

Funding Strategies for the A1 Indoor Soccer Facility

Recommendation

That the June 14, 2021, Urban Planning and Economy report UPE00401, be received for information.

Previous Council/Committee Action

At the February 8, 2021, City Council meeting, the following motion was passed:

2. That Administration explore potential funding strategies, including but not limited to the ARAs (Arterial Road Assessments) and PACs (Permanent Area Contributions) requirements for the development of the proposed A1 indoor soccer facility at 16420 - 26 Street and report back to Committee.

Executive Summary

This report provides an overview of the proposed A 1 Athletic Facility project, its associated infrastructure requirements and some of the known costs, and a summary of how such a project might meet the needs of the surrounding area. The proponent is requesting the City fund a portion of project costs and is requesting \$5-7 million from the City.

The private facility being proposed consists of outdoor fields, two inflatable dome structures covering several indoor fields and an attached, smaller conventional building that would contain facilities including medical offices, non-profit associations, restrooms and change areas.

Private sector facilities like the proposed development, if widely accessible to the public, have the potential to improve the quality of life and health of Edmontonians by providing communities with access to new and increased recreation opportunities. The Approach to Community Recreation Facility Planning does not include the development of a recreation centre in this geographic area; however, the addition of indoor turf would address the current inadequacy for this particular metropolitan amenity.

While there are benefits to this proposal, there are a number of risks associated with this ask. Administration does not have an adequate business case and if funding is

allocated to this partner ask it will set precedent for either the development community or other partnership opportunities. However, if Council wishes to enter into an agreement with A 1 Athletic Facility, Administration would recommend that:

- A binding agreement, which is subject to proper zoning, is used to outline specific public access, benefits, performance metrics, audit provisions, creation of an interest in land, and other measures.
- Standard due diligence is completed prior to entering into a grant agreement such as ensuring the proponents are in good standing with the City, review of business case and operating proforma, construction cost estimates prepared by a professional engineer, as well as proof of third party funding sources sufficient to cover the build out and commissioning of the overall project.
- Council directs a funding source, an amount, and a defined scope to which such funding would be applicable.

Report

Project Background

The A 1 Athletic Facility is a proposed development at 16420 - 26 Street NW in the Gorman Neighbourhood. Attachment 1 shows an aerial photo and proposed development concept plan. The site is not identified as a priority location for activation in The City Plan as the site is not located in a priority node or along a primary or secondary corridor.

The site is presently zoned (AGI) Industrial Reserve Zone and identified as Business Industrial in the Gorman Neighbourhood Structure Plan. The project proponent has advanced applications to rezone the site and amend the plan in effect to accommodate this proposed development. At the time of writing, the applications are being reviewed by Administration in advance of a future City Council Public Hearing.

The facility being proposed consists of outdoor fields, two inflatable dome structures covering several indoor fields and an attached, smaller conventional building that would contain facilities including restrooms and change areas. The structure proposed is similar to that used at the 3105 - 101 Street SW Edmonton Soccer Dome.

The proponent has indicated that the private facility would be used for a variety of athletic activities (i.e. soccer, flag football) and community activities. The proponent has also suggested they are prepared to negotiate an agreement that would allow the public to use the facility.

34 Street NW needs to be upgraded to provide access to the site and the installation of underground utilities are required to service the site. The proponent is requesting a contribution of \$5 to \$7 million from the City to fund the facility or off-site servicing

including road improvements (upgrading 34 Street NW) and sanitary servicing to the subject site. There are risks associated with each approach as funding the facility without a transparent process creates inequality for other community groups and funding the roadway and servicing will create a precedent in the development community.

Preliminary Cost Estimates

Roadway upgrades, utility extensions and other improvements are typically paid for and constructed by developers, as described in Attachment 2.

Based on the plans and engineering reports submitted in the proponent's land development applications, Administration has identified off-site servicing requirements, including upgrading of 34 Street NW, a sanitary main extension, water main looping and storm drainage system that must be undertaken by the proponent should this project advance to construction. The proponent has completed cost estimates for this work, however this has not been reviewed or validated by Administration.

