

ITEM	18
MANAGER'S REPORT NO.	55
COUNCIL MEETING	Aug. 15/77

Re: BURNABY LAKE SPORTS COMPLEX
CALL FOR PROPOSALS - RACQUET SPORT FACILITIES
(Item 25, Report No. 53, August 2, 1977)

On August 2, 1977, Council referred to the Parks and Recreation Commission a report on proposals for racket sport facilities at the Burnaby Lake Sports Complex. The action taken by the Commission on this matter is noted in the attached report from the Acting Parks and Recreation Administrator. A report from the Land Agent containing recommendations on terms for the proposed lease is also attached.

The Land Agent on Page One of his report suggests that the Municipal Act be reviewed for the purpose of determining which section is applicable to the lease that is now under consideration. The reason for this suggestion is that Section 621 provides for a lease of not more than twenty years with the assent of the electors or for a term of five years or less without the assent of the electors, whereas Section 477 allows a lease of property held by the municipality "for any term or terms, including any option for renewal not exceeding in the aggregate ninety-nine years". It is readily apparent that Section 477 is considerably less restrictive than Section 621. The Municipal Solicitor's opinion that Section 477 and not Section 621 of the Act would apply to any lease of the subject lands by the Municipality is primarily based on the fact that:

- a. A thorough search produced no parks reservation/dedication by-law applicable to the subject lands.
- b. Manager Report Items which were referred to Council at the time of purchase indicate "..... which is required for Central Land Assembly purposes."
- c. Companion resolutions authorize purchase only, and do not indicate a "parks" purpose.

The term of the lease as proposed recognizes Section 477 as the one that applies in this particular situation.

It should be further pointed out that in the opinion of the Parks and Recreation Commission and staff, the proposal from Terry Grimwood could not be properly evaluated due to insufficient detail.

Council received the proposal from J. J. Anderson and Group on August 2, 1977. Copies of the four other proposals are submitted herewith.

RECOMMENDATIONS:

1. THAT Council accept the J. J. Anderson and Group proposal with the understanding that this applicant will commence with a rezoning application for the site and that the Planning Department will work with the applicant toward a suitable plan of development subject to:
 - a. The facility being made available for non-member use as outlined in the Group's proposal and as referred to in the Acting Parks and Recreation Administrator's report dated August 10, 1977.

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b. The following terms for the lease:

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- (i) Forty year mortgage to meet the requirements of mortgage companies and to permit adequate time for recapture on the investment.
 - (ii) One year prior to the expiration of the lease, the premises to be inspected by the Municipality to ensure that the said premises have been maintained in reasonable condition. The lessee will covenant to leave the demised premises in a serviceable condition and in a state of repair acceptable to the Municipality. All costs to be borne by the Lessee.
 - (iii) Initial lease to be \$40,000.00 per annum for a period of four years. The lease rate to be re-negotiated every three years thereafter.
2. THAT the Parks and Recreation Commission be advised of Council's decision, and also be sent a copy of the Land Agent's report.

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TO: MUNICIPAL MANAGER July 27, 1977
FROM: LANDS DEPARTMENT
SUBJECT: PROPOSED LEASE OF MUNICIPAL LAND - BURNABY LAKE
SPORTS COMPLEX

In response to the Planning Department's advertisement offering to lease Municipal land for the development of an indoor tennis/racquet/squash court facility in accordance with the proposed Burnaby Lake sports complex concept, four proposals were submitted to us for consideration from the following parties:

- A - Bruno Freschi, Architecture Planning Research on behalf of Dr. Juddman and J. Anderson.
- B - Tom Fawsitt, Lions Gate Properties Ltd.
- C - Edwards, Edwards & Edwards, Barristers and Solicitors, on behalf of T. Mitha and Associates.
- D - Ronald J. Harris

Hereafter referred to by the letters A, B, C, D.

Important Consideration - Section 621 of the Municipal Act should be thoroughly investigated before proceeding with the proposed lease.

The proposed lease of Municipal land for a recreational development has a number of important factors to be considered:

1. Length of lease to be adequate to allow for recapture of capital plus interest.
2. The quality and economic life span of buildings are adequate to either revert back to the Municipality with adequate useful life remaining to maintain and operate or, alternatively, that the life span of buildings be such that upon expiration of the lease, the buildings be removed.

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3. That the lease rate be subject to revision every three years throughout the life of the lease.
4. What will Council's position be if the operation got into financial difficulties, bearing in mind that at least 2000 members would stand to lose initiation fees, etc.? Would we end up subsidizing or assuming the liabilities and taking over the complex?

To help in determining the most equitable lease for both parties, we have visited with a number of tennis clubs throughout the Lower Mainland. Discussions with various managers provided us with the following guidelines:

Ratio of members per court - tennis 125
 " " " " " - squash and racquet ball 115 - 125

A good operation anticipates a 5% per annum turn-over of membership.

