

## COUNCIL REPORT

M&C No.	2020-155
Report Date	June 16, 2020
Meeting Date	June 22, 2020
Service Area	Transportation and Environment Services

His Worship Mayor Don Darling and Members of Common Council

***SUBJECT: Implementing Arena Closure Plan – Sustainability Item***

***OPEN OR CLOSED SESSION***

This matter is to be discussed in open session of Common Council.

***AUTHORIZATION***

Primary Authors	Commissioner/Dept. Head	City Manager
<b><i>Tim O'Reilly / Amy McLennan</i></b>	<b><i>Michael Hugenholtz</i></b>	<b><i>John Collin</i></b>

***RECOMMENDATION***

Authorize the City to seek a purchaser for the property upon which the Hilton Belyea arena and adjacent sports field is located, with the condition that the site not be operated as an arena.

***EXECUTIVE SUMMARY***

There are currently four (4) arenas owned and operated by the City of Saint John:

1. Charles Gorman Arena
2. Hilton Belyea Arena
3. Peter Murray Arena
4. Stewart Hurley Arena

The Lord Beaverbrook Rink (LBR) is another recreational ice arena operated by a separate board. TD Station is a sixth ice arena in the City, but its use for recreational ice sports is limited.

Not even accounting for TD Station, there are too many ice arenas in Saint John. Policy, industry standards, and demand levels support this conclusion.

The City's approved Sustainability Plan includes the closure and divestment of one (1) of the above arenas. This will result in a net savings of approximately \$155,000 annually.

The lands upon which the Charles Gorman Arena and the Hilton Belyea Arena sit could both be considered as options for sale. The Peter Murray Arena is within a District Sports Hub and the City does not own the land upon which the Stewart Hurley Arena is situated. The Hilton Belyea Arena is being recommended as the location for closure based upon further evaluation, using the following factors:

1. One Time Estimated Land Sale Price
2. Sustained Property Tax Revenues from Redevelopment of Sold Land
3. Impact on Growth
4. Impact on Community
5. Stakeholder Feedback

Implementation of this item will begin immediately upon approval of the proposed location, with the goal of divesting of the property by December 31, 2020. Should the property be sold with the building intact, it will be with the condition that it can no longer be operated as an arena.

### ***PREVIOUS RESOLUTIONS***

On October 7, 2019, it was resolved by Council to receive and file M&C 2019-249: 'Sustainability: Addressing the Deficit 2021-2022'.

On December 16, 2019, it was resolved by Council to endorse the proposed 'Arena Closure – Sustainability Item' through the closure and divestment of one (1) of the four (4) arenas that are owned and operated by the City of Saint John as an option to be considered in addressing the entirety of the deficit in 2021 and 2022.

On May 4, 2020, it was resolved that Common Council adopt the following:

1. Approve the implementation of the Sustainability Plan and all elements as presented to address the projected deficit of \$10 Million through workforce adjustments (60%), revenue generation, service changes, and continuous improvement efforts in 2021 and 2022.
2. Direct the City Manager to return to Council as and when required for implementation plan approval, including any changes to bylaws, policies or Council guidance and direction.
3. Approve the implementation of Standby Sustainability Initiatives as prioritized to ensure the entirety of the deficit is addressed, inclusive of updated deficit figures, to balance the 2021 and 2022 general fund operating budgets.

Staff notes the Sustainability Plan approved on May 4, 2020 included closure of one (1) arena.

## **REPORT**

There are currently six (6) arenas in the city, including the LBR, TD Station (not fully available for recreational use), and the following four (4) arenas operated by the City of Saint John:

1. Charles Gorman Arena – Millidgeville
2. Hilton Belyea Arena – West
3. Peter Murray Arena – West
4. Stewart Hurley Arena – East

### Over Supply of Arenas in Saint John

Saint John has too many arenas. PlaySJ, the City's Parks & Recreation Plan, recommended there only be 3.5 arenas to serve the City, based on an industry standard of one (1) arena for every 20,000 people. Even discounting TD Station, there are five (5) arenas available for recreational ice sports, at least one (1) too many.