The Arterial Roadway Assessment (ARA) program provides for the allocation and sharing of cost for arterial roadways. Similarly, the Permanent Area Contribution (PAC) program provides for the allocation of and sharing of costs for drainage infrastructure. The PAC and ARA programs are not sources of funding, but they allow the City to ensure that every landowner benefiting from drainage infrastructure and arterial roads, within predefined drainage basins and catchment areas, contribute their proportionate share of the costs. In addition to actual construction costs, the proponent will be required to pay PACs and ARAs for off-site infrastructure that has been or will be built by others from which this development will benefit. Attachment 3 describes off-site servicing.

Recreation Needs

The Approach to Community Recreation Facility Planning document ("The Approach") sets the strategic approach to planning and delivering recreation facilities in the City. According to The Approach, the current service provision of indoor turf is inadequate.

The recent addition of the Edmonton Soccer Dome (Edmonton Scottish Society) and seasonal covering of Foote Field at the University of Alberta have augmented some indoor field use trends and enhanced service levels, however, utilization of these facilities is extremely high (greater than 90 percent booked) as reported by the operating partners. In response to this demand, there are other proponents who have expressed interest in developing an indoor turf facility in partnership with the City, and are in various stages of the existing partner exploration process. Additionally, there are facilities with indoor turf components being explored in neighbouring municipalities in Strathcona County and St. Albert.

Per The Approach to Community Recreation Facility Planning, decisions on partnership opportunities for recreation infrastructure should be made in consideration of all options for building out the necessary facilities, including other partnership opportunities.

Recreation Partnerships

Policy C187A, Enhancing Community Facility Services through Partnerships, directs that the City will actively seek out partnerships, including funding capital projects, operations and programming. This Policy sets the direction to assess by a process that will be open, transparent, fair and consistent with established City business practices to determine overall benefit to the community and value to the citizens of Edmonton. Partners are engaged to contribute to planned or existing City of Edmonton recreation facilities or provide innovative public recreation facilities on their own, adding to the diverse recreation opportunities available to citizens.

Historically, proposals such as the A 1 Athletic Facility would be directed to submit a business case to the Community Facility Partner Capital Grant Program. Administration does not have an adequate business case to provide Council with an analysis of the request, including risks, benefits and costs. This grant program was developed to support partnerships that enhance public use facilities so Edmontonians can thrive in an active and attractive city. A dedicated funding source was established for this program which was allocated to successful project proposals from organizations with a primary mandate in the following key sectors: Arts and Heritage; Indigenous/ Aboriginal; Multicultural; Recreation/ Amateur Sport; and Social Services.

The program provided funding to support capital projects of the types listed below:

- Project Planning
- Life Cycle Replacement / Rehabilitation
- Enhance (Expansion / Redevelopment)
- Build New (Construction of a New Facility)

Funding was limited to no more than 33 percent of the total project costs and funding for Planning Projects was restricted to 50 percent of the total planning project costs. Operating costs were not eligible for funding.

Since this program was eliminated in 2020 as part of 2021 Operating Budget adjustments, Administration is currently undertaking a comprehensive partnership program review that will provide future direction to how the Community and Administration initiates or responds to partners for the operations, program development and delivery, and/or capital development of recreation facilities and assets.

Financing Strategies

When examining financial support for partnerships, projects and other infrastructure requirements the City considers both funding and financing. Servicing Agreements and Local Improvements, are available financing mechanisms for off-site infrastructure for private developments but ultimately developers incur the underlying expenses.

Servicing Agreements and Local Improvement financing both only deal with off-site servicing, so the developer would also pay for and construct all on-site infrastructure and facilities under provisions of Development Permits and Building Permits.

