Excellence* – this would not support the objective of proactive financial and municipal asset management.

Although adding these opportunities to the MURC facility would add benefit to the community members' health and well-being by having the ability to access these types of programs under one-roof, the cost to the Town and the taxpayer would exceed the return on investment from the lease arrangements and equipment investment. The Town may also be held responsible if the private operation were to fold in the future. Staff are cautious about the level of subsidization that would be needed for private operations to run out of a municipal facility or municipal lands.

As a result, staff would not recommend partnering with these two proposals as they are currently offered. It would result in both adding scope and footprint to the MURC

beyond the Town's ability to fund and the current land acquisition requirements. The added costs of construction and operation would need to be assumed by the taxpayer.

#### Food Services Operation

The proposal recommends a private for-profit entity offering a snack bar type operation similar to the two located within the municipal arena facilities. Space requirements were minimal at approximately 600sqft (incl. snack bar and storage space).

This proposal supports the Recreation Facility Needs Study (2014) as food and beverage services and storage facilities were identified as ancillary spaces that could be part of the core components to the MURC facility.

The cost of construction for this type of space would be minimal compared to the overall scope of the MURC project and these spaces can be accommodated within the existing proposed footprint.

The proponent proposed a lease/percentage agreement that would off-set the original investment and operation and therefore, is a sustainable partnership.

The food services proposal supports all of the Corporate Strategic Goals.

*Goal #1 – "Grow Our Economy" – Sustainable Economic Growth & Employment*

*Goal #2 – "Promote a High Quality of Life" – Healthy, Safe, Sustainable Communities*

*Goal #3 – "Engage Our Community & Build Partnerships" – Communication, Engagement, Collaboration & Partnerships*

*Goal #4 – "Provide Exceptional Municipal Service" – Organizational & Operational Excellence*

Staff support the opportunity of offering food and beverage services within the MURC facility by a third-party. It is important to note that staff previously analyzed municipally operated versus third-party operated snack bar services within the arenas and it was confirmed to be more financially responsible and sustainable to offer these services by a third-party.

As a result, staff recommend that during the design phase of the MURC that a Request for Proposal (RFP) be prepared with specific details about the type of snack bar operation the Town is looking for, including types of foods, hours of operation, size of space, etc. This RFP would be the next step in seeking and confirming a food and beverage services partner. The proponent that submitted the EOI will be encouraged to consider submitting a formal RFP proposal at that time. Alternatively, Council could forgo the RFP process and begin negotiations with the one EOI proponent that demonstrated interest.

Construction/Lease Back Model

The fourth proponent interviewed was a construction company that offered a public-private-partnership model and even though we are not yet at the construction phase, staff were interested in learning more about the proposal. Therefore, the proponent was called in for an interview.

Ultimately, the proposal was for the construction company to build/finance the construction of the facility and the Town would lease it back from the company. The lease would be a life-long (25+years) lease but would enable the Town to proceed without initial construction costs/investment. As this was more of a financial arrangement and not about the services being provided, the company was not interested in building a pool or a library as they do not see them as a revenue generating entities. Instead they encouraged the Town to consider proceeding with the double-gymnasium and the future proposed fieldhouse but amending the size of both. The size of the proposal had the gymnasium increasing to a quad-gym and instead of one sports field in the fieldhouse, they recommended for it to contain 4 sports fields. They also recommended a user fee rate of \$200/hr for each sports field within the fieldhouse. They believed this model would be more revenue generating and ultimately, they see this as the right combination for off-setting their initial construction investment.

Staff do not see how the current user groups could afford a rental rate of that amount. Nor does the Town have a large enough demand for the indoor sports fields to see all four (4) of them utilized on a regular basis which would be required to help generate the necessary revenue.

The Recreation Facility Needs Study (2014) recommended that a double-gymnasium would meet the needs of the community for municipal services. The sports fieldhouse was a future recommendation, but with only one (1) field recommended. The size of the complex being proposed far exceeds the level of service provision recommended in the RFNS. Therefore, the investment into this proposal takes the focus away from the original amenities that were identified as the core components for the MURC facility (i.e. aquatics facility, library). And therefore, only adds to the scope of the amenities proposed for the MURC facility (with the increased footprint), while still resulting in the large components requiring municipal investment.

Staff do not feel that this proposal meets any of the Corporate Strategic Goals other than the opportunity to finance the initial capital investment. But this is only a benefit if the outcome results in a facility that the community needs.

Therefore, during the future discussions and development of the construction tender, staff would recommend that this type of model could be considered.

#### **4.2 Land Site Selection**

As per Council direction of August 9<sup>th</sup>, staff have scheduled meetings with the developer to continue discussions and negotiations of the preferred site.

### **5. RELATIONSHIP TO STRATEGIC PLAN:**

This report addresses the following strategic goal(s):

GOAL 1: “Grow Our Economy”

Sustainable Economic Growth

GOAL 2: “Promote a High Quality of Life”

2.1 Promote active healthy living through direct programming and community partnerships

2.3 Continue to implement the recommendations of the Recreational Facility Needs Study

GOAL 3: “Engage Our Community & Build Partnerships”

3.7 Continue collaboration and partnerships with community agencies, associations, not-for-profits, Authorities etc.

GOAL 4: “Provide Exceptional Municipal Service”

4.7 Explore alternative service delivery options and opportunities, including public private partnerships

### **6. FINANCIAL AND BUDGETARY IMPACT:**

This report does not have a financial or budgetary impact. Moving forward, the partnerships should demonstrate like interests for synergies within a recreational facility resulting in a win/win opportunity without a financial burden on the Town.

### **7. PUBLIC CONSULTATION AND NOTICE REQUIREMENTS:**

Not Applicable.

### **8. CONCLUSION:**

Although the gymnastics, volleyball and food services EOI proposals demonstrate like interests for synergies within a recreational facility, only the food services proposal results in a win/win opportunity for the Town by meeting the needs of the RFNS and the Corporate Strategic Goals.

Therefore, staff would recommend issuing an RFP for Food and Beverage Services for the MURC at the appropriate time during the development of the project.

Staff will report back on the preferred site discussions following continued meetings with the developer.

Prepared and Recommended by:

Approved by:

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