Top prestige clubs have three year waiting lists, newer clubs have up to a 20% vacancy factor.

COMPARABLE ANALYSIS OF THE FOUR PROPOSALS SUBMITTED

	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
Descr. of Bldg.	87135 sf 3925 sf 4090 sf 95150 sf	1st stage 56000 sf 2nd stage 61000 sf Ttl. 117800 sf	N/A	45000 sf 5000 sf club 50000 sf
Parking	111 veh.	42000 sf = 140 veh.	N/A	N/A
Constr. Costs	\$4237600 \$44.53 sf	\$2500000 +\$2,000,000 \$38.20 sf	\$1,000,000 N/A	\$905,000 \$18.10 sf

Facilities Offered		Phase			
		1	2		
Indoor tennis	9	6	4	5	6
Outdoor tennis	-	4	4	7	4
Racquet	12	4	4	3	4
Squash	2	3	3	3	-
Badminton	3	-	-	-	-
Practice		2	-	2	

"B" will be built in two stages - "A" offers the most facilities initially. Both C and D are short of facilities

Ancillary	A	B	C	D
Lockers - Men	Yes	Yes	Yes	-
Women	Yes	Yes	Yes	-
Steam Room	Yes M/W	-	No	-
Whirlpool	Yes M/W	No	-	-
Sauna	Yes M/W	Yes M/W	Yes M/W	-
Exercise Rm.	Yes	Yes	Yes	-
Pro Shop	Yes	Yes	Yes	Yes
Day Care	Yes	No	-	-
Babysitting	Yes	Yes	Yes	-
Kindergarten	Yes	No	-	-
Games Room	No	No	Yes	-
Membr. Lounge	Yes	Yes	-	-
Coffee Shop	Yes	Yes	-	-
View Room	Yes	Yes	-	-
Coaching	Yes	Yes	-	-
Showers	Yes	Yes	Yes	-

Membership	<u>A</u>	<u>B</u> Phase 1	Phase 2	<u>C</u>	<u>D</u>	205
Tennis - M	750	600	400			
Tennis - F	480				700 - 800	
Squash - M	1040					
Squash - F	260	400	800		100 - 200	
Badminton	1300	1000	1200			
Total						
Membership	2500		2200			

Initiation Fees		<u>Singles</u>	<u>Couples</u>		
First	250 - \$ 500	250 - \$150	\$250.	250-\$300	Single- \$500.
Second	250 - \$ 750	250 - \$250	\$400.	(Tennis)	Fmly. 2 child.
				120-\$400	\$750.
				(Tennis)	
Third	500 - \$1000	500 - \$350	\$500	225-\$500	
				(Tennis)	
Fourth	1500 - \$1250	Max. \$750			
				\$200 Sq/ Racquet	Non-tennis mem.
					Single.-\$350 Cples.-\$500

Dues					
Family Per month	\$25.	\$35		\$20.83	
Per Annum	\$300	\$420			\$150
Singles Per Mo.	\$15	\$15	\$250		\$100
Per Annum	\$180	\$180			
Junior Per Mo.		\$7.50			
Per Annum		\$90			

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Court Charges					
Tennis Prime Time	\$9 / hr.	\$9 /hr.	\$9 /hr.	\$12.00	1 1/4 hrs.
Non-Prime	\$7 /hr.	\$7 /hr.	\$7 /hr.	\$10.00	1 1/4 hrs.
Outdoor Tennis		\$2 /hr. + \$3 /hr.non-mem.			
Racquet Ball	\$6 /hr.	\$4 - 45 mins.	no charge	\$ 6.00	
Non-Prime	\$4 /hr.	\$3 - 45 mins.	no charge		
					Special con- sideration for schools - racq. \$4.00 tennis \$6-\$8 1 1/4 hrs.

	<u>Week Days</u>			
Prime Time	6AM-9AM 12Noon-2PM 5PM-8PM	10AM-1PM 5PM-10PM Weekends - 10AM-5PM		
Open	6AM-12Noon 7 days	6AM-12Noon	7AM-11PM	7AM-11Pm

Public Access			
1 Racq.	7AM-9AM		2 tennis
1 Tennis	1PM-4PM		2 racquet
\$7-\$10 /hr.	10PM-12 Mdnte. W/end 7AM-9AM 5PM-12 Mdnte.		

INCOME AND OPERATING COST PROJECTIONS

<u>INCOME</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
1st year	\$1,343,784.	\$ 496,945.	\$218,140.	\$439,600.
2nd year	\$1,922,055.	\$ 592,374.	\$307,680.	\$439,600.
3rd year	\$1,232,460.	\$ 608,793.	\$369,720.	\$439,600.
4th year	\$1,120,837.	\$ 838,561.	\$411,490.	\$439,600.
5th year	\$1,196,714	\$ 913,190.	\$342,610.	\$439,600.