Lower demand levels also suggest an oversupply of arenas. Even during weekday evening and weekend "Prime Time" periods, when more of the population is free to participate in recreational activities, arenas are not fully used. For the 2018-2019 season, 13% of this Prime Time ice was not booked. Even less prime time ice was booked in the 2019-2020 season, but additional factors such as COVID-19 and the introduction of non-resident user fees contributed to even further reduced demand.

During work toward a Regional Ice Strategy in recent years, the topic of Saint John's over supply of arenas was raised. A February 2019 update to this strategy identified this oversupply as a concern from regional stakeholders.

An oversupply of arenas affects both City taxpayers and arena users. City taxpayers subsidize the operating deficits of these facilities, which can be compounded when arenas are not used consistently. In addition to reducing this operating deficit, closing an arena also reduces the City's infrastructure deficit, as capital investment in that closed arena would no longer be needed.

With the introduction of the City's Recreation Subsidization Policies, user fees are based on cost to deliver service. Unfilled time slots on the ice means cost recovery percentages need to be met by fewer users, equating to higher hourly rental costs.

The City simply has too many arenas for existing demand. Closing one benefits taxpayers and users.

### Shortlisting Arenas Considered for Closure

Two (2) of the four (4) City-operated arenas made sense to undergo a more detailed analysis to recommend which to close, being the Charles Gorman Arena and the Hilton Belyea Arena. The Stewart Hurley Arena and the Peter Murray Arena were discounted as options for different reasons.

The Stewart Hurley Arena was determined not to be an option for closure, as the building is situated on land that is owned by the Province of New Brunswick. Repurposing of that land and the potential for future property tax revenue would be out of the City's control.

The Peter Murray Arena was also determined not to be an option. It is part of the larger Memorial Park complex that is recommended to be developed and maintained as a District Sports Hub in PlaySJ, which supports the City's objective of sustaining optimal efficiency in terms of maintenance and operations. In addition, parking is already often over capacity during large events at the complex and sale of the arena without including the adjacent parking area could significantly impact the marketability of the property.

### Analysis of Charles Gorman and Hilton Belyea Closure Options

City staff undertook a detailed comparative analysis of the remaining two (2) options (Charles Gorman and Hilton Belyea) to form a sound, evidence-based recommendation for Common Council. City staff appreciate this is a difficult decision for Council and there is significant community interest.

City staff used the following five (5) factors to guide their recommendation in this report. The factors considered were:

1. One Time Estimated Land Sale Price
2. Sustained Property Tax Revenues from Redevelopment of Sold Land
3. Impact on Growth
4. Impact on Community
5. Stakeholder Feedback

#### **1. Estimated One Time Land Sale Price**

In addition to the net \$155,000 in sustained annual operating budget savings by closing an arena, sale of the property, less cost to demolish the facility, will generate a one-time revenue opportunity for the City.

Develop Saint John was engaged to determine the highest and best use of both properties, as well as overall marketability, in order to put forth a recommendation as to which specific arena would offer the best business case for development. Their findings are attached to this report.

As part of Develop Saint John's analysis, they estimated the sale price of each property without the arena on it. The property at the Charles Gorman Arena is estimated to sell for \$500,000, while the Hilton Belyea site, which includes the arena and sports field property beside it, is estimated to sell for \$150,000.

City staff reviewed and do not expect a significant difference in the cost to demolish either arena.

From the factor of sale price, it makes more sense to close the Charles Gorman Arena and keep the Hilton Belyea Arena.

## **2. Sustained Property Tax Revenues from Redevelopment of Sold Land**

In addition to sustained operating budget savings and the one-time sale price, development on the site of the closed arena when sold would introduce sustained property tax revenue to the City annually.

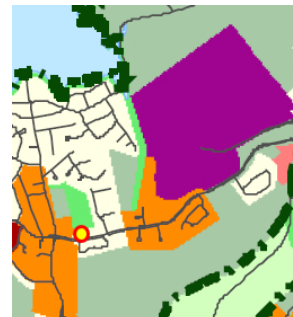
Develop Saint John's report also assessed the redevelopment and annual tax revenue potential for each site. Again, their full analysis is attached to this report. It is estimated redevelopment on the Charles Gorman site would generate \$137,000 in tax revenue to the City annually, whereas development of the Hilton Belyea site would generate an estimated \$40,000 annually.

