

2002 JUNE 12

**TO:** CITY MANAGER

**FROM:** DIRECTOR PARKS, RECREATION AND CULTURAL SERVICES

**SUBJECT: RECOMMENDATIONS REGARDING THE LEASE AND UPGRADE OF THE HARRY JEROME SPORTS CENTRE**

**PURPOSE:** The purpose of this report is to provide recommendations resulting from Council's direction regarding the lease and upgrade of the Harry Jerome Sports Centre.

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**RECOMMENDATIONS:**

1. THAT the three proposals originally received by Burnaby to lease and upgrade the Harry Jerome Sports Centre (HJSC) be rejected;
2. THAT staff be authorized to pursue a lease agreement with the BC Volleyball Association (BCVA) which provides for the upgrade and operation of the HJSC according to the principles outlined in Attachment 1 of this report; and
3. THAT staff report back to Council in June 2003 regarding the BVC's compliance with the principles in Attachment 1, regarding the prospects of retaining the cycling track beyond one year, and regarding the future operation of the facility.

**REPORT**

**BACKGROUND**

On March 11, 2002, Council received a report containing recommendations on the future use and upgrade of the Harry Jerome Sports Centre (HJSC). The recommendations resulted from staff's evaluation of proposals received from three groups who had responded to Burnaby's request for proposals, initiated in October 2001. Council tabled the report to allow the interested parties to make delegation, and to allow staff to answer questions on the report. On 2002 May 13, Council lifted the report from the table, amended the recommendations, and referred the amendments back to staff for a further report outlining the details of how Council's directions could be implemented.

This report discusses the details of Council's direction and makes recommendations regarding the future operation of the HJSC.

## **DISCUSSION**

Staff have held a series of meetings with the BC Volleyball Association (BCVA) and the Burnaby Velodrome Club (BVC) with the goal of developing an agreement based on the direction received from Council on 2002 May 13. Discussions have been positive and on that basis, staff have proposed recommendations for Council approval. The key points of the discussion are summarized below:

### **Financing roof replacement**

It was determined during the course of discussions that the roof should be replaced as soon as possible using the independent financing plan arranged by the BCVA with Vancouver City Savings. The roof would be replaced with an air supported membrane with an insulated inner liner. \$550,000 will be borrowed by the BCVA to finance the project. Staff also examined the alternative of a truss supported roof. It was determined through discussion that a truss roof would be prohibitively costly to finance without grant support, and the prospect of obtaining a grant remains uncertain. In addition, to seek grant funding for a truss roof would mean the existing roof would have to remain for another winter, which would subject both parties to significant liabilities. Although operating cost savings may be achieved with a truss roof over the longer term, replacing the roof with a new air supported roof this year will allow the facility to re-obtain insurance, and realize other benefits associated with having the new roof in place for the upcoming season. Roof replacement would likely take place in early fall.

The BCVA will need to amortize the roof loan over approximately 15 years for the financing plan to be manageable. They have requested that Burnaby consider a similar lease term, which would allow the BCVA to gain the full benefit of the new roof while the loan is being paid off. Staff feel this is reasonable, and suggest that a new lease be pursued which takes this into account. A longer term lease will provide the BCVA with the ability to obtain financing to replace the roof this year.

**Use of the \$100,000 provided by Burnaby**

In their original business plan, the BCVA had intended to remove the cycling track and replace it with 4 sand courts which would generate \$76,000 in the first year of operation, increasing to \$120,000 in the fourth and subsequent years. The BCVA indicates this revenue is needed to finance roof replacement and general operation of the facility if it is to be economically viable.

On 2002 May 13, Council directed that the cycling track remain in the Centre for one year so that the BVC could have the opportunity to develop revenue generating programs to sustain their occupancy in the facility. Council also directed that the City provide \$100,000 to the BCVA for this period.

Therefore, the \$100,000 will be used to fund the cost of operating the facility in lieu of the revenue projected from sand courts for one year. This gives the BVC the opportunity to demonstrate that they can generate sufficient revenue from cycling programs to be able to pay the required rent over the longer term, thus making the track an economically viable alternative to the sand courts.

**Principles of an agreement between BCVA and BVC**

City staff, the BCVA and the BVC have been discussing the principles of an agreement which would form the basis for a long term relationship between cycling and volleyball in the HJSC. The parties felt that agreement on these principles was necessary in order to demonstrate to Council that the recommendations could be successfully implemented..

The principles are shown in Attachment #1. In summary, the key elements are the access schedule, the rent amount and terms for payment of rent over the next five years, the terms for termination of the agreement and other aspects of the relationship which will provide for successful joint occupancy. Discussions on the details of a licence agreement between the BVC and the BCVA, which incorporate these principles, have already commenced.

The BCVA and the BVC have expressed support and agreement with the principles outlined in the document. Their support is demonstrated in the correspondence in Attachment #2. On this basis, staff feel the recommendations regarding the lease and upgrade of the HJSC, as presented in this report, can be approved by Council. In addition, it is recommended that staff report back to Council in June 2003 on the status of the BVC's occupancy, and on whether or not the BVC will be able to sustain their operations in the facility beyond one year. If the BVC are not able to meet the terms of the agreement at that time, then we will report on advisability of terminating the agreement and removing the track.

CONCLUSION

This report has discussed the lease and operation of the Harry Jerome Sports Centre. The report discusses the principles for the operation of the facility which were developed by the interested parties in consideration of Council's direction on 2002 May 13. Staff are seeking Council approval of recommendations which will allow staff to pursue a lease agreement with the BCVA, and which will allow the BCVA and BVC to agree on terms for the joint use of the facility.



