

2002 APRIL 11

TO: CITY MANAGER
FROM: DIRECTOR PARKS, RECREATION AND CULTURAL SERVICES
SUBJECT: HARRY JEROME SPORTS CENTRE - RESPONSE TO DELEGATIONS
PURPOSE: To provide Council with information in response to the comments raised by the delegations on April 08, 2002 regarding the Harry Jerome Sports Centre.

RECOMMENDATION:

1. THAT this report be received for information purposes.

REPORT

BACKGROUND

Council, on 2002 April 08, heard three delegations representing groups wishing to lease and upgrade the Harry Jerome Sports Centre (HJSC). The delegations spoke to a staff report, received by Council on March 11, 2002 which made recommendations concerning the evaluation of proposals from the groups to operate the Centre. Council had tabled the report to allow the concerned parties to make delegation.

As requested by Council, this report addresses the comments raised by the delegations at the meeting on 2002 April 08.

SUMMARY OF COMMENTS

Burnaby Velodrome Management Society (BVMS)

The BVMS took the opportunity to highlight their proposal. They felt that with the replacement of the roof, the Centre could be a viable multi-use facility which would include the cycling track. Their focus would be on developing it as a National Training facility, but to also develop school age and other cycling programs that would provide increased opportunity for community use. The BVMS proposed that the Centre would be managed by a Board made up of representatives of the various users and funding agencies involved.

The funding source for the new roof and other upgrades would mainly be government grants. They indicated that ongoing operations would be funded by revenue from cycling and other users who would rent the interior of the track. Council's questions focussed on whether the senior governments have made funding commitments to develop the Centre as a National Training facility. The response was that although no definite funding commitment has been made to date, the BVMS feel the project is a perfect fit to receive funding under the B.C./Canada infrastructure grant program. The BVMS asked Council to support their efforts to obtain government funding, which would put them in a position to complete the required upgrades and ensure the track stays in the facility.

Inlet Soccer Inc.

Inlet pointed out that they could fund all required upgrades with their own funds, with the exception of the new roof. They critiqued staff's evaluation of their proposal by noting that they would provide a facility with a local focus, rather than regional, which would also be available for use by youth soccer, rather than mainly for adult league play. They noted that they would develop the Centre for multiple uses, providing space for sports which could be played on the artificial turf surface. Inlet noted that Burnaby's planning documents emphasized the need for more private sector involvement in providing sports facilities in the community.

Council queried Inlet's revenue generating plan, focussing on the proposed rental rates between youth and adult users, on the sports bar proposed for the facility and on whether or not the cycling track would be retained. Inlet clarified that they would have differential rates between adult and youth, to allow youth to use the facility at lower cost. They commented that the sports bar proposal would allow them to fund a greater portion of the capital upgrades. They indicated that their proposal would only be viable if the cycling track was removed.

B.C. Volleyball Association

The BC Volleyball presentation discussed the history of the Centre under the management of the BCVA, and of their desire to continue to grow their programs at the facility. They noted that they have a significant number of Burnaby residents as members and participants in their programs. Their business plan for the facility involved replacing the roof with an air supported structure which would be insulated to reduce operating costs and improve playing conditions inside the building. The BCVA indicated that they could fund the roof replacement by way of lease arrangements with the roof manufacturer, by using their capital reserves, and through bank financing. They indicated that to pay for the capital upgrades and to cover operating costs, they would remove the cycling track to allow for four new sand courts which would generate increased revenue.

Council asked if BCVA would consider an agreement with cycling to retain the track. They responded that they would consider continued joint use if cycling had sufficient funds to contribute to capital improvements and if cycling could provide sufficient rent revenue to achieve their business plan. They indicated that so far, discussions with cycling about scheduling and rent had not produced a feasible joint plan.

DISCUSSION

Several issues were raised by the delegations. The major ones impacting the future of the Centre are addressed below:

- a. Are resource readily available to the proponents to fund infrastructure upgrades?