From the factor of sustained tax revenues to the City with sale and development of the arena site, it makes more sense to close the Charles Gorman Arena and keep the Hilton Belyea Arena.

## **3. Impact on Growth**

Recreation amenities are one factor that can grow a City and a neighbourhood within it. There are numerous studies that demonstrate proximity of recreation amenities affect the demand for other properties around them, spurring increased property values and new development. A major recreational facility such as an ice arena can support growth in an area of the City where growth is encouraged by the City's Municipal Plan.

The Charles Gorman Arena (yellow dot on adjacent map) is in close proximity to the UNBSJ Plateau / Regional Hospital Primary Centre Intensification Area (purple area in adjacent map) where the highest density and most concentrated mix of land uses is identified in the Municipal Plan. The only other Primary Centre in the City identified in the plan is the Uptown Primary Centre. It is also close to two Suburban Neighbourhood Intensification Areas as shown in orange in the adjacent map.



The Hilton Belyea Arena (green dot on adjacent map) is relatively close to the Lower West Side Urban Neighbourhood Intensification Area, but is not close to any Primary Centres.



Its proximity to more Intensification Areas and a higher priority Intensification Area (one of two Primary Centres in the City), together with the evidence that proximity to recreation facilities support surrounding property values and development, indicates keeping the Charles Gorman Arena open has more opportunities to stimulate growth than keeping the Hilton Belyea Arena open.

From a factor-comparison perspective, the important question is how much would proximity to the Charles Gorman Arena directly influence surrounding property values and developments, and would the resulting tax revenues from those properties supersede the property tax revenues that would be made by redevelopment of the Charles Gorman site itself (as per the prior factor discussed).

#### **4. Impact on Community**

Ice arenas are truly regional recreation facilities and users travel to various arenas in the City and region when there is availability. This section of the report does not suggest arenas need to be within walking distance of users; however, general proximity to various neighbourhoods within the City has some value in considering which of the two arenas should close.

Although the City's Ward system crosses geographic boundaries (i.e., Ward 3 includes the South End and Lower West Side), the City is typically considered as divided in its North, East, South, and West quadrants. The East quadrant has one arena, being the Stewart Hurley Arena. The South quadrant does not have any arenas, again discounting TD Station given its other purposes; however, the LBR is very close to it. The Gorman Arena and the LBR are both technically in the North quadrant of the City, but again, the LBR is very close to both the South and North quadrants and loss of the Charles Gorman arena would mean only one arena (LBR) would be within the North and South quadrants of the City. The Peter Murray Arena and the Hilton Belyea Arena are both in the West quadrant. In addition, one of the youth hockey leagues in the City, being Lancaster Minor, also uses Grand Bay-Westfield's arena (River Valley Community Centre) in addition to using arenas in the City's West quadrant.

From the Impact on Community factor, it makes more sense to close the Hilton Belyea Arena and keep the Charles Gorman Arena.

## 5. Stakeholder Feedback

A user group consultation session was held on January 16, 2020, and a survey was conducted. Feedback with regard to the potential closure of an arena was requested as part of the discussion.

From an operational standpoint, no glaring reasons were brought to light during the consultation for choosing one specific arena over another for closure; however, there was a fair amount of qualitative feedback in support of not closing the Charles Gorman Arena. Comments were made during the actual session by a participant who expressed there would be negative growth impacts caused by the closure of the Charles Gorman Arena. In addition, a dozen letters were received from organizers and participants of the Saint John Amateur Speed Skating Club who were very passionate about the importance of the history and overall value of the Charles Gorman Arena to the community.

Based on the Stakeholder Feedback factor, it makes more sense to close the Hilton Belyea Arena and keep the Charles Gorman Arena.





### Variance in Lifecycle Investment Requirements

Your Finance Department completed a Net Present Value (NPV) over the next 25 years considering the operating & maintenance costs, revenue projections based on continued implementation of the Recreation Subsidization Policy, and Capital investment requirements for each of the two arenas over this 25 year period. There was not a significant difference in the NPV calculated for the two arenas and therefore City staff did not consider this factor in assisting to recommend which of the two arenas should close.