In situations where the City acts as a source of funding, such as through a grant or following a specific direction from Council, there are funding mechanisms such as legal agreements that are used to outline specific public access, benefits and other measures. If this were to proceed in the direction of a funding agreement, Administration would also look at options to use the land as security for obligations that are tied to that funding and for proof of third party funding sources sufficient to cover the build out and commissioning of the overall project.

Servicing Agreements

The most common method of financing a private venture such as the A 1 Athletic Facility would be with privately sourced capital.

Off-site servicing, including water, sanitary, storm drainage, roads, sidewalks, curbs and gutters, street lighting and boulevard landscaping - are constructed at the developer's expense under provisions of a Servicing Agreement between the developer and the City.

Servicing Agreements are legal contracts that specify what off-site servicing must be built and what the developer is responsible to pay for in the context of their specific project. They also identify any PAC and ARA recoveries to which the developer is entitled.

Local Improvement Financing

In some cases, the off-site servicing can be financed through Local Improvement financing. This would require City Council to approve a local improvement bylaw, whereby the City would borrow money to pay for the off-site servicing, manage the construction and installation, and then recover the money over time as a Local Improvement tax on the tax roll of the benefiting property or properties.

The costs of the deep utilities (water and sewer) would be amortized on the tax roll over a period of 25 years, and most surface improvements (road, sidewalk, curb, gutter and landscaping) would be amortized on the tax roll over 20 years. Street Lighting would be amortized on the tax roll over 15 years.

If Local Improvement Financing is pursued for funding off-site infrastructure, a Servicing Agreement will still be required for the payment of ARAs and PACs.

Local Improvement financing could not be used for any on-site improvements, such as the on-site servicing, the sport facilities themselves and can not be used to pay for assessments.

Budget/Financial Implications

There is currently no available funding in the budget for this project. Any financial support from the City would require an agreement with a funding source identified. There are currently no grant funding programs that would apply to a project of this nature. The Approach to Community Recreation Facility Planning does not include the development of a recreation centre in this geographic area, however the addition of indoor turf would address the current inadequacy for this particular amenity.

Legal Implications

If Committee wishes to discuss the details of a potential partnership, including the risks and liabilities to the City of Edmonton associated with such, Legal Services recommends doing so in-private pursuant to sections 16 (disclosure harmful to a business interest of a third party), 25 (disclosure harmful to economic interests of public body) and 27 (privileged information) of the *Freedom of Information and Protection of Privacy Act*.

Risk Assessment

Since 2011 the City accepted, reviewed and prioritized requests for partnership funding through the Community Facility Partner Capital Grant Program process the. This program required each proponent to submit a business case so Administration could assess critical factors such as community access and benefit, sustainability and risks. Funding to the program was eliminated in 2020 as part of 2021 Operating Budget adjustments. It provided up to 33 percent of the eligible projects costs as a matching grant, and was only distributed once other funding was secured by the applicant.

The proponent has provided a document entitled “Business Plan” (see Attachment 4), but critical elements such as confirming project scope, operating plan, budget and financing plan, pricing strategies and guaranteed public and community access will need to be included or enhanced.

One-off funding considerations present various risks in that it may not be vetted against a defined set of criteria or evaluated alongside other potential projects which

would normally compete for limited resources. For example, without an established criteria there is no defined way to evaluate the capacity of a proponent to successfully execute on a project by considering their past experience building or operating such facilities.

Corporate Outcomes and Performance Management

Corporate Outcome: Edmontonians use facilities and services that promote healthy living			
Outcomes	Measures	Results	Targets
Diverse recreation facilities provide more opportunities for Edmontonians to lead healthy lives	Recreation facilities and attractions attendance	2019: 9,090,462	9,000,000
	Community Recreation Centre attendance	2019: 3,543,641	Maintain or increase over prior year

Attachments

1. Site Plans
2. Development Process Overview
3. Off-Site Servicing
4. Business Plan

Others Reviewing this Report

- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications & Engagement
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- R. Smyth, Deputy City Manager, Citizen Services
- K. Fallis-Howell, Acting City Solicitor