

2002 MARCH 06

TO: CITY MANAGER

FROM: DIRECTOR PARKS, RECREATION AND CULTURAL SERVICES

SUBJECT: EVALUATION OF PROPOSALS TO LEASE AND UPGRADE THE HARRY JEROME SPORTS CENTRE

PURPOSE: To inform Council of the results of staff's evaluation of the proposals received to lease and upgrade the Harry Jerome Sports Centre.

RECOMMENDATIONS:

1. **THAT** the three proposals received by Burnaby to lease and upgrade the Harry Jerome Sports Centre (HJSC) be rejected for the reasons outlined in section 3.0 of this report.
2. **THAT** staff be authorized to pursue a fixed 3 year lease agreement with the current tenant, to operate the HJSC.
3. **THAT** if a lease agreement cannot be negotiated, or if the B.C. Volleyball Association (BCVA) fails to comply with the terms of the new lease during the lease period, or if the BCVA has not demonstrated that they can independently sustain operations and prepare for funding longer term facility upgrades, including roof replacement, by the end of the lease period, then staff report back to Council on the possible termination of the lease and demolition of the facility, should an alternate civic use not be found.

REPORT

1.0 BACKGROUND

The Harry Jerome Sports Centre houses a cycling track and multiple volleyball courts. Since 1997, it has been operated by the B.C. Volleyball Association (BCVA), with the track used under an access agreement by the Burnaby Velodrome Club (BVC). Although the first 5 year lease term with the BCVA expired on 2001 December 31, they are occupying the facility on a month to month basis as provided for in the lease, and there is an option to renew for two additional terms of 5 years each. The BCVA have already expressed interest in renewing for an additional 5 year term, should issues with regard to facility improvements be resolved. The facility requires significant upgrading as determined by an engineering consultant's report. The most significant of these is replacement of the inflatable roof membrane.

On 2001 October 15, Council approved a recommendation from the Civic Development Committee to seek proposals from potential user groups to lease and upgrade the Centre.

Such proposals were to be financially sound, based on a business case and be independent of City subsidy or co-funding. A request for proposals was prepared and released on 2001 December 05. The closing date for the request for proposals was originally set for 2002 January 18, however, it was extended to 2002 January 25.

Three proposals were received by the closing date. A staff working group from the Finance, Parks, Recreation & Cultural Services, Planning and Building Departments evaluated the proposals according to the criteria contained in the request for proposals. This report summarizes the proposals, summarizes the evaluation, and makes recommendations for Council's consideration.

2.0 SUMMARY OF PROPOSALS

Proposals were received from:

1. B.C. Volleyball Association
2. The Burnaby Velodrome Management Society
3. Inlet Soccer Inc.

The proposals are summarized as follows:

1. **B.C. Volleyball Association**

The proposal calls for the cycling track to be removed and the Centre to be used exclusively for volleyball. Four new sand volleyball courts are to be installed within the first year of operation to add to the six hard courts which will remain in the Centre. The proposal calls for immediate roof replacement with an insulated fabric membrane (similar to the existing roof type) plus other priority upgrades to be funded by way of loans from Burnaby, a lease arrangement with the roof supplier and other sources.

The BCVA proposes no rent payments to the City over the first five years of operation. In year six, the City will receive \$30,000. Each year thereafter, the payment will increase by \$2,000 and it is proposed that in 20 years (assuming the City extends the lease beyond the 15 year period offered in our request for proposals), the City will have been repaid its initial \$300,000 plus close to an additional \$600,000 in loan repayments and rent.

2. The Burnaby Velodrome Management Society

The Society proposes to operate the Centre primarily as a track cycling venue. However, it would continue joint use with other potential partners such as volleyball and/or indoor soccer, basketball and other sports and special event uses. The society proposes to replace the roof in the second year of operation (2003). Most of this investment is proposed for 2003 when roof replacement is scheduled to occur. The source of funding for the upgrades is mainly proposed government grants, loans and contributions, with a portion hoped to be obtained through private contributions.

The Society proposes no rent payment to Burnaby in the first year; \$18,000 in the second year and \$30,000 in the third and subsequent years. It is anticipated that the Centre's operating costs will be covered by cost savings from the installation of the new roof and through cycling membership fees and floor rentals to volleyball and other groups.