Direct Operating Expenses

2nd year	\$ 482,000.	\$ 198,800.	N/A	\$238,350.
3rd year	\$ 521,000.	\$ 205,200.		\$240,268.
4th year	\$ 563,000.	\$ 362,169.		\$262,781.
5th year	\$ 608,000.	\$ 383,849.		\$275,920.

Provision for Taxes

2nd year	\$ 64,800.	\$ 28,000.		\$ 14,000.
3rd year	\$ 69,984.	\$ 30,000.		\$ 15,000.
4th year	\$ 75,583.	\$ 75,600.	N/A	\$ 16,000.
5th year	\$ 81,629.	\$ 82,000.		\$ 17,500.

Long Term Mortgage Service	\$2 Million \$275,000. per annum 20 year term	\$2 Million Stage I, \$275,000 per annum + \$2Million for Stage 2, \$275,000 per annum	N/A	\$110,000. per annum
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Interim Financing

1st year	\$ 372,284.	Not available,		
2nd year	\$ 857,055.	if any		
3rd year	\$ 661.		N/A	N/A
4th year	Nil			
5th year	Nil			

Provision for Re-payment of Investors' Capital

1st year	Nil	Not available,	N/A	N/A
2nd year	Nil	if any		
3rd year	\$ 319,799.			
4th year	\$ 157,837.			
5th year	\$ 177,714.			

Residual to Lease

2nd year	\$ 243,200.	\$ 90,574.		\$ 77,250.
3rd year	\$ 56,016.	\$ 98,593.		\$ 74,332.
4th year	\$ 49,417.	Loss of \$149,208.		\$ 50,819.
5th year	\$ 54,371.			\$ 36,180.

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Building

Both "A" and "B" are proposing to construct similar facilities. 207
"A" proposes to develop a building architecturally designed to complement the Burnaby Lake sports complex environment, thereby increasing the initial construction costs. "B" - by utilizing a standard Butler-type building, reduces the initial construction cost.

Facilities Offered

Initially, "A" offers the most facilities, being surpassed by "B" in Stage 2.

Membership

All proposals stay within the membership to court ratios. Proposal "B" remaining a little on the conservative side.

Fees and Dues Charges

From all the proposals received, the developer recovers a substantial amount of the initial investment back by way of initiation fees which are non-refundable. Most clubs experience a 5% turnover of membership. No allowance for this substantial income was made in the proposals received. Annual dues are relatively constant. Court charges are comparable in all the proposals received.

Income and Operating Cost Projections

Of the four proposals received, only two provided adequate information to establish a reasonable base to open negotiations for the lease of Municipal land. "A" made adequate provision for both recapture and replacement. This left a low residual to lease. "B" failed to make adequate provision for recapture in Stage 1, which has resulted in a correspondingly higher residual for lease purposes. Stage 2 will require additional financing of two million dollars. The gross debt service ratio would be exceeded unless substantial changes were made in the rate structure. Proposal "D" provided adequate information to indicate a possible lease rate but offers very little in amenities.

Land Values

The proposed development is strictly a commercial venture and for the purpose of a lease, should be treated as such. Comparative land sales, having the same load-bearing and fill problems as the subject property, are selling between \$3.00 and \$3.32 per sq. ft. Applied to the subject property, comprising of 214,730 sq. ft., the indicated value is \$712,903.00 less off-site servicing costs of \$206,155.00, leaving a net market value of \$506,748.00 or \$2.36 per sq. ft.

Selection of a Yield Rate

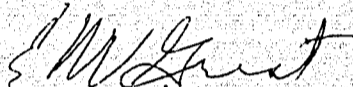
Banks are currently quoting 7½% Interest on 5 year term deposits. Using a return of 7½% per annum on the land value would indicate an initial lease of \$38,000.00 per annum.

Mr. Bruno Freschi, in his presentation, did include in his proforma, an estimate of \$40,000.00 for lease purposes and allowed for increases up to \$54,371.00 by the 5th year.

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Recommendations for the Proposed Lease

1. 40 year lease. This will meet the requirements of the mortgage companies and will permit adequate time for recapture.
2. One year prior to the expiration of the lease, the premises will be inspected by the Municipality to ensure that the said premises have been maintained in reasonable condition. The Lessee will covenant to leave the demised premises in a serviceable condition and in a state of repair acceptable to the Municipality. All costs to be borne by the Lessee.
3. Initial lease shall be \$40,000.00 per annum for a period of four years. The lease rate will be re-negotiated AND every three years thereafter.


E. W. Grist
Land Agent

FAE/jce

cc: Director of Planning
Administrator, Parks & Recreation