### Summary of Factors Comparing Charles Gorman and Hilton Belyea Closure Options

The following table summarizes the preceding sections that described each factor considered in the closure analysis. A green checkmark indicates that arena is a better choice to close from perspective of that factor:

<b>Factor</b>	<b>Charles Gorman Arena</b>	<b>Hilton Belyea Arena</b>
Land Sale Price	✓ (Close)	✗ (Do Not Close)
Sustained Property Tax Revenues	✓ (Close)	✗ (Do Not Close)
Impact on Growth	✗ (Do Not Close)	✓ (Close)

Impact on Community	 (Do Not Close)	 (Close)
Stakeholder Feedback	 (Do Not Close)	 (Close)

More of the assessed factors from this analysis support the closure of the Hilton Belyea Arena, which formed the basis for City staff's recommendation. Implementation of this item would begin immediately upon approval of this proposed location, with the goal of divesting of the property by December 31, 2020.

Implementation of this closure will include advising external stakeholders of the decision, including user groups and canteen operators. The City of Saint John Communications Service will also be engaged to assist in informing the public of the closure.

#### Mitigating Community and Growth Impact of Closed Arena

This report discusses the impact on the community and growth surrounding the site regardless of which of the two arenas are closed. The City's long term capital investment plan will consider opportunities for recreation investment in the area based on asset management needs using some or all of the net land revenues from sale of the property.

#### Arena Operating Model

Exploring alternate lease or sale options for the remaining three arenas was initially presented among the City Manager's list of 60+ Sustainability Ideas in the fall of 2019; however, in a report submitted to Common Council on February 10, 2020, your City Manager removed this Sustainability Idea as an option to pursue further at this time. Factors in the future such as the potential to agree upon a regional ice strategy or acting upon PlaySJ recommendations to pursue a multi-plex ice surface may present opportunities to once again explore alternate arena operating models.

#### **STRATEGIC ALIGNMENT**

The savings realized by the closure and divestment of one of the four arenas that are owned and operated by the City of Saint John supports Council's Priority to be Fiscally Responsible by contributing to the overall Sustainability effort. Closure of one arena also aligns with the right-sizing strategies of PlaySJ.



## ***SERVICE AND FINANCIAL OUTCOMES***

Although some user groups would be rebooked at the remaining arenas, there will be a decrease in the overall number of hours and options available for those who make use of the arenas with the planned closure.

The closure of the Hilton Belyea Arena will result in an estimated operational cost reduction of \$199,000 annually. It is anticipated there could be a loss of revenue of up to \$44,000 associated with the closure of one (1) arena, resulting in a net savings of \$155,000. There is typically a portion of Prime Time ice that remains unbooked each season and there is an assumption that demand for less desirable ice times will increase with a decrease in overall supply, thus allowing a portion of revenues to be maintained.

There will be a reduction in the City's overall infrastructure deficit, as future capital (estimated to be over \$4 million over 25 years) will not need to be invested in the closed arena. There was not a significant variance in terms of the projections of long-term investment requirements required for each of the arenas; therefore, that did not factor in to the recommendations for this report.

Some operational savings in 2020 would be realized, as the arena to be closed would not open for the 2020-2021 season in October.

The demolition of the arena is estimated to cost \$250,000 (+HST), after salvage and sale of some components. Upon securing a deal for the sale of this property, staff will return to Council for approval, and at that time make a recommendation with respect to demolition.

Should the sale of the property or demolition not occur by December 31, 2020, the ongoing cost to the operating budget while the City maintains ownership is estimated to average approximately \$700/month, fluctuating seasonally (up to \$1000/month in the winter).

## ***INPUT FROM OTHER SERVICE AREAS AND STAKEHOLDERS***

Input for this report was received from the following:

- City of Saint John Parks and Recreation Service
- Arena User Groups
- Develop Saint John
- City of Saint John Growth and Community Development Services
- City of Saint John Facility Management
- City of Saint John Finance and Administrative Services
- City Solicitor's Office

***ATTACHMENTS***

City staff presentation to Common Council

Develop Saint John Report:

- Hockey Rink Analysis – FINAL
- Phased Approach – Belyea
- Site Plan – Gorman
- Site Plan – Belyea