3. Inlet Soccer Inc.

Inlet Soccer proposes to operate the Centre primarily as an indoor soccer facility, with potential use by other groups representing sports such as flag football, field lacrosse, baseball and lawn bowling. It is proposed that the cycling track be removed. Inlet proposes to replace the air supported fabric roof immediately with a frame supported fabric roof, which is a superior quality and more costly alternative. They estimate the cost of this new roof to be \$767,000. In addition, they propose to perform various other upgrades to lighting, washrooms, offices and to construct the indoor soccer fields by August 31, 2002 which will amount to another \$661,000.

Inlet Soccer proposes to fund cost of the new roof (\$767,000) by way of a loan from the City. Repayment would then be made in installments over the lease period. Options for repayment would depend in part on Burnaby's approval of a sports bar and restaurant in the facility, and/or whether they qualify for property tax exemption. It appears that Inlet Soccer will independently fund the \$661,000 worth of upgrades identified in their proposal, which would be done in addition to roof replacement.

Inlet proposes to pay the City of Burnaby \$30,000 per year in rent. They feel the rental income from the indoor fields will be sufficient to cover all operating expenses for the Centre.

3.0 EVALUATION OF PROPOSALS

The criteria used to evaluate the proposals were:

- Bidder's experience in operating a similar facility
- Bidder's ability to fully fund and complete the upgrades to the Centre in a timely fashion

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- Detailed schedule for completion of the upgrades
 - Bidder's standing in the governing body and/or applicable professional association
 - Bidder's financial stability
 - Proposed rent payable to Burnaby
 - Type, variety of proposed programs and the ability of Burnaby residents to gain access to them
 - Any other benefits offered by the Bidder which are not specifically addressed in this request
 - Completeness of the Proposal.

On the basis of the review undertaken, staff recommend that none of the proposals be accepted. This is primarily because they all heavily rely on City funding for their upgrade programs to succeed. This is contrary to the terms of reference in the request for proposal. It should also be noted that the proposals were mainly oriented toward regional interests. In addition, because of the speculative nature and lack of clarity in many elements of the proponents' business plans, there is a strong possibility and serious concern that operation of the Centre under these proposals would continue to need to be subsidized by the City in the short and/or long term.

4.0 OPTIONS

Rather than recommending proceeding with demolition of the facility, staff recommend that the City consider a short term alternative for the facility. This would involve pursuing a short term lease agreement with the current tenant. Staff suggest that the BCVA be provided this opportunity because their business plan appeared to have the greatest potential to generate revenue for reinvestment in the facility, and because of the notably high level of participation of Burnaby residents in their volleyball program. It should be noted that the City would not, under this approach, provide the funding to enable construction of a new roof, which was requested by the BCVA in their proposal. As such, roof replacement would not occur. In addition, pursuing this approach would require the removal of the cycling track to enable the BCVA to undertake their planned program expansion. Although the City owns the track, Burnaby would ensure that the Burnaby Velodrome Club is provided the opportunity to suggest how the track could be salvaged for future relocation, if possible.

The suggested approach would allow the BCVA to remain in the Centre, and may provide them with the ability, through their improved revenue generating capacity, to independently raise sufficient funds to undertake the required upgrades to the Centre.

If a short term agreement cannot be negotiated, or if the BCVA fails to comply with the terms of the lease at any point during the lease period, then the lease will be terminated. In addition, if at the end of the lease period, the BCVA has not demonstrated that they can make the facility economically viable and provide for future facility improvements, then staff will report back and recommend possible demolition of the facility, should an alternate civic use not be found.

5.0 CONCLUDING REMARKS

This report has provided a summary of the proposals received to lease and upgrade the Harry Jerome Centre, and has concluded that all proposals should be rejected. In addition, staff have discussed the prospects for the future of the Centre, and have recommended that we pursue a fixed short term lease arrangement with the current tenant. This approach will allow continued operation of the Centre and possibly provide the tenant the opportunity to build resources to accomplish the required upgrades over the longer term.



KATE FRIARS
Director Parks, Recreation and Cultural Services

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cc: Director Finance
Director Engineering
Director Planning and Building
Chief Building Inspector
City Solicitor