KATE FRIARS  
Director Parks, Recreation & Cultural Services

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Attachments(2)

p:\admin\cler\hh\DE\PK-RECOMMENDATIONS REGARDING THE LEASE AND UPGRADE

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

## **Draft Principles for Agreement between BCVA and BVC**

### 1. Roof Replacement

The roof will be replaced as soon as possible according to the BCVA financing plan. This involves securing a \$550,000 loan from VanCity Savings, and paying the loan off over the next ten to fifteen years. Construction will likely take place in early fall. A lease agreement with Burnaby will have to be negotiated which provides sufficient time for loan repayment to occur (i.e. 10 to 15 year term).

### 2. Access Schedule

From when the track becomes operational to August 31, 2002 cycling will have access from 6am to noon each day, or as otherwise arranged by the parties.

Cycling access for the use of the track from September 1, 2002 to April 30, 2003 will be as specified in the access agreement negotiated by the parties, which identifies confirmed bookings for cycling during the week, as well as providing for guaranteed access by cycling for special events on weekends. The access agreement provides the opportunity for both parties to use regularly staffed and un-scheduled space (Monday - Friday 9am to 5pm). Either party may submit a request to the Facility Manager to gain access to the facility during these hours. These bookings will be provided at no charge to cycling for programs and events run by cycling, provided that an alternate paid booking is not conflicting. In the event that a paid booking requiring access to greater than 4 volleyball courts presents itself during a time that is booked under these guidelines by cycling, cycling will be given the opportunity to match the potential rental revenue of the paid booking or forfeit its right to utilize the facility at the requested time.

Any other booking requests will be dealt with in the following manner:

- Non-revenue generating programs (programs which are made available to members at no charge additional to their membership fee) such as morning cycling, will be provided at no charge to cycling
- Revenue generating programs (programs to which a fee in addition to a membership is charged) will see cycling and volleyball share all facility related costs incurred evenly (50/50).
- Any program run under these criteria will be subject to review by both cycling and volleyball on a monthly basis
- Any booking request made by a non-cycling group will be required to follow all regular booking procedures and will be subject to applicable rental charges.

3. Rent

For access as specified above, cycling will pay:

Year 1 (July 1, 2002 to June 30, 2003)	\$ 20,000
Year 2 (July 1, 2003 to June 30, 2004)	\$100,000
Year 3 (July 1, 2004 to June 30, 2005)	\$100,000
Year 5 (July 1, 2005 to June 30, 2006)	\$110,000
Year 5 (July 1, 2006 to June 30, 2007)	\$110,000

2% increase in annual rent thereafter until the conclusion of the lease term between Burnaby and the BCVA.

Burnaby will pay the BCVA \$100,000 for the period July 1, 2002 to June 30, 2003.

The payment terms between the BVC and the BCVA will be as follows:

- Year 1 - Equal monthly installments
- Year 2 to 5 - \$50,000 payment on June 1 each year; remainder on October 1 each year OR if a personal guarantee of the rent amount is provided, then in equal monthly installments

Payment terms can be modified upon review following year 2.

4. Default / Termination

Should cycling fail to make payments per the above rental terms at any time during the period of the agreement, then the BCVA will be authorized to remove the cycling track. Cycling will have 15 calendar days to remedy any defaults.

5. Other

- Cycling will receive dollar for dollar rental credit for any moneys they bring to the facility that contribute to the capital upgrades to the facility;
- A track closure protocol will be developed. Maintenance standards will be established, and significant track repairs and inspections will be conducted by an Engineer acceptable to all parties. All track maintenance expenses, including inspections, will be the responsibility of the BVC.
- Insurance will be obtained by the BVC to a level acceptable to all parties (\$5 million)
- All costs associated with building access by cycling, which are established in the access schedule, are provided for in the rent paid.

June 11, 2002

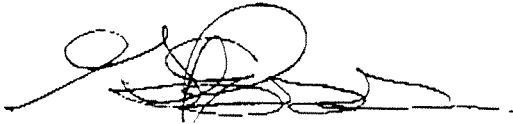
To: Dave Ellenwood  
City of Burnaby Parks and Recreation Staff

Re: Draft Principles for Agreement between BCVA & BVC

On behalf of the Burnaby Velodrome Club, this letter is intended to express our support for the Draft Principles for Agreement between BCVA and BVC. The Draft Principles, submitted to Burnaby City Council on June 17<sup>th</sup>, 2002 by Parks and Recreation staff, covers many of the details relating to access, rent, and operations that BVC, BCVA, and Burnaby have been working towards during the past few weeks. The Burnaby Velodrome Club is committed to making the Harry Jerome Sports Centre a successful, economically feasible multi-sport facility and will continue to work with BCVA and Burnaby in the upcoming weeks to finalize the terms of the agreement.

We thank both Burnaby Parks and Recreation Staff and the Directors and Staff of the BCVA for their time and effort in negotiating this agreement to date.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gordon Ross', written over a horizontal line.

Gordon Ross  
Vice President, Burnaby Velodrome Club

ATTACHMENT #2(a)



**BC VOLLEYBALL**

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June 11, 2002

City of Burnaby  
Attention: Mayor and Council

Letter of Support from the BC Volleyball Association

The BC Volleyball Association supports the Draft Principles for Agreement between BCVA and BVC as presented in the staff report. We hope that the Burnaby City Council will support this document and allow us to move forward with our business plan.

Sincerely,

*Tom Carely*  
per Brian Newman, President



**Baden**



ATTACHMENT #2(b)