Council asked about the commitment of the Federal and Provincial governments to provide funding to support the proposal submitted by the BVMS, given that the cost of capital upgrades would have to be supported through government grants. The BVMS indicated that no funding commitments have been made to date by any Federal or Provincial agency. Inlet Soccer have indicated that they can independently fund all capital upgrades, with the exception of roof replacement. By their estimate, they feel roof replacement will cost approximately \$767,000. They are seeking funding from Burnaby to replace the roof. The BCVA are proposing to replace the roof with an insulated air supported roof with an inner liner. Funding would be provided by BCVA cash reserves, a lease arrangement with the roof supplier, and a bank financing arrangement.

Of the three groups, the BCVA appears to have least speculative capital funding plan, and based on their comments at the meeting, their plan appears feasible without dependance on City financing to proceed. Although Inlet Soccer have significant private resources available, those resources are not extensive enough to provide for roof replacement, which is the priority task. Funding available to BVMS would depend on the availability of Federal and/or Provincial grant funds.

- b. Time sensitivity of making a decision with regard to the future of the Centre.

Discussions with the proponents indicates that delaying a decision on the future of the HJSC will have negative impact for a number of reasons. First, uncertainty about the future affects program development for the upcoming season. Volleyball's season ends at the end of April, and the operator usually tries to secure membership for the next season before the current season ends. Any extended uncertainty about whether or not the facility will be operating will negatively affect an operator's ability to be successful in the upcoming season. The BVMS and Inlet Soccer will also have trouble marketing their proposed programs if uncertainty with regard to the future of the Centre persists.

Second, prices for work and materials are only fixed for a certain period of time. In the case of the BCVA proposal, quotes for roof replacement in their proposal are only fixed until the end of April. If they cannot pursue this offer in a timely manner, the cost of replacing the roof may increase substantially as a result. Delays may be costly in other areas as well, and this type of impact would likely affect any potential operator looking to occupy the facility.

Third, the optimum time to pursue facility upgrades is likely the summer, when interruption of facility operation will have the least impact. Should the process be delayed, it may affect the ability of a prospective operator to complete any improvements which will be necessary to facilitate their business plan for the upcoming fall/winter season.

c. What is the best management structure to operate the HJSC?

BVMS have proposed a management Board, with representation from users of the facility, Burnaby and possibly funding agencies. Difficulties may arise with this model when decisions need to be made regarding how to proportionally fund capital improvements, allocate operating costs, and schedule program time in the facility. Particularly, if cycling and volleyball share use of the facility after improvements are made, rents would have to be structured to recover the financing cost of capital improvements. In past years, it has been difficult for the two users to agree on the level of rent in consideration of all the funding requirements to operate the Centre. With a joint use/joint management structure, it may result in an unequal partnership where one partner bears a disproportionate share of the costs than the other.

Given these considerations, it appears that a single managing entity is the most effective way to proceed. This will remove the potential for conflict, and enable the operator to proceed independently with their business plan.

d. Can different operating scenarios generate enough revenue to sustain the Centre?

The delegations discussed various operating scenarios for the Centre. The BVMS suggested that the cycling track could be retained, and that the cycling club could continue to jointly occupy the facility with volleyball under a new rental agreement. The latest fee proposal submitted by cycling indicates they would be willing to pay \$42,000 annually in rent to volleyball. This should be compared to the income that could be achieved if the cycling track were removed. The BCVA have indicated that by removing the track and installing 4 new sand courts, approximately \$76,000 in additional revenue will be generated in the first year of operation, rising to \$120,000 in the fourth year. It should be noted that one time capital costs for removing the track and installing the courts would be approximately \$70,000. Inlet Soccer also indicated that to make their revenue model successful, removal of the track would be required. Inlet Soccer have proposed to install 4 indoor soccer pitches to be rented out at between \$40 and \$125 per hour, depending on the time of day and type of pitch rented.

It appears that any joint occupancy scenario which retains the cycling track would not be able to generate as much revenue to sustain operations, compared to one where it is removed to allow for a use which has a greater revenue generating capacity.

CONCLUSION

This report has briefly discussed the comments received by the delegations appearing before Council on April 08, 2002 regarding the lease and upgrade of the Harry Jerome Sports Centre. Staff have discussed the issues with the proponents, and responded to the major issues raised by the delegations for Council's information.



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

